# Group annual financial statements

The consolidated annual financial statements include all of Swiss Post's subsidiaries. They have been produced in accordance with International Financial Reporting Standards (IFRS) and meet the requirements of the Postal Organization Act.

# Consolidated income statement

**Group** | Income statement

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| Net sales from logistics services | | 5,533 | 5,412 |
| Net sales from resale merchandise | | 553 | 548 |
| Income from financial services | 6 | 2,194 | 2,307 |
| Other operating income | 7 | 177 | 203 |
| **Total operating income** | 5 | **8,457** | **8,470** |
| Staff costs | 8, 9 | –4,108 | –3,701 |
| Resale merchandise and service expenses | 10 | –1,602 | –1,561 |
| Expenses for financial services | 6 | –501 | –492 |
| Depreciation and impairment | 24–26 | –329 | –333 |
| Other operating expenses | 11 | –1,114 | –1,142 |
| **Total operating expenses** | | **–7,654** | **–7,229** |
| **Operating profit** | 5 | **803** | **1,241** |
| Financial income | 12 | 12 | 14 |
| Financial expenses | 13 | –57 | –93 |
| Net income from associates and joint ventures | 23 | 16 | 7 |
| **Group profit before tax** | | **774** | **1,169** |
| Income tax | 14 | –136 | 582 |
| **Group profit** | | **638** | **1,751** |
| Group profit attributable to | | | |
| Swiss Confederation (owner) | | 638 | 1,751 |
| Non-controlling interests | | 0 | 0 |

# Consolidated statement of comprehensive income

**Group** | Statement of comprehensive income

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| **Group profit** | | **638** | **1,751** |
| **Other comprehensive income** | | | |
| Revaluation of employee benefit obligations | | –1,344 | 416 |
| Change in share of other comprehensive income of associates and joint ventures | | 0 | –1 |
| Change in deferred income taxes | | 275 | –107 |
| **Items not reclassifiable in the consolidated income statement, after tax** | 29 | **–1,069** | **308** |
| Change in currency translation reserves | | 7 | 1 |
| Change in share of other comprehensive income of associates and joint ventures | | 1 | 0 |
| Change in fair value reserves from available-for-sale financial assets | | 33 | 138 |
| (Gains)/losses transferred to income statement from available-for-sale financial assets | | –32 | –20 |
| Change in hedging reserves from cash flow hedges | | –52 | –37 |
| (Gains)/losses transferred to income statement from cash flow hedges | | 43 | 35 |
| Change in deferred income taxes | | –15 | –23 |
| **Reclassifiable items in consolidated income statement, after tax** | 29 | **–15** | **94** |
| **Total other comprehensive income** | | **–1,084** | **402** |
| **Total comprehensive income** | | **–446** | **2,153** |
| Total comprehensive income attributable to | | | |
| Swiss Confederation (owner) | | –446 | 2,153 |
| Non-controlling interests | | 0 | 0 |

# Consolidated balance sheet

**Group** | Balance sheet

| CHF million | Notes | 31.12.2014 | 31.12.2013 [1] |
|---|---|---|---|
| **Assets** | | | |
| Cash | | 1,814 | 2,058 |
| Receivables due from banks | 15 | 42,543 | 44,528 |
| Interest-bearing amounts due from customers | 15 | 696 | 542 |
| Trade accounts receivable | 15 | 1,122 | 1,032 |
| Other receivables | 15 | 911 | 943 |
| Inventories | 16 | 83 | 85 |
| Non-current assets held for sale | 17 | 1 | 0 |
| Financial assets | 18–22 | 72,833 | 66,847 |
| Investments in associates and joint ventures | 23 | 104 | 97 |
| Property, plant and equipment | 24 | 2,477 | 2,470 |
| Investment property | 25 | 180 | 116 |
| Intangible assets | 26 | 371 | 351 |
| Current income tax assets | | 0 | 1 |
| Deferred income tax assets | 14 | 1,536 | 1,313 |
| **Total assets** | | **124,671** | **120,383** |
| **Liabilities** | | | |
| Customer deposits (PostFinance) | 27 | 112,150 | 108,923 |
| Other financial liabilities | 27 | 1,739 | 1,503 |
| Trade accounts payable | | 821 | 776 |
| Other liabilities | | 804 | 897 |
| Provisions | 28 | 488 | 472 |
| Employee benefit obligations | 9 | 3,489 | 2,042 |
| Current income tax liabilities | | 21 | 3 |
| Deferred income tax liabilities | 14 | 149 | 130 |
| **Total liabilities** | | **119,661** | **114,746** |
| Share capital | | 1,300 | 1,300 |
| Capital reserves | | 2,279 | 2,419 |
| Retained earnings | | 2,519 | 1,922 |
| Profits and losses recorded directly in other comprehensive income | | –1,089 | –5 |
| **Equity attributable to the owner** | | **5,009** | **5,636** |
| Non-controlling interests | | 1 | 1 |
| **Total equity** | | **5,010** | **5,637** |
| **Total equity and liabilities** | | **124,671** | **120,383** |

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

# Consolidated statement of changes in equity

**Group** | Statement of changes in equity

| CHF million | Notes | Share capital | Capital reserves | Retained earnings | Profits and losses recorded directly in other comprehensive income | Equity attributable to the owner | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1.1.2013** | | **1,300** | **2,332** | **–81** | **–407** | **3,144** | **1** | **3,145** |
| Group profit | | | | 1,751 | | 1,751 | 0 | 1,751 |
| Other comprehensive income | 29 | | | | 402 | 402 | 0 | 402 |
| **Total comprehensive income** | | | | **1,751** | **402** | **2,153** | **0** | **2,153** |
| Dividends | 29 | | | –300 | | –300 | 0 | –300 |
| Appropriation of profit | 9 | | 100 | | | 100 | | 100 |
| Stamp duty from conversion into company limited by shares | | | –13 | | | –13 | | –13 |
| **Total transactions with the owner** | | | **87** | **–300** | | **–213** | **0** | **–213** |
| Initial recognition of deferred taxes on employee benefit obligations | | | | 552 | | 552 | | 552 |
| **Balance as at 31.12.2013** | | **1,300** | **2,419** | **1,922** | **–5** | **5,636** | **1** | **5,637** |
| Group profit | | | | 638 | | 638 | 0 | 638 |
| Other comprehensive income | 29 | | | | –1,084 | –1,084 | 0 | –1,084 |
| **Total comprehensive income** | | | | **638** | **–1,084** | **–446** | **0** | **–446** |
| Dividends | 29 | | –140 | –40 | | –180 | | –180 |
| Payments to acquire non-controlling interests | 37 | | | –1 | | –1 | 0 | –1 |
| **Total transactions with the owner** | | | **–140** | **–41** | | **–181** | **0** | **–181** |
| **Balance as at 31.12.2014** | | **1,300** | **2,279** | **2,519** | **–1,089** | **5,009** | **1** | **5,010** |

# Consolidated statement of cash flows

**Group** | Cash flow statement

| CHF million | Notes | 2014 | 2013[1] |
|---|---|---|---|
| Profit before tax | | 774 | 1,169 |
| Interest expense/(income) (including dividends) | | –1,027 | –1,007 |
| Depreciation and impairment | 24–26 | 337 | 342 |
| Net income from associates and joint ventures | | –16 | –7 |
| Net gain on disposal of property, plant and equipment | 7, 11 | –20 | –47 |
| Net increase/(decrease) in provisions | | 127 | –412 |
| Other non-cash expenses/(income) | | –30 | –8 |
| Change in net current assets: | | | |
| (Increase) in receivables, inventories and other assets | | –74 | –3 |
| (Decrease) in accounts payable and other liabilities | | –1 | –11 |
| Change in items from financial services: | | | |
| (Increase) in receivables due from banks (term of 3 months or more) | | –262 | –72 |
| (Increase)/decrease in financial assets | | –6,092 | 446 |
| Change in customer deposits/interest-bearing amounts due from customers | | 3,072 | –2,057 |
| Change in other receivables/liabilities | | 236 | 132 |
| Interest and dividends received (financial services) | | 1,338 | 1,423 |
| Interest paid (financial services) | | –169 | –224 |
| Income taxes paid | | –118 | –31 |
| **Cash flow from operating activities** | | **–1,925** | **–367** |
| Purchases of property, plant and equipment | 24 | –320 | –315 |
| Acquisition of investment property | 25 | –64 | –48 |
| Purchases of intangible assets (excl. goodwill) | 26 | –54 | –49 |
| Purchases of subsidiaries, net of cash and cash equivalents acquired | 37 | –5 | –41 |
| Purchases of other financial assets | | –13 | –12 |
| Proceeds from disposal of property, plant and equipment | 24 | 35 | 55 |
| Proceeds from disposal of other financial assets | | 32 | 80 |
| Interest received and dividends (excl. financial services) | | 20 | 21 |
| **Cash flow from investing activities** | | **–369** | **–309** |
| (Decrease) in other financial liabilities | | –5 | 0 |
| Interest (paid) | | –12 | –13 |
| Payments to acquire non-controlling interests | 37 | –1 | – |
| Transfer from profit available for appropriation to Swiss Post pension fund | 9 | – | –100 |
| Dividends paid to the owner | | –180 | –200 |
| **Cash flow from financing activities** | | **–198** | **–313** |
| Foreign exchange gains/(losses) on cash and cash equivalents | | 0 | 0 |
| **Change in cash and cash equivalents** | | **–2,492** | **–989** |
| Cash and cash equivalents at 1 January | | 46,472 | 47,461 |
| **Cash and cash equivalents at 31 December** | | **43,980** | **46,472** |
| Cash and cash equivalents include: | | | |
| Cash | | 1,814 | 2,058 |
| Receivables due from banks with an original term of less than 3 months | 15 | 42,166 | 44,414 |

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

# Notes

## 1 | Business activities

Swiss Post Ltd is a company limited by shares subject to a special statutory regime with its head office in Berne and is wholly owned by the Swiss Confederation. Swiss Post Ltd and its subsidiaries (hereinafter referred to as Swiss Post) provide logistics and financial services both in Switzerland and abroad (see Note 5, Segment information).

## 2 | Basis of accounting

The consolidated annual financial statements comprise the annual financial statements of Swiss Post Ltd and its subsidiaries. They have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRSs) and also comply with the Postal Organization Act.

The consolidated annual financial statements have been prepared under the historical cost convention. Exceptions to this rule are described in the accounting policies set out below. For instance, derivative financial instruments and financial assets held for trading, designated at fair value and classified as "available for sale" are recognized at fair value.

To take account of the characteristics of the financial services and their importance for Swiss Post, net income from financial services is shown separately in Note 6, Net income from financial services. Furthermore, the balance sheet is not broken down into current and non-current items, but structured according to descending liquidity. Financial income and expenses from financial services and the underlying cash flows are shown as operating income, expenses or cash flows. Financial income and expenses from other Group units are disclosed as non-operating financial income or expenses (excluding financial services) and the relevant cash flows as investment or financing transactions.

### Revised and new International Financial Reporting Standards (IFRSs)

Since 1 January 2014, Swiss Post has applied various amendments to existing and new IFRSs:

| Standard | Title | Valid as of |
|---|---|---|
| Amendments to IAS 32 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to IFRS 10 | Consolidated Financial Statements – amendment for investment entities (consolidation) | 1 January 2014 |
| Amendments to IFRS 12 | Disclosure of Interests in Other Entities – amendment for investment entities (consolidation) | 1 January 2014 |
| Amendments to IAS 27 | Separate Financial Statements – amendment for investment entities (consolidation) | 1 January 2014 |
| Amendments to IAS 39 | Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IFRIC 21 | Levies – guidance on when to recognize a liability for a levy | 1 January 2014 |

The changes resulting from the above IFRSs have no material impact on the result or financial situation of the Group.

Certain new IFRSs or supplements thereto enter into force for financial years beginning on or after 1 January 2015:

| Standard | Title | Valid as of |
|---|---|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Miscellaneous | Annual amendments from IFRS 2010–2012 cycle | 1 July 2014 |
| Miscellaneous | Annual amendments from IFRS 2011–2013 cycle | 1 July 2014 |
| IFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to IAS 16 / IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization | 1 January 2016 |
| Amendments to IAS 16 / IAS 41 | Bearer Plants | 1 January 2016 |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to IFRS 10 / IAS 28 | Sale or Contributions of Assets between an Investor and its Associate/Joint Venture | 1 January 2016 |
| Amendments to IAS 1 | Disclosure Initiative | 1 January 2016 |
| Ämendments to IFRS 10 / IFRS 12 / IAS 28 | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Miscellaneous | Annual Improvements to IFRSs 2012–2014 cycle | 1 January 2016 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2017 |
| IFRS 9 | Financial Instruments | 1 January 2018 |

Swiss Post will not be applying the specified standards ahead of schedule. Hence, this consolidated financial reporting does not contain any further effects resulting from these changes. The new standards due to come into force on 1 January 2017 and 1 January 2018 regarding Revenue from Contracts with Customers and Financial Instruments will have an impact on Swiss Post's financial reporting. The changes are currently being analysed.

## Accounting changes

### *Result by region*

A change in presentation has voluntarily been made in the result by region (see Note 5, Segment information). The definition of national and international volume and income allocation in the PostMail, PostLogistics and Post Offices & Sales units has been clarified. This has resulted in an increase in operating income and operating profit in the "International and cross-border" segment and an equivalent reduction in the "Switzerland" segment in the statement of the result by region in 2013. Segment assets and hence investment in property, plant and equipment, intangible assets and investment property, are not affected by this adjustment. The following table gives an overview of the impact of the reclassification:

| Result by region | Switzerland | | | International and cross-border | | |
|---|---|---|---|---|---|---|
| 2013<br>CHF million | Reported | Adjustment | Adjusted | Reported | Adjustment | Adjusted |
| Operating income from customers | 7,439 | –101 | 7,338 | 1,031 | 101 | 1,132 |
| Operating profit | 1,194 | –13 | 1,181 | 47 | 13 | 60 |

*Customer deposits (PostFinance) / Other financial liabilities*

PostFinance made a voluntary change in presentation in the fourth quarter of 2014. Payment obligations from closed, not yet fulfilled securities transactions resulting from trade date accounting (time difference between the trade date and settlement date) are now recognized as other financial liabilities rather than as PostFinance customer deposits. The aim of this voluntary change is to take the ordinary course of business into account more closely in future disclosures. The following table gives an overview of the impact of the reclassification:

Balance sheet

| 31 December 2013<br>CHF million | Reported | Adjustment | Adjusted |
|---|---|---|---|
| Customer deposits (PostFinance) | 109,086 | –163 | 108,923 |
| Other financial liabilities | 1,340 | 163 | 1,503 |

Statement of cash flows

| 2013<br>CHF million | Reported | Adjustment | Adjusted |
|---|---|---|---|
| Change in customer deposits (PostFinance) / interest-bearing amounts due from customers | –1,894 | –163 | –2,057 |
| Change in other receivables/liabilities from financial services | –31 | 163 | 132 |

## 3 | Consolidation methods and accounting policies

The consolidated annual financial statements of Swiss Post comprise Swiss Post Ltd and all the companies over which Swiss Post has direct or indirect control. Control means that Swiss Post is exposed to variable economic results as a result of its commitment to a company, or has rights in a company and is able to influence the latter's economic results through its decision-making power over it. Swiss Post has decision-making power if, on account of its rights in a company, it currently has the ability to determine the significant activities of the company, i.e. the activities that have a considerable impact on the latter's economic results. This is generally the case if Swiss Post holds over 50 percent of the voting rights or potentially exercisable voting rights, whether directly or indirectly. These companies are fully consolidated. The consolidated financial statements are based on the separate financial statements of Swiss Post Ltd and the subsidiaries, which are prepared in accordance with uniform principles as at a uniform reporting date.

All intra-Group receivables, liabilities, income and expenses from intra-Group transactions and unrealized inter-company profits are eliminated on consolidation. Non-controlling (minority) interests in the equity of consolidated companies are presented as a separate item within equity. Non-controlling interests in Group profit or loss are presented within the consolidated income statement/statement of comprehensive income.

Investments in associates where Swiss Post has 20 to 50 percent of the voting rights and/or significant influence but which it does not control are not consolidated, but accounted for using the equity method and reported under "Investments in associates". Joint ventures with 50 percent of the voting rights which Swiss Post holds together with a third party are recognized and disclosed by the same method. Under the equity method, the investment's value is calculated based on the historical cost, subsequently adjusted to take into account any changes in Swiss Post's share of the company's net assets. Material holdings and transactions with these companies are posted separately as items with associates and joint ventures. Investments under 20 percent are presented as available-for-sale financial assets.

Companies acquired during the reporting period are included in the consolidated annual financial statements from the date on which Swiss Post assumed control. Companies that are sold are included until the date on which control is lost, which is usually the date of sale. Gains from the disposal of subsidiaries and associates as well as joint ventures are recorded in the financial result.

Please see Note 36 (Consolidated Group) for an overview of Swiss Post associates and joint ventures.

## Currency translation

The consolidated annual financial statements of Swiss Post are presented in Swiss francs (CHF).

Transactions in foreign currencies are translated at the daily rate ruling at the transaction date. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the closing rate. Non-monetary assets classified as available-for-sale financial assets are measured at fair value, and the unrealized foreign exchange gain or loss is recognized directly in other comprehensive income.

Assets and liabilities in balance sheets of fully consolidated companies that have been prepared in a foreign currency are translated into Swiss francs at the rate applicable on the balance sheet date. The income statement, statement of cash flows and other transactions are translated at the average rate for the reporting period. Translation differences arising from the translation of balance sheets and statements of comprehensive income of foreign subsidiaries are recognized directly in other comprehensive income.

## Recognition of income

Income is recognized if it is clear that the economic benefits associated with the transaction will flow to Swiss Post and those benefits can be measured reliably.

Income from logistics services is recognized after sales deductions at the time the service is provided. Income from the sale of products, less sales deductions, is recognized in the income statement if the risks and rewards incidental to ownership of the products have been transferred to the purchaser. Swiss Post receives compensation from the Swiss Confederation for public passenger transport services and the uncovered costs of newspaper transport, which is recognized in profit or loss on an accrual basis.

Commission and service income from financial services is recognized on an accrual basis. Interest income on financial assets and interest expenses for customer deposits are accounted for using the accrual-based accounting principle. The effective interest method is used for interest earned on held-to-maturity and available-for-sale fixed rate financial assets.

## Cash

Cash includes cash holdings in Swiss francs and foreign currencies as well as asset-side cash in transit (cash payments made at post offices which have not yet been credited to the PostFinance account (SIC) held at the Swiss National Bank). Cash holdings are measured at face value.

## Financial receivables

Receivables due from banks and interest-bearing amounts due from customers (technically overdrawn postal accounts) are measured at amortized cost under the effective interest method, which usually corresponds to the face value. If there are specific doubts as to a debtor's creditworthiness, an appropriate impairment charge is recognized. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges are also recognized, where there is an indication of impairment, based on statistical analyses of previous credit risk.

### Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognized at amortized cost, which usually corresponds to the face value, minus an impairment charge for doubtful receivables. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges are also recognized, where there is an indication of impairment, based on statistical analyses of previous credit risk.

### Inventories

Inventories comprise resale merchandise, work in progress and finished goods, fuel, and operating, working and production materials. They are measured according to the weighted average cost method or at the lower net realizable value. Impairments are recognized for inventories that are not easily marketable.

### Financial assets

Financial assets acquired primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are recognized as financial assets at fair value. They are classified as "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated". Fair value changes in this category are recognized in the income statement. Interest or dividend income from assets "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated" is presented as a separate item in the Notes.

Financial assets with a fixed term to maturity, where Swiss Post has the positive intent and ability to hold them to maturity, are classified as "held to maturity" and recognized at amortized cost using the effective interest method. The effective interest method spreads the difference between historical cost and the repayment amount (premium /discount) over the term of the asset in question using the present value method. This results in a constant rate of interest until maturity.

Other financial assets which are held for an indefinite period and can be sold at any time for liquidity reasons or in response to new market conditions are classified as "available for sale" and recognized at their fair value. Unrealized gains and losses are recognized directly in equity under "Fair value reserves for financial assets" and are transferred to the income statement only when the financial asset is sold or if an impairment is recognized. Currency translation differences on monetary financial assets classified as "available for sale" are recognized in profit or loss.

