



Smart banking.
Made for Switzerland.
Annual Report 2023

PostFinance 

PostFinance at a glance

PostFinance is a diversified, innovation-driven financial service provider that offers its 2.5 million customers modern solutions for managing their finances. As a driver of innovation, PostFinance helps people and companies in Switzerland to tackle the challenges of the digital world.

With around 104 billion francs in customer assets and more than 1.3 billion payment transactions a year, PostFinance is one of Switzerland's leading financial institutions. It is the ideal partner for everyone who wants to manage their own finances as easily as possible.

Profit (ARB)
in millions of francs

164

Capital ratio
in %

22.2

Eligible equity capital
in billions of francs

6.6

Total assets as per ARB
in billions of francs

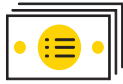
102

Return on equity
in %

3.0

Cost-income ratio
in %

77.9



As at mid-December 2023, there were over **2 billion francs** invested in the four PostFinance Pension retirement funds.



Philipp Merkt
Chief Investment Officer



In 2023, **120 million transactions** were carried out with the TWINT App from PostFinance.



Beat Bieri
Subject Matter Expert
PostFinance TWINT



Every day, PostFinance processes an average of 4 million customer transactions worth **6 billion francs**.



Markus Brunner
Expert at Payment &
Debit Solutions



96 percent of our employees
would recommend PostFinance
as an employer.



Ron Schneider
Head of HR

3,757 employees from 52 nations work daily to serve PostFinance's 2.5 million customers.



PostFinance Ltd
Switzerland



Since May 2023, **230,000 PostFinance Cards** have been registered with Apple Pay.



PostFinance AG
Switzerland



In the 2022/2023 season, the PostFinance Top Scorers raised **192,900 francs** for Swiss junior ice hockey.



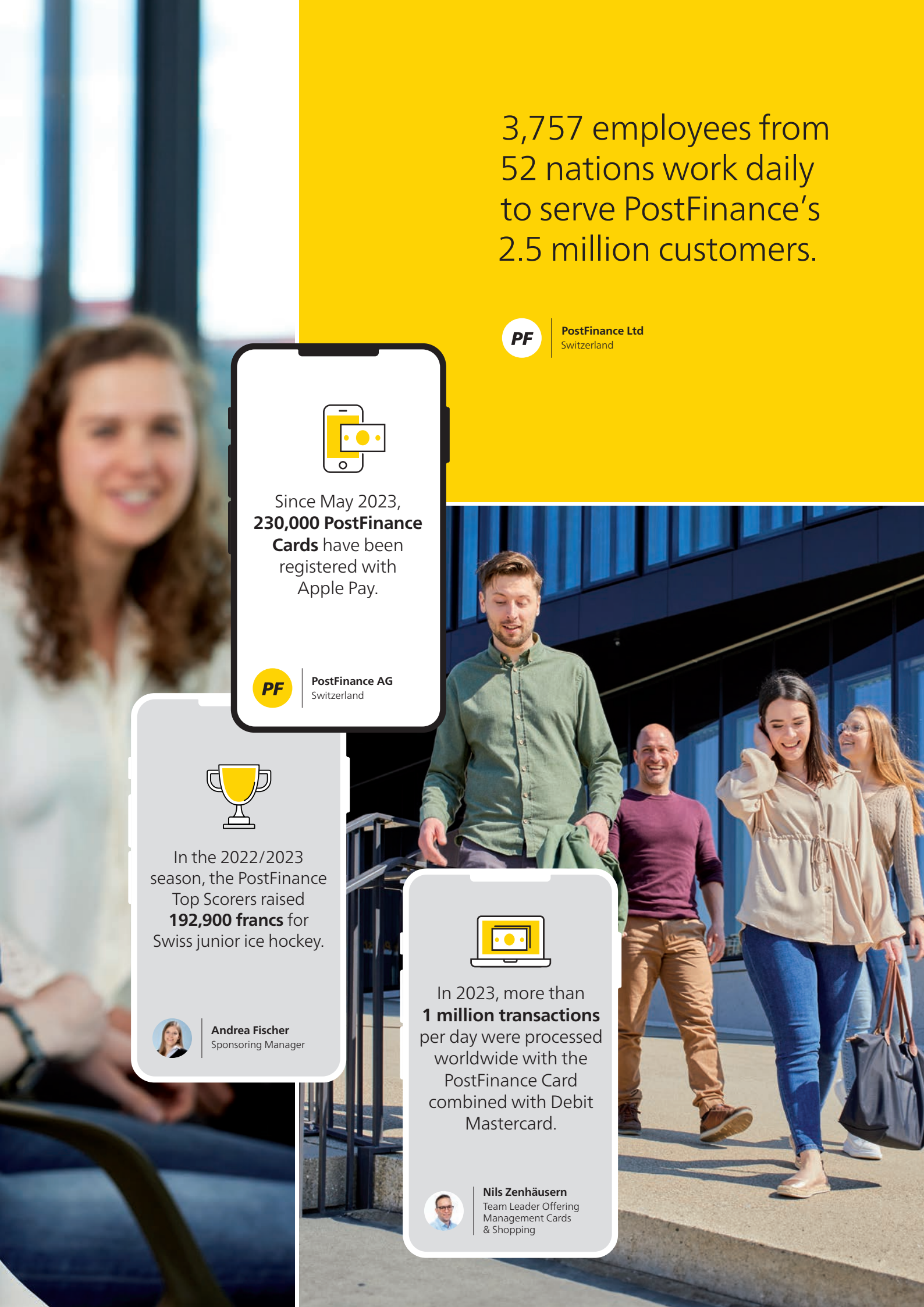
Andrea Fischer
Sponsoring Manager



In 2023, more than **1 million transactions** per day were processed worldwide with the PostFinance Card combined with Debit Mastercard.



Nils Zenhäusern
Team Leader Offering Management Cards & Shopping





Our organization

Board of Directors Chairman: Marcel Bühler Members: Jürg Brun ¹ , Giulia Fitzpatrick, Alex Glanzmann, Bernadette Koch, Hans Lauber, Michaela Troyanov, Maria Teresa Vacalli ²			
Secretary to the Board of Directors Manuel Gwerder		Internal Auditing Isabella Stalder	
CEO Hansruedi Köng*			
Payment Solutions Benjamin Staeheli*	Retail Banking Sandra Lienhart*	Platform Business Thomas Jakob	Finance Kurt Fuchs*
Governance, Risk, Compliance & Legal Felicia Kölliker*	Strategy & Transformation Ron Schneider a. i.*, ³	IT & Operations Markus Fuhrer*	Digital First Banking Markus Schwab CEO yuh

* Member of the Executive Board ¹ Until 6 April 2023 ² From 7 April 2023 ³ From 1 May 2023 Joint venture, 50 percent stake held by PostFinance.

Our performance

PostFinance Ltd | Key figures

2023 with previous year for comparison

		2022	2023
Balance sheet			
Total assets as per ARB	CHF million	114,380	102,257
Capital ratio as per guidelines for systemically important banks	%	21.3	22.2
Going concern leverage ratio	%	4.98	5.32
Gone concern leverage ratio	%	0.56	1.07
Income statement (as per ARB)			
Earnings before taxes	CHF million	194	195
Profit	CHF million	190	164
Return on equity ¹	%	3.2	3
Cost-income ratio	%	77.0	77.9
Customer assets and loans			
Development of customer assets	CHF million	-6,097	-546
Customer assets	CHF million monthly avg.	104,617	104,071
Market and employee key figures			
Customers	In thousands	2,461	2,465
E-finance users	In thousands	1,939	1,986
Accounts	In thousands	3,918	3,877
Customer satisfaction – private customers	Index	78.8	81
Customer satisfaction – business customers	Index	76.1	75
Average headcount	Full-time equivalents	3,250	3,340
Employee satisfaction	Index	79	80
Transactions			
Payment transactions	In millions	1,320	1,368

¹ Return on equity = operating result as per ARB / average eligible equity capital as per ARB.

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We are proud that PostFinance is a bank you can put your trust in, even in turbulent times.



Hansruedi Köng
CEO

Marcel Bühler
Chairman of the Board of Directors

Foreword

Dear Reader

We ended the year 2023 with gratitude and confidence. In the course of last year, the national and global financial markets were shaken by various events that caused even major banks to falter, or indeed to collapse. During this period, it became very clear just how important customers' trust in their financial institution is and how the dynamics of a loss of trust can be accelerated by external factors. Which is why we

are proud that PostFinance is exactly that for its customers: a bank that you can trust, even in turbulent times.

At the end of the 2023 financial year, PostFinance generated earnings before taxes as per the accounting rules for banks (ARB) of 195 million francs. That is 1 million francs more than the previous year's figure and evidence that thanks to the turnaround in interest rates, PostFinance can again expect to see robust growth from a sound position

— Foreword

Interview
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Statutory annual financial statements

after a period of consolidation. It is also pleasing to note that PostFinance enabled its customers to share in the rising interest rates, putting up customer interest rates on various products several times in the past year. Because we paid significantly more taxes than in previous years, our overall profit of 164 million francs was 26 million francs lower than in 2022.

The interest rate turnaround will bring improved profitability in the medium term

The interest differential business is a key source of revenue for PostFinance. As a result of the interest rate turnaround, important drivers have normalized, allowing PostFinance to completely lift the customer asset fees it previously required with effect from 1 October 2022. This stabilized total customer deposits in the first half of 2023. However, from the second half of the year, the SNB's more restrictive policy on business customer accounts also became evident, resulting in an outflow of customer deposits. At PostFinance, new investments are made on a continuous basis within a long-term portfolio and along the annual maturities. This meant higher long-term interest rates gradually resulted in higher income from financial investments over the course of the year. Interest has also been paid on liquid assets held with the Swiss National Bank (SNB) since autumn 2022. By contrast, PostFinance suffered a loss of income from negative interest rates on the interbank money market.

Overall, net interest income – taking account of value adjustments – rose again for the first time after years of margin erosion. It is becoming clear that we are well on the way to a gradual normalization of

the overall interest margin, and therefore to improved profitability of the company. However, compared with other institutions in the Swiss banking sector, PostFinance continues to have a much lower overall interest margin, the result of the prohibition on issuing loans and mortgages.

SNB makes adjustments to the interest on sight deposits

The SNB made adjustments to the interest paid on sight deposits as at 1 December 2023. On the one hand, the SNB reduced the interest rate limit for sight deposits, while on the other, sight deposits held to fulfil minimum reserves no longer earn interest. This adjustment had only a marginal financial impact on PostFinance and, in the absence of further decisions by the SNB, is unlikely to have any material impact on our 2024 result.

Economic trends and changes in behaviour make themselves felt

In both commission business and services and trading portfolio assets, trends became apparent. The continued trend towards online banking caused the number of over-the-counter payment transactions to shrink by 19 percent compared to the prior-year period. The extent to which the growing structural deficit resulting from this trend will be curbed by adjustments to the legal provisions governing the universal service will be seen in the upcoming revision of the Postal Services Act.

Thanks to price gains and net inflows, customer assets in the investment products rose again in 2023 after the market-related negative trend in the previous year, but have still not yet reached the level at the

end of 2021. Commissions from the average fund portfolio therefore remained below the previous year's level. In e-trading, the result was down on the previous year due to cautious trading activity among our customers.

Additional income was generated with the launch of the combined PostFinance Debit Mastercard for private and business customers.

Operating expenses rose by 5 million francs year-on-year. Personnel expenses increased due to the higher headcount and general wage trends. The former is driven in particular by the internalization of external specialists. Together with lower expenses in the programme and project business, this led to a fall in general and administrative expenses.

Changes in the Board of Directors and Executive Board

The past year saw changes in the Executive Board and Board of Directors.

In March 2023, long-serving CEO Hansruedi Köng announced that he would be stepping down at the end of February 2024. Kurt Fuchs (CFO and Deputy CEO) assumed the role of CEO on an interim basis on 1 March 2024 and will remain in place until permanent successor Beat Röthlisberger takes up the office on 1 July 2024. On 1 May 2023, Ron Schneider assumed the role of head of the Strategy & Transformation business unit on an interim basis and was appointed as a permanent Member of the Executive Board on 1 February 2024.

On 7 April 2023, Maria Teresa Vacalli became a new Member of the Board of Directors of PostFinance. The Ticino native replaced Jürg Brun, who stepped down after five years on the Board of Directors.

Relevant and profitable with our strategy

In order to remain relevant and profitable in a difficult economic environment, we have prioritized securing our own economic viability with the SpeedUp strategy and established diversification of income with our non-interest sensitive business. The path we have taken is proving to be the right choice: with financial stability and the return to positive interest rates, we have a sound basis for focussing more strongly than ever on the requirements of our customers. We are building on the trust and positive trend with regard to satisfaction among our private and business customers and looking to increase satisfaction levels again in 2024.

PostFinance on the road to net zero

By defining our climate target of reducing over 90 percent of CO₂ emissions in our value chain by 2040, we are making a contribution to achieving Swiss Post's stated Group target of net zero by 2040.

In June 2023, we validated these targets with the "Science Based Targets initiative" (SBTi).

Welcome developments

This year, we again expanded our product range. In September 2023, we introduced "Combo payment methods", a new milestone product for our retailers. Initially launched as an MVP, it will become available to all retailers in the course of 2024, constituting the basis for a holistic business relationship. From this point on, we offer all electronic payment methods from a single source.

Thanks to our investment in Credit Exchange Ltd (CredEx) and the transfer of our comparison and sign-up platform Valuu to CredEx, we expanded the range of mortgage lending products for our customers, who can now benefit from offers from a total of 17 refinancing partners. This enables us to offer competitive interest rates – an important prerequisite for our growth strategy in mortgage lending via partnerships.

Outlook

Our previously announced services in the area of digital assets were launched at the beginning of 2024, offering our digitally focused customers the ability to trade and hold cryptocurrencies with PostFinance and set up a savings plan with cryptocurrencies. At the political level, we are looking with interest to the Federal Council, which in 2024 will publish its report on the 2030+ universal service obligation. In spring 2024, the Federal Council will also be publishing its "Too big to fail (TBTF)" report.

Thank you

In 2023, we were again able to count on our staff, who worked day after day to ensure the success of PostFinance and the well-being of our customers. For that, we owe them our sincere thanks. We would like to thank our customers – both private and business customers – for their trust in us and in our products. We know that without you, our daily efforts would be worthless. Because your trust is PostFinance's greatest asset. Thank you very much!



Marcel Bühler
Chairman of the Board
of Directors

Hansruedi Köng
CEO



Interview

with **Hansruedi K ng**,
CEO



The year 2023 marked the beginning of a new, positive future for PostFinance.

On the one hand you talk about a slight improvement in PostFinance's earnings before taxes, while on the other reported net profit saw a decline of 26 million francs year-on-year.

Can you help us understand the annual result?

With pleasure. These statements relate to the 2023 result as per the accounting rules for banks (ARB). Earnings before taxes show a result of 195 million francs, up one million francs year-on-year. This can be explained as follows: after years of margin erosion, the net interest balance rose again for the first time by 6.6 percent, or 32 million francs, compared to the previous year. In large measure, however, this growth is put into perspective by lower income from commission business and services and

lower net trading. In particular, the decline in physical over-the-counter transactions led to a deficit of 62 million francs in this area of the universal service, which is more than double the figure for the previous year.

The decline at net profit level is due to the fact that PostFinance will pay significantly more tax for 2023 than in previous years.

The rapid return to positive policy rates since 2022 is a relevant factor for PostFinance. How confident does that make you?

The dynamic trends in interest rates reflect the reaction of the central banks to inflation. For PostFinance, the return to positive interest rates was and is a financial blessing.

It allows us to again place customer funds on the market at positive returns, so we are seeing a gradual normalization of the interest margin. It is not only PostFinance that benefits from this situation, but also our customers in particular. We pass the interest on various products on to our customers, and we are again in a position to focus more closely on customer requirements.

However, the SNB is no longer paying interest on all sight deposits held by banks. What impact does that have on interest income at PostFinance?

This is another step back to normality. The non-interest-bearing portion of the sight deposit balances at the SNB is limited to the statutory minimum liquidity. In our case, this amounts to 1.7 billion francs, which is reduced by our cash holdings (around 850 million francs). This means that the “price tag” for the SNB adjustment is expected to be approximately 15 million francs for 2024, which is very manageable in the overall context.

What did the collapse of Credit Suisse in March 2023 mean for PostFinance?

In the first instance, let me make it clear that for various reasons, we very much regretted the collapse of Credit Suisse. Like all banks, we at PostFinance have a major interest in a stable Swiss financial center – the reputation of an entire industry was at stake. With regard to PostFinance, however, that period didn’t give me any sleepless nights. We know from experience that when the headlines from the banking sector are negative, PostFinance tends to see an inflow rather than an outflow of funds. This was also the case – on a manageable scale – in March. What was encouraging

about the CS crisis is that it showed once again that customers trust PostFinance. We are one of the leading retail banks and represent Swissness and security.

The question now is what are the lessons and consequences of these events. Swiss banks are already heavily regulated and well capitalized.

Does that mean you are against more stringent regulations for banks?

Not in general. But regulation must be sensible and must be tailored to the (systemically important) bank in question. Blanket over-regulation of the Swiss banking sector would have negative consequences for the entire economy. I see the creation of a public liquidity backstop (PLB), which was applied to CS by emergency powers in March, as an example of a sensible regulatory step. Given the fact that the PLB is a standard tool for crisis management internationally, Swiss banks would be on an equal footing with their competitors abroad, which in turn would enhance the reputation of the Swiss banking sector.

With the positive interest rate situation, PostFinance would no doubt like to again hold more customer deposits.

What strategy are you pursuing to attract more customer deposits back?

Well of course every successful company wants to see an appropriate level of growth. What we want to do is offer our customers attractive products and services that have added value, that make their lives easier and that they enjoy. With our crypto range, we are launching just such an “added value product” for our customers to look forward to. And supplementary to our product range, if we keep the quality of our advice high and further improve our customer service processes, then we will be on the right track to attracting more customer deposits back to us.

Does that also mean that PostFinance will in future again be focusing or focusing more closely on the concerns of customers?

The economic environment and the restrictions in our business model left us with no other choice but to prioritize securing our



With our crypto range, we are launching an “added value product” that our customers can look forward to.

Hansruedi Köng



We want to take our responsibilities towards the environment, people and society seriously.

Hansruedi Köng

own economic viability and broadening our revenue base with non-interest sensitive business. Unfortunately, this also meant that we were forced to introduce unwelcome customer asset fees or account management fees for some customers. With the return to positive interest rates, and therefore to financial stability, we now have a sound basis for focusing more strongly than ever on the requirements of our customers.

After TWINT, Yuh is the latest success story from PostFinance (and Swissquote). What makes Yuh so successful?

Yuh offers an attractive “banking experience” for digitally savvy customers and has the advantage that it “comes of good stock”, so to speak. On one side you have Swissquote, a financial institution known for its innovations and digitally orientated products, and on the other you have PostFinance, a bank that enjoys a great deal of trust in Switzerland and has a large customer base. Yuh has shown this year that it is becoming a success among the neobanks. Yuh has repeatedly raised the interest rates on its products above the level of traditional banks. And Yuh has also recently

started offering its own pillar 3a investment solution for young customers, which means that Yuh is now floating the issue of retirement planning with a target group that has previously shied away from setting money aside for old age. Yuh is in tune with the spirit of the times and has what it takes to become Switzerland’s top neobank.

PostFinance Pay is in the pipeline. What should we expect and when will PostFinance Pay come onto the market?

With PostFinance Pay, we’ll gradually be introducing a new payment method for online shops, replacing the two previous payment methods, “PostFinance Card” and “PostFinance E-Finance”. Customers can process the transactions easily and conveniently via their PostFinance App and benefit from an even better and more convenient payment process. This payment method is also an important step towards making “invisible payments” possible in the future, i.e. making PF Pay the default payment method for specific purchases.

Another highlight, announced by PostFinance quite some time ago now, is the crypto range that allows customers to buy and hold cryptocurrencies. Does PostFinance really need to offer this service?

The ability to buy cryptocurrencies and hold them in a safe place – namely at their own bank – is definitely something that a large proportion of our customers want. The major trend towards blockchain technology is not going to die down in the future, and our customers want to participate in this technology. With our range, we let them do just that.

Combo payment methods is a new product for your business customers, where you offer a “holistic business relationship”. What does that mean?

With the introduction of the new “Combo payment methods” service, we have reached an important milestone in our collaboration with our retailers. Acceptance of different national and international methods of payment is a key issue for retailers. We are the only provider in Switzerland that can offer our retailers an acceptance agreement for all common payment methods and combine it with our banking services. Initially introduced as an MVP, we will make this service available to all retailers in the course of 2024, with the medium to long-term goal of being there for our retailers as a holistic, digital and customer-centric partner for the entire payment process.