Loans granted by Swiss Post are recognized at amortized cost. Financial assets are entered in the balance sheet on the trade date.

Swiss Post checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is calculated. The recoverable amount of interest-bearing assets and loans is the present value of expected future cash flows from interest payments and repayments. The present value of held-to-maturity assets and loans is calculated on the basis of the original effective rate of interest of the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is recognized in profit or loss as an impairment. If an impairment is recognized on an available-for-sale financial asset, the cumulative net loss on this asset recognized directly in equity is reclassified from equity to profit or loss. If the fair value of an interest-bearing asset such as a bond is less than the carrying amount solely due to a change in market interest rates, no impairment charge is recognized provided the issuer's credit standing is considered to be good. In this case, the change in the fair value of financial assets classified as available for sale is recognized directly in other comprehensive income. Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified.

No reversals of impairment losses are recognized in profit or loss until the assets' disposal; in this case, positive changes in value are recognized directly in equity in other comprehensive income. Individual impairment charges on held-to-maturity financial assets and loans are charged to a separate allowance account. The financial asset is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges are also recognized for held-to-maturity assets and loans, where there is an indication of impairment, based on statistical analyses of previous credit risk.

Derivative financial instruments are used mainly to hedge currency and interest rate risks and to a small extent for trading.

Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. 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 item are recognized in profit or loss 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 recognized in other comprehensive income, while changes in value to the extent a hedge is ineffective are recognized in profit or loss.

Derivatives 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 when the transaction is concluded and are subsequently measured at fair value. Changes in the fair value of instruments held for trading are recognized in profit or loss.

### Fair value

Fair value is the price that would normally be received for the sale of an asset or that would have to be paid to transfer a debt in a standard transaction between market stakeholders on the measurement date. It is assumed that the transaction takes place on the main market or, if the latter is not available, on the most advantageous market. The fair value of a liability reflects the default risk.

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 the market prices. In the case of unlisted monetary financial instruments, the fair values are determined by discounting the cash flows using the current interest rate applicable to similar instruments with the same maturity.

## Repurchase, reverse repurchase and securities lending transactions

Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets obtained from transactions as collateral are not recognized in the balance sheet. Transactions are entered in the balance sheet at the settlement date. Interest income from reverse repurchase transactions is accounted for using the accrual-based accounting principle.

Financial assets transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under "Financial assets". The cash inflow is reported under "Other financial liabilities". Interest expenses from repurchase transactions are accounted for using the accrual-based accounting principle.

In respect of securities lending and borrowing, Swiss Post engages in securities lending only. The loaned financial instruments continue to be recognized in the balance sheet as financial assets.

Securities cover for repurchase, reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values.

## Investment property

Investment property comprises land and buildings, or parts of buildings, or both, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. This also includes facilities under construction, which are built as investment property for future use.

Investment property is valued at its acquisition or production cost on entry. The transaction costs are included in the initial valuation.

According to the initial approach, investment property in Swiss Post Group is measured and recognized at its acquisition or production cost less the accumulated amortization and accumulated impairment losses.

The investment property is depreciated on a straight-line basis in accordance with the estimated useful life (unlimited for plots of land and 20–60 years for operating properties in line with their useful life). Facilities under construction are not depreciated.

Expenses for the replacement, renovation or refurbishment of an investment property or a component thereof are capitalized as replacement investments. Maintenance costs are not capitalized, but are recognized directly in the income statement.

Transfers to or from the stock of investment property are made if there is a corresponding change of use.

## Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Depreciation is accounted for on a straight-line basis in line with the estimated useful life, as follows:

| Estimated useful life of items of property, plant and equipment | |
|---|---|
| Plots of land | indefinite |
| Operating property | 20–60 years |
| Equipment | 3–20 years |
| Machinery | 3–15 years |
| IT equipment | 3–10 years |
| Furniture | 3–20 years |
| Railroad rolling stock | 10–30 years |
| Other vehicles | 3–15 years |

Tenant fit-outs and installations in rented premises that are recognized as part of the cost of the assets are depreciated over the estimated useful life or the duration of the rental agreement, if shorter. The components of an item of property, plant and equipment that have different useful lives are recognized and depreciated separately. The useful lives of items of property, plant and equipment are reviewed on an annual basis.

Major renovations and other costs that add value are recognized as part of the cost of the assets and depreciated over their estimated useful lives. Costs for repairs and maintenance are recognized as expenses. Borrowing costs for assets under construction are capitalized.

## Leases

Lease agreements for properties, installations, other property, plant and equipment and vehicles where Swiss Post substantially assumes all risks and rewards incidental to ownership are treated as finance leases. At inception of the lease, the asset and liability under a finance lease are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is broken down into amortization and interest expense components. The amortization component is deducted from the recognized lease obligation.

The other lease agreements where Swiss Post is either the lessee or the lessor are recognized as operating leases. The lease payments are recognized in the income statement over the term of the lease.

In classifying long-term property leases, land and building elements are assessed separately. Subject to certain conditions, land and buildings are accounted for as finance leases.

## Intangible assets

In the event of a business combination, the identifiable assets, liabilities and any non-controlling interest in the acquiree are recognized and measured at fair value in applying the acquisition method. Any excess over the purchase price is recognized as goodwill at cost less impairment.

Additions of intangible assets not acquired through business combinations are recognized at cost and written down on a straight-line basis over the period of their useful life. The estimated useful lives of intangible assets are reviewed on a regular basis and are usually less than ten years.

## Impairment charges (property, plant and equipment and intangible assets)

Items of property, plant and equipment and intangible assets (excluding goodwill) are checked regularly to determine if there are signs of impairment. If this is the case, the carrying amount is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the carrying amount of an asset exceeds its recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized in profit or loss. The recoverable amount of goodwill is reviewed at least annually.

## Customer deposits (PostFinance)

Customer deposits held with PostFinance in postal, savings and investment accounts, medium-term notes and money market investments are measured at amortized cost, which usually corresponds to the face value. No differentiation per depositor (non-banks and banks) is implemented in the existing position.

## Other financial liabilities

Other financial liabilities comprise amounts due to banks (excluding amounts due to banks in postal, savings and investment accounts, medium-term notes and money market investments), which are measured at amortized cost, derivative financial instruments measured at fair value and other financial liabilities. Other financial liabilities consist of finance lease obligations, repurchase transactions and other liabilities (private placements). Other liabilities are measured at amortized cost.

## Provisions

Provisions are recognized provided that, at the date of their recognition, a past event has resulted in a present obligation and a cash outflow is probable and can be measured reliably.

Restructuring provisions are recognized only upon presentation of a detailed plan and following the necessary communication.

Swiss Post bears a number of risks itself in accordance with the principle of self-insurance. Provisions are recognized for expected expenses arising from claims incurred that are not insured externally.

## Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan, in accordance with the IAS 19 standard. In line with statutory provisions, the plan covers risks resulting from the economic consequences of old age, disability and death. Service cost and obligations arising from the pension plan are calculated annually using the projected unit credit method. The service years worked by employees as at the end of the reporting period are taken into account, and assumptions, amongst other things, are made as to future wage trends. The amount to be recognized in the balance sheet as an obligation or asset corresponds to the present value of the defined employee benefit obligation (insurance cover as stipulated by IAS 19 for active contributors and pensioners calculated in accordance with the projected unit credit method), less benefit plan assets at fair value (Swiss Post pension fund assets apportioned on the basis of insurance cover for active contributors and pensioners).

Employee benefit entitlements acquired (current service cost), past service cost, profit and loss from plan settlements and net interest income are recognized directly in the income statement. Actuarial gains and losses from employee benefit obligations, income from plan assets (excluding interest income) and changes in the effects of asset ceiling regulations (excluding net interest income) are recognized in other comprehensive income.

For the other pension plans, transferred employer contributions are charged to the income statement in accordance with the rules for defined contribution plans.

Provisions for other long-term employee benefits (loyalty bonuses for long years of service) and staff vouchers for retired employees are also determined using the projected unit credit method, as are the provisions for sabbaticals taken by senior management and top executive employees. Past service cost, net interest income and remeasurements are recognized immediately in the income statement.

### Income taxes

In accordance with Article 10 of the Postal Organization Act (POA), Swiss Post Ltd is taxed as a private corporation. Profit earned by Swiss and foreign subsidiaries is subject to tax at the regular rates applicable in the country in question.

Deferred income taxes are determined for Swiss Post and its subsidiaries on the basis of current or expected national tax rates. Deferred income taxes take into account the income tax-related implications of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base (balance sheet liability method). Tax loss carryforwards are taken into account in calculating deferred taxes only to the extent that it is probable that sufficient taxable profits will be generated in future, against which these can be offset.

### Non-current assets held for sale

Non-current assets (e.g. property, plant and equipment and intangible assets) or groups of assets (e.g. an entire operation) are classified as "held for sale" if their carrying amount is to be realized first and foremost through a sale and not through continued use and Swiss Post intends to dispose of them. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and no longer depreciated.

## 4 | Estimation uncertainty and management's judgement

Preparation of the consolidated financial statements requires the use of estimates and assumptions. Although these estimates and assumptions were based on Executive Management's best knowledge of current events and possible future actions on the part of Swiss Post Group, actual results may ultimately differ from these estimates. The assumptions and estimates with the greatest risk of causing a material adjustment to the carrying amount of an asset or liability within the next financial year are explained below.

Those accounting policies that may have a material impact on the consolidated annual financial statements as a result of Executive Management's judgements are also explained.

### Estimation uncertainty in applying accounting policies

*Useful lives of items of property, plant and equipment*
The useful lives of items of property, plant and equipment (carrying amount as at 31 December 2014: 2,477 million francs) are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

*Employee benefit obligations*
Employee benefit expenses and obligations (carrying amount as at 31 December 2014: 3,489 million francs) are calculated annually using the projected unit credit method. The calculations are based on various actuarial assumptions such as expected salary and pension trends or the discount rate for benefit obligations.

*Fair values of financial instruments*
Fair values of financial assets (carrying amount as at 31 December 2014: 72,833 million francs) that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observable market information. The discounted cash flow method is used to determine the fair value of some unlisted available-for-sale financial assets. The discounted cash flows are calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account.

*Goodwill*

The discounted cash flow method is used annually to determine the recoverable amount of goodwill items (carrying amount as at 31 December 2014: 231 million francs). The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next two to three years and a residual value. This does not include any growth component.

## Management's judgement used in applying accounting policies

*Financial assets held to maturity*

Financial assets with a fixed maturity which Swiss Post intends and is able to hold to maturity are classified as "held to maturity". If Swiss Post does not manage to hold these financial assets to maturity, all financial assets assigned to this category must be reclassified as "available for sale". As a result, they would no longer be measured at amortized cost but at fair value.

*Impairment of available-for-sale and held-to-maturity financial assets and loans*

In order to determine whether there is evidence of impairment, Swiss Post follows the guidance set out in IAS 39 Financial Instruments: recognition and measurement. In measuring impairment, the management takes into account various factors such as maturity, sector, outlook, technological conditions, etc.

## 5 | Segment information

### Principles

The operating segments were determined based on the organizational units for which information is reported to the management of the Group. In doing so, no operating segments were aggregated. Transactions between the segments are based on a range of services and a transfer pricing concept. Transfer prices are calculated on the basis of commercial criteria. For information on the composition of segment assets, please see the separate section "Composition of segment assets and liabilities".

Note 36, Consolidated Group, shows the segments to which the accounting units of Post CH Ltd and the subsidiaries have been assigned.

### Segmentation

| Segmentation | Description |
|---|---|
| **Communication market** | |
| PostMail | Services relating to addressed letters, newspapers, unaddressed items (domestic, import and export) |
| Swiss Post Solutions | Document and postal-related business process outsourcing solutions in Switzerland and internationally |
| Post Offices & Sales | Sales channel for postal products/services and additionally for third-party products for private customers and small and medium-sized enterprises. |
| **Logistics market** | |
| PostLogistics | Parcels, express services and logistics solutions within Switzerland and abroad |
| **Financial services market** | |
| PostFinance | Payments, savings, investments, retirement planning and financing in Switzerland as well as international payment transactions |
| **Passenger transport market** | |
| PostBus | Regional, municipal and urban transport, plus system services in Switzerland and in selected countries abroad |
| **Other** | Units that cannot be assigned to the segments such as service (Real Estate, Information Technology) and management units (incl. HR, Finance and Communication) |
| **Consolidation** | Effects of intra-Group elimination |

### Geographical information

Geographical information is disclosed as follows. Information is presented, firstly, according to the location of the revenue-generating subsidiary (Europe, Americas, Asia) and, secondly, according to the location at which the revenue was generated, which is either Switzerland or "International and cross-border" (see pages 84–85). The "International and cross-border" segment includes revenue from all foreign subsidiaries.

### Statutory mandates

Statutory mandates require Swiss Post to provide a universal service comprising postal services and payment transaction services. Pricing is not at Swiss Post's discretion. The Federal Council sets upper price limits for the reserved service (monopoly). The price regulator can also check the prices of most products and services at any time, both within and outside the universal service, owing to Swiss Post's dominant position in the market. The reserved service (monopoly) consists of addressed domestic letters and letters from abroad weighing up to 50 grams. It is provided by the PostMail and Post Offices & Sales segments.

The monopoly limit was lowered to 100 grams on 1 April 2006 and to 50 grams on 1 July 2009. Swiss Post can thus continue to ensure a high-quality universal service at affordable prices. By providing a universal postal service, it is helping to strengthen the public service in Switzerland.

### State compensation

PostBus received compensation of 175 million francs from the Swiss Confederation (previous year: 175 million francs) for providing legally required public passenger transport services. This compensation is included in net sales from logistics services.

### Composition of segment assets and liabilities

If possible, the assets and liabilities resulting from a segment's operating activities are assigned to the appropriate segments. As the PostFinance segment result includes financial income and expenses relating to operations, the corresponding interest-bearing assets and liabilities are accounted for in the segment's assets and liabilities.

The "Other" column mainly includes the following items in the segment's assets and liabilities:

– the carrying amounts of properties managed centrally by Post CH Ltd and Post Real Estate Ltd
– employee benefit obligations

Unallocated assets and liabilities comprise those (primarily loans, e.g. to PostBus operators) that are essentially financial and therefore not assigned to segment assets or segment liabilities.

### Changes in segment assets and liabilities

In comparison with 31 December 2013, the segment assets of PostFinance increased by 3,679 million francs, particularly with regard to financial assets. The rise was mainly due to higher customer deposits.

### More information

Non-cash income and expenses primarily include those incurred in recognizing and reversing provisions without affecting cash.

## Results by business segment and region

### Result by business segment

| 2014<br>CHF million | Notes | PostMail | Swiss Post Solutions | Post Offices & Sales | PostLogistics | PostFinance[2] | PostBus[3] | Other[4] | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | | | | | | | | | | |
| from customers | | 2,515 | 606 | 1,026 | 1,161 | 2,221 | 832 | 96 | | 8,457 |
| from other segments | | 372 | 53 | 637 | 401 | 40 | 3 | 790 | –2,296 | – |
| **Total operating income[1]** | | **2,887** | **659** | **1,663** | **1,562** | **2,261** | **835** | **886** | **–2,296** | **8,457** |
| **Operating profit[1]** | | **334** | **12** | **–100** | **141** | **382** | **30** | **4** | | **803** |
| Net financial income | 12, 13 | | | | | | | | | –45 |
| Net income from associates and joint ventures | 23 | 3 | 0 | – | 6 | 6 | 0 | 1 | | 16 |
| Income taxes | 14 | | | | | | | | | –136 |
| **Group profit** | | | | | | | | | | **638** |
| Segment assets | | 739 | 463 | 542 | 646 | 118,286 | 499 | 2,787 | –1,063 | 122,899 |
| Associates and joint ventures | | 56 | 0 | – | 13 | 31 | 2 | 2 | | 104 |
| Unallocated assets[5] | | | | | | | | | | 1,668 |
| **Total assets** | | | | | | | | | | **124,671** |
| Segment liabilities | | 869 | 175 | 566 | 629 | 113,699 | 398 | 2,944 | –1,063 | 118,217 |
| Unallocated liabilities[5] | | | | | | | | | | 1,444 |
| **Total liabilities** | | | | | | | | | | 119,661 |
| Investment in property, plant and equipment, intangible assets and investment property | 24–26 | 43 | 15 | 7 | 93 | 114 | 39 | 127 | | 438 |
| Depreciation and amortization | 24–26 | 46 | 23 | 12 | 59 | 32 | 42 | 107 | | 321 |
| Impairment | 18, 24–26 | – | 7 | – | – | 92 | 1 | 0 | | 100 |
| Reversal of impairment | 18, 24–26 | – | – | – | – | – | – | – | | – |
| Other non-cash (expenses)/income | | –33 | –10 | –2 | –14 | –59 | –32 | –314 | | –464 |
| Headcount[6] | | 16,979 | 7,466 | 6,508 | 5,304 | 3,466 | 2,789 | 2,169 | | 44,681 |

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.
2 PostFinance Ltd also applies the Swiss Financial Market Supervisory Authority's Bank Accounting Guidelines (BAG). There are differences between the BAG and the IFRS results.
3 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.
6 Average expressed in terms of full-time equivalents (excl. trainees).

### Result by region

| 2014<br>CHF million | Notes | Europe | Americas | Asia | Consolidation | Group | Switzerland | International and cross-border | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income from customers | | 8,382 | 74 | 1 | | 8,457 | 7,224 | 1,233 | | 8,457 |
| Operating profit[1] | | 797 | 4 | 2 | | 803 | 731 | 72 | | 803 |
| Segment assets | | 122,842 | 55 | 6 | –4 | 122,899 | 122,084 | 847 | –32 | 122,899 |
| Investment in property, plant and equipment, intangible assets and investment property | 24–26 | 438 | 0 | 0 | | 438 | 417 | 21 | | 438 |

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.

Result by business segment

| 2013 CHF million | Notes | PostMail | Swiss Post Solutions | Post Offices & Sales | Post-Logistics | Post-Finance [2] | PostBus [3] | Other [4] | Conso-lidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income | | | | | | | | | | |
| from customers | | 2,557 | 538 | 945 | 1,176 | 2,336 | 807 | 111 | | 8,470 |
| from other segments | | 402 | 78 | 647 | 405 | 41 | 5 | 786 | –2,364 | – |
| **Total operating income [1]** | | **2,959** | **616** | **1,592** | **1,581** | **2,377** | **812** | **897** | **–2,364** | **8,470** |
| **Operating profit [1]** | | **491** | **15** | **–110** | **189** | **588** | **65** | **3** | | **1,241** |
| Net financial income | 12, 13 | | | | | | | | | –79 |
| Net income from associates and joint ventures | 23 | 1 | –2 | – | 5 | 6 | 0 | –3 | | 7 |
| Income taxes | 14 | | | | | | | | | 582 |
| **Group profit** | | | | | | | | | | **1,751** |
| Segment assets | | 692 | 384 | 536 | 557 | 114,607 | 435 | 2,365 | –754 | 118,822 |
| Associates and joint ventures | | 55 | 0 | – | 12 | 26 | 2 | 2 | | 97 |
| Unallocated assets [5] | | | | | | | | | | 1,464 |
| **Total assets** | | | | | | | | | | **120,383** |
| Segment liabilities | | 678 | 146 | 528 | 508 | 110,120 | 301 | 1,794 | –754 | 113,321 |
| Unallocated liabilities [5] | | | | | | | | | | 1,425 |
| **Total liabilities** | | | | | | | | | | **114,746** |
| Investment in property, plant and equipment, intangible assets and investment property | 24–26 | 19 | 16 | 11 | 112 | 112 | 50 | 92 | | 412 |
| Depreciation and amortization | 24–26 | 47 | 21 | 13 | 64 | 30 | 39 | 103 | | 317 |
| Impairment | 18, 24–26 | 4 | 23 | – | 5 | 6 | – | – | | 38 |
| Reversal of impairment | 18, 24–26 | – | – | – | – | 64 | – | – | | 64 |
| Other non-cash (expenses)/income | | 1 | –17 | –3 | 4 | –5 | 1 | –63 | | –82 |
| Headcount [6] | | 17,212 | 6,798 | 6,591 | 5,426 | 3,439 | 2,487 | 2,152 | | 44,105 |

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.
2 PostFinance Ltd also applies the Swiss Financial Market Supervisory Authority's Bank Accounting Guidelines (BAG). There are differences between the BAG and the IFRS results.
3 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.
6 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region

| 2013 CHF million | Notes | Europe | Americas | Asia | Conso-lidation | Group | Switzer-land [2] | International and cross-border [2] | Conso-lidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income from customers | | 8,403 | 66 | 1 | | 8,470 | 7,338 | 1,132 | | 8,470 |
| Operating profit [1] | | 1,238 | 2 | 1 | | 1,241 | 1,181 | 60 | | 1,241 |
| Segment assets | | 118,777 | 45 | 3 | –3 | 118,822 | 118,106 | 742 | –26 | 118,822 |
| Investment in property, plant and equipment, intangible assets and investment property | 24–26 | 412 | 0 | 0 | | 412 | 383 | 29 | | 412 |

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.
2 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

## 6 | Net income from financial services

By presenting net income from financial services in the following format, Swiss Post takes account of the character of these financial services. Net income is broken down into individual items in line with banking practice.