PostFinance has enshrined corporate responsibility in its strategy. What are you doing to ensure that this is not simply a matter of paying lip service that becomes greenwashing?

We want to take our responsibilities towards the environment, people and society seriously. To avoid the risk of greenwashing, we want to start by defining what sustainability actually means in various dimensions. And then set ourselves specific targets we can use to make an impact: through CO₂ reduction, through sustainable market services and innovations, and in terms of social commitment. In June 2023, our climate targets were validated by the Science Based Targets initiative (SBTi). Our innovative CO₂ calculator, which is based on the transaction data from our customers'

card payments, helps to make customers aware of their ecological footprint. Since 2022, most PostFinance funds and retirement planning funds have been geared towards ESG criteria. We always attempt to consider where we can operate more sustainably in the various areas, from product management and HR through to processes.

PostFinance has been a sponsor of ice hockey's Women's League since 2022 and has now also introduced the Top Scorer concept for women. Why is PostFinance's commitment to the Women's League so important?

Diversity and equality are firmly embedded in our strategy. Equality in sport as perceived in society has gained in importance. As a long-standing partner of Swiss ice hockey, we feel that we have a responsibility to develop women's ice hockey in the way it deserves. We actively support equal opportunities – not only within the company, but also in our commitments.

You are stepping down from your many years of service as CEO at the end of February 2024. What will you take with you from such a long time with PostFinance?

What I'll take with me is a basket full to the brim with experiences and encounters with people, customers, employees, authorities and associations, and so much more.

Much more important than what I take with me is what I leave behind – a modern, well-functioning bank with loyal people, an intact culture and positive prospects. That gives me pleasure, and it also fills me with a little pride.



Corporate governance

Swiss Post Ltd and PostFinance Ltd are guided by the SIX Exchange Regulation Ltd “Directive on Information Relating to Corporate Governance” and the recommendations of the “Swiss Code of Best Practice for Corporate Governance” drawn up by *economiesuisse*.

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by the Swiss Financial Market Supervisory Authority (FINMA) (Circular 2010/1) and the Ordinance on Executive Pay issued by the Federal Council.

Open and transparent communication is the key to good corporate governance. This creates trust among customers, employees, Swiss Post as the shareholder and the public.

Basic principles

Corporate governance forms the regulatory framework for the responsible management and monitoring of a company. It concerns both its organizational structure and control system, and its corporate culture and values.

The PostFinance Ltd Code of Conduct sets out its convictions in detail. This forms the basis for its employees' actions.

Corporate structure and shareholders

Legal form and ownership

PostFinance Ltd is a private limited company under private law and a subsidiary of Swiss Post Ltd. PostFinance Ltd is subject to regulation by FINMA and has been granted a licence in accordance with the Banking Act. The Board of Directors is the highest supervisory body within PostFinance Ltd.

Capital structure

The company has 2 billion Swiss francs of share capital divided into 2 million registered shares, each worth 1,000 Swiss francs. The share capital is fully paid in and is wholly owned by Swiss Post Ltd.

Board of Directors

Composition

The Board of Directors has seven members, with a majority of seats representing Swiss Post Ltd. Three of its members (Marcel Bühler, Hans Lauber and Michaela Troyanov) are independent as defined by FINMA Circular 2017/1 "Corporate governance – banks". Members are elected for two years.

Changes in the year under review

Jürg Brun stepped down from the Board of Directors on 6 April 2023. Maria Teresa Vacalli was appointed to the Board of Directors with effect from 7 April 2023.

In the 2023 financial year, PostFinance reassessed the content of the posts held by the members of the Board of Directors and Executive Board and adjusted the key post lists based on new criteria.



Marcel Bühler

Chairman of the Board of Directors, since 2021, Switzerland, 1960, lic. oec. University of St. Gallen

Committees:

- IT & Digitization
- Organisation, Nomination & Remuneration
- Risk

Professional background:

- Companjon Services DAC (CTO, Member of the Executive Board)
- Swisscard AECS GmbH (CEO)
- Credit Suisse (Head of Shared Business Services (Banking Operations & Logistics), payment transactions)
- Bühler, Broger & Partner (Co-founder and advisor)
- Fides Informatik AG (Analyst and project leader)

Key posts:

- Swiss Bankers Association (Member of the Board of Directors)



Hans Lauber

Member of the Board of Directors, member since 2015, Switzerland, 1962, lic. rer. pol. (Economics, University of Basel), certified federal financial analyst and asset manager, AZEK

Committees:

- Risk (Chair)
- Audit & Compliance

Professional background:

- Bank Julius Bär (Head of Investment Solutions Group/ Chief Investment Officer, Member of the Executive Board)
- ARECON AG (CEO, Chairman of the Board of Directors)
- Winterthur Insurance (Head of Asset Management, Chief Investment Officer, Member of Executive Management)
- Other positions at UBS Inc., Coutts Bank and Credit Suisse

Key posts:

- Fisch Asset Management Ltd (Member of the Board of Directors)
- WAGNER AG Informatik Dienstleistungen (Chairman of the Board of Directors, owner)
- HFL Invest AG (Member of the Board of Directors, owner)
- AXA Insurance Ltd (Member of the Board of Directors, Chair of the Risk Committee and Member of the Audit Committee)
- AXA Life Ltd (Member of the Board of Directors)
- Swiss Finance & Property Group AG (Member of the Board of Directors)
- Swiss Finance & Property Ltd (Member of the Board of Directors, Member of the Board of Directors' Audit & Compliance and Risk Committees)



Jürg Brun

(until 6 April 2023)

Member of the Board of Directors, member since 2018, Switzerland, 1954, FH degree in business economics, certified public accountant

Committees:

- Audit & Compliance (Chair)
- IT & Digitization

Professional background:

- Brun Advisory GmbH (independent consultant)
- Ernst & Young Ltd (various positions in Switzerland and abroad)
- Fiduciaire Générale SA (various positions)
- Organisation Zoller SA, Ingénieurs Conseils (IT consulting)

Key posts:

- Banque Pictet & Cie SA (Member of the Board of Directors)



Giulia Fitzpatrick

Member of the Board of Directors, member since 2018, United States and Italy, 1959, Bachelor's degree in German Literature, University of California, USA, MBA in Finance, The Wharton School, Master's degree in International Relations, University of Pennsylvania, USA

Committees:

- IT & Digitization (Chair)

Professional background:

- UBS Inc. (Managing Director in Global Technology)
- Bunge Limited (Business Risk and Finance Transformation)
- Merrill Lynch (Information Technology and Operations)
- Instinet (Risk Management)
- National Securities Clearing Corporation (Risk Management)
- Bankers Trust (Strategy Planning and Product Development)

Key posts:

- Worldline SA (Member of the Board of Directors)
- Zabka Polska (Member of the Board of Directors)
- Quintet Private Bank (Europe) SA (Member of the Board of Directors)



Alex Glanzmann

Member of the Board of Directors, member since 2016, Switzerland, 1970, lic. rer. pol. University of Bern, Executive MBA HSG in Business Engineering, University of St. Gallen

Committees:

- Organisation, Nomination & Remuneration
- Risk

Professional background:

- Swiss Post Ltd (Head of Finance)
- PostLogistics (Head of Finance)
- BDO Visura (Vice-Director)

Key posts:

- Swiss Post Insurance Ltd (Chairman of the Board of Directors)
- Post CH Ltd (Member of the Board of Directors)
- Post Real Estate Ltd (Chairman of the Board of Directors)
- Post Real Estate Management and Services Ltd (Chairman of the Board of Directors)
- PostBus Ltd (Member of the Board of Directors)
- Swiss Post pension fund (Chairman of the Foundation Board)
- Post CH Network Ltd (Member of the Board of Directors)
- Post CH Communication Ltd (Member of the Board of Directors)
- Post CDR Ltd (Chairman of the Board of Directors)



Bernadette Koch

Member of the Board of Directors, member since 2019, Switzerland, 1968, certified public accountant, business economist, Higher School of Economics and Administration

Committees:

- Organisation, Nomination & Remuneration (until 6 April 2023)
- Audit & Compliance (since 7 April 2023)

Professional background:

- Ernst & Young AG (People Partner, Member of the Management Committee of Assurance Switzerland, Partner/Head of the Public Sector market area; Auditor)

Key posts:

- Swiss Post Ltd (Vice-Chairman of the Board of Directors, Chair of the Audit, Risk & Compliance Committee)
- Geberit AG (Member of the Board of Directors)
- Mobimo Holding AG (Member of the Board of Directors)



Michaela Troyanov

Member of the Board of Directors, member since 2012, Switzerland and Austria, 1961, Dr iur., University of Vienna, M.C.J. (Master of Comparative Jurisprudence), New York University, USA, lic. iur., University of Geneva

Committees:

- Organisation, Nomination & Remuneration (Chair until 6 April 2023)
- Audit & Compliance (Chair since 7 April 2023)

Professional background:

- Lombard Odier (Head of Legal & Compliance)
- Leading positions in the fields of corporate governance, market surveillance and regulation in Swiss stock exchange organizations in Zurich and Geneva (SIX Swiss Exchange, Admission Board, Takeover Board, Geneva Stock Exchange)
- Kredietbank (Suisse) SA (General Counsel)
- Shearman & Sterling LLP (Lawyer, Mergers & Acquisitions)

Key posts:

- Social Security Funds OASI/II/IC (“compenswiss”) (Member of the Board of Directors)



Maria Teresa Vacalli (since 7 April 2023)

Member of the Board of Directors, member since 2023, Switzerland, 1971, Master’s degree in operational and industrial engineering, ETH Zurich, INSEAD Fontainebleau (Executive Program; International Director) IMD Lausanne (Executive Program)

Committees:

- Organisation, Nomination & Remuneration (Chair)
- IT & Digitization

Professional background:

- Bank Cler (CEO)
- Basler Kantonalbank Group (Chief Digital Officer)
- NZZ Mediengruppe, Moneyhouse AG (CEO)
- Sunrise Communications AG (Executive Director, Wholesale)
- Cablecom GmbH (Director)
- GCI Management (Manager)
- Ernst & Young, Center of eBusiness Innovation (Manager)
- Seavantage AG (partner and owner)
- PricewaterhouseCoopers (Manager)

Key posts:

- Swiss Post Ltd (Member of the Board of Directors)
- Burckhardt Compression Holding AG, Member of the Board of Directors
- Kardex Holding Ltd (Member of the Board of Directors)
- Kontivia AG (Member of the Advisory Board)

Internal organization

Board of Directors' role and working method

Under the management of its Chairman, the Board of Directors determines PostFinance Ltd's strategy and exercises supreme supervisory control over the Executive Board and all those subordinated to it. It defines company and business policy, long-term corporate goals, and the means required to achieve those goals. It also ensures that the company meets the obligations assigned to it by Swiss Post Ltd to provide a universal service with payment transaction services. The Board of Directors discusses its performance and that of its members (self-assessment) on an annual basis and carries out regular advanced training. Resolutions are passed with the majority of the votes present. The Chairman also votes; in the event of a tied vote, he has the casting vote.

Meetings and attendance rates

2023	Number	Attendance rate %
Board of Directors' Meetings	11	96.1
Board of Directors' Committee Meetings		
Organisation, Nomination & Remuneration	17	97.0
Audit & Compliance	9	88.9
Risk	8	87.5
IT & Digitization	8	100

The Board of Directors appoints a standing committee for each of the following areas of responsibility:

- Organisation, Nomination & Remuneration
- Audit & Compliance
- Risk
- IT & Digitization

Board of Directors' Organisation, Nomination & Remuneration Committee

The Organisation, Nomination & Remuneration Committee focuses on strategic orientation and the establishment of leadership principles and corporate culture; the organizational structure and succession planning at the highest level; principles for remuneration policy, performance appraisal and advanced training within the Board of Directors; principles for retirement policy, other human resources policies and the issue of corporate responsibility. Its members are:

- Maria Teresa Vacalli (Chair since 7 April 2023)
- Michaela Troyanov (Chair until 6 April 2023)
- Marcel Bühler
- Alex Glanzmann
- Bernadette Koch (member until 6 April 2023)

Board of Directors' Audit & Compliance Committee

The main role of the Audit & Compliance Committee is to determine accounting and financial reporting principles and to carry out the tasks relating to the control of non-financial risks, as well as compliance. It is responsible for liaising with the external auditors and for supervising Internal Auditing. It makes proposals to the Board of Directors regarding the appointment and dismissal of the Head of Internal Auditing. Its members are:

- Jürg Brun (Chair until 6 April 2023)
- Michaela Troyanov (Chair since 7 April 2023)
- Hans Lauber
- Bernadette Koch (member since 7 April 2023)

The majority of committee members are independent of Swiss Post Ltd.

Board of Directors' Risk Committee

The Risk Committee is responsible mainly for the tasks relating to risk management, control of financial risks and risk policy. Its members are:

- Hans Lauber (Chairman)
- Marcel Bühler
- Alex Glanzmann

The majority of committee members are independent of Swiss Post Ltd.

Board of Directors' IT & Digitization Committee

The IT & Digitization Committee is dedicated to the operating framework and strategy for information technology and the developments and challenges of digitization. It also provides support and assistance with the innovation process, the management of participations and the assessment of strategic thrusts. Its members are:

- Giulia Fitzpatrick (Chair)
- Marcel Bühler
- Jürg Brun (until 6 April 2023)
- Maria Teresa Vacalli (since 7 April 2023)

Executive Board

Headed by the CEO, the Executive Board is responsible for the operational management of PostFinance Ltd. There are seven members of the Executive Board. They may not take on corporate governance positions within the Group or be members of the Board of Directors of PostFinance Ltd.

Changes in the year under review

Gabriela Länger (Head of Strategy & Transformation) left the Executive Board on 30 November 2022. Ron Schneider is leading this unit on an interim basis.

Hansruedi Köng, CEO of PostFinance, announced on 6 March 2023 that he will step down from his position of his own volition at the end of February 2024. Kurt Fuchs (CFO and Deputy CEO) will assume the role of CEO on an interim basis on 1 March 2024 and will remain in place until permanent successor Beat Röthlisberger takes up the office on 1 July 2024.



Hansruedi Köng

Chief Executive Officer, since 2012, Switzerland, 1966, lic. rer. pol. University of Bern, Advanced Executive Program, Swiss Finance Institute

Professional background:

- PostFinance Ltd (Head of Treasury, Head of Finance, CEO; Member of the Executive Board since 2003)
- BVgroup Bern (Deputy Managing Director)
- PricewaterhouseCoopers Ltd (Senior Manager)
- Basler Kantonalbank (Member of Executive Management)
- Schweizerische Volksbank (Head of Asset & Liability Management)

Key posts:

- Yuh Ltd (Vice-Chairman of the Board of Directors)
- Handels- und Industrieverein des Kantons Bern (Member of the Cantonal Board)



Kurt Fuchs

Chief Financial Officer and Deputy CEO, member since 2011, Switzerland, 1962, qualified banking expert, Swiss Finance Institute Advanced Executive Program

Professional background:

- UBS Inc. (Head of Regional Accounting & Controlling Switzerland, Head of Financial Accounting Switzerland)
- Swiss Bank Corporation

Key posts:

- Bern Arena Stadion AG (Member of the Board of Directors)



Markus Fuhrer

Chief Operation Officer, member since 2014, Switzerland, 1968, Federal Certificate in Business Information Technology (WISS), SKU Advanced Management, Diploma in Corporate Governance, AMP-HSG University of St. Gallen

Professional background:

- PostFinance Ltd (Deputy Head of Information Technology, Head of Core Banking Transformation, Head of Information Technology)
- Entris Banking Ltd

Key posts:

- Finform Ltd (Chairman of the Board of Directors)
- Yuh Ltd (Member of the Board of Directors)



Felicia Kölliker

Chief Risk Officer, member since 2017, Switzerland, 1977, M.A. HSG in Legal Studies, University of St. Gallen; Executive MBA, International Institute for Management Development (IMD), Lausanne, DAS in Compliance Management, Lucerne University of Applied Sciences and Arts/Institute of Financial Services IFZ Zug

Professional background:

- PostFinance Ltd (Head of Compliance, Head of Regulation unit, Project Manager)
- Malik Management Center St. Gallen
- Huber+Suhner AG

Key posts:

- esisuisse (Member of the Board and Chair of the Nomination & Compensation Committee)
- Österreichische Post AG (Member of the Supervisory Board)



Sandra Lienhart

Chief Business Unit Officer for Retail Banking, member since 2020, Switzerland, 1966, Executive MBA Zurich University of Applied Sciences in Business Administration (ZFH HWZ)/University of Darden, USA

Professional background:

- Bank Cler (CEO and Deputy Chair of Group Management)
- Bank Coop (Interim CEO)
- Bank Coop (Head of Sales Division, Member and Deputy Chair of the Executive Board, Member of Basler Kantonalbank Group Management)
- Credit Suisse (Head of Zurich North market area, Oerlikon, Director)

Key posts:

- TWINT Ltd (Member of the Board of Directors)
- TWINT Acquiring Ltd (Member of the Board of Directors)
- Life insurance steering committee at AXA (Chair of the committee)
- Mortgages partner meeting at Valiant (Chair of the meeting)
- Mortgages board meeting at Münchner Hypothekenbank (MHB) (Chair of the meeting)
- Funds steering committee at UBS (Member of the committee)
- Switzerland AG (Member of the Advisory Board)
- Credit Exchange Ltd (Member of the Board of Directors)



Benjamin Staeheli

Chief Business Unit Officer for Payment Solutions, member since 2022, Switzerland, 1968, doctorate in Cross-cultural Management (University of St. Gallen), lic. oec. Business Administration (University of St. Gallen)

Professional background:

- Avaloq Group (Head of Global Banking Operations)
- B-Source SA (now Avaloq Sourcing Ltd; Head of Banking and Member of the Executive Board)
- Credit Suisse Group AG (various management roles)

Key posts:

- No key posts



Ron Schneider

(since 1 May 2023)

Interim Chief Transformation Officer, member since 2023, Switzerland, 1976, UAS degree in Business Economics, Executive Program (Swiss Finance Institute), MAS in Corporate Finance CFO (Basel University of Applied Sciences), Executive MBA (HSG)

Professional background:

- PostFinance Ltd (Head of Human Resources, Head of Retail Sales, Head of Sales for Business Customers, Regional Head of Sales for Business Customers)
- UBS Inc. (various positions)

Key posts:

- No key posts

Information and supervisory tools

Reporting

The Board of Directors receives regular reports from the Executive Board and from the following units: Internal Auditing, Finance, Risk Control, Compliance, Governance, Security and Corporate Development. 11 meetings were held in 2023.

The Executive Board deals with matters arising from the business units. It also receives regular reports from the following units: Internal Auditing, Finance, Risk Control, Compliance, Governance, Security and Corporate Development. 20 meetings were held in 2023.

Internal control system

PostFinance Ltd has an integrated internal control system. Internal control refers to all the control structures and processes in place throughout PostFinance Ltd that form the basis for attaining corporate goals and operating the company in line with the regulations in force. In formal terms, the monitoring process and entire internal control system comply with the eight-level COSO II framework, with the “three lines model” concept and with the control requirements defined by the FINMA regulations.

Effective internal control requires control measures that have been integrated into work processes, risk management and risk control processes, processes to ensure compliance with applicable standards and appropriate reporting. Risk control is completely separate from risk management.

Internal Auditing

Internal Auditing, led by Isabella Stalder since 2019, is PostFinance Ltd’s independent inspection body. It is the Board of Directors’ management tool for control purposes. Internal Auditing works independently of PostFinance Ltd’s daily business processes and is an autonomous unit from an organizational standpoint. Functionally, it reports to the Board of Directors. The Chair of the Board of Directors’ Audit & Compliance Committee is responsible for HR and technical management. This guarantees maximum independence. The Board of Directors appoints the Head of Internal Auditing based on a proposal from the Board of Directors’ Audit & Compliance Committee. The Head of Internal Auditing then appoints the remaining members of staff. The Head of Internal Auditing also appoints a deputy.

The Board of Directors determines the remuneration for the Executive Board.

Remuneration

Basic principles

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by FINMA (Circular 2010/1) and the Ordinance on Executive Pay issued by the Federal Council.

Remuneration policy

Board of Directors

Since the introduction of the new remuneration regulations on 1 January 2022, the members of the Board of Directors have received flat-rate remuneration. In addition to the basic compensation, flat-rate remuneration is paid for chairing and sitting on each committee. This covers all time commitments involved in performing the mandate. Expenses are also covered with annual flat-rate remuneration. Remuneration of the Board of Directors is determined by the General Meeting.