Net income from financial services

| CHF million | 2014 | 2013 |
|---|---|---|
| **Interest income** | | |
| Interest income on amounts due from banks | 1 | 0 |
| Interest income on securities lending and reverse repurchase transactions | 2 | 3 |
| Interest income on interest-bearing amounts due from customers | 8 | 9 |
| Interest income on financial assets | 1,209 | 1,273 |
| Dividend income on financial assets | 16 | 17 |
| **Interest expense** | | |
| Interest expense for customer deposits (PostFinance) | –208 | –292 |
| Interest expense for amounts due to banks | 0 | 0 |
| Interest expense on repurchase transactions | 0 | 0 |
| **Net interest income** | **1,028** | **1,010** |
| Impairment/reversal of impairment on financial assets | –95 | 59 |
| **Net interest income, net of impairment/reversal of impairment** | **933** | **1,069** |
| Commission income on lending business | 90 | 89 |
| Commission income on securities and investment business | 42 | 35 |
| Commission income on other services | 75 | 63 |
| Commission expenses | –135 | –130 |
| Net income from services | 500 | 506 |
| **Net services and commission income** | **572** | **563** |
| Net trading income | 146 | 162 |
| Net income from the disposal of available-for-sale financial assets | 55 | 24 |
| Losses on payment transactions | –11 | –7 |
| Other net financial income/finance costs | –2 | 4 |
| **Net income from financial services** | **1,693** | **1,815** |
| Shown in the consolidated income statement under: | | |
| Income from financial services | 2,194 | 2,307 |
| Expenses for financial services | –501 | –492 |

## 7 | Other operating income

Other operating income

| CHF million | 2014 | 2013 |
|---|---|---|
| Rental income | 69 | 70 |
| Profits on the sale of property, plant and equipment | 24 | 38 |
| Other income | 84 | 95 |
| **Total other operating income** | **177** | **203** |

The remaining amounts consist mainly of fees for management services in public transport, sale of advertising space, military mail and charges for the collection of VAT and customs duties.

# 8 | Staff costs

## Composition

Breakdown of staff costs

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| Wages and salaries | | 3,312 | 3,298 |
| Social security benefits | | 350 | 352 |
| Employee benefit expenses/(income) | 9 | 335 | –44 |
| Other staff costs | | 111 | 95 |
| **Total staff costs** | | **4,108** | **3,701** |

## Headcount

Headcount

| Number of employees [1] | 2014 | 2013 |
|---|---|---|
| Employees at Swiss Post Group (excluding trainees) | 44,681 | 44,105 |
| Trainees at Swiss Post Group | 2,067 | 2,058 |

1 Average expressed in terms of full-time equivalents.

# 9 | Staff pension plan

Swiss Post insures its employees with various pension plans in Switzerland. Plan assets are either kept separate in autonomous foundations or in collective foundations. The Foundation Board of the autonomous foundations is made up of an equal number of employee and employer representatives. In accordance with the law and employee benefit regulations, Foundation Boards have an obligation to act exclusively in the interests of the foundation and of beneficiaries (active contributors and pensioners). The employer is therefore not permitted to make decisions about benefits and financing on its own. Resolutions must be made jointly. Foundation Boards are responsible for determining investment strategy, for making changes to employee benefit regulations (and insured benefits in particular) and for securing pension benefit funding.

Pension benefits are based on the insured salary plus retirement assets. On taking retirement, insurees can choose between drawing a life-time pension, which includes a reversionary spouse's pension, or withdrawing a lump-sum capital payment. In addition to retirement benefits, employee benefits also include disability and survivors' benefits, which are calculated as a percentage of the insured salary. Insurees also have the option of buying back pension benefits to improve their retirement situation, up to the regulatory maximum amount, or of withdrawing money early to purchase their home.

When determining benefits, the minimum legal requirements regarding the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG) and its regulations of execution must be taken into account. The BVG establishes the minimum salary to be insured as well as minimum retirement assets. The minimum interest rate to be applied to the minimum retirement assets is set by the Federal Council at least once every two years. In 2015, the rate was 1.75 percent (previous year: 1.75 percent).

Due to plan arrangements and the legal provisions of the BVG, the employer is exposed to actuarial risks. The principal risks are the investment risk, the inflation risk in the event of salary changes, the interest rate risk, the disability risk and the risk of longevity. Employer and employee contributions are determined by the Foundation Boards. The employer pays at least 50 percent of the contributions required. In the event of a shortfall, both the employer and the employee may be required to pay restructuring contributions to fill gaps in cover.

Companies in Germany (SPS Group) have corporate retirement provision based on various regulations and works agreements. There are also individual pension benefits for senior staff. In principle, employees are entitled to receive insurance benefits on occurrence of the insured event, i.e. retirement age, disability or death. Depending on the applicable insurance regulations, lifelong pension benefits may be received or lump-sum capital payments withdrawn. Most pension benefits are financed by the employer. If an employee leaves the company before the maturity date of an insurance benefit, contingent rights to the insurance benefits are maintained in accordance with the statutory regulations.

Due to plan arrangements and the legal provisions (Occupational Pensions Act), the employer is exposed to actuarial risks. The principal risks are the risk of longevity, the risk of salary changes and the risk of inflationary adjustments to pensions.

## Actuarial assumptions

The following parameters were applied in performing the calculations (weighted average):

Actuarial assumptions made in calculating annual employee benefit expenses

| Percent | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.25 | 2.00 |

Actuarial assumptions at 31 December

| Percent | 2014 | 2013 |
|---|---|---|
| Discount rate | 1.25 | 2.25 |
| Expected change in salaries | 1.50 | 2.00 |
| Pension indexation | 0.00 | 0.00 |
| Interest on retirement assets | 2.00 | 3.00 |
| Staff turnover | 3.58 | 3.87 |
| Current average life expectancy for a man / woman aged 65 | 21 / 24 years | 21 / 24 years |

Long-term employee benefits are shown and described under Note 28, Provisions.

## Employee benefit expenses

Employee benefit expenses

| CHF million | 2014 | 2013 |
|---|---|---|
| Current service cost | 540 | 597 |
| Service cost to be recognized | 0 | –445 |
| (Gains) / losses from plan settlements | 0 | –8 |
| Employee contributions | –207 | –206 |
| Administrative costs | 10 | 11 |
| Pension payments by the employer | 1 | 0 |
| Other plans, reclassifications | –9 | 7 |
| **Total employee benefit expenses / (income) recognized in staff costs** | **335** | **–44** |
| Interest expense arising from employee benefit obligations | 380 | 350 |
| Interest income on assets | –340 | –291 |
| Net interest income on the effect of asset ceiling regulation | – | 0 |
| Other plans, reclassifications | –1 | –2 |
| **Total net interest expense recognized in financial expenses** | **39** | **57** |
| **Total employee benefit expenses recognized in the income statement** | **374** | **13** |

New assessment elements entered in the statement of comprehensive income

| CHF million | 2014 | 2013 |
|---|---|---|
| Actuarial losses | | |
| due to the adjustment of demographic assumptions | –3 | 727 |
| due to the adjustment of economic assumptions | 1,971 | –637 |
| due to experience adjustments | –14 | 37 |
| Income from plan assets (excluding interest income) | –610 | –545 |
| Changes in effect of asset ceiling regulation (excluding net interest income) | 0 | 0 |
| Other | – | 2 |
| **Total revaluation gains recorded in other comprehensive income (OCI)** | **1,344** | **–416** |
| **Total employee benefit expenses** | **1,718** | **–403** |

A range of amendments to the Swiss Post employee benefits plan were approved in 2013. One of the most important of these was the reduction in the conversion rate from August 2013, which led to a reduction of 445 million francs in employee benefit obligations. This positive effect was immediately recognized in full in profit or loss as a plan amendment gain.

Transactions between the Swiss Post pension fund foundation and Swiss Post are subject to standard market terms and conditions.

## Cover status

Statement of recognized employee benefit obligations arising from material defined benefit plans, mainly from the Swiss Post pension fund foundation in Switzerland and SPS Group in Germany:

Summary of cover status

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Present value of employee benefit obligations including assets set aside | 19,431 | 17,347 |
| Benefit plan assets at fair value | –15,956 | –15,315 |
| **Shortfall** | **3,475** | **2,032** |
| Employee benefit obligations excluding assets set aside | 13 | 7 |
| Present value of employee restructuring contributions | – | 0 |
| Effect of asset ceiling regulation | – | 0 |
| **Total recognized employee benefit obligations arising from defined benefit plans** | **3,488** | **2,039** |
| Employee benefit obligations arising from other benefit plans | 1 | 3 |
| **Total recognized employee benefit obligations** | **3,489** | **2,042** |

## Performance of recognized benefit obligations from defined benefit plans

Performance of recognized benefit obligations from defined benefit plans (excluding other plans)

| CHF million | 2014 | 2013 |
|---|---|---|
| **Balance at 1 January** | **2,039** | **2,986** |
| Employee benefit expenses arising from defined benefit plans | 384 | 9 |
| Revaluation gains recognized in other comprehensive income | 1,344 | –416 |
| Employer contributions | –284 | –445 [1] |
| Appropriation of profit | – | –100 [2] |
| Pension payments by the employer | –1 | 0 |
| Translation differences | 0 | 0 |
| Company acquisitions, disposals or transfers | 6 | 5 |
| **Balance at 31 December** | **3,488** | **2,039** |
| of which: | | |
| current, i.e. payments falling due within the next twelve months | 275 | 316 |
| non-current | 3,213 | 1,723 |

1 In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund.
2 In accordance with a decision by the Swiss Federal Council, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012. As a result of this appropriation of profit, capital reserves increased in 2013 by the same amount.

## Change in employee benefit obligations

Change in employee benefit obligations

| CHF million | 2014 | 2013 |
|---|---|---|
| **Balance at 1 January** | **17,354** | **17,585** |
| Current service cost | 540 | 597 |
| Interest expense arising from employee benefit obligations | 380 | 350 |
| Actuarial (gains)/losses | 1,954 | 127 |
| Plan settlements | –7 | –21 |
| Company acquisitions, disposals or transfers | 6 | 16 |
| Restructuring | 0 | 0 |
| Benefits paid from plan assets | –787 | –855 |
| Pension payments by the employer | –1 | 0 |
| Plan amendments [1] | 0 | –445 |
| Transfers, reclassifications and Other | 5 | – |
| Translation differences | 0 | 0 |
| **Balance at 31 December** | **19,444** | **17,354** |
| Employee benefit obligations including assets set aside | 19,431 | 17,347 |
| Employee benefit obligations excluding assets set aside | 13 | 7 |
| **Total employee benefit obligations** | **19,444** | **17,354** |

1 Plan amendment costs incurred in 2013 (see employee benefit expenses).

## Change in plan assets

Change in fair value of plan assets

| CHF million | 2014 | 2013 |
|---|---|---|
| **Balance at 1 January** | **15,315** | **14,587** |
| Interest income on assets | 340 | 291 |
| Income from plan assets (excluding interest income) | 610 | 545 |
| Employee contributions | 207 | 206 |
| Employer contributions | 284 | 445 [1] |
| Appropriation of profit | – | 100 [2] |
| Plan settlements | –7 | –13 |
| Benefits paid from plan assets | –787 | –855 |
| Administrative costs | –10 | –11 |
| Company acquisitions, disposals or transfers | 4 | 10 |
| Employee restructuring contributions | – | 10 |
| Translation differences | 0 | 0 |
| **Balance at 31 December** | **15,956** | **15,315** |

1 In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund.
2 In accordance with a decision by the Swiss Federal Council, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012. As a result of this appropriation of profit, capital reserves increased in 2013 by the same amount.

## Asset classes

Asset allocation

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Listed | Unlisted | Total | Listed | Unlisted | Total |
| Bonds | 5,651 | 1,884 | 7,535 | 5,619 | 1,585 | 7,204 |
| Shares | 4,588 | – | 4,588 | 4,563 | – | 4,563 |
| Real estate | – | 1,481 | 1,481 | – | 1,396 | 1,396 |
| Alternative investments | 328 | 1,154 | 1,482 | 268 | 899 | 1,167 |
| Qualified insurance paper | – | 26 | 26 | – | 28 | 28 |
| Other financial assets | – | – | – | – | 13 | 13 |
| Cash and cash equivalents | – | 844 | 844 | – | 944 | 944 |
| **Total** | **10,567** | **5,389** | **15,956** | **10,450** | **4,865** | **15,315** |

The Foundation Board of an employee benefits institution issues investment guidelines for the investment of plan assets that include tactical asset allocation and benchmarks for comparing the results with a general investment universe. The Foundation Board forms an investment committee to implement the investment strategy. This committee appoints asset managers and the global custodian. Assets in pension plans are well diversified. BVG legal provisions apply regarding the diversification and security of pension plans. Real estate is not owned directly.

The Foundation Board carries out regular checks to ensure that the chosen investment strategy is appropriate for meeting pension benefits and that the risk budget corresponds to the demographic structure. Compliance with investment guidelines and the investment results of the investment advisor are regularly checked by the relevant employees of the Swiss Post pension fund and by an external investment controller. The efficiency and appropriateness of the investment strategy are also regularly verified by an external consulting firm.

The assets of the Swiss Post pension fund do not include any Swiss Post assets or real estate leased by Swiss Post.

### Sensitivity

The effect of a 0.25 percentage point rise or fall in the underlying material actuarial assumptions on the present value of pension obligations as at 31 December 2014 and 2013:

| Sensitivity of pension obligations to changes in actuarial assumptions | | Resulting change in present value | | | Resulting change in present value | |
|---|---|---|---|---|---|---|
| CHF million | Deviation | 31.12.2014 | 31.12.2013 | Deviation | 31.12.2014 | 31.12.2013 |
| Actuarial interest rate | +0.25 percentage point | –675 | –542 | –0.25 percentage point | 723 | 580 |
| Expected change in wages | +0.25 percentage point | 64 | 49 | –0.25 percentage point | –62 | –48 |
| Interest on retirement assets | +0.25 percentage point | 107 | 83 | –0.25 percentage point | –104 | –80 |
| Pension indexation | +0.25 percentage point | 563 | 457 | –0.25 percentage point | – | – |
| Life expectancy at age 65 | +1 year | 604 | 476 | –1 year | –612 | –485 |

### Maturity profile of the defined employee benefit obligation

The weighted average term of the defined employee benefit obligation is 16 years as at 31 December 2014 (previous year: 15 years).

More information about the timing of the nominal payment of benefits:

| Maturity of the defined employee benefit obligation<br>CHF million | Nominal payment of benefits | Nominal payment of benefits (estimation) |
|---|---|---|
| **Contributions** | | |
| 2013 | – | – |
| 2014 | 284 | 277 |
| 2015 | – | 275 |
| **Expected future benefits** | | |
| 2015 | | 855 |
| 2016 | | 901 |
| 2017 | | 900 |
| 2018 | | 899 |
| 2019 | | 898 |
| 2020–2024 | | 4,416 |

## 10 | Resale merchandise and service expenses

| Resale merchandise and service expenses<br>CHF million | 2014 | 2013 |
|---|---|---|
| Working materials, semi-finished and finished goods | 45 | 39 |
| Resale merchandise expenses | 466 | 459 |
| Service expenses | 161 | 147 |
| Compensation paid to PostBus operators | 305 | 306 |
| Compensation paid to forwarding companies | 345 | 337 |
| Compensation paid for international postal traffic | 160 | 158 |
| Temporary employees | 120 | 115 |
| **Total resale merchandise and service expenses** | **1,602** | **1,561** |

## 11 | Other operating expenses

Other operating expenses

| CHF million | 2014 | 2013 |
|---|---|---|
| Premises | 224 | 220 |
| Maintenance and repairs of property, plant and equipment | 225 | 206 |
| Energy and fuel | 64 | 66 |
| Operating materials | 83 | 81 |
| Consulting, office and administrative expenses | 202 | 184 |
| Marketing and communications | 103 | 92 |
| Loss on disposal of property, plant and equipment | 4 | 2 |
| Other expenses | 209 | 291 |
| **Total other operating expenses** | **1,114** | **1,142** |

## 12 | Financial income

Financial income

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| Interest income on other loans | 22 | 10 | 11 |
| Foreign currency gains | | 0 | 1 |
| Other financial income | | 2 | 2 |
| **Total financial income** | | **12** | **14** |

Income from the financial services business is posted as “Income from financial services”.

## 13 | Financial expenses

Financial expenses

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| Interest expense on other financial liabilities | | 12 | 12 |
| Losses on the sale of financial assets | | – | 0 |
| Present value adjustments to provisions | | 0 | 0 |
| Interest expense for employee benefit obligations | 9 | 39 | 57 |
| Interest charges on finance leases | 27 | 0 | 1 |
| Foreign currency losses | | 2 | 2 |
| Other financial expenses | | 4 | 21 |
| **Total financial expenses** | | **57** | **93** |

Expenses arising from the financial services business are posted as “Expenses for financial services”.

## 14 | Income taxes

Income taxes recorded in the income statement

| CHF million | 2014 | 2013 |
|---|---|---|
| Income (expense) for current income taxes | –79 | –94 |
| Income (expense) for deferred income taxes | –57 | 676 |
| **Total income (expense) for income taxes recorded in the income statement** | **–136** | **582** |

Income taxes are recorded in other comprehensive income, comprised as follows:

Income taxes recognized in other comprehensive income

| CHF million | 2014 | 2013 |
|---|---|---|
| Revaluation of employee benefit obligations | 275 | –107 |
| Fair value reserves | –17 | –24 |
| Hedging reserves | 2 | 0 |
| Other profits and losses recorded directly in other comprehensive income | 0 | 1 |
| **Total income taxes recognized in other comprehensive income** | **260** | **–130** |

With its conversion from an institution under public law into a company limited by shares subject to a special statutory regime, Swiss Post became fully subject to taxation from 1 January 2013. This means that profits in the monopoly sector that were previously tax exempt have been taxable since 2013. This necessitated an initial recognition of deferred tax assets and liabilities in units of Swiss Post as a public institution that were previously tax-exempt.