Executive Board

Corporate risk, scope of responsibility and the Confederation’s Ordinance on Executive Pay are taken into account by the Board of Directors when setting the remuneration due to members of the Executive Board.

Remuneration structure

Remuneration for members of the Executive Board is comprised of a fixed annual base salary and a performance-related variable salary component. This may be a maximum of 16.6 percent of the gross annual base salary and is paid annually. It is determined on the basis of benchmarks for Swiss Post Ltd (50 percent) and PostFinance Ltd (50 percent). The personal performance of members of the Executive Board is not taken directly into account. At Swiss Post Ltd level, the variable component is calculated on the basis of growth in operating income, change in EBIT effect from efficiency measures, Group EBIT and the return on capital employed (RoCE) (each weighted at 12.5 percent). At PostFinance Ltd level, return on equity (RoE) (weighting: 33.3 percent) and the result from non-interest-sensitive business (weighting: 16.7 percent) are used to calculate the variable component. In the determination of overall target achievement, additional qualitative supplementary values (so-called modulators) are taken into account, with consideration given to the aspects of human resources, customers, society and the public, and ecological sustainability. Depending on the assessment of the qualitative supplementary values by the Board of Directors, target achievement at Group and PostFinance levels can be marked up or marked down for each modulator. Both mark-ups and mark-downs can amount to a maximum of 7.5 percent for each modulator. However, overall target achievement may not exceed 100 percent.

Members of the Executive Board receive a first-class GA Travelcard or a company car if necessary (private use is invoiced), a mobile phone and a monthly expense account. Individual bonuses may be paid to reward special personal contributions.

Neither the members of the Executive Board nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the 2023 financial year. The basic salary and performance component are insured for members of the Executive Board: occupational pension provision is handled by the Swiss Post pension fund in accordance with the basic plan and supplementary plan 1 for salary components up to twelve times the maximum Swiss Old Age and Survivors' Insurance (OASI) retirement pension (352,800 francs in 2023). Any income in excess of this amount is covered by an external comprehensive insurance solution. Contributions to occupational pension provision are divided in line with the regulatory provisions applicable to the Swiss Post pension fund. Employment contracts are based on the Swiss Code of Obligations. Severance payments can be paid in justified cases up to a maximum of half the gross annual salary. The notice period for members of the Executive Board is six months.

Consideration of risk

A penalty system also applies for the calculation of the variable salary component of members of the Executive Board. Both performance levels are taken into account (Swiss Post Ltd and PostFinance Ltd) to determine whether the threshold for the variable component has been reached. The variable component is paid only on reaching this value. There is a penalty area below the threshold for the variable salary. If a penalty applies, the variable salary component is reduced accordingly.

Equal pay

Under the Gender Equality Act, companies with over 100 staff members are obliged to perform an equal pay analysis and to have this audited by an independent body. The salaries at PostFinance Ltd were analysed on the reporting date of 31 March 2023 using the "Logib, standard analysis tool of the Swiss Confederation" analysis method. This took account of the 3,727 employees in an employment relationship at that time. At -3.1 percent, the result of the equal pay analysis is within the statistical tolerance threshold of ± 5 percent. Mazars Ltd, based in Zurich, verified whether PostFinance Ltd's equal pay analysis had been carried out according to the correct procedures and confirmed that the analysis met the legal requirements and complied with equal pay in all respects.

Remuneration in 2023

Human resources

PostFinance Ltd paid a total of around 387 million francs in salaries to its staff in 2023. This sum consists of fixed salaries of 371.5 million francs and variable components of 15.5 million francs, which were predominantly for 2022 and paid in 2023. Remuneration of 15.5 million francs for 2023 will not be paid until the subsequent year.

PostFinance employed 3,757 staff on average in 2023. This corresponds to 3,340 full-time equivalents.

Board of Directors

The members of the Board of Directors (including the Chairman) received remuneration of 813,100 francs (fees and fringe benefits). The fringe benefits amounted to 43,100 francs.

The Chairman of the Board's fee totalled 200,000 francs, and fringe benefits amounted to 14,300 francs. Remuneration for members of the Board of Directors who also hold an Executive Management position at Swiss Post is paid directly to Swiss Post Group.

The upper fee limit of 870,100 francs in total, which was determined by the General Meeting, was respected.

Executive Board

The members of the Executive Board (including the CEO) received base salaries of 2,833,955 francs. The fringe benefits amounted to 139,693 francs. The variable remuneration payable to members of the Executive Board, which is based on the average attainment of targets in the previous two years, amounted to 468,936 francs.

The CEO's base salary amounted to 689,006 francs. The variable remuneration amounted to 114,375 francs.

The upper limit of 4,660,600 francs for the total remuneration amount for the Executive Board (including employee benefits), which was determined by the General Meeting, was respected.

PostFinance Ltd Remuneration		
CHF	2022	2023
Chairman of the Board of Directors		
Fees	200,000	200,000
Fringe benefits		
Expenses and representation allowances	8,000	8,000
First-class GA travelcard	6,300	6,300
Total remuneration	214,300	214,300
Other members of the Board of Directors (6)¹		
Fees		
Base remuneration	400,000	400,000
Remuneration from committees	170,000	170,000
Fringe benefits		
Expenses and representation allowances	28,800	28,800
Additional fringe benefits	0	0
Total remuneration	598,800	598,800
Entire Board of Directors (7)¹		
Fees	770,000	770,000
Fringe benefits	43,100	43,100
Total remuneration	813,100	813,100
Chief Executive Officer		
Fixed base salary	683,962	689,006
Variable remuneration		
Variable salary component (paid out the following year)	107,009	114,375
Fringe benefits		
Expenses and representation allowances	19,200	15,000
Additional fringe benefits ²	16,480	16,480
Total remuneration	826,651	834,861
Other members of the Executive Board (5.4)		
Fixed base salary	2,261,500	2,144,949
Variable remuneration		
Variable salary component (paid out the following year)	353,822	354,561
Additional payments	0	0
Fringe benefits		
Expenses and representation allowances	90,000	48,750
Additional fringe benefits ²	37,620	59,463
Total remuneration	2,742,942	2,607,723
All members of the Executive Board (6.4)		
Fixed base salary and variable remuneration	3,406,293	3,302,891
Fringe benefits	163,300	139,693
Total remuneration	3,569,593	3,442,584

1 Remuneration for members of the Board of Directors who also hold an Executive Management position at Swiss Post is paid directly to Swiss Post Group.

2 Additional fringe benefits include: first-class GA Travelcard, company car and mobile phone. Further training contributions will also be disclosed from 2023.

Management contracts

PostFinance Ltd has not concluded any management contracts with companies or individuals outside Swiss Post Group.

Auditors

The General Meeting is responsible for appointing the auditors for corporate law matters, and the Board of Directors is responsible for appointing the auditors for banking and stock exchange law matters. Each term of office is one year. Ernst & Young Ltd have been selected as the auditors (accounting and regulatory audit) in accordance with the Swiss Code of Obligations as well as the Banking Act and Stock Exchange Act. Their work is carried out by two separate audit teams. The mandate for the auditors in accordance with the Banking Act and Stock Exchange Act was awarded to Ernst & Young Ltd for the first time in 2019, and the current statutory head auditor, Philipp de Boer, was engaged for the first time on 1 January 2019. The auditors are appointed annually for a term of office lasting one year. In accordance with the provisions of the Swiss Code of Obligations, the head auditor may exercise this mandate for a maximum of seven years. In the year under review, the expense for PostFinance Ltd for auditing and consultancy fees from Ernst & Young Ltd stood at a total of 1,897,680 francs, of which 751,291 francs were due for the accounting audit and 1,146,389 francs for the regulatory audit. The auditors may provide the overall management body with information in the form of reports during their accounting and regulatory audits, as well as with extraordinary reports in the course of their activities. They may also attend meetings held by the Board of Directors or its Committees.

Information policy

PostFinance maintains regular contact with its parent at various levels, in particular with regard to the universal service for payment transaction services.

Reporting concepts are in place for FINMA and the Federal Office of Communications (OFCOM) and for the Swiss National Bank (SNB). The authorities are informed about events within their area of responsibility promptly and on a regular basis.

PostFinance examines current topics related to money and investments in a range of informative publications for its private customers, such as the "Money blog" and "Investment blog". Topics for business customers are addressed in the "Business blog". The "Pioneer blog" covers HR and innovation topics and issues related to corporate responsibility and is aimed at interested parties, job seekers and IT professionals. PostFinance is also present on social networks and makes an active contribution to shaping dialogue on Facebook, X, Instagram, TikTok, LinkedIn and YouTube.

Management report

PostFinance generated a profit of 164 million francs in 2023, which is 26 million francs less than in the previous year. However, earnings before taxes rose by 1 million to 195 million francs.

The interest differential business is the most important source of income for PostFinance. Due to market conditions, positive returns from new investment tranches in financial assets led to an increase in income. The turnaround in interest rates allowed PostFinance to remove restrictive measures relating to negative interest rates from 1 October 2022, stabilizing customer assets. In the positive interest environment, PostFinance suffered a loss of income from negative interest rates on the interbank money market. By contrast, new income was generated by interest on assets held with the Swiss National Bank (SNB). PostFinance gradually increased interest on customer assets for various products, resulting in a sharp rise in costs due to interest payable.

PostFinance posted lower income in non-interest sensitive business. In particular, PostFinance was unable to offset the accelerated decline in physical payment transactions, despite an expansion of the product range.

Operating expenses remained almost unchanged despite investment in additional specialist staff. Profit was down overall on the previous year due to higher taxes.

The second half of 2023 marked the change in the interest trend for PostFinance.

Business activities

Markets

PostFinance believes in the power of entrepreneurial freedom. That's why it serves its markets in independent business areas: as a leading Swiss financial institution, PostFinance is driving forward the digital transformation in payment transactions and retail banking. It also creates innovative solutions for Digital First Banking and operates, with Valuu, an independent Swiss comparison and sign-up platform for financing products (since the end of 2023 in partnership with Credit Exchange Ltd) in the platform business.

Customers

PostFinance constantly focuses on the requirements of its customers – individuals and companies throughout Switzerland. PostFinance is one of Switzerland's leading financial institutions. It offers products and services that appeal to everyone. Its approximately 2.5 million private and business customers often come into contact with PostFinance: whether when making payments in e-finance, via the app or at the checkout, during a consultation at one of its branches about financing, investment or retirement planning, when looking for the ideal mortgage with Valuu or trading cryptocurrencies via the Yuh app, which PostFinance operates as a joint venture with Swissquote.

Background

Legal framework

PostFinance is a private limited company under private law wholly owned by Swiss Post Ltd. PostFinance was granted a licence as a bank and securities firm in 2013 and is regulated by the Swiss Financial Market Supervisory Authority (FINMA). Postal legislation and the strategic goals of the Federal Council and Swiss Post are relevant to PostFinance's business activities. In particular, postal legislation specifies that PostFinance must provide a universal service for payment transactions throughout Switzerland. It also states that PostFinance may not issue loans and mortgages to third parties. PostFinance has been one of Switzerland's four systemically important banks since 2015. This highlights the importance of PostFinance for the Swiss financial system. However, as a systemically important bank, PostFinance must meet additional regulatory requirements.

Developments

Economy

Economic performance varied significantly worldwide in 2023. The US and Chinese economies achieved stronger than expected growth in the third quarter. In the eurozone and Germany, on the other hand, the weak performance of the previous quarters continued, particularly in the industrial sector. International monetary policy is still expected to curb growth. However, there are currently no signs of a global recession; labour markets have remained sound up to now, while inflation is falling internationally.

Against this backdrop, many central banks refrained from further monetary policy tightening at the end of 2023. With inflation still above the respective targets, monetary policy is likely to remain restrictive in many countries for the time being.

In the third quarter of 2023, the Swiss economy achieved moderate growth, supported by the services sector in particular. In the segments of industry most sensitive to economic conditions, value creation fell again.

Owing to the Swiss National Bank's (SNB) decision to return to a positive policy rate environment in 2022, relevant factors have changed in the interest differential business. With two further increases on 24 March and 23 June 2023, the SNB tightened its monetary policy, raising the SNB policy rate to 1.75 percent. Its aim is to counteract increased inflationary pressure and a further surge in inflation.

On 14 December 2023, the SNB decided to leave its policy rate unchanged at 1.75 percent. Inflationary pressure declined slightly over the fourth quarter, but there is still great uncertainty. In its baseline scenario for the global economy, the SNB assumes that, for now, this challenging situation will persist. The growth outlook for the global economy in the coming quarters remains subdued, while inflation will remain elevated for the time being. Inflationary pressure abroad is likely to decrease further in the medium term, not least due to tighter monetary policy in many places as well as less expansive fiscal policy.

The inflation outlook still remains uncertain at the moment. The energy situation in Europe could deteriorate over the winter, and geopolitical tensions could rise. This means a much greater slowdown in global growth momentum than expected cannot be ruled out.

Regulation

The regulatory environment remains dynamic. There are notable developments in the fields of sustainability, non-financial reporting and the prevention of money laundering, which are all leading to significant additional costs for banks. UBS's takeover of Credit Suisse may also have marked the beginning of a new chapter in the regulation of the financial sector. Since the authorities intervened in March 2023, politicians have made various calls for amendments to banking regulations. Politicians, the public and the authorities are focusing on "too big to fail" (TBTF) regulation once again, and amendments – generally aimed at tightening provisions – are expected. To date, there have been no political proposals or regulatory amendments specifically aimed at PostFinance. Additional challenges could emerge as a result of new regulatory developments that PostFinance is particularly exposed to due to the restricted flexibility in its business model imposed by law.

Smart banking. Made for Switzerland.

Strategy

PostFinance is a diversified, innovation-driven financial service provider. It offers its customers fresh solutions and smart innovations for their finances. PostFinance simply wants to make banking enjoyable. To do so, it relies on future-oriented tools and technologies it has specially developed or adapted for the Swiss market. Whatever developments arise, it constantly focuses on the requirements of its customers – individuals and companies throughout Switzerland.

PostFinance adopts a highly responsible, careful and sustainable approach to its use of resources and investments. It has therefore firmly enshrined corporate responsibility in its strategy.

PostFinance operates in four independent business areas because it believes in the power of entrepreneurial freedom:

- In Payment Solutions, PostFinance is the reliable partner for payment and billing solutions for retailers and invoice issuers in Switzerland.
- In Retail Banking, PostFinance is offering its private and business customers the smartest ways to handle their money – whether physically or digitally.
- PostFinance is increasingly establishing itself in the Digital First Banking business area with a radical new service for “Banking & Beyond” geared entirely to the digital world. Yuh is Switzerland’s fastest-growing finance app and had 190,000 registered users by the end of 2023.
- In the Platform Business business area, PostFinance, with Valuu, operates an independent Swiss comparison and sign-up platform for financing solutions. As a result of PostFinance’s partnership with Credit Exchange Ltd (CredEx), platform business has continued at CredEx since the end of 2023.

PostFinance pursues an explicit corporate responsibility strategy.

Corporate responsibility

PostFinance wishes to assume its environmental, social and economic responsibility and is pursuing an explicit corporate responsibility strategy based on holistic sustainability management.

Disclosure of climate-related financial risks

By publishing the "Disclosure on climate-related financial risks" report, PostFinance is acting to fulfil the obligations set out in Annex 5 of FINMA Circular 2016/1 "Disclosure – banks". By focusing on the impact of climate change on its business activities, it is also following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and aiming to create transparency regarding major climate risks. The disclosure recommendations set out by the TCFD contain four sub-areas: "Governance", "Strategy", "Risk management" and "Metrics and targets".

Since 2021, PostFinance has published the climate-related financial risks in a separate report.

Report on non-financial matters

In its "Report on non-financial matters", PostFinance provides information, in accordance with art. 964a–c of the Swiss Code of Obligations, on environmental topics (in particular CO₂ targets), social affairs, employee matters, respect for human rights and the fight against corruption.

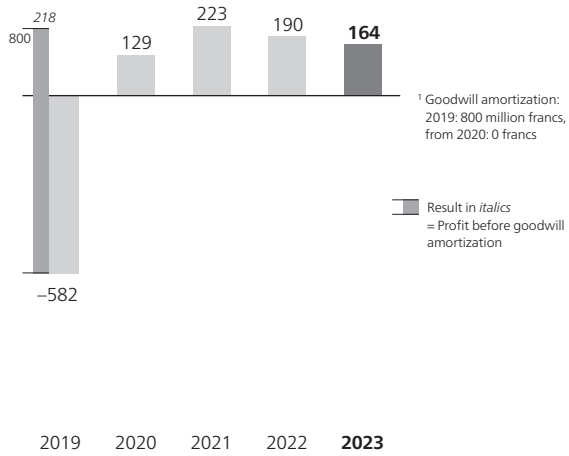
This is based on a materiality analysis, which PostFinance carries out to identify the material environmental, social and governance (ESG) topics for the company and its stakeholders.

The report contains information required to understand business performance, business results, the company's situation and the impact of its activities in these areas.

Both reports are published at → postfinance.ch/reporting.

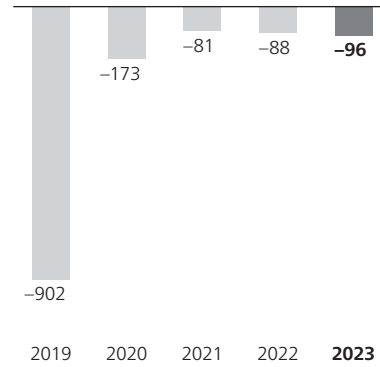
Profit/loss¹

2019 to 2023
CHF million



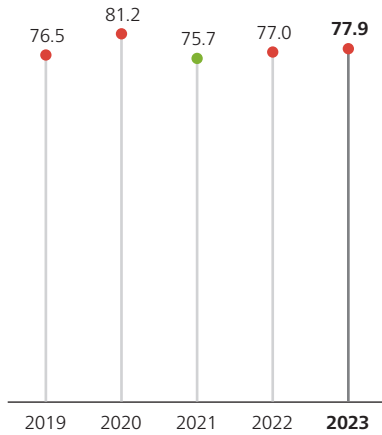
Economic value added

2019 to 2023
CHF million



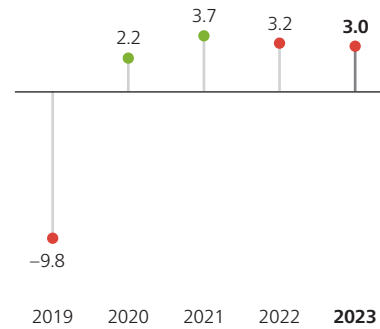
Cost-income ratio

2019 to 2023
Percent



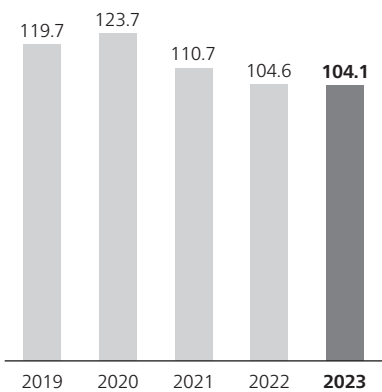
Return on equity

2019 to 2023
Percent



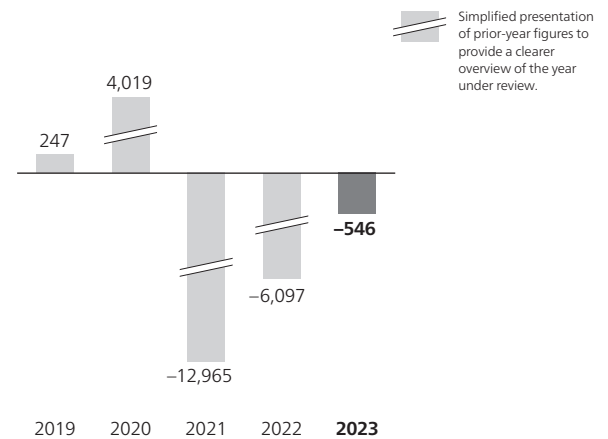
Average customer assets (monthly avg.)

2019 to 2023
CHF billion



Growth in customer assets

2019 to 2023
CHF million



Commentary on business performance

Key figures

The interest differential business is the most important source of income for PostFinance.

The interest differential business is the most important source of income for PostFinance. The eight-year period from 2015 of the Swiss National Bank's negative policy rates and sometimes negative interest on the financial and capital markets gave PostFinance few profitable investment options for customer deposits. As a result, net interest income in the core business fell for a number of years and the consequent erosion of margins weighed on PostFinance's result.

The limitations of its business model – with the prohibition on loans and mortgages – forced PostFinance to pass negative interest onto its customers. For some individual customers with assets above a certain exemption limit, PostFinance continued to apply these customer asset fees until September 2022. From the second half of 2021, customer asset fees were also applied to private customers with assets of over 100,000 francs, which led to an outflow of customer deposits or transfer to funds and securities.