### Deferred taxes relating to balance sheet items

| Deferred taxes relating to balance sheet items | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Deferred tax assets | Deferred tax liabilities | Net assets/ (liabilities) | Deferred tax assets | Deferred tax liabilities | Net assets/ (liabilities) |
| Financial assets | 31 | –48 | –17 | 47 | –28 | 19 |
| Investments in subsidiaries, associates and joint ventures | 1 | –82 | –81 | 1 | –82 | –81 |
| Property, plant and equipment | 267 | –2 | 265 | 273 | –2 | 271 |
| Intangible assets | 429 | –3 | 426 | 485 | –4 | 481 |
| Other financial liabilities | 0 | – | 0 | 1 | – | 1 |
| Other liabilities | 2 | 0 | 2 | 0 | –2 | –2 |
| Provisions | 81 | –13 | 68 | 0 | –11 | –11 |
| Employee benefit obligations | 714 | – | 714 | 490 | –1 | 489 |
| Other balance sheet items | 1 | –1 | 0 | 1 | 0 | 1 |
| **Deferred taxes arising from temporary differences** | **1,526** | **–149** | **1,377** | **1,298** | **–130** | **1,168** |
| Tax assets recognized for loss carryforwards | 10 | | 10 | 15 | | 15 |
| **Deferred tax assets / liabilities, gross** | **1,536** | **–149** | **1,387** | **1,313** | **–130** | **1,183** |
| Deferred tax assets/liabilities, prior year | –1,313 | 130 | –1,183 | –98 | 13 | –85 |
| Changes in the composition of the Group | –1 | 0 | –1 | 1 | –1 | 0 |
| Deferred taxes taken to other comprehensive income | –275 | 15 | –260 | 107 | 23 | 130 |
| Deferred taxes recognized in retained earnings | – | – | – | –552 | – | –552 |
| **Deferred taxes recognized in the income statement** | **–53** | **–4** | **–57** | **771** | **–95** | **676** |

Deferred tax assets of 1,536 million francs (previous year: 1,313 million francs) are comprised mainly of temporary differences on financial assets, property, plant and equipment and intangible assets, employee benefit provisions in accordance with IAS 19 that are not accepted for tax purposes as well as other provisions and tax loss carryforwards. Deferred tax assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 149 million francs (previous year: 130 million francs) are mainly the result of temporary differences between the carrying amounts of Group assets and tax base of financial assets and investments as well as temporary differences arising on provisions.

## Unused loss carryforwards

| Unused loss carryforwards | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Recognized | Not recognized | Total | Recognized | Not recognized | Total |
| Maturing within 1 year | 5 | – | 5 | 6 | 0 | 6 |
| Maturing in 2 to 6 years | 18 | 15 | 33 | 27 | 7 | 34 |
| Maturing in more than 6 years | 17 | – | 17 | 45 | 0 | 45 |
| **Total unused loss carryforwards** | **40** | **15** | **55** | **78** | **7** | **85** |

Tax loss carryforwards of 15 million francs (previous year: 7 million francs) were not recognized as assets at Swiss Post Group, as it seems uncertain that they will be utilized in the future.

As at 31 December 2014, there were temporary differences linked to shareholdings of 75 million francs (previous year: 70 million francs). No deferred income tax liabilities were recognized for these amounts as Swiss Post can determine the reversal of temporary differences and it is unlikely that the temporary differences will reverse in the near future.

## Analysis of the expense for income taxes

The following breakdown shows the reconciliation from Group profit before tax to the provision for income taxes accounted for. The weighted average tax rate to be applied is 13.8 percent (previous year: 16.5 percent). The 2.7 percent decrease in the Group tax rate is due to a change in the estimated tax rate for determining the expense for current income taxes for several subsidiaries.

| Reconciliation from Group profit before tax to provision for income taxes accounted for | | |
|---|---|---|
| CHF million | 2014 | 2013 |
| Group profit before tax | 774 | 1,169 |
| Weighted average tax rate | 13.8% | 16.5% |
| **Tax expense at weighted average tax rate** | **107** | **193** |
| Reconciliation with expenses for income taxes accounted for: | | |
| Effect of change in tax status/tax rates | 5 | –984 |
| Effect of investments/impairment of goodwill | 59 | 230[1] |
| Effect of back taxes and tax refunds from previous years | –7 | –2 |
| Effect of change in impairment for deferred income tax assets | 0 | 1 |
| Effect of fiscally non-relevant income/expenses | –25 | –2 |
| Effect of loss carryforwards | –4 | –8 |
| Other effects | 1 | –10 |
| **Expenses/(income) for income taxes accounted for** | **136** | **–582** |

1 Predominantly adjustment of investment value due to intra-Group dividends leading to a reduction in temporary differences.

## 15 | Receivables

| Receivables by type | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Gross | Impairment | Net | Gross | Impairment | Net |
| Receivables due from banks [1] | 42,639 | –96 | 42,543 | 44,625 | –97 | 44,528 |
| Interest-bearing amounts due from customers [1] | 701 | –5 | 696 | 544 | –2 | 542 |
| Trade accounts receivable | 1,134 | –12 | 1,122 | 1,044 | –12 | 1,032 |
| Other receivables | 912 | –1 | 911 | 944 | –1 | 943 |
| **Total receivables** | **45,386** | **–114** | **45,272** | **47,157** | **–112** | **47,045** |
| [1] of which receivables from reverse repurchase transaction | | | 1,309 | | | 7,150 |
| and covered by securities with a market value of | | | 1,309 | | | 7,150 |

Information on fair values can be found in Note 33, Fair value disclosures.

Receivables due from banks comprise current account balances, money market instruments and reverse repurchase transactions. The current accounts mainly relate to Swiss Post's international payment transactions. The money market instruments and reverse repurchase transactions arise from the management of customer deposits. Securities cover for reverse repurchase transactions is recognized on a daily basis at current fair values. In receivables due from banks, cash reserves remain high, and are mostly invested at the Swiss National Bank.

Interest-bearing amounts due from customers comprise technical overdrafts on postal accounts and receivables from reverse repo transactions with insurance companies (31 December 2014: 400 million francs; previous year: 300 million francs).

A receivable is entered during a reverse repurchase transaction. This reflects the right of Swiss Post to retain the cash deposit. Securities received as part of reverse repurchase transactions are recognized in the balance sheet only if risks and opportunities are entered. The fair values of the securities received are monitored to provide or reclaim additional collateral, where required. See also Note 34, Transfers of financial assets.

Furthermore, no assets have been pledged (as collateral) for receivables.

### Due dates of receivables

| Receivables by due date | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Total | Due in up to 3 months | Due in over 3 months | Total | Due in up to 3 months | Due in over 3 months |
| Receivables due from banks | 42,543 | 42,166 | 377 | 44,528 | 44,414 | 114 |
| Interest-bearing amounts due from customers | 696 | 696 | – | 542 | 542 | – |
| Trade accounts receivable | 1,122 | 1,032 | 90 | 1,032 | 847 | 185 |
| Other receivables | 911 | 531 | 380 | 943 | 553 | 390 |
| **Total receivables** | **45,272** | **44,425** | **847** | **47,045** | **46,356** | **689** |

In the reporting period, interest income calculated in accordance with the effective interest method amounted to one million francs on receivables due from banks (previous year: under one million francs) and 8 million francs on interest-bearing amounts due from customers (previous year: 9 million francs).

Trade accounts receivable and other receivables are of a short-term nature and therefore are not discounted.

## Overdue receivables for which individual impairment charges are not recognized

Swiss Post writes down receivables if it expects a loss in respect of those receivables because the debtor is likely to be unable to fulfil its contractual obligations. Overdue receivables for which there are no clear indications of impairment are placed on a watchlist and monitored.

Overdue receivables for which individual impairment charges are not recognized

| CHF million | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1–90 days | 91–180 days | 181–365 days | > 1 year | 1–90 days | 91–180 days | 181–365 days | > 1 year |
| Receivables due from banks | 1,149 | 165 | 211 | – | 1 | – | – | – |
| Interest-bearing amounts due from customers | 682 | 5 | 7 | 6 | 229 | 4 | 6 | 4 |
| Trade accounts receivable | 86 | 31 | 28 | 100 | 93 | 62 | 3 | 95 |
| Other receivables | 3 | 2 | 1 | 2 | 1 | 0 | 0 | 1 |
| **Total receivables** | **1,920** | **203** | **247** | **108** | **324** | **66** | **9** | **100** |

## Receivables for which impairment charges are recognized

Outstanding receivables are checked on a regular basis by means of a risk analysis specified by the Group. Individual impairment charges for receivables are determined based on the difference between the nominal amount of the receivables and the estimated net amount recoverable.

Items that are not written down individually are subject to a portfolio impairment charge based on statistical analyses from previous years.

Receivables for which impairment charges are recognized

| CHF million | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | Gross | Impairment charges | Net | Gross | Impairment charges | Net |
| **Individual impairment charges** | | | | | | |
| Receivables due from banks | 99 | –96 | 3 | 100 | –97 | 3 |
| Interest-bearing amounts due from customers | 1 | –1 | – | 0 | 0 | 0 |
| Trade accounts receivable | 47 | –6 | 41 | 11 | –7 | 4 |
| Other receivables | 1 | –1 | – | 1 | –1 | 0 |
| **Total receivables for which individual impairment charges are recognized** | **148** | **–104** | **44** | **112** | **–105** | **7** |
| **Portfolio impairment charges** | | | | | | |
| Interest-bearing amounts due from customers | 26 | –4 | 22 | 2 | –2 | 0 |
| Trade accounts receivable | 55 | –6 | 49 | 64 | –5 | 59 |
| Other receivables | 3 | 0 | 3 | 2 | 0 | 2 |
| **Total receivables for which portfolio impairment charges are recognized** | **84** | **–10** | **74** | **68** | **–7** | **61** |

## Change in impairment of receivables

| Change in impairment of receivables | Receivables due from banks | | Interest-bearing amounts due from customers | | Trade accounts receivable | | Other receivables | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Individual impairment charges | Portfolio impairment charges | Individual impairment charges | Portfolio impairment charges | Individual impairment charges | Portfolio impairment charges | Individual impairment charges | Portfolio impairment charges |
| **As at 1 January 2014** | **97** | **–** | **0** | **2** | **7** | **5** | **1** | **0** |
| Impairment | – | – | 1 | 2 | 0 | 1 | – | – |
| Reversal of impairment | – 1 | – | – | – | 0 | – | 0 | 0 |
| Reclassifications | – | – | – | – | 0 | 0 | – | – |
| Disposals | – | – | – | – | – 1 | – | – | – |
| Currency translation differences | – | – | – | – | 0 | 0 | – | – |
| **As at 31 December 2014** | **96** | **–** | **1** | **4** | **6** | **6** | **1** | **0** |
| **As at 1 January 2013** | **97** | **–** | **–** | **3** | **6** | **4** | **2** | **0** |
| Impairment | 0 | – | 0 | – | 1 | 1 | 0 | – |
| Reversal of impairment | – | – | – | – 1 | 0 | – | – 1 | 0 |
| Reclassifications | – | – | – | – | – | – | – | – |
| Disposals | – | – | – | – | 0 | – | – | – |
| Currency translation differences | – | – | – | – | 0 | 0 | – | – |
| **As at 31 December 2013** | **97** | **–** | **0** | **2** | **7** | **5** | **1** | **0** |

## 16 | Inventories

| Inventories<br>CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Resale merchandise | 55 | 52 |
| Fuel and operating materials | 17 | 21 |
| Production materials | 9 | 8 |
| Work in progress and finished goods | 3 | 4 |
| Impairment charge for inventories which are not easily marketable | – 1 | 0 |
| **Total inventories** | **83** | **85** |

## 17 | Non-current assets held for sale

"Non-current assets held for sale" are no longer systematically amortized and will probably be sold within one year.

| Non-current assets held for sale<br>CHF million | Operating property | Other property, plant and equipment | Total |
|---|---|---|---|
| **As at 1 January 2014** | **–** | **0** | **0** |
| Additions arising from reclassifications in accordance with IFRS 5 | – | 14 | 14 |
| Disposals | – | –13 | –13 |
| **As at 31 December 2014** | **–** | **1** | **1** |
| **As at 1 January 2013** | **1** | **0** | **1** |
| Additions arising from reclassifications in accordance with IFRS 5 | 0 | 10 | 10 |
| Disposals | –1 | –10 | –11 |
| **As at 31 December 2013** | **–** | **0** | **0** |

Information on fair values can be found in Note 33, Fair value disclosures.

## 18 | Financial assets

| Financial assets<br>CHF million | Held to maturity | Available for sale | Derivative financial instruments | Loans | Total |
|---|---|---|---|---|---|
| Notes | 19 | 20 | 21 | 22 | |
| **As at 1 January 2014** | **50,398** | **3,879** | **95** | **12,475** | **66,847** |
| Additions | 11,186 | 1,116 | – | 25,798 | 38,100 |
| Change in value recognized in profit or loss | –110 | 117 | – | 73 | 80 |
| Change in value recognized directly in equity | – | 59 | – | – | 59 |
| Change in value of derivatives | – | – | –90 | – | –90 |
| Impairment, net | –66 | –8 | – | –18 | –92 |
| Disposals | –6,866 | –575 | – | –24,630 | –32,071 |
| **As at 31 December 2014** | **54,542** | **4,588** | **5** | **13,698** | **72,833** |
| **As at 1 January 2013** | **52,367** | **3,313** | **94** | **11,583** | **67,357** |
| Additions | 5,163 | 797 | – | 38,008 | 43,968 |
| Change in value recognized in profit or loss | –63 | –20 | – | –43 | –126 |
| Change in value recognized directly in equity | – | 99 | – | – | 99 |
| Change in value of derivatives | – | – | 1 | – | 1 |
| Impairment/reversal of impairment, net | 64 | –1 | – | –21 | 42 |
| Disposals | –7,133 | –309 | – | –37,052 | –44,494 |
| **As at 31 December 2013** | **50,398** | **3,879** | **95** | **12,475** | **66,847** |

Available-for-sale financial assets and derivative financial instruments are presented at fair value if the latter can be directly derived from prices on publicly organized or standardized markets. Items for which there are no official price quotations are measured on the basis of yield curves, risk premiums and derivatives quotations (credit default swaps).

Financial assets classified as held to maturity and loans are measured at amortized cost.

Information on fair values can be found in Note 33, Fair value disclosures.

2 million francs (previous year: 90 million francs) were posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 21, Derivative financial instruments).

The recoverable amount of the bonds is systematically reviewed. Assets with one of the following characteristics undergo a closer assessment:

– non-investment-grade rating (< BBB–)
– quoted market price of less than 60 percent
– a price cannot be reliably determined
– previously mentioned in the context of impairment

The assessment was carried out in preparing the annual financial statements.

The impairment charges (net) newly recognized on financial assets in 2014 totalled 92 million francs (previous year: reversal of 42 million francs). In the case of fixed rate assets of the held-to-maturity category, portfolio impairment charges totalling 66 million francs for bonds were recognized (previous year: reversal of 56 million francs of portfolio impairment charges and 8 million francs of individual impairment charges). The recognition of portfolio impairment charges is mainly the result of the rise in credit spreads and the increase in fixed rate assets of the held-to-maturity category. Due to a negative trend in share prices, impairments of 8 million francs on equity holdings were formed (previous year: one million francs). For loans to public entities in Switzerland, portfolio impairment charges of 18 million francs were formed (previous year: 5 million francs). For other loans (excluding PostFinance Ltd) impairments of under one million francs were formed (previous year: 16 million francs).

## 19 | Financial assets held to maturity

| Financial assets held to maturity | | Term to maturity | | |
|---|---|---|---|---|
| CHF million | Total | Up to 1 year | 1 – 5 years | Over 5 years |
| **31 December 2014** | | | | |
| Bonds | 54,542 | 7,621 | 30,496 | 16,425 |
| **Total held to maturity** | **54,542** | **7,621** | **30,496** | **16,425** |
| **31 December 2013** | | | | |
| Bonds | 50,398 | 6,836 | 28,809 | 14,753 |
| **Total held to maturity** | **50,398** | **6,836** | **28,809** | **14,753** |

Information on fair values can be found in Note 33, Fair value disclosures.

In the reporting period, interest income calculated in accordance with the effective interest method stood at 999 million francs (previous year: 1,056 million francs).

### Overdue held-to-maturity financial assets for which individual impairment charges are not recognized

There were no overdue held-to-maturity financial assets for which individual impairment charges were not recognized as at either 31 December 2014 or 31 December 2013.

## Held-to-maturity financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of possible impairment. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual financial instrument is impaired, assets are assessed for impairment on a portfolio basis. Financial instruments with similar credit risks are grouped together and become subject to a portfolio impairment charge based on statistical analyses.

| Held-to-maturity financial assets for which impairment charges are recognized | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Gross | Impairment charges | Net | Gross | Impairment charges | Net |
| **Portfolio impairment charges** | | | | | | |
| Bonds | 54,683 | –141 | 54,542 | 50,473 | –75 | 50,398 |
| **Total held-to-maturity financial assets for which portfolio impairment charges are recognized** | **54,683** | **–141** | **54,542** | **50,473** | **–75** | **50,398** |

## Changes in impairment of held-to-maturity financial assets

| Changes in impairment of held-to-maturity financial assets<br>CHF million | Individual impairment charges | Portfolio impairment charges | Total |
|---|---|---|---|
| **As at 1 January 2014** | – | **75** | **75** |
| Impairment | – | 66 | 66 |
| **As at 31 December 2014** | – | **141** | **141** |
| **As at 1 January 2013** | **8** | **131** | **139** |
| Reversal of impairment | –8 | –56 | –64 |
| **As at 31 December 2013** | – | **75** | **75** |

No interest income was recognized in 2014 on held-to-maturity financial assets including impairment charges (previous year: 0.2 million francs).

## 20 | Financial assets available for sale

| Financial assets available for sale | | | | | Term to maturity |
|---|---|---|---|---|---|
| CHF million | Total | Up to 1 year | 1 – 5 years | Over 5 years | None |
| **31 December 2014** | | | | | |
| Bonds | 3,197 | 15 | 2,482 | 700 | – |
| Shares | 625 | – | – | – | 625 |
| Other | 766 | 0 | – | – | 766 |
| **Total available for sale** | **4,588** | **15** | **2,482** | **700** | **1,391** |
| **31 December 2013** | | | | | |
| Bonds | 2,980 | 127 | 2,192 | 661 | – |
| Shares | 654 | – | – | – | 654 |
| Other | 245 | 0 | 0 | 0 | 245 |
| **Total available for sale** | **3,879** | **127** | **2,192** | **661** | **899** |

Information on fair values can be found in Note 33, Fair value disclosures.

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net income from the disposal of available-for-sale financial assets (income from financial services). In the reporting period, they amounted to a gain of 55 million francs (previous year: 24 million francs). See also Note 6, Net income from financial services.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 3 million francs (previous year: 8 million francs). Dividend income stood at 16 million francs (previous year: 17 million francs).

### Overdue available-for-sale financial assets for which individual impairment charges are not recognized

There were no overdue available-for-sale financial assets for which individual impairment charges were not recognized as at either 31 December 2014 or 31 December 2013.

### Available-for-sale financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of the possible impairment of fixed-rate financial assets. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified.

In the event of impairment, the cumulative losses recognized directly in equity under “Fair value reserves” are reclassified to the income statement.

## 21 | Derivative financial instruments

| Derivative financial instruments | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Positive fair values | Contract volume | Negative fair values | Contract volume | Positive fair values | Contract volume | Negative fair values | Contract volume |
| Notes | 18 | | 27 | | 18 | | 27 | |
| **Cash flow hedges** | | | | | | | | |
| Currency | – | – | 20 | 449 | 31 | 145 | – | – |
| Interest rates | 0 | 248 | – | – | 0 | 64 | – | – |
| **Fair value hedges** | | | | | | | | |
| Currency | 0 | 90 | 35 | 871 | 11 | 400 | 0 | 51 |
| Interest rates | 2 | 270 | 116 | 3,587 | 48 | 2,862 | 16 | 995 |
| **Other** | | | | | | | | |
| Currency | 3 | 419 | 3 | 448 | 5 | 455 | 4 | 332 |
| Interest rates | – | – | – | – | – | – | – | – |
| **Total derivative financial instruments** | **5** | **1,027** | **174** | **5,355** | **95** | **3,926** | **20** | **1,378** |

Information on fair values can be found in Note 33, Fair value disclosures.

Gains and losses recognized in profit or loss affecting net income from sales and from the measurement at fair value of derivative financial assets are stated in net trading income. In the reporting period, they amounted to a net loss of 9 million francs (previous year: net gain of 2 million francs).