For private customers, the introduction of the new banking packages in 2021 led, as expected, to consolidation into one primary banking relationship and the closure of inactive accounts, and in some cases to the termination of customer relationships. This resulted in lower amounts due in respect of customer deposits in the balance sheet.

After the turnaround to positive policy rates in autumn 2022, relevant factors changed: PostFinance then completely removed the previously required customer asset fees with effect from 1 October 2022. PostFinance lets its customers share in the rise in interest rates and has already increased customer interest rates on various products several times.

Customer deposits stabilized in the first six months of the year. From the second half of 2023, the SNB's policy of tightening the money supply was reflected in business customer accounts, resulting in an outflow of customer deposits in the second six months of the year.

PostFinance makes new investments on a continuous basis within a long-term portfolio and along the annual maturities. This meant higher long-term interest rates gradually resulted in higher income from financial investments over the course of the year. Interest has also been paid on liquid assets held with the Swiss National Bank (SNB) since autumn 2022. However, PostFinance suffered a loss of income from negative interest rates on the interbank money market.

Lower earnings before tax than in the previous year is also reflected in the key figures: return on equity fell by 0.2 percent to 3 percent and the cost-income ratio rose slightly from 77.0 percent to 77.9 percent despite a consistent focus on costs. As in the previous year, this meant that no economic value added was generated in 2023.

Customer assets fell by 0.5 billion francs to 104.1 billion francs. After an intentional balance sheet reduction to improve economic viability, PostFinance succeeded in stabilizing customer assets.

Following years of erosion, the interest margin increased again for the first time, by 4 to 46 basis points. The return to positive interest rates and, in turn, to financial stability provides a solid foundation for consistently focusing on customer requirements again. After a phase of consolidation, it is clear that PostFinance is making strong progress – from a solid position – towards a gradual normalization of the overall interest margin and a growth path.

PostFinance Ltd | Key figures

2022 with previous year for comparison		2022	2023
Balance sheet			
Total assets as per Accounting – banks	CHF million	114,380	102,257
Capital ratio as per guidelines for systemically important banks	%	21.3	22.2
Going concern leverage ratio	%	4.98	5.32
Gone concern leverage ratio	%	0.56	1.07
Income statement as per Accounting – banks			
Operating income	CHF million	1,240	1,235
Earnings before taxes	CHF million	194	195
Profit	CHF million	190	164
Return on equity ¹	%	3.2	3.0
Cost-income ratio	%	77	77.9
Customer assets and loans			
Customer assets ²	CHF million monthly avg.	104,617	104,071
Funds, securities and life insurance ²	CHF million monthly avg.	15,853	17,698
Customer deposits	CHF million monthly avg.	88,764	86,373
Development of customer assets ³	CHF million	-6,097	-546
Managed assets as per provisions of Circ. 2020/1 ²	CHF million	35,669	37,720
Inflow of new money as managed assets ³	CHF million	7	1,156
Mortgages (off-balance-sheet transactions) ⁴	CHF million	6,192	6,033
Market and employee key figures			
Customers	In thousands	2,461	2,465
Private customers	In thousands	2,198	2,201
Business customers	In thousands	263	265
E-finance users	In thousands	1,939	1,986
Accounts – private customers	In thousands	3,624	3,594
Accounts – business customers	In thousands	294	283
Customer satisfaction – private customers	Index	79	81
Customer satisfaction – business customers	Index	76	75
Average headcount	Full-time equivalents	3,250	3,340
Employee satisfaction	Index	79	80
Transactions			
Payment transactions	In millions	1,320	1,368

1 Return on equity = operating result as per ARB/average eligible equity capital as per ARB.

2 PostFinance reports customer assets and managed assets. "Customer assets" includes all assets held by customers based on average monthly assets. "Managed assets" encompasses only values deposited for investment purposes on the reference date.

3 The managed assets key figure is based on the regulatory requirements in terms of composition and calculation. Customer assets are broader and also include assets that were not deposited for investment purposes (such as private account assets). Moreover, holdings are calculated based on monthly average values. This may result in differing trends between the key figures mentioned.

4 Commission business in cooperation with financial partners and additionally as brokerage business for PostFinance mortgages via a comparison platform.

Assets and customer transaction volumes

In the year under review, total assets declined by 12.1 billion francs to 102 billion francs. The reduction in the size of the balance sheet is due in particular to reduced activities in connection with securities financing transactions.

PostFinance continues to invest a large proportion of its assets in long-term fixed-interest financial investments in Switzerland and abroad. A very large amount of liquidity was still held at the Swiss National Bank as at 31 December 2023.

Customer assets decreased by 0.5 billion francs. After an intentional balance sheet reduction to improve economic viability, PostFinance succeeded in stabilizing the customer asset trend.

Customer deposits

Customer deposits decreased by 2.4 billion francs in 2023. After the turnaround to positive policy rates in autumn 2022, relevant factors changed: PostFinance then completely removed the previously required customer asset fees with effect from 1 October 2022. PostFinance lets its customers share in the rise in interest rates and has already increased customer interest rates on various products several times.

Customer deposits then stabilized in the first six months of 2023. From the second half of the year, the SNB's policy of tightening the money supply was reflected in business customer accounts, resulting in an outflow of customer deposits in the second six months of the year.

The return to positive interest rates and, in turn, financial stability provides a solid foundation for consistently focusing on customer requirements again. In addition to the product range, it is essential to maintain high-quality advice and improve customer service processes to increase customer trust and attract more customer deposits.

Non-interest-sensitive customer assets

Non-interest-sensitive customer assets, such as funds and e-trading, increased by around 1.8 billion francs. Negative market value fluctuations from 2022 were not fully recouped, despite net inflows of around 400 million francs. Customer assets in investment products stand at around 17.7 billion francs, representing growth of over 11 percent.

The topic of investment is of strategic relevance to PostFinance. Digital investment solutions such as e-asset management, fund consulting basic, investment consulting plus and fund self-service were widely taken up. Sustainable investments are becoming increasingly popular. Investment customers are still showing restraint due to economic uncertainty. Since April 2022, this has been reflected in reduced net inflows and considerably lower trading activity, which had a major effect on 2023.

In 2022, geopolitical uncertainty, rising interest rates globally and greater fears of recession had a negative impact on the equity markets. These negative market effects were reflected in both fund assets and e-trading assets. The insolvencies of several US regional banks and Credit Suisse's troubles in March 2023 unsettled investors. The subdued mood was reflected on the equity markets. This led to a decrease in PostFinance's e-trading activities.

PostFinance processed 1,368 million payment transactions in 2023.

Increase in payment transactions

PostFinance processed 1,368 million payment transactions in 2023, which represents an increase of 3.6 percent. Overall, customers executed transactions representing a total volume of well over 2,000 billion francs. These figures illustrate the importance of PostFinance in the Swiss financial services market.

The sales and transaction figures confirm the strategic emphasis placed on customers who manage their own finances and want to use the simple, attractive products offered by PostFinance.

Fewer payments at the counter

The pandemic and switch to the QR-bill appear to be changing customer behaviour over the long term towards online banking. In 2023, this again caused a sharp drop in revenues from over-the-counter transactions at Swiss Post branches. The share of inpayments made via Swiss Post access points in relation to the overall transaction volume processed by PostFinance stands at just 1.5 percent, for example. Cash withdrawals at Swiss Post branches and Postomats also continued to decline. This is because more and more customers are using payment options other than cash. In particular, card payments and mobile payment solutions, such as TWINT, have become increasingly popular since the coronavirus pandemic.

PostFinance Card combined with Debit Mastercard became more attractive

PostFinance is working continuously to make the PostFinance Card more attractive by providing additional services for retailers and cardholders. PostFinance launched a combined PostFinance Card with Debit Mastercard for private and business customers. Since then, it has been possible to use the new co-badging card at even more points of sale in Switzerland, both in-store and online, and now also for payment abroad.

Its combination with Debit Mastercard means that the PostFinance Card can be used to make payments in all stores, restaurants and online shops that accept Mastercard – in addition to the existing payment options available in Switzerland and abroad. Cash withdrawals abroad can also be made at ATMs displaying the Mastercard logo. As a result, revenue from the PostFinance Card combined with the Debit Mastercard rose sharply.

Investments

In 2023, PostFinance invested in the maintenance of its core banking system. Most of the database servers were exchanged as part of the lifecycle. The capacity of the existing data storage systems was also upgraded.

At the end of 2023, PostFinance's real estate portfolio of 20 properties had a market value of 1.24 billion francs. In 2023, PostFinance invested around 21 million francs in maintaining the value of and developing the portfolio. 3.2 million francs were invested in projects related to climate protection.

In 2023, PostFinance invested 3.3 million francs in the maintenance and refurbishment of the historically significant Geneva Mont-Blanc property built in 1892.

PostFinance is transforming the Geneva Montbrillant property, situated next to the railway station, from a pure Swiss Post building into a marketable investment property. In 2023, PostFinance invested 3.3 million francs in the restoration and reconfiguration of the 65,000-square-metre building.

The construction of the new Geneva Rive building progressed on schedule and cost 6.3 million francs in 2023. The new development will house the Genève 3 Swiss Post branch, as well as office space and flats. It is set to open in the second quarter of 2024.

PostFinance modernized the lighting and ventilation systems and implemented fire safety regulations at the Avenue de Tivoli property in Fribourg in 2023. In total, PostFinance invested 2.1 million francs in Fribourg in 2023. In spring 2023, a retailer began its activities in the space on the ground floor previously used for postal services.

The dialogue process on the development of the Basel Nauentor project was completed in 2023. The planning of the new building across the tracks at Basel SBB railway station is very challenging. Implementation is being delayed by the required consultation with numerous stakeholders. In 2023, PostFinance invested 1.4 million francs in developing and maintaining the property.

PostFinance made additional investments by way of capital contributions in participations.

Profit situation

Profit

PostFinance generated profit as per the accounting rules for banks (ARB) of 164 million francs in the 2023 financial year, which is 26 million francs less than in the previous year. However, earnings before taxes rose by 1 million francs to 195 million francs.

Operating income

Operating income stood at 1,235 million francs, down 5 million francs year-on-year, despite the turnaround in interest rates.

The interest differential business is the most important source of income for PostFinance. Owing to the Swiss National Bank's (SNB) decision to return to a positive policy rate environment in 2022, relevant factors have changed. In 2023, net interest income of 516 million francs was generated from the interest differential business, which is 32 million francs more than in the previous year.

The interest rate turnaround enabled PostFinance to stop negative interest rates being passed on to selected customers in the form of customer asset fees. This stabilized customer deposits.

PostFinance makes new investments on a continuous basis within a long-term portfolio and along the annual maturities. Due to market conditions, positive returns from new investment tranches in financial assets led to a gradual increase in income over the course of the year.

In the positive interest environment, PostFinance suffered a loss of income from negative interest rates on the interbank money market. By contrast, new income was generated by interest on assets held with the Swiss National Bank (SNB).

PostFinance wants its customers to share in the rise in interest rates and has already increased customer interest rates on various products several times, resulting in a sharp rise in costs due to interest payable.

Overall, net interest income – taking account of value adjustments – rose again after years of margin erosion. Higher capital market interest rates have the potential for a gradual normalization of interest margins and for PostFinance to improve its profitability appreciably in the future.

Overall, PostFinance recorded a decline of 24 million francs in service and commission income and trading portfolio assets. In particular, PostFinance was unable to offset the accelerated decline in payment transactions at branches, despite an expansion of the product range. The pandemic and the switch to the QR-bill have led to a sustained change in customer behaviour towards online banking. Inpayments at Swiss Post branches alone declined by around 19 percent in 2023. As a result, the deficit in this part of universal service is rising sharply and increasingly weighing on PostFinance's result.

In 2023, PostFinance generated profit as per the accounting rules for banks (ARB) of 164 million francs.

In 2022, geopolitical uncertainty, rising interest rates globally and greater fears of recession had a negative impact on the equity markets. These negative market effects were reflected in both fund assets and e-trading assets.

Thanks to price gains and net inflows, customer assets in the investment products rose again in 2023 after the market-related negative trend in the previous year, but have still not yet reached the level at the end of 2021. This means the commissions from the average fund portfolio were even lower than in the previous year.

The insolvencies of several US regional banks and Credit Suisse's troubles in March 2023 unsettled investors. The subdued mood was reflected on the equity markets. This led to a decrease in PostFinance's e-trading activities.

Revenue from the PostFinance Card combined with Debit Mastercard launched in 2022 rose sharply.

Revenue from the PostFinance Card combined with Debit Mastercard for private and business customers launched in 2022 rose sharply. The co-badging card can be used at even more points of sale in Switzerland, both in-store and online, and for payment abroad. Cash withdrawals abroad can also be made at ATMs displaying the Mastercard logo.

Operating expenses

Operating expenses stood at 961 million francs, up 5 million francs on the previous year. Personnel expenses rose by around 15 million francs owing to investment in additional specialists.

Headcount increased by 90 full-time equivalent positions to an average of 3,340. The increase in headcount at the Informatics unit is mainly due to the insourcing of previously external specialists and the set-up of new teams. Headcount at the Sales unit rose after a partial reorganization involving the implementation of measures to improve customer satisfaction and to stabilize availability. Headcount increased in various units as PostFinance drove new innovations forward. The slight decline in headcount at the Operations unit is due to the "SpeedUp" efficiency programme, involving digitization and automation measures.

The insourcing of specialists means the costs are now entered under personnel expenses. Expenses on programme and project business were also lower. This enabled general and administrative expenses to be cut by around 10 million francs.

Income taxes

No expenses for current income taxes were incurred in 2022 due to the negative statutory result in the previous years (result in accordance with the accounting rules for banks) and the associated loss carryforward. The loss carryforward was used up during the course of 2023, which means PostFinance must pay income taxes for 2023.

Reconciliation of operating profit of PostFinance segment as per Group IFRS guidelines with PostFinance Ltd's profit as per "Accounting – banks"

The valuation policies in accordance with the FINMA Accounting Ordinance and the FINMA Circular 2020/1 "Accounting – banks" differ from the IFRS rules. The table below reconciles the PostFinance segment results as per IFRS with profit pursuant to ReIV-FINMA/FINMA-RS 20/1.

PostFinance issues annual financial statements in the statutory form in accordance with the accounting rules under banking law (articles 25–28 of the Banking Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks"). The other external publications of PostFinance Ltd on the capital adequacy statements are also based on data in accordance with the accounting rules for banks (ARB).

Reconciliation of the income statement from the Group segment disclosure with the PostFinance net annual result in accordance with "Accounting – banks".

Swiss Post includes the PostFinance segment in its reporting. It indicates transfers of individual income and expense items from PostFinance to other Group units from a Group perspective. It also contains the consolidated perspective. The following table reconciles the PostFinance segment result with the PostFinance Ltd net annual result in accordance with Group IFRS guidelines and PostFinance Ltd's profit as per "Accounting – banks".

In the "Profit situation" section and the Swiss Post Financial Report, PostFinance annual financial statements, a table reconciles operating profit (EBIT), PostFinance segment under Group IFRS guidelines with PostFinance Ltd profit in accordance with "Accounting – banks".

Result from public service mandate for counter payment transactions

Swiss Post and its subsidiaries have to finance the universal postal service from their own resources. This is why PostFinance's results also include income and expenses from counter transactions carried out at PostalNetwork branches.

The ongoing digitization of payment transactions and consequent sharp decline in transaction volumes at the branches is increasingly weighing on PostFinance's result. More information on this is provided in the reconciliation table.

The number of inpayments at the counter fell much more quickly in 2023 than in previous years, with a decline of around 19 percent year-on-year. PostFinance anticipates a permanent change in customers' habits regarding counter payments and the use of cash.

Swiss Post and its subsidiaries have to finance the universal postal service from their own efforts.

PostFinance Ltd | Reconciliation of profit

CHF million	2022	2023
PostFinance segment operating profit (EBIT), before fees, net cost compensation and EBIT-relevant result from public service mandate in counter payment transactions¹	258	326
EBIT-relevant result from public service mandate in counter payment transactions ¹	-29	-62
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	229	264
Management/licence fees/net cost compensation	-6	-28
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	223	236
Net income from associates and joint ventures	-8	-7
Net financial income	-38	-27
PostFinance segment earnings before tax (EBT)	177	202
Income tax	-28	-41
PostFinance segment profit	149	161
Consolidation effects from associates and joint ventures	7	9
PostFinance Ltd profit before reconciliation	156	170
Valuation differences for financial assets	19	8
Reversal of impairment/impairment on financial assets and receivables, incl. taxes	0	0
Realized gains from (earlier than scheduled) repayments	-18	0
Valuation differences between IAS 19 and Swiss GAAP ARR 16	10	-9
Valuation differences, IFRS 16 Leases	0	0
Depreciation of revalued real estate	-3	-7
Individual value adjustment due to lower market value (fixed assets)	-1	0
Valuation differences from participations	-2	-6
Realized gains from participations	0	0
Realized gains from real estate sold	-	-4
Adjustment of current and deferred tax effects as per IFRS	29	12
PostFinance Ltd profit as per Accounting – banks	190	164

¹ Additional disclosure on Note 6.5. Information by business segment in the Group annual financial statements: funding gap from paper-based payment transactions and use of cash in the universal service.

Customers appreciate the benefits of the new PostFinance Card and higher interest rates.

Non-financial results of a material nature

Customer satisfaction

Overall satisfaction amongst private customers improved by 2 points compared with the previous year, and now stands at 81 points on a scale of 0 to 100. Overall satisfaction amongst retail business customers decreased by a point to 75 points. Private customers giving a neutral or negative rating most often indicate fees being excessively high as their reason for doing so. However, the number of times fees were indicated fell year-on-year. Retail business customers often express the desire for a personal point of contact.

Private customers and retail business customers view the introduction of the new PostFinance Card as a positive step: the scores on the questions about the acceptance of the PostFinance Card at point of sale (POS) and online improved significantly in 2023. Private customers also appreciate the increase in interest rates. Customers still rate the digital products (e-finance, PostFinance App and TWINT) with high scores of between 83 and 90 points, which are generally better than in the previous year.

Increasing satisfaction remains a key goal for PostFinance in 2024, and various measures are being planned or implemented. They relate to quality of service and advice, appreciation, system stability and optimization of processes.

Employee survey

The 2023 employee survey achieved a response rate of 87 percent, incorporating the views of 3,210 employees. The combined PostFinance-wide results are consistent. By contrast, a look at the units shows greater fluctuation.

High scores were maintained or even improved in individual thematic blocks. Only the result of the survey on "Our Swiss Post" fell by a point on a scale of 0 to 100. In last place, "Corporate culture" stagnated with an unchanged score. The "Future of my job" – in last place in the previous year – improved by a point. The score for the thematic block "My commitment" – already at a high level – improved by a point; especially due to the rating of the question on recommendation that it included: 96 percent of employees would recommend PostFinance as an employer.

Risk assessment

Due to the lending prohibition and associated investment activity on the money and capital markets, PostFinance is effectively fully exposed to market interest rates when making new investments. Despite this restriction, PostFinance continues to pursue a cautious investment policy, which is reflected in a portfolio of very good credit quality and exceptional liquidity. The term structure of the investment portfolio is coordinated with the refinancing structure, resulting in balanced interest rate risk positioning. With interest rates rising, PostFinance's overall interest margin improved significantly in 2023. The pricing strategy pursued led to no significant changes in the customer structure and stable deposit volumes overall.

Essentially, the biggest risks faced by PostFinance arise from unexpected losses in the investment portfolio, which is why, in addition to credit quality, risk diversification within the portfolio is regularly measured and assessed. Interest rate risks entered into as a result of maturity transformation can lead to fluctuating net interest income over time. These risks are analysed and assessed on an ongoing basis using multi-period dynamic revenue analyses.

Since PostFinance's large fixed-income portfolio is not affected by increased market volatility, the market risks taken are of secondary importance. The liquidity situation remains very stable at a high level. Additional challenges could emerge as a result of new regulatory developments that PostFinance is particularly exposed to due to the restricted flexibility in its business model imposed by law.

Milestones in the strategy implementation

Innovation

The Innovation and Venturing (VNTR) specialist unit focuses on identifying opportunities and blind spots outside of PostFinance's core business and developing the relevant knowledge internally. As part of a systematic process, innovation fields and technologies are sought, opportunities developed and optimal solutions for the future created jointly. In 2023, VNTR was recognized for 10 years of innovation management at PostFinance.

In a study by the management consultancy Infront Consulting and the business magazine "Capital", VNTR was once again selected as one of the top 5 digital innovation units in the Germany, Austria, Switzerland and South Tirol (DACHS) region.

International network: in 2023, VNTR extended its activities beyond Swiss national borders into the technology hubs of Berlin, Stockholm and Copenhagen. A partnership with the Copenhagen Fintech hub has already been established and the first investment leads made.

As part of its strategy activities for 2025 to 2028, VNTR – together with the Copenhagen Institute for Futures Studies (CIFS) – produced scenarios for the future of banking 2035 as a basis for deriving implications.

Innovation fields: in 2023, the focus was on topics such as "Web3+" and "Regenerative Finance". Particular emphasis was placed on development in the field of distributed ledger technology (DLT and blockchain-based payments) with initiatives focusing on a digital Swiss franc. PostFinance worked on this with Swiss Stablecoin Ltd and participated in the initiative of the Swiss Bankers Association.

With cardossier, the first digital vehicle eco-system in Switzerland and Liechtenstein for the digitization and automation of company-wide vehicle processes, VNTR implemented the first use case. A change of vehicle was carried out completely digitally for the first time in Switzerland. That was made possible by eVIV, electronic provisional licensing, via cardossier.

In the field of regenerative finance, VNTR tested the first potential projects integrating sustainable and regenerative principles into financial activities to achieve positive social, environmental and economic impacts. Due to a lack of resources, the CO₂ calculator could not be integrated into e-finance and the PostFinance App.

The innovation participation tilbago is continuing to achieve profitable growth with the digital debt collection platform for business customers and is establishing itself as the industry standard. In cooperation with Swiss Post, it provides the most inexpensive, digitally signed extract from the debt collection register thanks to a high degree of automation.

Corporate venture capital

Part of the long-term view into the future includes access to new business models and technologies. PostFinance obtains this through financial participations in startups.

PostFinance has been participating in startup companies since 2016. At the end of 2023, the portfolio included 16 participations in innovative startups and eight in established companies.

Participations in startups enhance innovative strength. They often serve as a starting point for new business units to get to grips with new business models and identify points of contact and opportunities for collaboration. PostFinance launched several iterative development processes again in 2023. The annual in-depth analysis with the Executive Board and experts also focused on achieving

Over 1.9 million
customers have
access to e-finance.

learning effects. Sustainable finance was the keynote topic. As part of the analysis, Mastercard outlined its approach to sustainability. Strategic collaboration with the climate fintech pioneer Doconomy – a participation of Mastercard and PostFinance – is a good example of how a CO₂ calculator can empower customers to be more aware when making consumer decisions and, in turn, contribute to climate protection. Together Mastercard and Doconomy provided insights into business models that achieve environmental benefits, but also impressively showed how an established company can make a greater impact through cooperation with an innovative startup.

Development of products and services

PostFinance is pressing ahead with its transformation to become the number one digital bank in Switzerland. Over 1.9 million customers have access to e-finance. The PostFinance App is already actively used by almost one million customers. This makes PostFinance the ideal partner for everyone who wants to manage their own finances as easily as possible.

Signing contracts digitally with “Bankident PostFinance”

In April 2023, PostFinance became the first Swiss bank to launch a proof-of-identity solution for the qualified electronic signing of documents. Thanks to the “Bankident PostFinance” service, customers can provide a legally valid electronic signature on contracts easily, quickly and without media disruption via the PostFinance App. The service is based on a cooperation with Swisscom Trust Services.

In collaboration with SwissSign, a Swiss Post subsidiary, PostFinance developed use cases for the seamless integration of SwissSign’s electronic signature solution into the PostFinance App. Since 2023, customers have been able to apply for credit cards without media disruption via the PostFinance App thanks to “Bankident PostFinance” and SwissSign’s signature solution.

PostFinance Card available with Apple Pay

Since May 2023, customers have been able to use their PostFinance Card combined with Debit Mastercard, in addition to their prepaid and credit cards, to pay via Apple Pay. This means they benefit from a secure payment method and don’t have to hand over their card, press keys or use cash when paying.

PostFinance mortgages: new partnership with CredEx

PostFinance aims to achieve growth in the mortgage market and gain market share. As PostFinance is unable to provide loans independently, it does so in cooperation with finance partners and as a brokerage business. In addition to the existing cooperation partnerships with Münchener Hypothekbank and Valiant, a sales and processing partnership has existed since July 2023 with the company Credit Exchange Ltd (CredEx), which currently has over 15 refinancing partners. This enables PostFinance to provide its customers with attractive options for buying their own home and to strengthen the PostFinance mortgage. For strategic reasons, PostFinance participated in the capital increase of CredEx and became a minority shareholder. In conjunction with the participation, the comparison and sign-up platform Valuu was transferred to CredEx at the end of 2023.

Yuh – retirement planning with the pillar 3a

At the end of August 2023, the subsidiary Yuh, the first neobank, added an investment solution for pillar 3a to its range of services. The number of customers continually rose again in 2023. This meant Yuh was one of the fastest-growing smartphone banks in 2023, too.

Milestones in PostFinance's retirement planning business

PostFinance entered the retirement planning business over 25 years ago. With life insurance policies, the retirement savings account 3a and the vested benefits account, today PostFinance provides solutions for financial protection against the risks of old age, unemployment and death as well as the depositing of accrued pension fund assets. All retirement planning solutions are provided in partnership. In 2023, PostFinance celebrated anniversaries with three cooperation partners:

Life insurance: 25 years of partnership with AXA

The partnership between PostFinance and AXA began in 1998. Over the past 25 years, it has become one of the most successful collaborations between a bank and insurance company. With a range of saving and risk insurance products, customers have the option of individually supplementing the benefits of state and occupational pensions in old age, or in the event of the inability to work or death.

Retirement savings account 3a: 20 years of partnership with UBS Switzerland AG

In collaboration with UBS Switzerland AG and the jointly founded PostFinance Retirement Savings Foundation 3a, PostFinance added the tax-privileged retirement savings account 3a to its portfolio of private retirement planning solutions in 2003. As an alternative to interest-bearing account deposits, PostFinance provides retirement funds which offer a yield-oriented solution. All four approved retirement funds have taken account of environmental, social and governance (ESG) sustainability criteria since 2022.

Vested benefits account: 15 years of partnership with the Rendita Vested Benefits Foundation

Since 2008, PostFinance – in collaboration with the Rendita Vested Benefits Foundation – has provided a solution for depositing accrued pension fund assets in a vested benefits account in the event of giving up gainful employment temporarily or permanently. As an alternative to the interest-bearing account solution, beneficiaries have the option of partially or fully investing their vested benefits assets in retirement funds.

TWINT is driving the digital payment revolution forward

2023 was a record year for TWINT: in total, 590 million transactions were executed in Switzerland, representing an impressive increase of 50 percent compared with 2022. This development shows how quickly TWINT has established itself as the leading mobile payment app in Switzerland. With over 1.2 million users at PostFinance TWINT and a total of around five million active users nationwide, TWINT is now an indispensable mobile payment solution.

Paper bill: on the path to digitizing billing processes

Invoicing should be simple and digital for PostFinance business customers. For situations where paper invoices are still required, the new PostFinance solution Paper Bill has been available since 2023: PostFinance handles the printing and sending of paper invoices and manages the processing of returns. That saves business customers time and money, leaving them with greater capacity to focus on their core business.

Partnership with Swiss Stablecoin Ltd

To drive forward the development of a digital franc, PostFinance entered into partnership with Swiss Stablecoin Ltd (SSC) in June. The goal is to create a broadly supported payment method that will make the payment system in Switzerland simpler and more efficient. The digital franc will be based on open-access blockchain technology. With a joint feasibility trial, the procedure is to be tested in a closed ecosystem. As the first step in their new partnership, PostFinance and SSC are working with the association cardossier to conduct the proof of concept. Small amounts are billed when changing vehicle. That's why this cardossier process provides the option of integrating a micropayment solution based on a stablecoin. The digital franc's programmability provides further customer benefits. By adding logic to payments, processes can be made more efficient and automated.

Outlook

PostFinance is operating in a challenging economic and regulatory environment. As interest rates were very low or even negative for years, its interest margin was eroded. PostFinance particularly welcomes the turn towards a positive interest rate environment, which is also in the interests of its customers.

In June 2023, the National Bank decided to continue tightening its monetary policy, and raised the policy rate by 0.25 percent to 1.75 percent in an effort to counteract the further increase in inflationary pressure. The SNB then maintained its analysis of the monetary policy situation of December 2023 and left the policy rate unchanged at 1.75 percent. While inflationary pressure has reduced slightly, there is still great uncertainty. The SNB will continue to monitor the inflation trend closely and adjust monetary policy if necessary to ensure prices remain stable.

The economic risks are significant: geopolitical risks have increased owing to armed conflict in the Middle East. An escalation of this conflict could lead to a sharp rise in oil prices which would, in turn, cause inflation rates to rise. Existing risks in relation to global debt levels, corrections to real estate and financial markets and the balance sheet risks of financial institutions could also intensify.

Higher long-term interest rates gradually resulted in higher income from financial investments over the course of 2023. PostFinance makes new investments on a continuous basis within a long-term portfolio and along the annual maturities. This means that the increased long-term interest rates will only be reflected in the form of higher income from financial investments in the medium term. PostFinance expects the interest margin to continue improving in the positive interest environment. The turnaround in interest rates will have a positive impact on interest income in 2024, too. The gradual normalization of the overall interest margin – combined with higher revenue from non-interest-sensitive business – will provide PostFinance with the potential to significantly improve profitability.

Nevertheless, the economic and regulatory environment remains challenging for PostFinance. Despite the positive interest rate environment, the competitive disadvantage that it faces in not being able to issue loans and mortgages independently remains unchanged.

PostFinance continues to focus consistently on customer needs

PostFinance is the ideal partner for everyone who wants to manage their own finances as easily as possible. To do so, it relies on future-oriented tools and technologies it has specially developed or adapted for the Swiss market. Various projects will be evaluated and driven forward in 2024.

Public service

Based on a decision by the Federal Council in summer 2022, the Department of the Environment, Transport, Energy and Communications (DETEC) has worked on proposals concerning the future of the universal service (universal service 2030+). PostFinance is supporting this process by providing the owner with relevant information. DETEC is expected to publish a report on the future structure of universal postal and payment transaction services in 2024. PostFinance anticipates this will be followed by a revision process, at the end of which a political decision will be made that will also be relevant to PostFinance's future. In spring 2024, the Federal Council will publish its "Too big to fail (TBTF)" report, which will also cover the regulatory challenges after the rescue of Credit Suisse.

PostFinance is entering the market for the trading and custody of cryptocurrencies

PostFinance identified digital assets as a strategically important growth area in 2022 and incorporated this into its strategy. Based on developments in this sub-market, PostFinance entered the market for the trading and custody of cryptocurrencies and launched its own market service in early 2024. The aim is to provide customers with secure and convenient access to the cryptocurrency market.

PostFinance is the ideal partner for everyone who wants to manage their own finances as easily as possible.

Invisible payments: the future of shopping

By the end of 2025, the new PostFinance Pay payment method is expected to be introduced in online shops that offer PostFinance as a payment method. It replaces the previous "PostFinance Card" and "PostFinance e-finance" payment methods. Customers can process their transactions easily and conveniently via the PostFinance App, with no need to use the PostFinance Card or reader. PostFinance Pay forms the basis for PostFinance to continue pressing ahead with "invisible payments". These are payment processes that are completely integrated into the purchase of products and services. This means the payment process runs automatically, invisibly and seamlessly in the background. After one-time registration of PostFinance Pay with the retailer, customers then no longer have to carry out the payment process as an independent transaction.

Launch of Combo payment methods

The introduction of Combo payment methods means retailers can now take out an acceptance contract with PostFinance for all common payment methods used in point-of-sale business. The product is provided in cooperation with Worldline and has been available to small and medium-sized retailers since autumn 2023. It will be continually developed and upgraded over the course of 2024. Combo payment methods represent a major milestone in PostFinance's efforts to provide retailers with a complete payment collection solution from a single provider.

New PostFinance logo

To mark its 175th anniversary, Swiss Post modernized its logo in 2023. The redesign of Swiss Post Group's logo did not affect PostFinance directly, but it did provide the company with an opportunity to review its own brand identity. The new logo was unveiled in February 2024. It represents a PostFinance providing financial services for a modern, innovative Switzerland. The refresh gives the PostFinance brand a modern design for the digital age. The new logo supports the PostFinance brand to ensure recognition, orientation and differentiation on the marketplace.

Statutory annual financial statements

PostFinance issues annual financial statements in accordance with the accounting rules under banking law (articles 25–28 of the Banking Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”).

For 2023, the statutory financial statements indicate profit after tax of 164 million francs.

Total assets amount to 102 billion francs.

Balance sheet

PostFinance Ltd | Balance sheet as per Accounting – banks

CHF million	Notes	31.12.2022	31.12.2023
Assets			
Liquid assets		36,567	27,090
Amounts due from banks		3,413	2,889
Amounts due from securities financing transactions	5	10	–
Amounts due from customers	6	11,464	11,871
Mortgage loans	6	0	0
Trading portfolio assets		–	–
Positive replacement values of derivative financial instruments	7	1,179	1,330
Other financial instruments at fair value		–	–
Financial investments	8	60,222	57,485
Accrued income and prepaid expenses		296	395
Participations	9, 10	131	143
Tangible fixed assets	11	1,039	991
Intangible assets	12	6	6
Other assets	13	53	57
Total assets		114,380	102,257
Total subordinated claims		14	15
of which subject to mandatory conversion and/or debt waiver		2	4
Liabilities			
Amounts due to banks		1,284	1,520
Liabilities from securities financing transactions	5	15,626	4,100
Amounts due in respect of customer deposits		90,413	89,607
Trading portfolio liabilities		–	–
Negative replacement values of derivative financial instruments	7	23	10
Liabilities from other financial instruments at fair value		–	–
Cash bonds		11	123
Bond issues and central mortgage institution loans		–	–
Accrued expenses and deferred income		77	132
Other liabilities	13	615	466
Provisions	16	40	35
Reserves for general banking risks		–	–
Bank's capital	17	2,000	2,000
Statutory capital reserve		4,330	4,140
of which tax-exempt capital contribution reserve		4,330	4,140
Statutory retained earnings reserve		–	–
Voluntary retained earnings reserves		–	–
Profit/loss carried forward		–229	–40
Profit/loss		190	164
Total liabilities		114,380	102,257
Total subordinated liabilities		253	442
of which subject to mandatory conversion and/or debt waiver		253	442

PostFinance Ltd | Off-balance sheet transactions

CHF million	Notes	31.12.2022	31.12.2023
Contingent liabilities	6, 25	63	53
Irrevocable commitments		822	930
Obligations to pay up shares and make further contributions		–	–
Credit commitments		–	–

Income statement

PostFinance Ltd | Income statement as per Accounting – banks

CHF million	Notes	2022	2023
Interest and discount income	28	177	659
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		210	299
Interest expense	28	120	–447
Gross result from interest operations		507	511
Changes in value adjustments for default risks and losses from interest operations		–23	5
Net result from interest operations		484	516
Commission income from securities trading and investment activities		91	86
Commission income from lending activities		21	21
Commission income from other services ¹		635	610
Commission expense ¹		–342	–329
Result from commission business and services		405	388
Result from trading activities and the fair value option	27	221	214
Result from the disposal of financial investments		–	–
Income from participations		5	4
Result from real estate		62	64
Other ordinary income		63	49
Other ordinary expenses		–	–
Other result from ordinary activities		130	117
Operating income		1,240	1,235
Personnel expenses	29	–454	–469
General and administrative expenses	30	–502	–492
Operating expenses		–956	–961
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–81	–78
Changes to provisions and other value adjustments, and losses		–11	–11
Operating result		192	185
Extraordinary income	31	2	10
Extraordinary expenses	31	–	0
Changes in reserves for general banking risks		–	–
Earnings before taxes		194	195
Taxes	32	–4	–31
Profit		190	164

¹ The accounting practice was reviewed and changed in 2023. The prior-year figures have not been adjusted.

Appropriation of profit/loss

PostFinance Ltd | Distributable profit/accumulated loss

CHF million	31.12.2022	31.12.2023
Profit for the year	190	164
Loss carried forward	-229	-40
Total distributable profit/accumulated loss	-39	124

At its meeting on 23 February 2024, the PostFinance Ltd Board of Directors proposed the following appropriation of profit for submission to the General Meeting on 12 April 2024:

PostFinance Ltd | Appropriation of profit/loss

CHF million	31.12.2022	31.12.2023
Dividend distributions	-	114
Profit/loss carried forward to new account	-39	10
Total distributable profit/accumulated loss	-39	124

PostFinance Ltd | Other distributions

CHF million	31.12.2022	31.12.2023
Distributions from the capital reserve	-190	-
Total distributions from the capital reserve	-190	-

Cash flow statement

PostFinance Ltd | Cash flow statement as per Accounting – banks

CHF million	Cash inflow 2022	Cash outflow 2022	Cash inflow 2023	Cash outflow 2023
Cash flow from operating activities (internal financing)				
Profit for the year	190	–	164	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	80	–	70	–
Provisions and other value adjustments	–	3	–	5
Change in value adjustments for default risks and losses	–	4	–	6
Accrued income and prepaid expenses	5	–	–	99
Accrued expenses and deferred income	–	15	55	–
Other items	–	–	–	–
Previous year's dividend	–	–	–	–
Subtotal	253		179	
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	223	–	190
Subtotal		223		190
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	0	5	2	12
Real estate	–	25	7	21
Other tangible fixed assets	–	6	–	8
Intangible assets	–	–	–	–
Subtotal		36		32
Cash flow from banking operations				
Medium and long-term business (>1 year):				
Amounts due to banks	–	317	–	–
Amounts due in respect of customer deposits	50	–	208	–
Cash bonds	3	–	112	–
Other liabilities	551	–	–	148
Amounts due from banks	74	–	494	–
Amounts due from customers	184	–	–	594
Mortgage loans	0	–	–	–
Financial investments	–	2,042	3,489	–
Other accounts receivable	182	–	–	4
Short-term business:				
Amounts due to banks	787	–	236	–
Liabilities from securities financing transactions	–	3,967	–	11,526
Amounts due in respect of customer deposits	–	4,260	–	1,016
Negative replacement values of derivative financial instruments	–	82	–	13
Amounts due from banks	–	13	29	–
Amounts due from securities financing transactions	–	10	10	–
Amounts due from customers	170	–	189	–
Positive replacement values of derivative financial instruments	–	728	–	151
Financial investments	–	–	–	748
Subtotal		9,418		9,433
Liquidity				
Liquid assets	9,424	–	9,476	–
Subtotal	9,424		9,476	
Total	9,677	9,677	9,655	9,655

Statement of changes in equity

PostFinance Ltd | Presentation of the statement of changes in equity

CHF million	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity as at 1.1.2023	2,000	4,330	–	–	–40	–	6,290
Dividends and other distributions	–	– 190	–	–	–	–	– 190
Profit	–	–	–	–	–	164	164
Equity as at 31.12.2023	2,000	4,140	–	–	–40	164	6,264

Notes

1 | Business name and the legal form and domicile of the bank

Business name: PostFinance Ltd (company number CHE-114.583.749)

Legal form: Private limited company (Ltd)

Domicile: Bern (Switzerland)

2 | Accounting and valuation policies

General principles

The bookkeeping, accounting and valuation policies are based on the Swiss Code of Obligations, the Banking Act and the related ordinances, statutory provisions and the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA). The true and fair view statutory single-entity financial statements give an accurate picture of the assets, liabilities, financial position and results of operations of the company in accordance with the Accounting rules for banks, securities firms, financial groups and conglomerates.

Individual report figures are rounded in the notes for publication. Small rounding differences may therefore occur.

Foreign currency translation

Balance sheet items in foreign currency are converted at the foreign exchange rates valid at the end of the year. Any resulting exchange gains and losses are recognized in the income statement. Income and expenses are converted at the applicable daily rates.

Closing rates	31.12.2022	31.12.2023
EUR	0.9841	0.9335
USD	0.9241	0.8429
GBP	1.1129	1.0764
JPY	0.0070	0.0060

Offsetting

As a rule, no offsetting takes place, except in the cases set out below. Receivables and payables are offset if all the following conditions are met: the receivables and payables arise from transactions of the same type with the same counterparty, with the same maturity or earlier maturity of the receivable and in the same currency, and cannot lead to a counterparty risk. Value adjustments are deducted from the corresponding asset item.

Trade date/settlement date accounting

As a rule, securities transactions in financial investments are recognized on the trade date. Participations are recognized at the settlement date. Concluded foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized in the balance sheet in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments until their settlement date.

General valuation policies

The detailed positions of items in the balance sheet are valued separately (item-by-item valuation).