### Derivatives due dates

| Due dates of derivative financial instruments | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Positive fair values | Contract volume | Negative fair values | Contract volume | Positive fair values | Contract volume | Negative fair values | Contract volume |
| Notes | 18 | | 27 | | 18 | | 27 | |
| **Cash flow hedges** | | | | | | | | |
| Less than 1 year | 0 | 248 | – | – | 31 | 209 | – | – |
| 1 to 5 years | – | – | 14 | 147 | – | – | – | – |
| Over 5 years | – | – | 6 | 302 | – | – | – | – |
| **Fair value hedges** | | | | | | | | |
| Less than 1 year | 0 | 90 | 41 | 1,121 | 11 | 400 | 0 | 51 |
| 1 to 5 years | 2 | 270 | 33 | 2,161 | 17 | 1,536 | 15 | 795 |
| Over 5 years | – | – | 77 | 1,176 | 31 | 1,326 | 1 | 200 |
| **Other** | | | | | | | | |
| Less than 1 year | 3 | 419 | 3 | 448 | 5 | 455 | 4 | 332 |
| 1 to 5 years | 0 | 0 | 0 | 0 | – | – | – | – |
| Over 5 years | – | – | – | – | – | – | – | – |
| **Total derivative financial instruments** | **5** | **1,027** | **174** | **5,355** | **95** | **3,926** | **20** | **1,378** |

### Fair value

The fair value corresponds to the market value of a derivative financial instrument, i.e. the price that would have to be paid for the conclusion of a substitute transaction if the counterparty defaults. Positive fair values are exposed to the credit risk and represent the maximum loss that Swiss Post would suffer on the due date if the counterparty were to default. Negative fair values result if the substitute transactions were possible on more favourable terms.

### Contract volume

Corresponds to the receivables side of the derivative financial instruments' underlying values.

Swiss Post acquires derivative financial instruments predominantly for hedging purposes. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged underlying transactions. Derivatives for which hedge accounting is not applied are treated like trading instruments.

### Cash flow hedges

Swiss Post is exposed both to currency fluctuations and interest rate changes. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations of the future interest cash flows on financial assets are hedged by interest rate swaps with various maturities. The hedging reserve is reconciled to the income statement at the time when the underlying transaction takes place.

On 31 December 2014 the hedging reserve before taxes stood at around 9 million francs (previous year: 1 million francs). The overall fair value changes of the hedging instruments are included in the hedging reserve directly in equity. Subsequently, the net interest accrued and paid/received (2 million francs; previous year: less than 1 million francs) and the foreign currency share (39 million francs; previous year: 35 million francs) are transferred to the income statement (recycled in net trading income, see also Note 6, Net income from financial services). Thus the residual fair value change of the hedging instruments remains in the cash flow hedge reserve.

This cash flow is expected to have an effect on the income statement in the following periods:

| Cash flows (not discounted) | | | Term to maturity |
|---|---|---|---|
| CHF million | Up to 1 year | 1 – 5 years | Over 5 years |
| **31 December 2014** | | | |
| Inflows of funds | 4 | 16 | – |
| Outflows of funds | –7 | –30 | – |
| **31 December 2013** | | | |
| Inflows of funds | 5 | – | – |
| Outflows of funds | –2 | – | – |

### Fair value hedges

Fluctuations in fair value as a result of changes in market interest rates (Libor) are partly hedged using interest rate swaps. The risks associated with foreign currency variable rate bond investments as a result of currency fluctuations are hedged using currency swaps. In both the reporting period and the previous year, the amount recognized in profit or loss was less than one million francs.

See also Note 32, Risk management, Risk management at PostFinance.

## 22 | Loans

| Loans | | | | | Term to maturity |
|---|---|---|---|---|---|
| CHF million | Total | Up to 1 year | 1 – 5 years | Over 5 years | None |
| **31 December 2014** | | | | | |
| State-owned enterprises | 929 | 354 | 375 | 200 | – |
| Cantons, cities and municipalities [1] | 9,025 | 1,566 | 3,490 | 3,969 | – |
| Banks | 3,141 | 160 | 2,056 | 925 | – |
| PostBus operators | 106 | 21 | 63 | 22 | – |
| Other [2] | 497 | 86 | 139 | 272 | 0 |
| **Total loans** | **13,698** | **2,187** | **6,123** | **5,388** | **0** |
| **31 December 2013** | | | | | |
| State-owned enterprises | 635 | 35 | 400 | 200 | – |
| Cantons, cities and municipalities [1] | 8,198 | 2,039 | 3,067 | 3,092 | – |
| Banks | 3,025 | 71 | 1,514 | 1,440 | – |
| PostBus operators | 136 | 24 | 75 | 37 | – |
| Other [2] | 481 | 24 | 181 | 276 | 0 |
| **Total loans** | **12,475** | **2,193** | **5,237** | **5,045** | **0** |

1 Loans to cantons, cities and municipalities, plus borrower's note loans to public entities.
2 Loans and borrower's note loans to "Other institutions" and mortgages previously granted by the Swiss Post pension fund (less than one million francs; previous year: one million francs) which were assumed by PostFinance.

Information on fair values can be found in Note 33, Fair value disclosures.

In the reporting period, interest income calculated in accordance with the effective interest method stood at 207 million francs (previous year: 210 million francs).

### Overdue loans for which individual impairment charges are not recognized

Swiss Post writes down loans if it expects a loss in respect of those loans because the borrower will probably be unable to fulfil its contractual obligations.

There were no overdue loans for which individual impairment charges were not recognized as at either 31 December 2014 or 31 December 2013.

### Loans for which impairment charges are recognized

| Impairment charges on loans to cantons, cities, municipalities, banks and other entities | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Gross | Impairment charges | Net | Gross | Impairment charges | Net |
| **Individual impairment charges** | | | | | | |
| Loans to others | 12 | –12 | – | 12 | –12 | – |
| **Total loans for which individual impairment charges are recognized** | **12** | **–12** | **–** | **12** | **–12** | **–** |
| **Portfolio impairment charges** | | | | | | |
| Loans to cantons, cities and local authorities | 9,056 | –31 | 9,025 | 8,211 | –14 | 8,197 |
| Loans to banks | 3,142 | –1 | 3,141 | – | – | – |
| **Total loans for which portfolio impairment charges are recognized** | **12,198** | **–32** | **12,166** | **8,211** | **–14** | **8,197** |

Individual impairment charges are recognized if a borrower is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual loan is impaired, loans are assessed for impairment on a portfolio or collective basis. Loans with similar credit risks are grouped together and become subject to a portfolio impairment charge based on statistical analyses.

### Change in impairment of loans

Change in impairment of loans to cantons, cities, municipalities, banks and other entities

| CHF million | Individual impairment charges | Portfolio impairment charges | Total |
|---|---|---|---|
| **As at 1 January 2014** | **12** | **14** | **26** |
| Impairment | 0 | 18 | 18 |
| **As at 31 December 2014** | **12** | **32** | **44** |
| **As at 1 January 2013** | **7** | **9** | **16** |
| Impairment | 16 | 5 | 21 |
| Disposals | –11 | – | –11 |
| **As at 31 December 2013** | **12** | **14** | **26** |

## 23 | Investments in associates and joint ventures

No substantial participation in associated companies or joint ventures exists. In addition, there were no material transactions between the Group and any associated companies and joint ventures (see also Note 38, Transactions with related companies and parties). Further details on associates and joint ventures can be found in Note 37, Changes in the consolidated Group.

Investments in associates and joint ventures

| CHF million | 2014 | 2013 |
|---|---|---|
| **Balance at 1 January** | **97** | **99** |
| Disposals of associates and joint ventures | – | 0 |
| Dividends received | –9 | –9 |
| Share of net profit (after taxes) recognized in the income statement | 16 | 7 |
| Share of net profit (after taxes) recognized in other comprehensive income | 1 | –1 |
| Currency translation differences | –1 | 1 |
| **Balance at 31 December** | **104** | **97** |

### Comprehensive income from associates and joint ventures

Net income from associates and joint ventures

| CHF million | 2014 | 2013 |
|---|---|---|
| Share of net profit (after taxes) recognized in the income statement | 16 | 7 |
| Share of net profit (after taxes) recognized in other comprehensive income | 1 | –1 |
| **Comprehensive income from associates and joint ventures** | **17** | **6** |

### Changes in associates and joint ventures

*2014*
On 27 March 2014, a share capital increase of 10 million euros was undertaken at Swiss Euro Clearing Bank GmbH, based in Frankfurt am Main, Germany (Swiss Post share: 25 percent).

*2013*
On 4 June 2013, a share capital increase of 10 million euros was undertaken at Swiss Euro Clearing Bank GmbH, based in Frankfurt am Main, Germany (Swiss Post share: 25 percent).

Shares in Société des Auto-transports du Pied du Jura Vaudois S.A.P.J.V., based in L'Isle, were sold on 16 December 2013.

## 24 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 67 million francs (previous year: 78 million francs).

As at 31 December 2014, as in the previous year, no items of property, plant and equipment had been pledged in relation to mortgages.

As in the previous year, no borrowing costs were capitalized in 2014.

| Property, plant and equipment<br>2014<br>CHF million | Operating property | Assets under construction: operating property | Equipment, machinery and IT systems | Furniture, vehicles and other assets | Assets under construction: other asset classes | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| **As at 1.1.2014** | **5,252** | **95** | **1,067** | **768** | **26** | **7,208** |
| Additions to the consolidated Group | – | – | 0 | 0 | – | 0 |
| Subsequent adjustment to acquisition costs | – | – | –1 | – | – | –1 |
| Additions | –4 [1] | 128 | 53 | 95 | 53 | 325 |
| Disposals | –91 | –3 | –71 | –26 | 0 | –191 |
| Reclassifications | 88 | –88 | 56 | 3 | –59 | 0 |
| Disposals arising from reclassifications (IFRS 5) | – | – | – | –59 | – | –59 |
| Currency translation differences | 0 | – | 0 | –1 | 0 | –1 |
| **As at 31.12.2014** | **5,245** | **132** | **1,104** | **780** | **20** | **7,281** |
| **Cumulative amortization** | | | | | | |
| **As at 1.1.2014** | **3,756** | **–** | **608** | **374** | **0** | **4,738** |
| Depreciation | 108 | – | 95 | 83 | – | 286 |
| Impairment | 1 | – | – | 0 | – | 1 |
| Disposals | –87 | – | –65 | –23 | 0 | –175 |
| Reclassifications | 0 | – | 0 | 0 | – | 0 |
| Disposals arising from reclassifications (IFRS 5) | – | – | – | –45 | – | –45 |
| Currency translation differences | 0 | – | 0 | –1 | 0 | –1 |
| **As at 31.12.2014** | **3,778** | **–** | **638** | **388** | **–** | **4,804** |
| **Carrying amount as at 1.1.2014** | **1,496** | **95** | **459** | **394** | **26** | **2,470** |
| **Carrying amount as at 31.12.2014** | **1,467** | **132** | **466** | **392** | **20** | **2,477** |
| of which assets in leasing | – | – | 0 | 9 | – | 9 |

| Property, plant and equipment<br>2013<br>CHF million | Operating property | Assets under construction: operating property | Equipment, machinery and IT systems | Furniture, vehicles and other assets | Assets under construction: other asset classes | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| **As at 1.1.2013** | **5,186** | **146** | **1,047** | **726** | **7** | **7,112** |
| Additions to the consolidated Group | 0 | – | 5 | 1 | – | 6 |
| Additions | 1 | 114 | 49 | 114 | 38 | 316 |
| Disposals | –97 | –7 | –45 | –24 | 0 | –173 |
| Reclassifications | 162 | –158 | 10 | 3 | –19 | –2 |
| Disposals arising from reclassifications (IFRS 5) | – | – | 0 | –52 | – | –52 |
| Currency translation differences | 0 | – | 1 | 0 | 0 | 1 |
| **As at 31.12.2013** | **5,252** | **95** | **1,067** | **768** | **26** | **7,208** |
| **Cumulative amortization** | | | | | | |
| **As at 1.1.2013** | **3,737** | **–** | **558** | **356** | **–** | **4,651** |
| Depreciation | 106 | – | 95 | 82 | – | 283 |
| Impairment | 3 | – | – | – | 0 | 3 |
| Disposals | –93 | – | –40 | –22 | – | –155 |
| Reclassifications | 3 | – | –5 | 0 | – | –2 |
| Disposals arising from reclassifications (IFRS 5) | – | – | 0 | –42 | – | –42 |
| Currency translation differences | 0 | – | 0 | 0 | 0 | 0 |
| **As at 31.12.2013** | **3,756** | **–** | **608** | **374** | **0** | **4,738** |
| **Carrying amount as at 1.1.2013** | **1,449** | **146** | **489** | **370** | **7** | **2,461** |
| **Carrying amount as at 31.12.2013** | **1,496** | **95** | **459** | **394** | **26** | **2,470** |
| of which assets in leasing | 0 | 0 | 0 | 0 | 0 | 0 |

1 Includes around 4 million francs for 2014 from subsidies for railway track installations.

## 25 | Investment property

| Investment property | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Investment property | Investment property under construction | Total | Investment property | Investment property under construction | Total |
| **Acquisition cost** | | | | | | |
| **Balance at 1 January** | **8** | **108** | **116** | **8** | **60** | **68** |
| Additions | 0 | 64 | 64 | – | 48 | 48 |
| Disposals | – | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | – | 0 | 0 | 0 | 0 |
| **Balance at 31 December** | **8** | **172** | **180** | **8** | **108** | **116** |
| **Cumulative amortization** | | | | | | |
| **Balance at 1 January** | **0** | **–** | **0** | **0** | **–** | **0** |
| Depreciation | 0 | – | 0 | 0 | – | 0 |
| Disposals | – | – | – | 0 | – | 0 |
| Reclassifications | 0 | – | 0 | 0 | – | 0 |
| **Balance at 31 December** | **0** | **–** | **0** | **0** | **–** | **0** |
| **Carrying amount as at 1 January** | **8** | **108** | **116** | **8** | **60** | **68** |
| **Carrying amount as at 31 December** | **8** | **172** | **180** | **8** | **108** | **116** |

The following amounts from investment property were recognized in the result:

– rental income: 0.6 million francs (previous year: 0.5 million francs)
– direct operating expenses (incl. depreciation) that generated rental income during the reporting period: 1.4 million francs (previous year: 1.9 million francs)

On 31 December 2014, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale.

There are investment commitments for investment property of 134 million francs (previous year: 198 million francs).

Fair value disclosures for investment property can be found in Note 33, Fair value disclosures.

## 26 | Intangible assets and goodwill

| Intangible assets and goodwill | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Goodwill [1] | Other intangible assets | Other intangible assets under construction | Total | Goodwill [1] | Other intangible assets | Other intangible assets under construction | Total |
| **Acquisition cost** | | | | | | | | |
| **Balance at 1 January** | **253** | **229** | **43** | **525** | **230** | **189** | **23** | **442** |
| Additions to the consolidated Group | 3 | 1 | – | 4 | 28 | 21 | – | 49 |
| Additions | – | 19 | 35 | 54 | – | 11 | 37 | 48 |
| Disposals | –4 | –28 | – | –32 | –5 | –16 | – | –21 |
| Reclassifications | – | 43 | –43 | 0 | – | 23 | –17 | 6 |
| Currency translation differences | 4 | 0 | 0 | 4 | 0 | 1 | 0 | 1 |
| **Balance at 31 December** | **256** | **264** | **35** | **555** | **253** | **229** | **43** | **525** |
| **Cumulative amortization** | | | | | | | | |
| **Balance at 1 January** | **28** | **146** | **–** | **174** | **26** | **116** | **–** | **142** |
| Depreciation | – | 35 | – | 35 | – | 34 | – | 34 |
| Impairment | 1 [2] | 6 | 0 | 7 | 7 [2] | 6 | – | 13 |
| Disposals | –4 | –28 | – | –32 | –5 | –15 | – | –20 |
| Reclassifications | – | 0 | – | 0 | – | 5 | – | 5 |
| Currency translation differences | 0 | 0 | 0 | 0 | 0 | 0 | – | 0 |
| **Balance at 31 December** | **25** | **159** | **0** | **184** | **28** | **146** | **–** | **174** |
| **Carrying amount as at 1 January** | **225** | **83** | **43** | **351** | **204** | **73** | **23** | **300** |
| **Carrying amount as at 31 December** | **231** | **105** | **35** | **371** | **225** | **83** | **43** | **351** |

1 Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of these equity interests (see Note 23, Investments in associates and joint ventures).
2 See information below under "Reviewing the recoverable amount of goodwill".

Other intangible assets mainly comprise purchased standard software.

Investment commitments for intangible assets amount to 5 million francs (previous year: 10 million francs).

### Reviewing the recoverable amount of goodwill

In the event of a new acquisition, goodwill is allocated to identifiable groups of units known as cash-generating units (CGUs) and tested annually for impairment. A CGU is usually a company.

A CGU's recoverable amount is based on a calculation of its value in use, in turn based on the strategic financial planning. The calculation of a CGU's value in use reflects the future cash flows for the next two to three years, discounted to present value at the weighted cost of capital, and an estimated residual value. This does not include any growth component.

The goodwill refers to the following segments or subsidiaries:

| Goodwill by segment | 31 December 2014 | | | | | 31 December 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| CHF million | Total goodwill | PostMail | Post-Logistics | Swiss Post Solutions | PostBus | Total goodwill | PostMail | Post-Logistics | Swiss Post Solutions | PostBus |
| SPS Group | 33 | – | – | 33 | – | 34 | – | – | 34 | – |
| Swiss Post Solutions AG | 29 | – | – | 29 | – | 29 | – | – | 29 | – |
| Swiss Post Solutions Inc. | 35 | – | – | 35 | – | 32 | – | – | 32 | – |
| Swiss Post Solutions Ltd | 27 | – | – | 27 | – | 25 | – | – | 25 | – |
| Swiss Post Solutions SAS Group | 1 | – | – | 1 | – | 1 | – | – | 1 | – |
| Presto Presse-Vertriebs AG | 41 | 41 | – | – | – | 41 | 41 | – | – | – |
| Direct Mail Company AG [1] | 24 | 24 | – | – | – | 16 | 16 | – | – | – |
| Prisma Medienservice AG | – | – | – | – | – | 8 | 8 | – | – | – |
| PostLogistics Ltd | 27 | – | 27 | – | – | 27 | – | 27 | – | – |
| Swiss Post SAT Holding Ltd | 9 | – | 9 | – | – | 9 | – | 9 | – | – |
| Société d'Affrètement et de Transit S.A.T. SA | 3 | – | 3 | – | – | – | – | – | – | – |
| Other [2] | 2 | – | 1 | – | 1 | 3 | – | 1 | – | 2 |
| **Total** | **231** | **65** | **40** | **125** | **1** | **225** | **65** | **37** | **121** | **2** |

1 Transfer of goodwill due to the merger of Prisma Medienservice AG into Direct Mail Company AG.
2 Goodwill of around one million francs was impaired.

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2014 based on the discounted cash flow method, the following parameters were set per country. In addition, a market risk premium of approx. 5 percent (Switzerland and abroad) and depending on the risks a small cap premium of between 0 and 4 percent as well as a debt premium of 2 to 6 percent were applied for the calculation.

| Parameters for the determination of the recoverable amount of goodwill by country | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| Percent | Interest rate [1] | Tax rate [2] | WACC [3] | Interest rate [1] | Tax rate [2] | WACC [3] |
| Switzerland | 0.5 | 22.0–25.0 | 5.0–6.8 | 1.0 | 20.3–25.0 | 5.0–13.0 |
| Belgium | 1.2 | 34.0 | 10.3 | – | – | – |
| Germany | 1.0 | 29.0 | 7.0 | 1.8 | 29.0 | 5.7 |
| France | 1.3 | 32.1–33.9 | 8.1–8.6 | 2.3 | 32.8–33.9 | 5.9–9.4 |
| United Kingdom | 2.4 | 21.0 | 8.2 | 2.7 | 23.0 | 6.7 |
| Ireland | – | – | – | 4.2 | 12.5 | 8.2 |
| US | 2.5 | 45.0 | 12.2 | 2.7 | 45.0 | 7.7 |

1 Yield on ten-year bonds of the relevant country.
2 Tax rate of the acquired company's country.
3 Weighted average cost of capital.

## 27 | Financial liabilities

Financial liabilities

| CHF million | On demand | Callable[1] | Up to 1 year | 1 – 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **31 December 2014** | | | | | | |
| Postal accounts | 68,754 | – | – | – | – | 68,754 |
| Deposito and investment accounts | – | 43,241 | – | – | – | 43,241 |
| Medium-term notes for customers | – | – | 21 | 62 | 72 | 155 |
| **Total customer deposits (PostFinance)** | **68,754** | **43,241** | **21** | **62** | **72** | **112,150** |
| Due to banks | 5 | – | 270 | – | – | 275 |
| Derivative financial instruments | – | – | 44 | 47 | 83 | 174 |
| Other financial liabilities | | | | | | |
| Finance leases | – | – | 1 | 4 | 1 | 6 |
| Other | 0 | – | 1 | 1 | 1,282 | 1,284 |
| **Total other financial liabilities** | **5** | **–** | **316** | **52** | **1,366** | **1,739** |
| **Total financial liabilities** | **68,759** | **43,241** | **337** | **114** | **1,438** | **113,889** |
| **31 December 2013** | | | | | | |
| Postal accounts | 66,175[2] | – | – | – | – | 66,175 |
| Deposito and investment accounts | – | 42,585 | – | – | – | 42,585 |
| Medium-term notes for customers | – | – | 65 | 74 | 21 | 160 |
| Money market investments for customers | – | – | 3 | – | – | 3 |
| **Total customer deposits (PostFinance)** | **66,175** | **42,585** | **68** | **74** | **21** | **108,923** |
| Due to banks | 192[2] | – | 1 | – | – | 193 |
| Derivative financial instruments | – | – | 4 | 15 | 1 | 20 |
| Other financial liabilities | | | | | | |
| Finance leases | 1 | – | 0 | 0 | 2 | 3 |
| Other | 4 | – | 1 | 1 | 1,281 | 1,287 |
| **Total other financial liabilities** | **197** | **–** | **6** | **16** | **1,284** | **1,503** |
| **Total financial liabilities** | **66,372** | **42,585** | **74** | **90** | **1,305** | **110,426** |

1 Call deposits for which no notice of withdrawal has been given, recallable provided an agreed notice period is observed.
2 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

Information on fair values can be found in Note 33, Fair value disclosures.

The fourth quarter of 2012 saw the borrowing of funds by means of a private placement as long-term funds of 1,280 million francs were raised on the capital market from major domestic private and institutional investors. Several tranches were issued with an average duration of around 11 years. The average interest rate applicable to this private placement is 0.83 percent.

In accordance with hedge accounting requirements, 171 million francs (previous year: 16 million francs) were posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 208 million francs in the reporting period (previous year: 292 million francs).

### Cash value of the commitments from finance leases

| Cash value of the commitments from finance leases | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| CHF million | Nominal | Discount | Present value | Nominal | Discount | Present value |
| Due within 1 year | 1 | 0 | 1 | 2 | –1 | 1 |
| Due within 1 to 5 years | 4 | 0 | 4 | 2 | 0 | 2 |
| Due date longer than 5 years | 1 | 0 | 1 | 0 | 0 | 0 |
| **Total** | **6** | **0** | **6** | **4** | **–1** | **3** |

## 28 | Provisions

| Provisions<br>CHF million | Other long-term employee benefits | Restructuring | Claims incurred | Litigation risks | Other | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2014** | **350** | **7** | **34** | **12** | **69** | **472** |
| Additions to the consolidated Group | – | – | – | – | 0 | 0 |
| Recognition | 55 | 6 | 12 | 7 [1] | 23 | 103 |
| Present value adjustment | 7 | 0 | – | – | 0 | 7 |
| Use | –26 | –4 | –7 | –6 | –10 | –53 |
| Reversal | –1 | –2 | –16 | –2 | –15 | –36 |
| Reclassifications | –5 | – | – | 0 | 0 | –5 |
| Currency translation differences | 0 | 0 | – | 0 | 0 | 0 |
| **As at 31 December 2014** | **380** | **7** | **23** | **11** | **67** | **488** |
| of which short term | 27 | 5 | 10 | 4 | 13 | 59 |
| **As at 1 January 2013** | **348** | **16** | **36** | **10** | **46** | **456** |
| Additions to the consolidated Group | 0 | – | – | – | 5 | 5 |
| Recognition | 22 | 5 | 12 | 12 [1] | 58 | 109 |
| Present value adjustment | 6 | 0 | – | – | – | 6 |
| Use | –24 | –13 | –8 | –4 | –4 | –53 |
| Reversal | –2 | –1 | –6 | –6 | –12 | –27 |
| Subsequent adjustment of acquisition costs | – | – | – | – | –5 | –5 |
| Reclassifications | 0 | – | – | – | –19 | –19 |
| Currency translation differences | 0 | 0 | – | 0 | 0 | 0 |
| **As at 31 December 2013** | **350** | **7** | **34** | **12** | **69** | **472** |
| of which short term | 26 | 4 | 1 | 0 | 20 | 51 |

1 Including a provision of 0.8 million francs (previous year: 2.5 million francs) (PostFinance Ltd) for procedural costs in relation to the US programme.

No provisions were recognized for potential losses arising from the US tax programme. This decision is primarily due to the written proviso submitted to the US judicial authorities asking to switch from category two to category three at a later date.

### Other long-term employee benefits

Other long-term employee benefits essentially comprise bonuses for anniversaries for numbers of years of service (loyalty bonuses including sabbaticals for management employees) and staff vouchers (predominantly for retired employees). The performance can be found in the following breakdown.

The following parameters were applied:

| Assumptions for the calculation as at | Loyalty bonuses | | Staff vouchers | |
|---|---|---|---|---|
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Discount rate | 0.75% | 2.00% | 1.25% | 2.25% |
| Annual change in salaries | 1.50% | 2.00% | – | – |
| Percentage rate of staff voucher use | – | – | 95.00% | 95.00% |
| Leave share | 55.80% | 55.80% | – | – |
| Voluntary turnover | 8.16% | 8.16% | 3.64% | 3.93% |
| Average remaining service in years | 9.30 | 9.14 | 11.03 | 10.47 |

## Change in other long-term employee benefits

| Other long-term employee benefits | Loyalty bonuses | | Staff vouchers | |
|---|---|---|---|---|
| CHF million | 2014 | 2013 | 2014 | 2013 |
| **Balance at 1 January** | **217** | **223** | **127** | **125** |
| Accrued claims | 13 | 13 | 3 | 3 |
| Benefits paid | –21 | –20 | –5 | –6 |
| Interest on employee benefit obligations | 4 | 4 | 3 | 2 |
| Expenses arising from plan amendments | 0 | 0 | – | 0 |
| (Gains)/losses resulting from changes in assumptions | 20 | 0 | 19 | 4 |
| Actuarial (gains) | 0 | –3 | –1 | –1 |
| **Balance at 31 December** | **233** | **217** | **146** | **127** |

In addition to loyalty bonuses, sabbaticals and staff vouchers, other benefits amounting to around one million francs are also included in provisions for other long-term employee benefits.

## Expenses booked under staff costs

| Expenses booked under staff costs | Loyalty bonuses | | Staff vouchers | |
|---|---|---|---|---|
| CHF million | 2014 | 2013 | 2014 | 2013 |
| Accrued claims | 13 | 13 | 3 | 3 |
| Interest on employee benefit obligations | 4 | 4 | 3 | 2 |
| Expenses arising from plan amendments | 0 | 0 | – | 0 |
| Actuarial (gains)/losses | 20 | –3 | 18 | 3 |
| **Total expenses for other long-term employee benefits** | **37** | **14** | **24** | **8** |

## 29 | Equity

### Share capital

On 1 January 1998, the Swiss Confederation provided Swiss Post with interest-free endowment capital of 1,300 million francs. Swiss Post was converted from an institution under public law into a company limited by shares subject to a special statutory regime with share capital of 1,300 million francs in accordance with the Postal Organization Act on 26 June 2013 with retroactive effect to 1 January 2013. Swiss Post remains wholly owned by the Swiss Confederation.

The share capital comprises 1,300,000 registered shares, each with a face value of 1,000 francs. All shares are fully paid up.

### Profits and losses recorded directly in other comprehensive income

*Revaluation of employee benefit obligations*
Changes in revaluation gains from employee benefit obligations in accordance with IAS 19 that occurred during the year and that were recorded in other comprehensive income (OCI) as equity are shown in the following table. Revaluation gains are the result of differences between assumed (estimated) amounts and their actual realizations.

*Fair value reserves*
Fair value reserves comprise fluctuations in the value of available-for-sale financial assets, which are caused mainly by fluctuations in capital market interest rates. When financial assets are sold, the relevant fair value reserve is recognized in the income statement.

*Hedging reserves*
Hedging reserves include net gains and losses resulting from fair value changes attributable to the effective portion of cash flow hedges. The hedging reserves are reclassified to profit or loss when the hedged item is closed out.

*Currency translation reserves*
Currency translation reserves contain the cumulative differences resulting from the translation of the financial statements of subsidiaries, associates and joint ventures from their functional currency into Swiss francs.

*Other profits and losses*
These reserves comprise any other profits and losses recorded in other comprehensive income, such as those arising from associates.

### Appropriation of profit

The first ordinary General Meeting of Swiss Post Ltd since the conversion of Swiss Post from an institution under public law into a company limited by shares subject to a special statutory regime, held on 29 April 2014, decided to pay a dividend totalling 180 million francs. Of this, retained earnings accounted for 40 million francs and the capital reserves for 140 million francs. The dividend was paid on 20 May 2014.

According to the proposal submitted by the Board of Directors to the General Meeting of Swiss Post Ltd, a total of 200 million francs of dividends will be distributed to the owner for the financial year 2014. This corresponds to a dividend of 153.85 francs per share. The amount available for dividends is based on the statutory equity of the parent company Swiss Post Ltd. Further details can be found in the Swiss Post Ltd annual financial statements.

Other comprehensive income includes the following:

| **Group** \| Profits and losses recorded directly in other comprehensive income<br>CHF million | Notes | Revaluation of employee benefit obligations | Fair value reserves | Hedging reserves | Currency translation reserves | Other profits and losses | Equity attributable to the owner | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2014** | | **–136** | **174** | **1** | **–49** | **5** | **–5** | **0** | **–5** |
| Revaluation of employee benefit obligations | 9 | –1,344 | – | – | – | – | –1,344 | – | –1,344 |
| Change in share of other comprehensive income from associates and joint ventures | 23 | – | – | – | – | 0 | 0 | – | 0 |
| Change in deferred income taxes | 14 | 275 | – | – | – | 0 | 275 | – | 275 |
| **Items not reclassifiable in the income statement, after tax** | | **–1,069** | **–** | **–** | **–** | **0** | **–1,069** | **–** | **–1,069** |
| Change in currency translation reserves | | – | – | – | 7 | – | 7 | 0 | 7 |
| Change in share of other comprehensive income from associates and joint ventures | 23 | – | – | – | – | 1 | 1 | – | 1 |
| Change in fair value reserves from available-for-sale financial assets | 20 | – | 33 | – | – | – | 33 | – | 33 |
| (Gains)/losses transferred to income statement from available-for-sale financial assets | 20 | – | –32 | – | – | – | –32 | – | –32 |
| Change in hedging reserves from cash flow hedges | 21 | – | – | –52 | – | – | –52 | – | –52 |
| (Gains)/losses transferred to income statement from cash flow hedges | 21 | – | – | 43 | – | – | 43 | – | 43 |
| Change in deferred income taxes | 14 | – | –17 | 2 | – | 0 | –15 | – | –15 |
| **Reclassifiable items in consolidated income statement, after tax** | | **–** | **–16** | **–7** | **7** | **1** | **–15** | **0** | **–15** |
| **Other comprehensive income** | | **–1,069** | **–16** | **–7** | **7** | **1** | **–1,084** | **0** | **–1,084** |
| **Balance as at 31 December 2014** | | **–1,205** | **158** | **–6** | **–42** | **6** | **–1,089** | **0** | **–1,089** |
| **Balance as at 1 January 2013** | | **–445** | **80** | **3** | **–50** | **5** | **–407** | **0** | **–407** |
| Revaluation of employee benefit obligations | 9 | 416 | – | – | – | – | 416 | – | 416 |
| Change in share of other comprehensive income from associates and joint ventures | 23 | – | – | – | – | –1 | –1 | – | –1 |
| Change in deferred income taxes | 14 | –107 | – | – | – | – | –107 | – | –107 |
| **Items not reclassifiable in the consolidated income statement, after tax** | | **309** | **–** | **–** | **–** | **–1** | **308** | **–** | **308** |
| Change in currency translation reserves | | – | – | – | 1 | – | 1 | 0 | 1 |
| Change in share of other comprehensive income from associates and joint ventures | 23 | – | – | – | – | 0 | 0 | – | 0 |
| Change in fair value reserves from available-for-sale financial assets | 20 | – | 138 | – | – | – | 138 | – | 138 |
| (Gains)/losses transferred to income statement from available-for-sale financial assets | 20 | – | –20 | – | – | – | –20 | – | –20 |
| Change in hedging reserves from cash flow hedges | 21 | – | – | –37 | – | – | –37 | – | –37 |
| (Gains)/losses transferred to income statement from cash flow hedges | 21 | – | – | 35 | – | – | 35 | – | 35 |
| Change in deferred income taxes | 14 | – | –24 | 0 | – | 1 | –23 | – | –23 |
| **Reclassifiable items in income statement, after tax** | | **–** | **94** | **–2** | **1** | **1** | **94** | **0** | **94** |
| **Other comprehensive income** | | **309** | **94** | **–2** | **1** | **0** | **402** | **0** | **402** |
| **Balance as at 31 December 2013** | | **–136** | **174** | **1** | **–49** | **5** | **–5** | **0** | **–5** |

## 30 | Operating leases

### Swiss Post as lessee

Minimum commitments under non-cancellable lease and rental agreements break down as follows:

Commitments under operating leases

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| **Future commitments under operating leases due in** | | |
| Less than 1 year | 74 | 83 |
| 1 to 5 years | 137 | 175 |
| Over 5 years | 38 | 54 |
| **Future payment commitments under operating leases** | **249** | **312** |
| Minimum lease payments | 142 | 137 |
| Conditional lease payments | 9 | 8 |
| **Lease expenses for the period** | **151** | **145** |
| Income from sub-letting in the past financial year | 20 | 21 |
| Future income from sub-letting | 22 | 31 |

Payments arising from operating leases relate mainly to rent for the post office network's real estate (with an average remaining term of two years), rent for business premises and ground rent agreements at the Real Estate unit. Income from sub-letting relates to the post office network's real estate which, for the purposes of optimization, has been sub-let to third parties until the lease expires.

Conditional lease payments occur if the lease is index-linked.

### Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 42 million francs in the reporting period (previous year: 44 million francs). As at the end of the reporting period, Swiss Post had not entered into any other significant lease agreements as lessor.

Income from lease agreements

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| **Future minimum lease payments due under agreements in** | | |
| Less than 1 year | 75 | 80 |
| 1 to 5 years | 198 | 218 |
| Over 5 years | 58 | 75 |
| **Total** | **331** | **373** |

## 31 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2014:

### Guarantees and guarantee obligations

As in the previous year, there were no guarantees or guarantee obligations at the end of 2014.

### Legal cases

As regards claims or legal cases for which provisions have not been recognized, Executive Management believes either that they can be refuted or that they will not have a material impact on the Group's financial position or operating profit. In the reporting period, the resulting contingent liabilities amounted to 8 million francs (previous year: 8 million francs).

For information regarding provisions associated with the US tax programme, please see the footnote to Note 28, Provisions.

## 32 | Risk management

### Risk management (corporate risk management)

*Organization*

Swiss Post operates a comprehensive risk management system, applicable to all units and subsidiaries. Risk policy is defined by Executive Management and the Board of Directors. Risk management is a line management responsibility.

Each Swiss Post unit (PostBus, PostFinance, PostMail, PostLogistics, Swiss Post Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The Group risk managers run the process, develop Group-wide risk management methods and submit reports to Executive Management and the Board of Directors. The unit risk managers implement the directives and coordinate independent risk controls by the Risk Officer. Reporting documents are prepared for the relevant Management Board or Executive Board and for Group risk managers. The risk managers monitor the necessary controls and limits as well as the potential risks. The risk management process ensures that all detectable risks are identified and recorded in full in the risk analysis and reporting systems. The areas considered include strategy, operation, finance and legal aspects.

Swiss Post aims to take an integral approach to risk management. Risk management is therefore combined with the Strategy, Accounting, Crisis Management and Group Audit units, as well as Compliance (from 2015). The different organizational units coordinate their processes, integrate their reporting documents and pool their analysis findings.

*Risk situation*

An analysis of the risk situation at Swiss Post at the end of 2014 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In addition, the expected losses do not exceed the planned operating profit. Risk appetite is therefore covered.

Based on the latest measurements (Monte Carlo simulation), the Group's expected potential loss amounts to around 28 million francs in the next twelve months. An unexpected potential loss (VaR 95 percent) of 209 million francs was also calculated. The Group's risk situation is divided between PostFinance (32 percent), PostBus (1 percent) and the remaining Group units (67 percent). In the case of PostFinance, reported risks only concern profit risk or the risk of the Group having to make additional payments, measured according to the profit risk approach. The risk situation from PostFinance's standpoint, measured according to the value risk approach, is described in the "Risk management at PostFinance" section on page 120. The risk indicators dropped in comparison with the previous year as greater account was taken of opportunities. A year-on-year comparison of key figures is not possible as the method of calculation was changed from one period to the next.

*Risks*

The following section describes risks that may have a major impact on the income, financial and asset situation of the Group in light of the current position. Risk management distinguishes between endogenous and exogenous risks. Risk identification never encompasses all the risks that the Group is exposed to. Swiss Post's business activities could also be affected by other factors that are not yet known.

#### Exogenous risks

The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation and the substitution of several business areas by electronic media.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. Technological changes resulting in an increased use of digital services are aggravating the downward trend in the letters business and in some post office services.

### Endogenous risks

Potential material damage and liability insurance losses, outage risks in important letter and logistics centers and risks related to profit trends at individual units are the largest internal risks.

### Opportunities

Swiss Post's business area is affected by a range of external factors that offer potential opportunities as well as risks. Trends in e-commerce and the demand for digital postal and financial services are opportunities for the Group. Further market opportunities pursued by various Swiss Post business units are described in the "Group strategy" section.

## Internal control system

Swiss Post Ltd operates an internal control system (ICS) that promptly identifies and assesses the relevant financial processes and risks related to bookkeeping and the rendering of accounts and incorporates appropriate key controls to cover those processes and risks. The ICS encompasses those procedures and measures that ensure proper bookkeeping and rendering of accounts and accordingly form the basis of all financial reporting. It thus ensures that financial reporting is of a high quality. Swiss Post sees the ICS as an activity aimed at the continuous improvement of processes.

In accordance with Article 728 a, section 1 (3) of the Swiss Code of Obligations, the external auditors check that an ICS is in place in conducting their regular audit.

## Risk management at PostFinance

PostFinance operates an appropriate financial and operational risk management system in accordance with banking regulation requirements. The specific business risks faced by PostFinance, namely interest rate, liquidity, credit, market and operational risks, are managed using industry-standard tools and methods.

### *Organization*

PostFinance's Board of Directors conducts an annual risk assessment. It sets out the primary guidelines and principles on managing financial and operational risks, approves the risk policy, and sets conditions which the operating units are required to observe in managing risks. These limits are based on the international standardized approach set out in the regulatory provisions and specify the highest risks that PostFinance may take, expressed in terms of "equity needed to meet regulatory requirements". Maximum risk exposure is determined by the risk-bearing capacity of PostFinance and the risk tolerance of the Board of Directors.

The PostFinance Executive Board is responsible for the active management of financial and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms.

Its duties and responsibilities include implementing risk control and risk monitoring by establishing limits in individual risk categories and by setting directives for risk monitoring reports.

The Executive Board is informed of the risk measurement results and the extent to which limits are used in weekly and monthly reports which enable it to decide on the necessary control measures, if any.

The PostFinance Risk Management department identifies, measures and controls financial risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. The Risk Management department also develops measures for controlling financial risks to be approved by the Executive Board.

The PostFinance Risk Control department identifies, measures and monitors non-financial risks. As an independent control body, the Risk Control department also evaluates the appropriateness of financial risk control processes.

*Financial risk measurement methods*

The methods of measuring and monitoring risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Risks are limited and monitored by means of a multi-level limit system.

A variety of methods of differing degrees of complexity are used to measure financial risks. The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times.

The methods applied at PostFinance to measure risks include measurement methods based on regulatory requirements (e.g. credit risk measurement in accordance with SA-BIS), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and value-at-risk methods (e.g. to measure fair value risks resulting from equity investments).