Liquid assets, amounts due from banks and amounts due from securities financing transactions

These items are included in the balance sheet at their nominal value or acquisition cost less value adjustments for impaired loans/receivables and expected losses. Cash outflows arising from reverse repurchase transactions are presented as amounts due from securities financing transactions. Financial investments obtained from transactions as collateral are generally not recognized in the balance sheet. Interest income from reverse repurchase transactions is accounted for using the accrual-based accounting principle. Securities lending and borrowing transactions are recorded at the value of the cash deposits that have been received or made. Securities borrowed or received as collateral are only recognized in the balance sheet if PostFinance gains control over the contractual rights associated with these securities. Securities lent and provided as collateral are only taken off the balance sheet if PostFinance loses the contractual rights associated with these securities. The fair values of the securities borrowed and lent are monitored on a daily basis in order to provide or claim additional collateral where required. Securities cover for reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values. Fees received or paid in relation to securities lending and repurchase transactions are stated in the result from commission business and services.

Amounts due from customers

These items are included in the balance sheet at their nominal value or acquisition cost less value adjustments for impaired loans/receivables and expected losses. Any premiums and discounts related to amounts due from customers are accrued over the term. Receivables are classed as impaired at the latest when the contractually agreed payments of capital and/or interest are more than 90 days outstanding. Interest outstanding for more than 90 days is regarded as overdue. Value adjustments that are no longer economically necessary are released to income. All value adjustments are deducted directly from this item in the balance sheet.

Overdue interest, the collection of which is impaired, is no longer accrued as income, but is reported without interest when its collection is so doubtful that the accrual of such interest is no longer deemed appropriate. If a receivable is considered entirely or partially uncollectible or a debt waiver has been granted, the amount of the receivable is derecognized from the corresponding value adjustment.

Trading portfolio assets

Securities held for trading acquired primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are measured at fair value. Realized and unrealized gains and losses from these securities are recorded in the result from trading activities and the fair value option. Interest and dividend income from securities held for trading is recognized under net interest income. Where, as an exception, no fair value is ascertainable, valuation and recognition are to follow the principle of the lower of cost or market value.

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading. Derivative financial instruments acquired for trading purposes are recognized at fair value and are subsequently measured at fair value. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged items. The effectiveness of these hedges is reviewed every six months. Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of

both the hedging instrument and the hedged underlying instrument are recognized in the income statement. Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are allocated to the compensation account, while changes in value to the extent a hedge is ineffective are recognized in profit or loss. The foreign currency basis spreads of cross-currency swaps, which are designated as hedging instruments, are excluded from the designation and booked as hedging costs. The amounts are accounted for in other assets or other liabilities and reclassified into the income statement over the term of the underlying transaction. Positive and negative replacement values for all derivatives are recognized at fair value in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments.

Financial investments

Financial investments with a fixed maturity that PostFinance intends and is able to hold to maturity are measured at amortized cost (accrual method) less impairment for expected losses. The effective interest method spreads the difference between the acquisition cost and the repayment amount (premium/discount) over the life of the investment in question using the present value method. The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (present value method, etc.). In the case of listed financial instruments, the fair values correspond to market prices provided that such prices have been set on a price-efficient and liquid market. If financial investments intended to be held to maturity are sold or repaid prior to maturity, the gains or losses realized that correspond to the interest component are accrued over the remaining term. Holdings in equity securities (shares) are valued according to the principle of the lower of cost or market value. Debt securities acquired without the intention of being held to maturity are also valued according to the principle of the lower of cost or market value. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet.

Establishing amounts for value adjustments

The expected loss method as per IFRS 9 is used to establish amounts for value adjustments. Depending on the change in credit risk since acquisition, debt securities, amounts due from securities financing transactions, amounts due from customers and amounts due from banks belong to one of three levels for the calculation of value adjustments. Depending on the level, the value adjustment matches the expected loss over the next year (level 1) or the expected losses over the remaining term to maturity of an instrument (levels 2–3). The expected losses over the next year depend on the exposure of the position included in the default risk, on the probability of default of the instrument for the relevant year due to economic trends, and on an expected loss given default. The lifetime expected losses depend on the probability of default of the position due to economic trends over the remaining term to maturity, on its current and future exposure included in the default risk, and on an expected loss given default.

At the time of acquisition, a financial instrument with intrinsic value is allocated to level 1. A transition to level 2 takes place if there has been a significant increase in credit risk since initial recognition. There is a significant increase in credit risk if the current rating of a position is below a defined threshold. The threshold applied depends on the original rating of the position. Due to the exponential nature of the probability of default, the relative change in the probability of default must be higher, the better the rating at the time an instrument was acquired. The assigned rating corresponds to the rating issued by recognized rating agencies. If no such rating exists, the ratings of non-recognized rating agencies (e.g. ratings of qualified banks) are used. A payment delay of more than 30 days also serves as a criterion for a move to level 2. In addition, a dedicated committee assesses whether there is a significant rise in credit risk for positions under special consideration, leading to a reclassification to level 2. This affects the following positions: those that have a non investment-grade rating, those whose spread exceeds a defined value, those that are lower tier 2 positions or those that do not have an external rating. If an event of default is present on the balance sheet date, the position is allocated to level 3. An event of default is present if PostFinance assumes that there is a strong

probability that the debtor will be unable to meet their payment obligations in full and as agreed, if a D rating (default) applies or if the liability is more than 90 days overdue from the counterparty. If a position has been allocated to levels 2 or 3, it can again be transferred to level 1 or 2 as soon as the criteria for that level have been satisfied.

The value adjustment of a financial instrument is measured using the following parameters: default probability, credit loss ratio and credit exposure at the time of default. As PostFinance has not recorded any bond defaults in the past and invests primarily in highly rated bonds, there are no internal default time series available in order to estimate default probabilities on this basis. For this reason, default probabilities are derived from migration matrices from external sources. These derived default probabilities are adjusted periodically based on the expected economic and credit market trends. The model parameters for the credit loss rate for various types of product are derived from various external sources by means of an expert opinion. A dedicated committee can override the credit loss rate of specific positions if necessary. Credit exposure at the time of default generally corresponds to amortized cost or forecasted amortized cost plus outstanding interest.

Value adjustments are calculated on amounts due from private and business accounts and associated limits on a collective basis. The portfolios used were generated on the basis of the characteristics applied in product management. Receivables are allocated to level 1 on initial recognition. They are allocated to levels 2 or 3 when the overdue period defined for the relevant level has been exceeded. The default rate used to determine the calculation of expected loss is calculated using historical data for a switch to level 2 or level 3. On the balance sheet date the previously calculated default probability is verified in order to determine whether an adjustment is needed on the basis of current and forward-looking information. The value adjustment for amounts due from banks is measured based on the default risk of outstanding loans or their credit rating.

Participations

All equity securities in companies intended to be held as long-term investments are reported as participations. These items are included in the balance sheet at acquisition cost less economically necessary value adjustments in accordance with the individual valuation principle. The fair values of participations for the purposes of impairment testing at least once a year are determined on the basis of stock market prices and valuation techniques such as the discounted cashflow method or using the venture capital approach.

Tangible fixed assets

Tangible fixed assets are recognized in the balance sheet at acquisition cost less cumulative depreciation. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life. Useful life is as follows:

- IT infrastructure 3–4 years
- Postomats 10 years
- Software 3–10 years
- Real estate 10–50 years

Assets associated with the purchase, installation and development of software are capitalized if they are of measurable economic benefit.

Regular checks are carried out to determine if there are signs of overvaluation. If this is the case, the book value is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the book value of an asset exceeds its recoverable amount, an impairment equal to the difference between the book value and the recoverable amount is recognized in profit or loss. Gains realized from the disposal of tangible fixed assets are recorded in extraordinary income, while realized losses are recognized as extraordinary expenses.

Intangible assets

Acquired intangible assets are recognized in the balance sheet at acquisition cost less cumulative depreciation. They are depreciated on a straight-line basis over their estimated useful life of ten years. If an assessment on the balance sheet date shows that the capitalization of a proportion of intangible assets is no longer justified, the proportion in question is additionally depreciated on the relevant date. An assessment is carried out if there are any indications of impairment.

Accrued income and prepaid expenses, and accrued expenses and deferred income

Interest receivable and payable, commission and other income and expenses during the accounting period are accounted for using the accrual-based accounting principle to ensure that they are correctly represented in the income statement.

Amounts due to banks, liabilities from securities financing transactions and amounts due in respect of customer deposits

Private and business accounts are included in the balance sheet at their nominal value. Financial investments transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under "Financial investments". Interest expenses from repurchase transactions are accounted for using the accrual-based accounting principle. Securities cover for repurchase and securities borrowing transactions is recognized on a daily basis at current fair values. Amounts borrowed from banks and holders of qualified participations and cash bonds are recorded on the balance sheet at nominal value.

Provisions

Provisions are made according to objective criteria for all risks detectable on the balance sheet date and presented under this item in the balance sheet. Provisions that are no longer economically necessary are released to income. Provisions for expected losses are made for off-balance sheet transactions. The method used is analogous to value adjustments on expected losses.

Contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions

These items are recorded at their nominal value as off-balance sheet transactions.

Pension benefit obligations

The accounting treatment of pension benefit obligations at PostFinance Ltd is based on Swiss GAAP ARR 16/26. PostFinance employees are insured with the Swiss Post pension fund foundation under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan (OPA). Staff are thereby insured against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Expenses related to pension benefit obligations are recognized in personnel expenses. Pension benefit obligations represent the actuarial present value of benefits for the employee's eligible insurance period and take the future into account by including statistical probabilities such as death and disability.

The employer contribution reserve is part of the Swiss Post pension fund. A future economic benefit is calculated and capitalized based on the last available and audited financial statements from the Swiss Post pension fund foundation.

Taxes

Income tax is determined on the basis of the accrued net annual results in the relevant reporting period. Deferred tax liabilities are calculated at the current tax rate. Accruals and deferrals are recognized in the balance sheet under accrued income and prepaid expenses or accrued expenses and deferred income.

The tax consequences of time differences between the values of assets and liabilities shown in the balance sheet and their tax bases are recognized as deferred taxes under provisions. Deferred taxes are determined separately in each business period.

Changes in the accounting and valuation principles versus the previous year

In the financial year 2023, there were no changes year-on-year.

Business policy on the use of derivative financial instruments and hedge accounting

PostFinance uses derivative financial instruments exclusively to hedge interest and currency risks.

The bond market in Swiss francs is not sufficient to cover PostFinance's investment requirements. It therefore also invests in foreign currency bonds. As a general rule, two methods are used to hedge foreign currency risks. A proportion of the foreign currency bonds refinanced in Swiss francs are hedged by means of cross-currency interest rate swaps (CCIRS). The advantage of this hedging approach is that the amounts of all future cash flows (coupons, nominal value repayment) in Swiss francs are already known on the date of conclusion of the transaction. However, it rules out the diversification benefits associated with the varying amounts and performance of term spreads of different foreign currency yield curves. To take advantage of this diversification potential and access bond markets on which CCIRS are only available with high illiquidity discounts, the currency risks of certain foreign currency bonds are hedged by means of a currency overlay of rolling short-term foreign exchange forward contracts (FX forwards).

The foreign currency risks of the other financial instruments are also hedged on a rolling basis using FX forwards.

Interest rate swaps are used to control duration on the assets side. Long (short) duration bonds are transformed into short (long) duration bonds by means of interest rate swaps. In principle, interest rate swaps are used to control the maturity transformation strategy in the overall balance sheet.

Economic relationship between hedged items and hedging transactions

PostFinance records the relationship between the hedging instrument and the hedged item on the date on which a financial instrument is classed as a hedging relationship. The information recorded includes the risk management objectives and strategy of the hedging transaction, and the methods used to measure the effectiveness of the hedging relationship. The economic relationship between the hedged item and the hedging transaction is periodically measured on a prospective basis in the course of effectiveness tests by measuring factors such as inverse performance and its correlation.

Effectiveness measurement

Hedging is deemed to be highly effective if the following criteria are essentially met:

- Hedging is considered to be highly effective upon its initial recognition (on a prospective basis via the critical terms match method).
- There is a close economic relationship between the hedged item and the hedging transaction.
- There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.

Ineffectiveness

If this results in an ineffective portion, this is recognized in the income statement for the period in question. This is carried out regularly through quantitative analysis based on the dollar-offset method. The absolute changes in value of the hedged item and hedging instrument are then compared for the period.

Events after the balance sheet date

On the date of issue of the annual financial statements, no material events had occurred as at 31 December 2023 which would have to be disclosed in the financial statements and/or in the notes.

3 | Risk management

Business model and risk profile

PostFinance operates mainly in the fields of payment transaction services, the receipt of customer deposits, account services and related services. It also handles customer securities trading, carries out investments in its own name, and manages other financial services on behalf of third parties. On account of its business model, PostFinance is exposed to risks. PostFinance could suffer losses or deviations from the expected result if these risks materialize.

PostFinance defines three risk categories based on its business model.

- Financial risk refers to the risk of unexpected losses from the investment and deposit business. In terms of financial risks, PostFinance differentiates between interest rate, market, credit and liquidity risks.
- Strategic risk refers to the risk of failing to achieve company goals at the level of the fundamental or long-term orientation of the institution as a result of unexpected developments.
- Operational risk refers to the risk of unexpected costs or unwelcome events (such as events with a negative impact on reputation or compliance breaches) that arise as a result of the inadequacy or failure of internal processes, people or systems, or as a result of external events. Operational risks also include the risks associated with financial reporting.

Governance and reporting

In formal terms, the business control and monitoring process and the entire internal control system comply with the COSO II framework and “three lines model”. The COSO II framework incorporates risk management as well as risk control and monitoring. PostFinance also uses the ISO 31000 standard as a guideline.

The Board of Directors defines the risk policy and principles of risk management and is responsible for the regulation, establishment and monitoring of an effective risk management system. It is also responsible for ensuring an appropriate risk and control environment within PostFinance. The Board of Directors uses the definition of risk appetite to determine the total amount of risk that PostFinance is prepared to take. The risk appetite takes strategic, financial and operational risks into account and must be in line with the company's risk capacity. The risk capacity results from the regulatory and legal requirements to be met, adherence to which enables PostFinance to continue as a going concern. In addition, the risk appetite takes the directives and guidelines of the owner into account.

The Board of Directors and all Board of Directors' Committees (Risk, Audit & Compliance, IT & Digitalization, Organisation, Nomination & Remuneration) apply these risk principles. The Risk and Audit & Compliance Committees have a special role to play here, as they perform an explicit monitoring function at Board level, with the Board of Directors' Audit & Compliance Committee focusing in particular on non-financial risks and the Board of Directors' Risk Committee on financial risks.

The PostFinance Executive Board is responsible for implementing the directives of the Board of Directors with regard to risk management and monitoring within the framework of the 1st and 2nd lines of defence (line), and ensures compliance with the risk capacity and risk appetite. It implements the directives of the Board of Directors with regard to the establishment, maintenance and regular review of control activities and the control units involved. In addition, the Executive Board is responsible for the active management of financial, strategic and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure throughout the institution meets requirements in organizational, human resources, technical and methodology terms. The Chief Risk Officer (CRO) is a member of the Executive Board and is responsible for ensuring that the subordinated control entities perform the tasks entrusted to them.

The business units which represent the 1st line bear primary responsibility for the risks from their unit and exercise their control function in the management of risks, in particular through their identification, measurement, control, monitoring and reporting activities. They take account of the directives of the 2nd line and ensure that their risks and controls are complete and up-to-date in the risk and control inventory. Within the 1st line, there are units that are accountable for results and units with no direct accountability for results, which act for example as support units for other units or the Executive Board. The Risk Management unit supports decision-makers with the management and monitoring of financial risks in the overall balance sheet. It identifies, models and measures the financial risks entered into and proposes risk and income-oriented control measures. It also monitors and reports their effectiveness to decision-makers on a regular basis. The Compliance Services unit ensures compliance with legal provisions and guidelines in business operations and at the customer interface in accordance with the directives of the 2nd line. The management of security risks at the operational level is the responsibility of the Security unit.

The units in the 2nd line independently monitor risk management in the 1st line, ensuring that all risks are appropriately identified, measured, managed, monitored and reported across the company. They also issue directives on the assurance of compliance with internal and external provisions and define methods and procedures for risk management.

At PostFinance, the Governance, Compliance and Risk Control units are the control entities responsible for the 2nd line function. The independence of the 2nd line units from the 1st line units is ensured in organizational terms by the fact that these units are located in the business unit of the CRO.

Risk Control independently monitors all risks that are not monitored by Compliance or Governance. This applies to financial risks, operational risks, security risks and strategic risks. Risk Control continuously monitors the risk situation in these areas, reviews central risk management processes, methods for risk measurement and assessment and risk monitoring systems in the 1st line, and monitors their correct implementation and application. Risk Control defines appropriate directives and processes for identifying, measuring, assessing and controlling the risks taken by PostFinance.

Risk Control provides a suitable system for maintaining an inventory of all risks, risk management strategies, controls and events. As a unit in the 2nd line, it ensures that the 1st line units keep the inventory complete and up-to-date and validates the inventory on an ongoing basis with regard to completeness and correctness.

Compliance independently monitors adherence to legal, regulatory and internal provisions relating to money laundering, tax compliance and the provision of financial services. Governance independently monitors compliance by staff with the rules of governance as a whole and with the Code of Conduct.

As independent control entities, the 2nd line units monitor the risk profile of PostFinance with suitable instruments, provide a central overview of its development and report it to the Executive Board and the Board of Directors jointly on a quarterly basis at least. In addition, matters of major importance are reported to the Board of Directors by the units in the 2nd line promptly and on an ad hoc basis. Risk Control coordinates the reporting activities of all 2nd line functions.

As part of the 3rd line, Internal Auditing is responsible for risk monitoring and for overseeing both the 1st and 2nd lines. It reports directly to the Board of Directors of PostFinance.

Risk measurement methods

Risk category	Potential loss or negative impact	Method of risk description and/or control
Financial risks		
– Credit risks	Losses due to deterioration in creditworthiness and counterparty default	Compliance with the minimum regulatory requirements for risk-weighted capital Concentration, rating structure and country portfolio limits as well as nominal limits at counterparty level; management of economic concentration risks in the credit portfolio
– Interest rate risks	Loss in present value of equity following market interest changes Fluctuating net interest income over time	Absolute sensitivity limits for equity capital Implementation of multi-period dynamic revenue analyses
– Liquidity risks	Insolvency	Compliance with the minimum regulatory requirements for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) Holding of cash reserves to cover liquidity requirements in stress situations
– Market risks	Losses in fair value to be charged to the Accounting – banks income statement	Compliance with the minimum regulatory requirements for risk-weighted capital Value at risk limits for fair value effects on the income statement
Strategic risks	Losses, reduced revenues or additional internal expenses resulting from failure to achieve company goals at the level of the fundamental or long-term orientation of the institution	Quantification of gross risk by evaluating the extent of loss and probability of occurrence of a dire but nevertheless realistic scenario. On this basis, establishment of a risk management strategy and risk-mitigating measures, and assessment of the residual risk in both quantitative and qualitative terms. Monitoring of the development of strategic top risks. Level-appropriate addressing of risks through the definition of approval limits and thresholds for risk management measures for individual risks.
Operational risks	Losses, reduced revenues or additional internal expenses resulting from inadequate or failed internal processes, people or systems, or external events	Quantification of gross risk by evaluating the extent of loss and probability of occurrence of a dire but nevertheless realistic scenario. On this basis, establishment of a risk management strategy and risk-mitigating measures, and assessment of the residual risk in both quantitative and qualitative terms. Monitoring by defining reporting limits for operational top risks. Level-appropriate addressing of risks through the definition of approval limits and thresholds for risk management measures for individual risks.

PostFinance measures and monitors financial risks both at individual portfolio level and with regard to the overall balance sheet. Risks are limited by means of a multi-dimensional limit system. A variety of methods of differing degrees of complexity are used by Risk Management to measure financial risks. In concrete terms, they include scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and stochastic models to determine value-at-risk or expected shortfall risk indicators (e.g. to measure market risks or to quantify economic concentration risks in the credit portfolio). The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times.

All risks of PostFinance are assessed on the basis of a credible worst case scenario (CWC). The CWC represents a dire but nevertheless realistic loss scenario associated with a risk. The CWC covers both probability of occurrence and extent of loss in a quantitative and/or qualitative form. This assessment is undertaken for both gross and residual risk, i.e. after implementation of the risk management strategy.

Individual risks are assessed using threshold values with regard to the obligation to record and the necessity of control measures. Approval limits for individual risks are used to ensure that risks and the associated risk management strategy are acknowledged and approved at the appropriate level.

At a higher level, the risks in the risk inventory are used by the Executive Board and Board of Directors for the top-down definition of top risks that are of central importance to PostFinance and have a high level of management attention. Operational top risks are measured by aggregating the respective individual risk clusters. These top risks and other aggregated risk positions are assigned to a warning level which, if exceeded, triggers a notification to the Board of Directors.

Stress testing

The Risk Management unit regularly carries out an inverse stress test to identify developments which could pose a particular threat to PostFinance. This test identifies scenarios in which a specific measure of risk takes on extremely unfavourable values. The results of the inverse stress tests are discussed by the Executive Board and the Board of Directors on a regular basis.

As well as being used for control purposes, stress tests are also applied in the Risk Control department as a monitoring tool for recognizing significant (new) risks, to determine risk concentrations and to verify the appropriateness of risk appetite in stress situations.

Financial risk management at PostFinance

Credit risks

PostFinance was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance pursues a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. The cluster risk is deliberately limited by holding financial investments that are broadly diversified in terms of the sectors, countries and counterparties.

The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the creditor to incur a financial loss. In addition, a sharp decline in the creditworthiness of a counterparty can trigger additional impairment requirements for the creditor. Credit risk increases as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the creditworthiness or solvency of an entire group of otherwise unrelated counterparties.

To limit the overall credit risks taken, each year the Board of Directors of PostFinance sets a maximum figure not to be exceeded with regard to regulatory minimum capital to cover credit risks. It also determines directives on the investment rating structure, limits potential country risks and delegates responsibility for approving major counterparty limits to the Board of Directors' Risk Committee. New investments are generally only permitted if the debtor has a rating and its creditworthiness is classed as investment grade.

In addition to the portfolio limits defined by the Board of Directors, the credit risks associated with investment activities are restricted by the Executive Board by setting counterparty limits and other control requirements.

The directives for counterparty limits are based on publicly accessible ratings by recognized rating agencies and qualified banks, and on internal limit systems, with ESG criteria (environmental, social and governance) also being taken into account. Climate-specific finance risks are also analysed and taken into account as part of the ESG criteria. PostFinance publishes the climate-related financial risks in a separate disclosure. By means of quantitative and risk-oriented qualitative analyses of balance sheet key figures and early warning indicators, publicly accessible ratings in the limit systems are examined critically and limits derived from them, taking into account the current portfolio. The Risk Management unit is responsible for developing and applying internal limit systems. These limit systems are approved and released by the Executive Board at least once a year. Changes in a counterparty's creditworthiness or of relevant key figures result in the immediate adjustment of the directives. Compliance with prescribed limits is monitored on an ongoing basis and is verified by the Treasury unit before the closing of each transaction.

The economic concentration risks in the credit portfolio are taken into consideration in defining the portfolio and counterparty limits. To measure them, PostFinance uses a credit portfolio model that quantifies the credit risks within the credit portfolio while taking into account correlation effects. On the basis of the modelled risk indicators (expected shortfall and the relevant risk contributions of sub-portfolios), limits and control requirements can be defined in such a way that they increase portfolio efficiency and/or limit concentration risks.

The Risk Management unit informs the Executive Board of the extent to which limits are used in monthly reports. It submits risk control proposals where limits have been exceeded, resulting from adjustments to counterparty limits.

As an integral part of credit risk management, the limit systems are subjected to regular checks by Risk Control.

Credit risks arising from customer transactions are of secondary importance at PostFinance, and are due to account overdraft limits proposed in connection with payment transaction services, and to the range of credit cards available. The credit risks taken are established and monitored by means of product-specific processes. The Executive Board issues general directives on credit checks and authorizations for approving individual limits.

Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. Concentrations of securities delivered (with the exception of cash collateral) are measured, monitored and reported to the Executive Board on a monthly basis. At the same time, wrong-way risks are assessed and risk control proposals submitted where concentrations have been identified.

The mortgage lending solutions offered in cooperation with Münchener Hypothekbank eG (MHB) since 2008, with Valiant Bank AG since 2010 and with Credit Exchange Ltd since 2023 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank.

Interest rate risk and balance sheet structure risk

The term “interest rate risk” refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet and on the result from interest operations in the income statement resulting mainly from maturity mismatches. Interest-earning operations are a key earnings driver for PostFinance. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of customer deposits held by PostFinance are non-maturing and do not earn a fixed rate of interest. The interest rate of these deposits is therefore estimated using a replication method, which aims to map the most closely matching maturities of similar customer products while minimizing interest margin volatility. A certain quota of short-term investments are used to cover short-term volume fluctuations.

The maturities of money and capital market investments are determined on the basis of the target present value sensitivity of equity capital, and used to define the maturity transformation strategy. The resulting imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective.

The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to shifts in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other.

Absolute change in the present value of equity¹

CHF million	31.12.2022	31.12.2023
Parallel up shock	–	–304
Short up shock	–242	–

¹ In order to determine the present value sensitivity of equity, the six standard shocks in accordance with FINMA Circular 2019/2 “Interest rate risks – banks” are applied. The scenario resulting in the greatest negative change in the present value of equity is shown per reference date.

Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance’s future interest income. In addition, dynamic income simulations are carried out for a broad set of deterministic scenarios over the course of the year. These scenarios describe future market interest trends and the resulting changes in customer interest and customer volumes for each replica, as well as different maturity transformation strategies where applicable. Dynamic income simulations are carried out by the Risk Management unit. Risk control proposals are submitted and discussed regularly with the Executive Board on the basis of the results.

Liquidity risks

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed with a one-day, a one-month, a three-month and a one-year time horizon. To guarantee liquidity on a daily basis, financial cushions are defined for the settlement of unforeseen payments. These figures should be available for use in stress situations in particular, when it may no longer be possible to turn to the unsecured interbank market for liquidity. The minimum amount for a financial cushion is based on high daily cash outflows over a one-day horizon with an extremely low probability of occurrence.

Determining and limiting the regulatory key figures liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) ensure liquidity over a one-month and one-year horizon.

To ensure liquidity over a three-month horizon, liquidity stress scenarios are defined that must not lead to illiquidity. Long-term stable financing beyond a one-year horizon is ensured by the structural liquidity ratio (net stable funding ratio, NSFR). There is an emergency plan to resolve any liquidity crises.

Market risks

PostFinance does not keep a trading book, and uses the market risk, standardized approach in accordance with art. 86 CAO to determine its minimum capital requirement for market risks. To limit the market risks taken, each year the Board of Directors of PostFinance sets a maximum figure not to be exceeded with regard to regulatory minimum capital to cover market risks.

According to PostFinance's business model, market risks are expressed by increased volatility in the income statement in the short term. PostFinance is exposed to market risks for two reasons:

- Open foreign currency items and changes in value arising from foreign currency derivatives affect the volatility of the income statement (foreign currency risks).
- Changes in the value of instruments that are recognized according to the principle of the lower of cost or market value or managed in accordance with hedge accounting (including fund investments in the banking book, hedged items and the related hedging instruments) may also have an effect on the volatility of the income statement.

Market risks are modelled according to value at risk and limited in the income statement by the Board of Directors. To measure market risks, the risk factors that have an impact on the present value of the relevant item are assigned to each item. The change in present value is modelled according to the change in the allocated risk factors. A functional correlation between the item value and the associated risk factors must also be defined. The stochasticity of all relevant risk factors over the next 250 days is determined on the basis of probability distribution assumptions. Corresponding market data time series are used to calibrate the probability distributions. The distribution of changes to the income statement over a one-year period can be determined with the help of the functional correlation established between risk factors and portfolio items. Value at risk is then determined on the basis of the 95 percent quantile. The Risk Management department measures market risks on a weekly basis. It informs the Executive Board of the extent to which limits are used and submits risk control proposals where necessary.

Operational and strategic risks

In line with the Basel Committee on Banking Supervision, operational risk at PostFinance is defined as the risk of unexpected costs or unwelcome events (such as events with a negative impact on reputation or compliance) that may arise as a result of the inadequacy or failure of internal processes, people or systems, or as a result of external events. Strategic risk refers to the risk of failing to achieve company goals at the level of the fundamental or long-term orientation of the institution as a result of unexpected developments. The Board of Directors sets out the principles for managing operational and strategic risks and defines the risk appetite in the risk policy regulations.

The risk management process ensures compliance with risk appetite. Using suitable management instruments and relevant risk mitigation measures, this ensures the risks assumed are in line with the risk appetite and that the risk capacity and in particular the legal and regulatory requirements are complied with. The stabilization and emergency plan is an instrument used to ensure either the continuation of business activities or, alternatively, an orderly wind-down with the continuation of systemically important functions, even during stressful periods.

Risk appetite is defined by the PostFinance Ltd Board of Directors using quantitative and qualitative targets from various perspectives. Equity is allocated for operational risks to meet regulatory requirements. The Board of Directors also defines indicators for the main risk categories and approval limits for individual risks. If these limits are exceeded, the approval of the Board of Directors is required before the risks can be assumed. The Board of Directors also adopts qualitative requirements on risk appetite. Operational risks with the potential to lead to serious infringements of laws or regulations in plausible, adverse scenarios are not tolerated. PostFinance Ltd complies with the provisions set out in FINMA Circular 2023/1 "Operational risks and resilience – banks".

The risk appetite for strategic risks is taken into account by the Board of Directors when drawing up the business strategy. The Board of Directors receives regular reports on the extent of strategic risks. As part of equity capital planning, it is shown whether the strategy is feasible in compliance with regulatory capital and liquidity requirements.

4 | Capital adequacy disclosure in accordance with FINMA Circular 2016/1¹

According to the decree issued by the SNB on 29 June 2015, PostFinance was designated a systemically important financial group. For this reason, PostFinance must comply with the requirements set out in Articles 124–136 of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO).

Two disclosures showing PostFinance's equity situation were published as at 31 December 2023. The information in the "Capital adequacy disclosure" meets the requirements of Annexes 1 and 2 of the FINMA Circular 2016/1 "Disclosure – banks". The capital adequacy disclosure on grounds of systemic importance, which is a parallel calculation in accordance with Annex 3 of the aforementioned Circular, is also published. The different requirements result in deviations, particularly with regard to eligible capital and capital ratios. The specified documents are published at → postfinance.ch/reporting.

¹ Chapter 4 on capital adequacy disclosures in accordance with FINMA Circular 2016/1 is not part of the audit by Ernst & Young Ltd.

Information on the balance sheet

5 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2022	31.12.2023
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	10	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	15,626	4,100
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	17,535	6,128
with unrestricted right to resell or pledge	17,535	6,128
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,768	1,942
of which, repledged securities	–	–
of which, resold securities	–	–

6 | Collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Presentation of collateral for loans/receivables		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
31.12.2023 CHF million					
Loans (before netting with value adjustments)					
Amounts due from customers		–	1,289	10,600	11,889
Mortgage loans		0	–	–	0
Residential property		0	–	–	0
Total loans (before netting with value adjustments) 31.12.2023		0	1,289	10,600	11,889
31.12.2022		0	1,424	10,061	11,485
Total loans (after netting with value adjustments) 31.12.2023		–	1,289	10,582	11,871
31.12.2022		0	1,424	10,040	11,464

Presentation of collateral for off-balance-sheet transactions		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
31.12.2023 CHF million					
Off-balance sheet					
Contingent liabilities		–	51	2	53
Irrevocable commitments		–	149	781	930
Total off-balance sheet 31.12.2023		–	200	783	983
31.12.2022		–	270	615	885

Guarantees, sureties for COVID-19 loans and cash collateral are recognized as receivables with other collateral.

PostFinance discloses payment obligations for depositor protection in irrevocable commitments.

Impaired loans/receivables	CHF million	
	31.12.2022	31.12.2023
Gross debt amount	64	63
Estimated liquidation value of collateral	–	–
Net debt amount	64	63
Individual value adjustments	61	60

7 | Derivative financial instruments and hedge accounting

Derivatives entered into by PostFinance on behalf of customers are disclosed in the following overview as trading instruments.

Presentation of derivative financial instruments (assets and liabilities)

31.12.2023 CHF million	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Forward contracts including FRAs	–	–	–	0	–	2
Swaps	–	–	–	208	–	2,756
Foreign exchange/precious metals						
Forward contracts	3	7	677	175	3	7,542
Cross-currency interest rate swaps	–	–	–	944	–	7,310
Equity securities/indices						
Options (exchange-traded)	–	–	–	–	–	–
Total before netting agreements as at 31.12.2023	3	7	677	1,327	3	17,610
of which, determined using a valuation model	3	7		1,327	3	
31.12.2022	3	4	648	1,176	19	16,648
of which, determined using a valuation model	3	4		1,176	19	
Total after netting agreements as at 31.12.2023	3	7	677	1,327	3	17,610
31.12.2022	3	4	648	1,176	19	16,648

Breakdown by counterparty

31.12.2023 CHF million	Central clearing houses	Banks and securities firms	Other customers
Positive replacement values (after netting agreements)	–	1,328	2

Cash flow hedges

PostFinance uses cash flow hedge accounting to hedge the volatility of cash flows from interest-bearing instruments that can be predicted with a high degree of probability. Cash flow hedge accounting is used in particular to hedge fixed income instruments in foreign currencies via cross-currency interest rate swaps.

Contract volumes of cash flow hedges					Term to maturity
CHF million	0–3 months	3 months–1 year	1–5 years	Over 5 years	Total
31.12.2022					
Currency risk					
Cross-currency interest rate swaps	275	1,232	4,287	1,301	7,095
Other					
Completed non-settled transactions	18	–	–	–	18
31.12.2023					
Currency risk					
Cross-currency interest rate swaps	510	932	4,111	1,757	7,310
Other					
Completed non-settled transactions	2	–	–	–	2

The following amounts were recognized from designated hedging instruments in the balance sheet and income statement:

Changes in hedging instruments		Positive fair values	Negative fair values	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Change in fair value of hedging instrument in the reporting period, recorded in other assets/liabilities	Ineffectiveness recorded in the income statement	Net amount reclassified from other assets/liabilities to the income statement ¹
CHF million							
31.12.2022							
Currency risk							
Cross-currency interest rate swaps	657	–	422 ²	422 ²	–	–181	
Other							
Completed non-settled transactions	–	–	0	0	–	–	
31.12.2023							
Currency risk							
Cross-currency interest rate swaps	944	–	466	466	–	–371	
Other							
Completed non-settled transactions	0	–	0	0	–	–	

¹ The ineffective share from the change in the fair value of the derivative is recognized in the result from trading activities and the fair value option. Reclassifications from other assets and liabilities are carried out in the result from trading activities and the fair value option (fair value change).

² The figure has been adjusted. The item is now recorded without foreign currency basis spreads.

In the course of the reporting period, the following effects arose from designated hedged items (item in the balance sheet: financial investments):

Effects of hedged items in cash flow hedging	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Hedging reserves in other assets/liabilities
CHF million		
31.12.2022		
Currency risk		
Debt securities intended to be held to maturity	-422 ¹	78
31.12.2023		
Currency risk		
Debt securities intended to be held to maturity	-466	134

¹ The figure has been adjusted. The item is now recorded without foreign currency basis spreads.

The hedging reserves in other assets/liabilities underwent the following change in the reporting periods:

Hedging reserves in other assets/liabilities	2022	2023
	Hedging reserves – unrealized gains/losses from cash flow hedge	Hedging reserves – unrealized gains/losses from cash flow hedge
CHF million		
Balance at 1.1	-113	78
Change in fair value of hedging instrument		
Currency risk	422 ¹	466
Other	0	0
Change in hedging costs		
Currency risk		
Foreign currency basis spreads	-50	-39
Net amount reclassified from hedging reserves to income statement		
Currency risk	-181	-371
of which arising from discontinued hedging relationships	-	-
of which from changes in foreign currency basis spreads	12	16
Balance at 31.12	78	134

¹ The figure has been adjusted. The item is now recorded without foreign currency basis spreads.

These cash flows are expected to have an effect on the income statement in the following periods:

Cash flows (not discounted)	Term to maturity			
CHF million	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2022				
Cash inflows	6	31	93	20
Cash outflows	-25	-86	-233	-37
31.12.2023				
Cash inflows	23	45	223	66
Cash outflows	-50	-108	-424	-110

Fair value hedges

PostFinance uses fair value hedge accounting to hedge changes in the value of interest-sensitive assets. Fair value hedge accounting is used in particular to hedge fixed income instruments via interest rate swaps.

Contract volumes for fair value hedges CHF million					Term to maturity
	0–3 months	3 months–1 year	1–5 years	Over 5 years	Total
31.12.2022					
Interest rate risk					
Interest rate swaps	50	135	–	2,756	2,941
31.12.2023					
Interest rate risk					
Interest rate swaps	–	–	300	2,456	2,756

The following amounts were recognized from designated hedging instruments in the balance sheet and income statement:

Change in fair value hedges CHF million	Positive fair values	Negative fair values	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Ineffectiveness recorded in income statement ¹
31.12.2022				
Interest rate risk				
Interest rate swaps	439	1	480	–
31.12.2023				
Interest rate risk				
Interest rate swaps	208	–	–237	–

1 The ineffective share from the change in the fair value of the derivative is recognized in the result from trading activities and the fair value option.

In the course of the reporting period, the following amounts arose from designated hedged items (item in the balance sheet: financial investments, amounts due from banks, amounts due from customers):

Effects of hedged items from fair value hedging CHF million	Book value of hedged item	Accumulated expenses or income from fair value hedge adjustments that were recorded in the book value of the hedged item	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Accumulated amount of fair value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses
31.12.2022				
Interest rate risk				
Debt securities intended to be held to maturity	2,241	–416	–431	5
Amounts due from customers and banks	275	–25	–49	–
31.12.2023				
Interest rate risk				
Debt securities intended to be held to maturity	2,373	–196	220	3
Amounts due from customers and banks	192	–8	17	–

8 | Financial investments

Breakdown of financial investments	Book value		Fair value	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
CHF million				
Debt securities	60,111	57,383	56,176	55,613
of which, intended to be held to maturity	60,111	57,383	56,176	55,613
Equity securities ¹	111	102	122	110
Total	60,222	57,485	56,298	55,723
of which, securities eligible for repo transactions in accordance with liquidity requirements	26,360	28,849	24,606	27,799

¹ There are no qualified participations.

Breakdown of counterparties by rating¹

31.12.2023 CHF million	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	37,478	13,742	5,738	30	-	395

¹ The following ratings agencies, all of which are recognized by FINMA, were consulted for the ratings: fedafin AG, Fitch Ratings, Moody's Investors Service, Standard & Poor's Ratings Services.

9 | Participations

Presentation of participations

CHF million	Acquisition cost	Accumulated value adjustments	Book value 31.12.2022	2023						
				Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals	Book value 31.12.2023	Market value 31.12.2023
Participations										
with market value	45	-	45	-	-	-1	-	-	44	214
without market value	155	-69	86	-	17	-2	-7	5	99	-
Total participations	200	-69	131	-	17	-3	-7	5	143	214

10 | Significant participations

CHF or EUR, percent	Business activities	Currency	Company capital	Share of capital and of votes ¹	
				31.12.2022	31.12.2023
Finform Ltd, Bern, Switzerland	Fintech and regtech	CHF	100,000	50.00%	50.00%
Yuh Ltd, Gland, Switzerland	Fintech in the neobanking area	CHF	1,000,000	50.00%	50.00%
TWINT Ltd, Zurich, Switzerland	Mobile payment	CHF	12,750,000	26.66%	26.66%
TWINT Acquiring Ltd, Zurich, Switzerland ¹	Acquiring for payment transactions	CHF	100,000	26.66%	26.66%
TONI Digital Insurance Solutions AG, Schlieren, Switzerland	Insurance service provider	CHF	2,536,043	25.45%	24.71%
moneymeets GmbH, Cologne, Germany	Online financial services	EUR	112,568	27.38%	24.23%
moneymeets community GmbH, Cologne, Germany ²	Online financial services	EUR	–	27.38%	–
Tilbago AG, Lucerne, Switzerland	Smart online payment collection solution (robo payment collection)	CHF	177,906	24.43%	24.43%
Credit Exchange Ltd, Zurich, Switzerland	B2B mortgage platform	CHF	168,175	–	21.45%
Ormera AG, Bern, Switzerland ³	Automated energy billing	CHF	–	46.83%	–

¹ TWINT Acquiring Ltd is held indirectly via TWINT Ltd. All other participations are directly owned by PostFinance Ltd.

² Merger of moneymeets Community GmbH with moneymeets GmbH in 2023.

³ Ormera AG discontinued its services in the second quarter of 2022, and was liquidated in 2023.