*Financial risk management at PostFinance*

The following financial risks are constantly taken, measured, controlled and monitored at PostFinance:

– Interest rate risk and balance sheet structure risk
  PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd 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. A large proportion of customer deposits remain invested as an interest-free sight deposit balance at the Swiss National Bank. On 15 January 2015, the Swiss National Bank set a new negative interest rate of –0.75 percent. PostFinance has paid negative interest on part of its sight deposit balance at the Swiss National Bank since 22 January 2015, which will have an impact on its result for the current year. Measures to minimize the negative effects will be implemented in the first quarter of 2015.

  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, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the income statement.

  PostFinance's interest-earning operations are a key earnings driver for Swiss Post. 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 the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment method. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatility of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the investment method. The 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 a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other.

In addition to sensitivity data, a value-at-risk index is used to check whether the investments made by the Treasury department meet the maturity requirements set by the Executive Board. The historic simulation method is applied with a conservative confidence level.

Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance's future net interest income. In addition, dynamic income simulations are carried out according to several deterministic scenarios describing future market interest trends and the resulting changes in customer interest and customer volumes for each replica.

As at 31 December 2014, the absolute change in the present value of equity with a parallel shift in the yield curve of + 100 basis points amounted to 56 million francs (previous year: – 51 million francs). Due to the current interest situation, a negative shift in interest produces results that are difficult to interpret and is therefore not reported. The income effect of an adverse scenario in comparison with the baseline scenario stood at – 27 million francs (previous year: – 44 million francs) for the following year.

– Credit risk
The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties.

The credit risks associated with the Treasury department's investments in the money and capital markets are limited through investment regulations and prescribed limits. Limits apply at counterparty and rating structure level as well as for controlling country risks. Investments are only permitted if the debtor has a first-class credit rating.

Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with prescribed limits is monitored on an ongoing basis and is verified before the closing of each transaction.

The conservative investment strategy pursued by PostFinance is reflected in the figures for financial assets according to rating as at 31 December 2014 and 31 December 2013:

Rating structure of financial assets [1]

| Rating category in percent | 31.12.2014 | 31.12.2013 |
|---|---|---|
| AAA | 70 | 75 |
| AA | 19 | 18 |
| A | 9 | 5 |
| < A | 2 | 2 |

1 Includes money market and capital investments; based on nominal values.

Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties. Overview of major counterparties as at 31 December 2014 and 31 December 2013:

Breakdown of the largest counterparties[1]

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich | 11,965 | 9,679 |
| Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich | 6,652 | 4,789 |
| Swiss Confederation, Berne | 2,819 | 2,842 |

1 Includes receivables due from banks (excluding secured loans) and financial assets; based on nominal values.

Country risks are controlled by establishing country portfolio limits which encourage a broad diversification of international financial assets. Overview of major country exposures as at 31 December 2014 and 31 December 2013:

Summary of main country exposures[1]

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Switzerland | 41,517 | 34,058 |
| France | 5,515 | 5,960 |
| Germany | 3,928 | 4,584 |

1 Includes receivables due from banks (excluding secured loans) and financial assets; based on nominal values.

Note on collateral concentration risks:
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. High concentrations of collateral are measured, monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral).

Note on credit risks arising from mortgage lending and SME financing:
The mortgage lending solutions offered in cooperation with Münchener Hypothekenbank eG (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank. Since autumn 2009, PostFinance has been collaborating with Valiant Bank on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its range of services in the financial services market. Since autumn 2010, PostFinance has also worked with Valiant Bank on mortgage lending to private customers. The credit risks resulting from the two areas of cooperation are assumed by Valiant Bank.

– 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 in the short, medium and long term. Financial cushions are defined for the settlement of unforeseen payments. Financial cushions 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.

To guarantee liquidity on a daily basis, the composition of financial cushions is defined and limited by specifying a minimum amount to be observed. The minimum amount for a financial cushion is based on high daily cash outflows on a one-day horizon with an extremely low probability of occurrence.

Liquidity in the short term is guaranteed by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure.

To ensure liquidity in the medium to long term, liquidity stress scenarios lasting at least three months are defined that must not lead to insolvency.

As at 31 December 2014, the Liquidity Coverage Ratio stood at 186 percent (previous year: 247 percent).

– Foreign currency risk
The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. PostFinance is not affected by the abandoning of the minimum euro exchange rate by the Swiss National Bank and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible.

Currency swaps and interest rate swaps as well as foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds.

Foreign currency risks are measured in the overall balance sheet using the value-at-risk indicator. All asset and liability transactions with an effect on the currency balance are taken into account in the measurement. The historic simulation method is applied with a conservative confidence level.

As at 31 December 2014, value-at-risk arising from foreign currency risks stood at around 2 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: around 2 million francs).

The following table shows the currency balance as at 31 December 2014 and 31 December 2013:

Financial instruments by currency (Group)

| As at 31 December 2014<br>CHF million | Functional currency | Foreign currencies | | | | | |
|---|---|---|---|---|---|---|---|
| | | CHF | EUR | USD | GBP | Other | Total |
| **Assets** | | | | | | | |
| Cash | 1,662 | 0 | 152 | 0 | 0 | 0 | 1,814 |
| Receivables due from banks | 41,774 | 1 | 132 | 586 | 2 | 48 | 42,543 |
| Interest-bearing amounts due from customers | 695 | – | 1 | 0 | 0 | 0 | 696 |
| Trade accounts receivable | 786 | 1 | 255 | 2 | 5 | 73 | 1,122 |
| Other receivables excluding prepaid expenses | 141 | – | –1 | 0 | 1 | 1 | 142 |
| Financial assets | 68,843 | – | 2,598 | 1,136 | 95 | 161 | 72,833 |
| Held for trading and derivatives | 3 | – | 0 | 1 | 1 | 0 | 5 |
| Held to maturity | 52,176 | – | 2,223 | 143 | – | – | 54,542 |
| Available for sale | 2,978 | – | 363 | 992 | 94 | 161 | 4,588 |
| Loans | 13,686 | – | 12 | – | – | – | 13,698 |
| **Liabilities** | | | | | | | |
| Customer deposits (PostFinance) | 108,692 | 0 | 2,571 | 783 | 34 | 70 | 112,150 |
| Other financial liabilities | 1,716 | – | 9 | 13 | 1 | 0 | 1,739 |
| Trade accounts payable | 503 | 0 | 242 | 1 | 1 | 74 | 821 |
| Other liabilities excluding deferred income | 136 | 0 | 3 | 0 | 0 | – | 139 |

Financial instruments by currency (Group)

| As at 31 December 2013<br>CHF million | | CHF | EUR | USD | GBP | Other | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash | 1,931 | 0 | 127 | 0 | 0 | 0 | 2,058 |
| Receivables due from banks | 42,830 | 0 | 281 | 1,367 | 24 | 26 | 44,528 |
| Interest-bearing amounts due from customers | 541 | – | 1 | 0 | 0 | 0 | 542 |
| Trade accounts receivable | 753 | 0 | 191 | 2 | 9 | 77 | 1,032 |
| Other receivables excluding prepaid expenses | 147 | – | 3 | 0 | 1 | 1 | 152 |
| Financial assets | 63,608 | – | 2,386 | 316 | 373 | 164 | 66,847 |
| Held for trading and derivatives | 62 | – | 18 | 15 | 0 | 0 | 95 |
| Held to maturity | 48,171 | – | 2,109 | 118 | – | – | 50,398 |
| Available for sale | 2,954 | – | 205 | 183 | 373 | 164 | 3,879 |
| Loans | 12,421 | – | 54 | – | – | – | 12,475 |
| **Liabilities** | | | | | | | |
| Customer deposits (PostFinance) | 104,865 | 0 | 2,642 | 40 | 1,501 | 38 | 109,086 |
| Other financial liabilities | 1,337 | – | 0 | 1 | 1 | 1 | 1,340 |
| Trade accounts payable | 505 | 0 | 191 | 0 | 1 | 79 | 776 |
| Other liabilities excluding deferred income | 169 | – | 2 | 0 | 0 | – | 171 |

– Other market risks
  PostFinance invests in equity and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, each position is allocated to the risk factors that have an impact on its present value. These risk factors include interest, currency and share price risks. Index proxies are also used to measure the credit risk of fund investments. The change in present value is then modelled according to the change in the allocated risk factors.

  Other market risks are measured according to the value-at-risk indicator. The historic simulation method is applied with a conservative confidence level.

  As at 31 December 2014, value-at-risk arising from other market risks amounted to 123 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: 131 million francs).

  A loss reporting threshold is established for measuring and controlling the accounting effects of changes in fair value. This threshold refers to losses in fair value during the calendar year that are recognized in profit or loss. Predefined measures are introduced if losses in fair value exceed the reporting threshold.

## Operational risk management at PostFinance

### *Definition*
In line with the Basel Committee on Banking Supervision, operational risk at PostFinance is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principles on managing operational risk at PostFinance are set out in the risk policy.

### *Organization*
PostFinance operates an operational risk management system that is controlled from a central dedicated unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Executive Board Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of the operational risk management policy.

Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses.

A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2014: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

### *Tools*
PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data across the entire company is collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings. Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that may in future pose a threat to PostFinance. The resulting risk inventory allows the Executive Board Committee for Internal Control (GLA IK) to obtain a good overview of the company's entire risk situation.

In addition, the measures decided upon by the Executive Board Committee for Internal Control (GLA IK) to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk situation.

*Reporting*

The Executive Board Committee for Internal Control (GLA IK) receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, Swiss Post's Board of Directors is notified of PostFinance's risk situation on a regular basis via the Board of Directors' PostFinance Committee.

## Capital management at PostFinance Ltd

In relation to the minimum capital requirements for banks (FINMA Circular 2008/22), PostFinance Ltd is disclosing the following regulatory equity as at 31 December 2014:

Capital adequacy disclosure

| CHF million | Basis as per CAO | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Eligible equity** | | | |
| Common equity tier 1 (CET1) | | 5,107 | 4,882 |
| Supplementary capital (T2) | | 177 | 90 |
| **Total eligible equity capital (CET1 + T2)** | | **5,284** | **4,972** |
| **Equity requirements** | | | |
| Credit risks | International standardized approach (SA-BIS) | 1,714 | 1,592 |
| Non-counterparty risks | International standardized approach (SA-BIS) | 82 | 76 |
| Market risks | Market risk, standardized approach | 17 | 25 |
| Operational risks | Basic indicator approach | 218 | 226 |
| **Total minimum equity required** | **In accordance with CAO, art. 42** | **2,031** | **1,919** |
| **80% equity cushion (for 14.4% equity target)** | **In accordance with FINMA: maximum rate, category 2** | **1,625** | **1,536** |
| **Total capital requirement (T1 + T2)** | **In accordance with CAO, art. 45** | **3,656** | **3,455** |

## Capital management at Swiss Post

Swiss Post endeavours to achieve a solid equity base (fully paid-in share capital and reserves), taking into account the objective of the owner to establish a sustainable dividend policy. The continued existence of the company should be ensured at all times, and the resources implemented should result in appropriate income. Constraints such as observing a set level of maximum net debt and increasing the company's value, taking capital costs into consideration, guarantee the company's long-term capacity to act.

Net debt is measured in relation to EBITDA (operating profit before depreciation and amortization) and must not exceed the figure of 1 for long periods. With external debt in the form of outstanding private placements currently totalling 1,280 million francs, Swiss Post not only meets this objective, but remains well below the limit, thereby giving the company considerable financial leeway. Customer deposits and financial assets of PostFinance Ltd are not included in the calculation of this indicator.

Economic value added is established on the basis of earnings in relation to the cost of invested capital, whereby capital costs are determined by the ratio of equity to debt capital. Swiss Post constantly achieves positive figures in this respect.

The appropriation of profit is determined by legal provisions and by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. Any profit remaining after transfers to reserves is handed over to the owner, the aim being to achieve a sustainable dividend policy.

## 33 | Fair value disclosures

Carrying amounts and fair values of financial instruments and other assets

The carrying amounts and corresponding fair values of financial assets and liabilities and other assets are as follows on 31 December 2014 and 31 December 2013:

| Fair values and carrying amounts of financial instruments and other assets | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| CHF million | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets measured at fair value** | | | | |
| Financial assets | | | | |
| Available for sale | | | | |
| Bonds | 3,197 | 3,197 | 2,980 | 2,980 |
| Shares | 625 | 625 | 654 | 654 |
| Funds | 766 | 766 | 245 | 245 |
| Positive fair values | 5 | 5 | 95 | 95 |
| **Financial assets not measured at fair value** | | | | |
| Financial assets | | | | |
| Held to maturity | 54,542 | 57,562 | 50,398 | 52,647 |
| Loans | 13,698 | 14,259 | 12,475 | 12,733 |
| **Financial liabilities measured at fair value** | | | | |
| Other financial liabilities | | | | |
| Negative fair values | 174 | 174 | 20 | 20 |
| **Financial liabilities not measured at fair value** | | | | |
| Other financial liabilities | | | | |
| Private placements | 1,280 | 1,341 | 1,280 | 1,196 |
| **Other assets not measured at fair value** | | | | |
| Investment property | 180 | 221 | 116 | 150 |

The carrying amounts of cash holdings, receivables due from banks, interest-bearing amounts due from customers, trade accounts receivable and payable, other receivables excluding prepaid expenses and other liabilities excluding deferred income, customer deposits (PostFinance) and other financial liabilities represent a reasonable estimate of fair value. These financial instruments are therefore not reported above.

## Fair value hierarchy

Financial instruments measured at fair value are assigned to one of three levels in the fair value hierarchy at the end of the year. The level to which they are assigned depends on the lowest level parameter, which is used for determining the fair value of the financial instrument. The same applies to financial instruments that are excluded from fair valuation and to other assets for purposes of disclosure:

Level 1 Quoted prices in an active market: Fair value is determined on the basis of quoted prices in the active market for the specific assets and liabilities. The market price at the balance sheet date is mandatory and may not be adjusted.

Level 2 Valuation method based on observable model inputs: Positions that are not traded on an active market but whose fair value is measured on the basis of similar assets and liabilities traded on active markets or using valuation techniques are classified as level 2. In principle, recognized valuation techniques and directly or indirectly observable market data should be used as model parameters. Possible input parameters for level 2 fair values are prices in active markets for comparable assets and liabilities under normal market conditions. Fair values calculated using the DCF method with model inputs based on observable market data are classified as level 2.

The DCF method involves estimating the present value of the expected cash flow from assets or liabilities. A discount rate is applied, which corresponds to the creditworthiness required on the market for similar instruments with similar risk and liquidity profiles. The discount rates needed for the calculation are determined according to standard market yield curve modelling and models.

Level 3 Valuation method not based on observable model inputs: Fair value is determined using valuation techniques and significant inputs specific to the company that are not observable in the market.

Fair values are determined as follows:

| Fair value of financial assets | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| CHF million | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Available for sale | | | | | | | | |
| Bonds | 3,197 | 2,531 | 666 | – | 2,980 | 501 | 2,479 | – |
| Shares | 625 | 624 | 1 | – | 654 | 654 | – | – |
| Funds | 766 | 0 | 766 | – | 245 | 47 | 198 | – |
| Positive fair values | 5 | – | 5 | – | 95 | – | 95 | – |
| Held to maturity[1] | 57,562 | 44,065 | 13,497 | – | 52,647 | 41,391 | 11,256 | – |
| Loans[2] | 14,259 | – | 14,235 | 24 | 12,733 | – | 12,733 | – |
| Negative fair values | 174 | – | 174 | – | 20 | – | 20 | – |
| Private placements | 1,341 | – | 1,341 | – | 1,196 | – | 1,196 | – |
| Investment property[3] | 10 | – | – | 10 | 8 | – | 8 | – |
| Investment property under construction[3] | 211 | – | – | 211 | 142 | – | 142 | – |

1 Financial assets held to maturity are recognized at amortized cost using the effective interest method.
2 Loans are measured at amortized cost. In the case of the loans to PostBus operators (106 million francs, 31.12.2013: 136 million francs) and "Other" (24 million francs, 31.12.2013: 12 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.
3 Recognized in the balance sheet at amortized cost.

Five Swiss Post investments of a non-material nature that together amount to about one million francs (previous year: about one million francs) are measured at cost in "available-for-sale" shares. As in the previous year, these instruments were not assigned to a level as at 31 December 2014.

As at 31 December 2014, available-for-sale financial assets were reclassified as follows within the fair value hierarchy: 57 million francs from level 1 to level 2 and 1,630 million francs from level 2 to level 1. Reclassifications between the different levels are carried out at the end of each reporting period. The reclassifications reflect the more strictly applied criteria in the year under review and settings for determining the level allocation. For an instrument to be assigned to level 1, it must be traded on an active market (public stock exchange), have a quoted price on the reference date and be available in sufficient quantities to ensure a liquid market. In the previous year, available-for-sale financial assets of 14 million francs were reclassified from level 1 to level 2.

The fair value measurements of investment properties were carried out exclusively by independent experts with the necessary expertise.

- Property: PostParc (investment property under construction)
  As at 31 December 2014, the property is measured using the discounted cash flow approach. The fair value of the property on the due evaluation date is calculated in accordance with the measurement standard from the sum of the anticipated cash flows (including future investments) discounted on the due date and not taking into account any change of ownership, profit from sale of land, value added tax or other costs or commissions arising if selling the property.

  The following assumptions were made for determining fair value:
  - Letting of the property at market terms
  - The operating and maintenance costs considered during the valuation are guided by benchmarks from the database of the evaluator
  - The discounting is based on a risk-compliant real interest rate of 4.7 per cent, also taken from the database of the evaluator

  As at 31 December 2014, the fair value determined for the PostParc stands at around 211 million francs (previous year: around 142 million francs).

- Property: Bellinzona Autorimessa (investment property)
  As at 31 December 2014, the property is measured using the capitalized earnings method. The following rate was applied to capitalize effective rental income. In the capitalization rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the earnings value calculated.

  The following assumptions were made for determining fair value:
  - Letting of the property at sustainable tenancy terms
  - Average capitalization rate: 7 percent

  As at 31 December 2014, the fair value determined for the Autorimessa in Bellinzona stands at around 10 million francs (previous year: around 8 million francs).

As at 31 December 2014, investment properties previously assigned to level 2 were reclassified to level 3 as a result of the practice established in Switzerland since the introduction of IFRS 13 for assets disclosed as investment properties. The same valuation techniques were used as in previous years.

## 34 I Transfers of financial assets

Securities received as part of reverse repurchase transactions are recognized in the balance sheet only if risks and opportunities are entered into. Securities transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under “Financial assets”. Financial instruments loaned as part of securities lending transactions also continue to be recognized in the balance sheet as financial assets.