Additional information on the true and fair value statutory single-entity financial statements in accordance with article 62 of the FINMA Accounting Ordinance: The effect of a theoretical application of the equity method with regard to these participations would be to reduce total assets by 41 million francs (previous year: 29 million francs) and to decrease profit for the year by 6 million francs (previous year: 12 million francs).

11 | Tangible fixed assets

CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2022						2023
				Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value 31.12.2023
Bank buildings	233	–79	154	–	1	–	–7	–	148
Other real estate	1,067	–286	781	–	20	–6	–32	–	763
Proprietary or separately acquired software	231	–151	80	–	–	–	–22	–	58
Other tangible fixed assets	68	–45	23	–	8	–	–9	–	22
Total tangible fixed assets	1,599	–561	1,038	–	29	–6	–70	–	991

Future lease obligations under operating leases

CHF million	2024	2025	2026	2027	2028	2029	Total
Future lease payments	6	6	6	5	3	0	26
of which cancellable within a year	1	1	0	0	0	0	2

12 | Intangible assets

Presentation of intangible assets							2023	
CHF million	Cost value	Accumulated amortization	Book value 31.12.2022	Additions	Disposals	Amortization	Book value 31.12.2023	
Other intangible assets	8	-2	6	-	-	0	6	
Total intangible assets	8	-2	6	-	-	0	6	

13 | Other assets and other liabilities

Breakdown of other assets and other liabilities				
CHF million	31.12.2022	31.12.2023	31.12.2022	31.12.2023
	Other assets	Other assets	Other liabilities	Other liabilities
Compensation account	-	-	529	345
Employer contribution reserves	32	33	-	-
Indirect taxes	18	18	5	35
Other assets and liabilities	3	5	81	87
Total other assets and other liabilities	53	56	615	467

14 | Pledged or assigned assets and assets under reservation of ownership

Total amount of assets pledged or assigned to secure own commitments and of assets under reservation of ownership ¹			
CHF million		31.12.2022	31.12.2023
Liquid assets:			
Book value of assets pledged and assigned as collateral		-	391
Effective commitments		-	-
Financial investments:			
Book value of assets pledged and assigned as collateral		97	79
Effective commitments		-	-

¹ Excluding securities lending and securities borrowing, and repurchase and reverse repurchase transactions.

15 | Liabilities relating to own pension schemes

Pension benefit obligations

There is no independent pension scheme for PostFinance staff. Their pension benefits are handled exclusively by the Swiss Post pension fund. The employer may be required to pay restructuring contributions in the event of underfunding of the Swiss Post pension fund.

Additional amounts due for extended disability benefit plans in the form of transitional invalidity insurance (supplementary disability pensions for men up to the age of 65 and women up to the age of 64) are taken into account in the annual financial statements.

Liabilities relating to own pension schemes as per Swiss GAAP ARR 16

All the compulsory ordinary employer contributions associated with the pension plan are accounted for as personnel expenses using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether, for PostFinance, the pension schemes generate an economic benefit or an economic obligation. The assessment is based on information from contracts, the annual financial statements of the pension schemes and other calculations presenting their financial situation and current overfunding or underfunding – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from overfunding to reduce employer contributions. Consequently, a future economic benefit is not capitalized. An economic obligation is, however, recognized under liabilities. With 36,457 active insured persons and 30,876 pensioners (as at 31 October 2023), the Swiss Post pension fund had total assets of 16,369 million francs as at 31 December 2023 (previous year: 16,388 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at approximately 106.1 percent (previous year: 102.7 percent). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no overfunding available. The Swiss Post pension fund has employer contribution reserves of 350 million francs without a waiver of use (previous year: 350 million francs without a waiver of use). A technical interest rate of 1.75 percent (previous year: 1.5 percent) and the technical basis of OPA 2020 (previous year: OPA 2020) were used to calculate pension cover. It should be noted that all data regarding the Swiss Post pension fund is based on the information available at the time of drawing up the ARR 16 financial statements. Consequently, it may differ from the actual information contained in the annual financial statements for the Swiss Post pension fund. A detailed assessment did not reveal any financial impact on the bank; according to the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP ARR 26, there were no spare funds or underfunding as at 31 December 2023. There are no employer-sponsored pension schemes.

The economic benefit or economic obligations and pension expenses can be summarized as follows:

Presentation of the economic benefit/obligation and the pension expenses	Overfunding/underfunding		Economic interest of PostFinance Ltd		Change in economic interest (economic benefit/obligation) versus previous year	Contributions paid		Pension expenses in personnel expenses	
	31.12.2023	31.12.2022	31.12.2023	2023		2023	31.12.2022	31.12.2023	
CHF million									
Swiss Post pension fund	88	0	0	0	39	38	39		
Disability pensions	-1	-1	-1	0	0	0	0		
Total ARR 16	87	-1	-1	0	39	38	39		

The employer contribution reserves of the Swiss Post pension fund are allocated based on the percentage of PostFinance's retirement capital of the entire retirement capital. This gives the following picture:

Employer contribution reserves (ECR)	Nominal value		Waiver of use		Net amount		Influence of ECR on personnel expenses	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	
CHF million								
Swiss Post pension fund	33	32	0	32	33	-3	-1	
Total ARR 16	33	32	0	32	33	-3	-1	

16 | Value adjustments and provisions, and reserves for general banking risks

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year								
CHF million	As at 31.12.2022	Use in conformity with designated purpose ¹	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2023
Provisions for pension benefit obligations	1	–	–	–	–	–	–1	0
Provisions for default risks	0	–	–	–	–	–	0	–
of which provisions as per art. 28 para. 1 RelV-FINMA	–	–	–	–	–	–	–	–
of which provisions for expected losses	0	–	–	–	–	–	0	–
Provisions for restructuring	7	–2	–	–	–	–	–4	1
Other provisions	32	–1	–	–	–	3	0	34
Total provisions	40	–3	–	–	–	3	–5	35
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default and country risks²	85	–	–	–	–	0	–6	79
of which, value adjustments for default risks in respect of impaired loans/receivables	61	–	–	–	–	0	–1	60
of which, value adjustments for expected losses	24	–	–	–	–	0	–5	19

¹ There were no changes in purpose.

² Includes the value adjustments from amounts due from banks, amounts due from customers und debt securities held to maturity.

Together with other Swiss financial institutions, PostFinance Ltd is currently involved in an investigation initiated in 2018 by the Federal Competition Commission in connection with the mobile payment solution TWINT. The investigation is not yet complete. No provisions have been recognized.

As at 31 December 2022 and 31 December 2023, the levels of expected loss within amounts due from banks, amounts due from customers, debt securities intended to be held to maturity and contingent liabilities consisted of the following.

Analysis of expected losses and impaired loans / receivables

CHF million	31.12.2022				31.12.2023			
	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total
Amounts due from banks	3,413	–	–	3,413	2,889	–	–	2,889
Value adjustments	0	–	–	0	0	–	–	0
Book value	3,413	–	–	3,413	2,889	–	–	2,889
Amounts due from securities financing transactions	10	–	–	10	–	–	–	–
Value adjustments	0	–	–	0	–	–	–	–
Book value	10	–	–	10	–	–	–	–
Amounts due from customers	11,464	3	18	11,485	11,869	3	17	11,889
Value adjustments	–5	–1	–15	–21	–4	–1	–14	–18
Book value	11,459	2	3	11,464	11,865	2	3	11,871
Debt securities held to maturity								
AAA to AA–	40,574	–	–	40,574	37,480	–	–	37,480
A+ to A–	13,571	–	–	13,571	13,747	–	–	13,747
BBB+ to BBB–	5,611	–	–	5,611	5,745	–	–	5,745
BB+ to B–	30	–	–	30	30	–	–	30
Unrated	342	–	46	388	395	–	46	441
Total	60,128	–	46	60,174	57,397	–	46	57,443
Value adjustments	–18	–	–46	–64	–14	–	–46	–60
Book value	60,110	–	0	60,110	57,383	–	0	57,383
Contingent liabilities	63	–	–	63	53	–	–	53
Provisions for expected losses	0	–	–	0	–	–	–	–
Total	63	–	–	63	53	–	–	53

The economic outlook may have an impact on the credit quality of bonds and receivables. At the start of 2023, the outlook was very uncertain owing to the possibility of an energy shortage and persisting inflation. These risks did not materialize during the course of 2023 and have generally declined. Reclassifications within the three levels were immaterial in nature. An update of the scenario weighting leads to a decrease in value adjustments required of around 4.5 million francs in the current financial year.

17 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital	31.12.2022			31.12.2023		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
CHF million, number in million						
Bank's capital						
Share capital	2,000	2	2,000	2,000	2	2,000
of which, paid up	2,000	2	2,000	2,000	2	2,000
Total bank's capital	2,000	2	2,000	2,000	2	2,000

18 | Amounts due from / to related parties

Disclosure of amounts due from/to related parties	Amounts due from		Amounts due to	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
CHF million				
Holdings of qualified participations	639	638	689	971
Linked companies	22	22	181	136
Transactions with members of governing bodies	0	0	16	12

Associated companies and subsidiaries that are under the direct or indirect management of associated companies are regarded as linked companies.

Transactions (such as securities transactions, payment transactions, and interest on deposits) with related parties, with the exception of members of the Executive Board and Senior Management (senior management and individual specialist functions at PostFinance), were carried out according to the same terms and conditions and lending rates as transactions with third parties.

Industry-standard preferential conditions apply to the Executive Board and members of Senior Management, as is the case for all PostFinance employees.

PostFinance issues loans and mortgages only in cooperation with partners. These are not regarded as transactions with members of governing bodies in the strict sense and are therefore not shown in the Annual Report.

19 | Holders of significant participations

Disclosure of holders of significant participations	31.12.2022		31.12.2023	
	Nominal	% of equity	Nominal	% of equity
CHF million				
With voting rights: Swiss Post Ltd	2,000	100	2,000	100

20 | Maturity structure of financial instruments

31.12.2023 CHF million		Due							Total
		At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity	
Liquid assets		26,700	390	–	–	–	–	–	27,090
Amounts due from banks		32	–	124	265	1,723	745	–	2,889
Amounts due from customers		344	4	722	925	5,498	4,378	–	11,871
Mortgage loans		–	–	0	–	–	–	–	0
Positive replacement values of derivative financial instruments		–	–	217	195	580	338	–	1,330
Financial investments		102	–	1,648	7,954	27,481	20,300	–	57,485
Total	31.12.2023	27,178	394	2,711	9,339	35,282	25,761	–	100,665
	31.12.2022	37,097	3	3,334	10,302	35,969	26,150	–	112,855

31.12.2023 CHF million		Due							Total
		At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity	
Amounts due to banks		1,518	–	2	–	–	–	–	1,520
Liabilities from securities financing transactions		–	–	4,100	–	–	–	–	4,100
Amounts due in respect of customer deposits		62,385	25,538	1,584	100	–	–	–	89,607
Negative replacement values of derivative financial instruments		–	–	7	3	0	–	–	10
Cash bonds		–	–	2	4	112	5	–	123
Total	31.12.2023	63,903	25,538	5,695	107	112	5	–	95,360
	31.12.2022	65,216	25,437	16,651	45	8	0	–	107,357

21 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle	31.12.2022		31.12.2023	
	Domestic	Foreign	Domestic	Foreign
CHF million				
Assets				
Liquid assets	36,567	–	27,090	–
Amounts due from banks	3,356	57	2,861	28
Amounts due from securities financing transactions	10	–	–	–
Amounts due from customers	11,461	3	11,866	5
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	475	704	396	934
Financial investments	32,951	27,271	32,152	25,333
Accrued income and prepaid expenses	199	97	246	149
Participations	109	22	125	18
Tangible fixed assets	1,039	–	991	–
Intangible assets	6	–	6	–
Other assets	53	–	57	–
Total assets	86,226	28,154	75,790	26,467
Liabilities				
Amounts due to banks	535	749	533	988
Liabilities from securities financing transactions	12,246	3,380	4,000	100
Amounts due in respect of customer deposits	86,731	3,682	85,978	3,629
Negative replacement values of derivative financial instruments	12	11	5	4
Cash bonds	11	0	118	5
Accrued expenses and deferred income	76	1	131	1
Other liabilities	611	4	463	3
Provisions	40	–	35	–
Bank's capital	2,000	–	2,000	–
Statutory capital reserve	4,330	–	4,140	–
Profit/loss carried forward	–229	–	–40	–
Profit/loss	190	–	164	–
Total liabilities	106,553	7,827	97,527	4,730

22 | Assets by country / group of countries

CHF million, percent	31.12.2022		31.12.2023	
	Absolute	Share as %	Absolute	Share as %
Breakdown of total assets by country or group of countries (domicile principle)				
Assets				
Switzerland	86,226	75.39	75,790	74.12
Europe	12,244	10.7	12,525	12.25
North America	8,787	7.68	7,979	7.80
Other countries	7,123	6.23	5,963	5.83
Total assets	114,380	100.00	102,257	100.00

23 | Assets by credit rating of country groups

CHF million, percent	Foreign exposure 31.12.2022		Foreign exposure 31.12.2023	
	Absolute	Share as %	Absolute	Share as %
Breakdown of total assets by credit rating of country groups (risk domicile view)				
Rating (Moody's)				
Aaa	14,973	55.59	13,854	55.63
Aa	8,555	31.76	8,024	32.22
A	2,324	8.63	1,902	7.64
Baa	440	1.63	456	1.83
Ba	1	0.00	1	0.00
B	172	0.64	191	0.77
Caa	319	1.19	251	1.01
No rating	150	0.56	224	0.90
Total	26,934	100.00	24,903	100.00

24 | Assets and liabilities by currency

**Presentation of assets and liabilities broken down
by the most significant currencies for the bank**31.12.2023
CHF million

	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	27,002	88	–	–	–	–	27,090
Amounts due from banks	2,866	9	2	1	9	2	2,889
Amounts due from securities financing transactions	–	–	–	–	–	–	–
Amounts due from customers	11,866	4	0	0	0	1	11,871
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	1,330	–	–	–	–	–	1,330
Financial investments	41,709	10,275	4,589	114	–	798	57,485
Accrued income and prepaid expenses	263	88	38	1	–	5	395
Participations	125	2	16	0	–	0	143
Tangible fixed assets	991	–	–	–	–	–	991
Intangible assets	6	–	–	–	–	–	6
Other assets	57	0	0	–	–	–	57
Total assets shown in balance sheet	86,215	10,466	4,645	116	9	806	102,257
Delivery entitlements from spot exchange, forward forex and forex options transactions	14,856	368	218	43	0	44	15,529
Total assets	101,071	10,834	4,863	159	9	850	117,786
Liabilities							
Amounts due to banks	1,463	56	1	–	0	0	1,520
Liabilities from securities financing transactions	4,100	–	–	–	–	–	4,100
Amounts due in respect of customer deposits	86,985	2,079	459	43	9	32	89,607
Negative replacement values of derivative financial instruments	10	–	–	–	–	–	10
Cash bonds	108	15	–	–	–	–	123
Accrued expenses and deferred income	132	0	0	0	–	0	132
Other liabilities	457	8	1	0	–	0	466
Provisions	35	–	–	–	–	–	35
Bank's capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,140	–	–	–	–	–	4,140
Profit/loss carried forward	–40	–	–	–	–	–	–40
Profit/loss	164	–	–	–	–	–	164
Total liabilities shown in the balance sheet	99,554	2,158	461	43	9	32	102,257
Delivery obligations from spot exchange, forward forex and forex options transactions	674	8,596	4,361	114	0	812	14,557
Total liabilities	100,228	10,754	4,822	157	9	844	116,814
Net position per currency 31.12.2023	843	80	41	2	0	6	972
Net position per currency 31.12.2022	550	43	32	2	0	3	630

Information on off-balance sheet transactions

25 | Contingent assets and liabilities

Breakdown of contingent liabilities and contingent assets		
CHF million	31.12.2022	31.12.2023
Guarantees to secure credits and similar	62	51
Other contingent liabilities	1	2
Total contingent liabilities	63	53
Contingent assets arising from tax losses carried forward	8	–
Total contingent assets	8	–

PostFinance Ltd is jointly and severally liable for all amounts due in connection with value-added tax (VAT) for the companies belonging to the "Swiss Post" VAT group.

As far as systemic importance is concerned, Swiss Post Ltd has deposited a letter of comfort amounting to 1 billion francs (previous year: 0.5 billion francs) in favour of PostFinance Ltd as at 31 December 2023.

26 | Managed assets

Breakdown of managed assets		
CHF million	31.12.2022	31.12.2023
Type of managed assets:		
Assets under discretionary asset management agreements	1,062	1,385
Other managed assets	34,607	36,335
Total managed assets¹	35,669	37,720
of which, double counting	–	–

¹ "Managed assets" refers only to assets deposited for investment purposes. Assets in connection with retirement planning products which are managed by third parties and assets deposited for transaction purposes are not included. PostFinance Ltd offers neither collective investment schemes managed by the bank. The item "Assets under discretionary asset management agreements" comprises assets in conjunction with e-asset management offered by PostFinance. Assets for which the customer decides independently how they should be invested are reported under "Other managed assets".

Presentation of the development of managed assets

CHF million	31.12.2022	31.12.2023
Total managed assets (including double counting) at beginning	38,389	35,669
+/- net new money inflow or net new money outflow ¹	7	1,156
+/- price gains/losses, interest, dividends and currency gains/losses	–2,727	895
+/- other effects	–	–
Total managed assets (including double counting) at end	35,669	37,720

¹ Net new money inflow or net new money outflow is calculated based on the overall change in managed assets, less price, interest and currency gains/losses, dividend distributions and other effects.

Information on the income statement

27 | Result from trading activities and the fair value option

Breakdown by business area

CHF million	2022	2023
Payment transactions and financial investments	245	249
Hedge accounting	-14	-14
Proprietary trading	-10	-21
Total result from trading activities	221	214

Breakdown by risk and based on the use of the fair value option

CHF million	2022	2023
Result from trading activities from:		
Interest rate instruments	-519	-1,038
Equity securities	0	-2
Foreign currencies	740	1,254
Total result from trading activities¹	221	214

¹ PostFinance does not apply the fair value option.

28 | Material negative interest

Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

CHF million	2022	2023
Negative interest on the lending business offset against interest and discount income	-1	0
Negative interest on the borrowing business offset against interest expense	167	0

29 | Personnel expenses

Breakdown of personnel expenses		
CHF million	2022	2023
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	369	380
Social insurance benefits	68	72
Other personnel expenses	17	17
Total personnel expenses	454	469

30 | General and administrative expenses

Breakdown of general and administrative expenses		
CHF million	2022	2023
Office space expenses	30	31
Expenses for information and communications technology	219	215
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	16	17
Fees of audit firm (art. 961a no. 2 CO)	2	2
of which, for financial and regulatory audits	2	2
of which, for other services	–	–
Other operating expenses	235	227
Total general and administrative expenses	502	492

31 | Extraordinary expenses and income

Extraordinary expenses		
CHF million	2022	2023
Losses from disposal of participations	–	0
Total extraordinary expenses	–	0

Extraordinary income		
CHF million	2022	2023
Reversals of impairment	2	5
Gains from disposal of participations	0	–
Other extraordinary income	–	5
Total extraordinary income	2	10

32 | Taxes

Current and deferred taxes		
CHF million	2022	2023
Expenses for current capital and income taxes	4	31
Total taxes	4	31

With no loss carryforward, this means current capital taxes and income taxes amounting to 31 million francs at a tax rate of approx. 19.5 percent (previous year: approx. 19.5 percent) are calculated again from this financial year. The remaining loss carryforward of 40 million francs as at 31 December 2022 was fully offset with the profit for the year 2023. In the previous year, expenses for current capital taxes and income taxes consisted largely of capital taxes due to the loss carryforward.

Auditor's report

Only the German version of the financial statements have been audited and the related audit report is included in the German version of the annual report on page 84. The translations into English, French and Italian of the financial statements were not subject to audit and are therefore marked as "unaudited".

Reporting

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The PostFinance Ltd Annual Report is available online in electronic form at
→ postfinance.ch/annualreport.

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Document structure

The Swiss Post annual reporting documents consist of:

- Swiss Post Ltd:
 - Annual Report 2023
 - Financial Report 2023 (management report, corporate governance, annual financial statements for the Group, Swiss Post Ltd and PostFinance Ltd)
 - Non-Financial Report 2023
- PostFinance Ltd:
 - Annual Report 2023
 - Report on non-financial matters 2023
 - Capital adequacy disclosure on grounds of systemic importance as at 31 December 2023
 - Capital adequacy disclosure as at 31 December 2023
 - Disclosure of climate-related financial risks for financial year 2023

Languages

PostFinance Ltd's Annual Report is available in English, German, French and Italian. The German version is authoritative. Disclosure on grounds of systemic importance and capital adequacy requirements are only available in German.

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