Financial assets from reverse repurchase, repurchase and securities lending transactions are pledged as follows:

Reverse repurchase transactions and securities lending and repurchase transactions

| CHF million | Notes | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Receivables** | | | |
| Receivables from cash collateral in reverse repurchase transactions | 15 | 1,309 | 7,150 |
| of which recognized in receivables due from banks | 15 | 909 | 6,850 |
| of which recognized in interest-bearing amounts due from customers | 15 | 400 | 300 |
| **Commitments** | | | |
| Commitments from cash collateral in securities lending transactions | | – | – |
| of which recognized in financial liabilities – other financial liabilities | | – | – |
| Commitments from cash collateral in repurchase transactions | | – | – |
| of which recognized in financial liabilities – other financial liabilities | | – | – |
| **Securities cover** | | | |
| Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions | 18 | 1,765 | – |
| of which securities for which an unrestricted right to dispose of or pledge was granted | | 1,765 | – |
| of which recognized in financial assets – held to maturity | | 1,754 | – |
| of which recognized in financial assets – available for sale | | 11 | – |
| Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions | | – | – |
| of which repledged or sold securities | | – | – |

## 35 | Potential offsetting of financial assets and financial liabilities

No offsetting took place. The following financial assets and financial liabilities were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2014 and 31 December 2013:

| Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements | Financial assets with offsetting agreements | | | Unrecognized offsetting options | | |
|---|---|---|---|---|---|---|
| 31.12.2014, CHF million | Financial assets before offsetting (gross) | Offsetting with financial liabilities | Financial assets after offsetting (net) | Financial liabilities | Collateral received | Financial assets after consideration of offsetting options |
| **Item in the balance sheet** | | | | | | |
| Positive fair values | 5 | – | 5 | – | – | 5 |
| Reverse repurchase transactions | 1,309 | – | 1,309 | – | –1,309 | – |

| Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements | Financial liabilities with offsetting agreements | | | Unrecognized offsetting options | | |
|---|---|---|---|---|---|---|
| 31.12.2014, CHF million | Financial liabilities before offsetting (gross) | Offsetting with financial assets | Financial liabilities after offsetting (net) | Financial assets | Collateral issued | Financial liabilities after consideration of offsetting options |
| **Item in the balance sheet** | | | | | | |
| Negative fair values | 174 | – | 174 | –142 | – | 32 |
| Securities lending and similar agreements | 1,765 | – | 1,765 | – | –1,765 | – |

| Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements | Financial assets with offsetting agreements | | | Unrecognized offsetting options | | |
|---|---|---|---|---|---|---|
| 31.12.2013, CHF million | Financial assets before offsetting (gross) | Offsetting with financial liabilities | Financial assets after offsetting (net) | Financial liabilities | Collateral received | Financial assets after consideration of offsetting options |
| **Item in the balance sheet** | | | | | | |
| Positive fair values | 95 | – | 95 | –28 | – | 67 |
| Reverse repurchase transactions | 7,150 | – | 7,150 | – | –7,150 | – |

| Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements | Financial liabilities with offsetting agreements | | | Unrecognized offsetting options | | |
|---|---|---|---|---|---|---|
| 31.12.2013, CHF million | Financial liabilities before offsetting (gross) | Offsetting with financial assets | Financial liabilities after offsetting (net) | Financial assets | Collateral issued | Financial liabilities after consideration of offsetting options |
| **Item in the balance sheet** | | | | | | |
| Negative fair values | 20 | – | 20 | –5 | – | 15 |

## 36 | Consolidated Group

| Acctg. Method | Segment | Company | Domicile | Share capital Currency | Share capital in 000s | Equity interest in percent as at 31.12.2014 | Equity interest in percent as at 31.12.2013 |
|---|---|---|---|---|---|---|---|
| **Switzerland** | | | | | | | |
| F | 7 | Swiss Post Ltd (previously Swiss Post (parent)) | Berne | CHF | 1,300,000 | | |
| F | 1 | Presto Presse-Vertriebs AG | Berne | CHF | 100 | 100 | 100 |
| F | 1 | Epsilon SA | Lancy | CHF | 100 | 100 | 100 |
| F | 1 | PostMail Ltd | Berne | CHF | 100 | 100 | 100 |
| F | 1 | Direct Mail Company AG | Basel | CHF | 420 | 100 | 100 |
| F | 1 | Direct Mail Logistik AG | Basel | CHF | 100 | 100 | 100 |
| F | 1 | IN-Media AG | Basel | CHF | 100 | 100 | 100 |
| F | 1 | Swiss Post International Holding Ltd | Berne | CHF | 63,300 | 100 | 100 |
| F | 1 | Swiss Post International Management Ltd in liquidation [1] | Berne | CHF | 1,000 | – | 100 |
| F | 1 | Prisma Medienservice AG [2] | St. Gallen | CHF | 100 | – | 100 |
| F | 1 | Asendia Press D4M AG [3] | Kriens | CHF | 200 | – | – |
| F | 2 | Swiss Post Solutions Ltd | Zurich | CHF | 1,000 | 100 | 100 |
| F | 2 | SwissSign AG | Opfikon | CHF | 450 | 100 | 100 |
| F | 4 | Mobility Solutions Ltd | Berne | CHF | 100 | 100 | 100 |
| F | 4 | Mobility Solutions Management Ltd | Berne | CHF | 100 | 85 | 85 |
| F | 4 | PostLogistics Ltd | Dintikon | CHF | 20,000 | 100 | 100 |
| F | 4 | SecurePost Ltd | Oensingen | CHF | 4,000 | 100 | 100 |
| F | 4 | Dispodrom Ltd in liquidation [4] | Berne | CHF | 2,000 | 100 | 100 |
| F | 4 | IT ServiceHouse AG in liquidation [5] | Berne | CHF | 100 | – | 100 |
| F | 4 | Swiss Post International Logistics Ltd | Basel | CHF | 1,000 | 100 | 100 |
| F | 4 | Swiss Post SAT Holding Ltd | Berne | CHF | 2,000 | 100 | 100 |
| F | 5 | PostFinance Ltd | Berne | CHF | 2,000,000 | 100* | 100* |
| F | 5 | Debtors Service Ltd | Berne | CHF | 1,000 | 100 | 100 |
| F | 5 | TWINT AG (formerly Monexio AG) [6] | Berne | CHF | 10,000 | 100 | – |
| F | 6 | PostBus Switzerland Ltd | Berne | CHF | 72,000 | 100* | 100* |
| F | 6 | PubliBike AG (formerly velopass SARL) [7] | Fribourg | CHF | 200 | 100 | 100 |
| F | 7 | Post Real Estate Management and Services Ltd (formerly InfraPost AG) | Berne | CHF | 1,000 | 100 | 100 |
| F | 7 | Post Real Estate Ltd | Berne | CHF | 100,000 | 100* | 100* |
| F | 1–7 | Post CH Ltd | Berne | CHF | 500,000 | 100* | 100* |
| E | 1 | AZ Vertriebs AG | Aarau | CHF | 100 | 25 | 25 |
| E | 1 | search.ch AG | Zurich | CHF | 100 | 25 | 25 |
| E | 1 | SCHAZO AG | Schaffhausen | CHF | 300 | 50 | 50 |
| E | 1 | Somedia Distribution AG (formerly SÜDOSTSCHWEIZ PRESSEVERTRIEB AG) | Chur | CHF | 100 | 35 | 35 |
| E | 1 | DMB Direct Mail Biel-Bienne AG | Biel/Bienne | CHF | 100 | 50 | 50 |
| E | 1 | Asendia Holding Ltd | Berne | CHF | 100 | 50 | 50 |
| E | 4 | TNT Swiss Post AG | Buchs (AG) | CHF | 1,000 | 50 | 50 |
| E | 5 | SIX Interbank Clearing AG | Zurich | CHF | 1,000 | 25 | 25 |
| E | 6 | Sensetalbahn AG | Berne | CHF | 2,890 | 34 | 34 |

* Equity interest is held by Swiss Post Ltd
1 Liquidated on 11.9.2014.
2 Merged into Direct Mail Company AG on 28.5.2014, with retroactive effect from 1.1.2014.
3 Acquistion of shares (100 percent) on 30.12.2014. Merger with Direct Mail Company AG on 30.12.2014.
4 New headquarters, previously Schlieren.
5 Liquidated on 18.9.2014.
6 Founded on 7.7.2014. Share capital increased by 8,000,000 francs on 12.12.2014.
7 Converted to limited company and capital increase at the same time of 179,000 francs on 1.4.2014. New headquarters, previously Lausanne.

**Accounting method**
F = fully consolidated
E = accounted for under the equity method
**Segment**
1 = PostMail
2 = Swiss Post Solutions
4 = PostLogistics
5 = PostFinance
6 = PostBus
7 = Other

| Acctg. Method | Segment | Company | Domicile | Currency | Share capital in 000s | Equity interest in percent as at 31.12.2014 | Equity interest in percent as at 31.12.2013 |
|---|---|---|---|---|---|---|---|
| **Belgium** | | | | | | | |
| F | 4 | Société d'Affrètement et de Transit S.A.T. SA [8] | Brussels | EUR | 62 | 100 | – |
| **Germany** | | | | | | | |
| F | 2 | CF Card Factory GmbH | Hessisch Lichtenau | EUR | 500 | 51 | 51 |
| F | 2 | Fortuna Beteiligungs GmbH | Bamberg | EUR | 50 | 100 | 100 |
| F | 2 | Swiss Post Solutions GmbH [9] | Bamberg | EUR | 5,000 | 38.3/60 | 38.3/60 |
| F | 2 | Swiss Post Solutions Holding GmbH | Bamberg | EUR | 25 | 100* | 100* |
| F | 2 | Swiss Post Solutions GmbH | Prien | EUR | 1,050 | 100 | 100 |
| F | 2 | Swiss Post Solutions GmbH | Pulsnitz | EUR | 100 | 100 | 100* |
| F | 2 | Swiss Post Solutions Card Systems GmbH [10] | Bamberg | EUR | 25 | 100 | – |
| F | 4 | Trans-Euro GmbH | Weil am Rhein | EUR | 25 | 100 | 100 |
| F | 4 | Zollagentur Imlig GmbH | Rheinfelden Baden | EUR | 25 | 100 | 100 |
| E | 2 | eSourceONE GmbH [11] | Bamberg | EUR | 25 | 50 | 50 |
| E | 2 | MEILLERGHP GmbH | Schwandorf | EUR | 280 | 35 | 35 |
| E | 5 | Swiss Euro Clearing Bank GmbH [12] | Frankfurt am Main | EUR | 30,000 | 25 | 25 |
| **France** | | | | | | | |
| F | 2 | Swiss Post Solutions SAS (formerly Swiss Post Solutions Holding SAS) | Paris | EUR | 1,587 | 100 | 100 |
| F | 4 | Société d'Affrètement et de Transit S.A.T. SAS | Bartenheim | EUR | 200 | 100 | 100 |
| F | 4 | Société de Transports Internationaux S.T.I. SARL | Bartenheim | EUR | 8 | 100 | 100 |
| F | 4 | SCI S.A.T. | Bartenheim | EUR | 1 | 100 | 100 |
| F | 6 | CarPostal France SAS | Saint-Priest | EUR | 200 | 100 | 100 |
| F | 6 | CarPostal Bourg-en-Bresse SAS | Bourg-en-Bresse | EUR | 190 | 100 | 100 |
| F | 6 | CarPostal Haguenau SAS | Haguenau | EUR | 464 | 100 | 100 |
| F | 6 | CarPostal Obernai SAS [13] | Obernai | EUR | 50 | – | 100 |
| F | 6 | CarPostal Interurbain SAS | Voreppe | EUR | 250 | 100 | 100 |
| F | 6 | CarPostal Mâcon SAS | Mâcon | EUR | 300 | 100 | 100 |
| F | 6 | CarPostal Dole SAS | Dole | EUR | 300 | 100 | 100 |
| F | 6 | CarPostal Foncière SCI | Saint-Priest | EUR | 50 | 100 | 100 |
| F | 6 | CarPostal Villefranche-sur-Saône SAS | Arnas | EUR | 150 | 100 | 100 |
| F | 6 | CarPostal Agde SAS | Agde | EUR | 250 | 100 | 100 |
| F | 6 | CarPostal Bourgogne Franche-Comté SAS | Mâcon | EUR | 300 | 100 | 100 |
| F | 6 | CarPostal Méditerranée SAS | Agde | EUR | 420 | 100 | 100 |
| F | 6 | CarPostal Pyrénées SAS [13] | Saint-Priest | EUR | 250 | – | 100 |
| F | 6 | Holding Rochette Participations SAS | Montverdun | EUR | 400 | 100 | 100 |
| F | 6 | CarPostal Loire SARL (formerly Caporin Voyages SARL) | Montverdun | EUR | 1,680 | 100 | 100 |
| F | 6 | CarPostal Riviera SAS | Menton | EUR | 200 | 100 | 100 |
| F | 6 | CarPostal Salon de Provence SAS | Salon-de-Provence | EUR | 200 | 100 | 100 |

* Equity interest is held by Swiss Post Ltd
8 Acquisition of shares (100 percent) on 24.4.2014.
9 Swiss Post Solutions Holding GmbH holds 38.3 percent and Fortuna Beteiligungs GmbH a further 60 percent of the shares in Swiss Post Solutions GmbH (Bamberg). Swiss Post Solutions GmbH holds 1.7 percent of its own shares.
10 Founded on 17.11.2014.
11 New headquarters, previously Hallstadt.
12 Share capital increase of EUR 10,000,000 (Swiss Post share: 25 percent) as at 27.3.2014.
13 Merged into CarPostal France SAS on 30.12.2014.

**Accounting method**
F = fully consolidated
E = accounted for under the equity method
**Segment**
2 = Swiss Post Solutions
4 = PostLogistics
5 = PostFinance
6 = PostBus

| Acctg. Method | Segment | Company | Domicile | Currency | Share capital in 000s | Equity interest in percent as at 31.12.2014 | Equity interest in percent as at 31.12.2013 |
|---|---|---|---|---|---|---|---|
| **United Kingdom** | | | | | | | |
| F | 2 | Swiss Post Solutions Ltd | Richmond | GBP | 7,272 | 100 | 100 |
| **Italy** | | | | | | | |
| F | 2 | Swiss Post Solutions S.p.A. | Milan | EUR | 500 | 100 | 100 |
| **Ireland** | | | | | | | |
| F | 2 | Swiss Post Solutions Ireland Limited (formerly FMC Insights Limited) | Cork | EUR | 0 | 100 | 100 |
| **Liechtenstein** | | | | | | | |
| F | 6 | PostAuto Liechtenstein Anstalt | Vaduz | CHF | 1,000 | 100 | 100 |
| F | 7 | Swiss Post Insurance AG [14] | Vaduz | CHF | 30,000 | 100* | 100* |
| E | 7 | Liechtensteinische Post AG | Schaan | CHF | 5,000 | 25 | 25 |
| **Austria** | | | | | | | |
| F | 2 | Swiss Post Solutions GmbH [15] | Vienna | EUR | 35 | – | – |
| **Slovakia** | | | | | | | |
| F | 2 | Swiss Post Solutions s.r.o. | Bratislava | EUR | 15 | 100 | 100 |
| **USA** | | | | | | | |
| F | 2 | Swiss Post Solutions Inc. | New York | USD | 45 | 100 | 100 |
| F | 2 | Swiss Post US Holding Inc. | New York | USD | 10,100 | 100 | 100 |
| **Vietnam** | | | | | | | |
| F | 2 | Swiss Post Solutions Ltd. (formerly GHP Far East Co. Ltd) [16] | Ho-Chi-Minh City | VND | 1,821,446 | 100 | 86 |

* Equity interest is held by Swiss Post Ltd
14 New head office, previously Vaduz.
15 Converted into a branch of Swiss Post Solutions Ltd, Zurich, retroactive to 31.12.2013.
16 Buyout of non-controlling interest (14 percent) as at 30.6.2014.

**Accounting method**
F = fully consolidated
E = accounted for under the equity method
**Segment**
2 = Swiss Post Solutions
6 = PostBus
7 = Other

## 37 | Changes in the consolidated Group

### Year 2014

On 31 December 2013, Swiss Post Solutions GmbH, based in Vienna, Austria, was converted into a branch of Swiss Post Solutions Ltd, based in Zurich.

On 1 April 2014, a share capital increase of 179,000 francs was undertaken at PubliBike Ltd, based in Fribourg.

On 24 April 2014, Swiss Post SAT Holding Ltd, based in Berne, acquired Société d'Affrètement et de Transit S.A.T. SA, based in Brussels, Belgium. This acquisition allows PostLogistics to strengthen its international services and customs clearance expertise. S.A.T. SA carries out its services almost fully automatically with the help of software, so does not have any on-site employees.

Dispodrom Ltd, based in Berne, has been in liquidation since 7 May 2014.

Prisma Medienservice AG, based in St. Gallen, was merged with Direct Mail Company AG, based in Basel, on 28 May 2014 with retroactive effect to 1 January 2014.

On 30 June 2014, the non-controlling interest (14 percent) in Swiss Post Solutions Ltd, based in Ho Chi Minh City, Vietnam, was acquired. Swiss Post Solutions AG, based in Zurich, now holds 100 percent of the share capital of Swiss Post Solutions Ltd.

Swiss Post International Management Ltd in liquidation, based in Berne, and IT ServiceHouse AG in liquidation, based in Berne, were liquidated on 11 September 2014 and 18 September 2014 respectively.

On 12 December 2014, a share capital increase of 8 million francs was undertaken at TWINT AG, based in Berne.

Post CH Ltd, based in Berne, acquired Asendia Press D4M AG, based in Kriens, on 30 December 2014. This acquisition allows PostMail to strengthen its expertise and services in publishing management. Asendia Press D4M AG operates in Switzerland and employs a staff of 15. It was merged with Direct Mail Company AG, based in Basel, on 30 December 2014.

CarPostal Obernai SAS, based in Obernai, France, and CarPostal Pyrénées SAS, based in Saint-Priest, France, were merged on 30 December 2014 to form CarPostal France SAS, based in Saint-Priest, France.

### Year 2013

With effect from 1 January 2013, Archimbaud Frères SARL and Rochette Nord SARL were merged with Caporin Voyages SARL, based in Montverdun, France.

On 1 January 2013, a share capital increase of 1.1 million euros was undertaken at Caporin Voyages SARL, based in Montverdun, France.

On 28 February 2013, Swiss Post Solutions Ltd, based in Zurich, acquired Scalaris AG, a company headquartered in Opfikon, Switzerland. This acquisition allows Swiss Post Solutions to strengthen its horizontal business process outsourcing activities with forward-looking IT-based solutions. Scalaris AG operates in Switzerland and Germany and employs 90 staff. It was merged with Swiss Post Solutions Ltd, based in Zurich, on 3 July 2013 with retroactive effect to 1 April 2013.

On 30 April 2013, a share capital reduction of 32.1 million euros was undertaken at Swiss Post Solutions SAS, based in Paris, France.

With effect from 6 June 2013, Client Vela GmbH, based in Munich, Germany, was merged with Swiss Post Solutions GmbH, headquartered in Bamberg.

As part of the conversion of Swiss Post from a federal institution under public law into a company limited by shares subject to a special statutory regime, the following share capital increases were undertaken on 26 June 2013 with retroactive effect to 1 January 2013:

PostFinance Ltd: around 2 billion francs
Post CH Ltd: around 500 million francs
Post Real Estate Ltd: around 100 million francs

On 1 September 2013, Swiss Post Solutions Ltd, based in Richmond, UK, acquired services in the areas of mailroom and document solutions from Pitney Bowes Limited in the United Kingdom and Pitney Bowes Ireland Limited in the Irish Republic. Swiss Post Solutions can strengthen its international market presence as a result of this acquisition. The takeover includes a high-quality customer base, several investments and all the company's employees.

On 25 September 2013, Direct Mail Company AG, based in Basel, acquired Prisma Medienservice AG, a company headquartered in St. Gallen, thereby expanding its direct marketing activities. Prisma Medienservice AG operates in eastern Switzerland, neighbouring Graubünden, the Principality of Liechtenstein and the Lucerne region. The company employs around 1,100 people.

IT ServiceHouse AG and Swiss Post International Management Ltd have been in liquidation since 23 April 2013 and 23 July 2013 respectively.

## Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated, based on temporary figures, in connection with acquisitions of subsidiaries:

| Assets and liabilities arising from acquisitions | 2014 | 2013 |
|---|---|---|
| CHF million | Total fair value [1] | Total fair value [2] |
| Cash and cash equivalents | 1 | 2 |
| Trade accounts receivable and other receivables | 2 | 25 |
| Inventories | – | 2 |
| Property, plant and equipment, intangible assets and investments | 0 | 28 |
| Trade accounts payable | 0 | –5 |
| Provisions and other liabilities | 0 | –27 |
| **Fair value of net assets** | **3** | **25** |
| Goodwill | 3 | 28 |
| Cash and cash equivalents acquired [3] | –1 | –2 |
| Purchase price payments falling due at a later date (earn-outs) | – | –10 |
| **Net cash outflow for acquisitions** | **5** | **41** |

1 Composition: Société d'Affrètement et de Transport S.A.T. SA., Asendia Press D4M AG.
2 Composition: Scalaris AG, Prisma Medienservice AG, section of Pitney Bowes Ltd.
3 Composition: cash and current receivables due from banks.

The acquisition costs for the companies acquired in 2014 amount to a total of 6 million francs and were settled in cash and cash equivalents.

The goodwill arising from these transactions consists of assets that are not separately identifiable or cannot be reliably determined, primarily acquired expertise and synergies expected within the Group. Goodwill is not tax deductible.

The directly attributable acquisition expense amounts to less than 0.1 million francs and is recognized in the income statement under “Other operating expenses”.

Since the acquisition date, the acquired entities have contributed less than one million francs to operating income and operating profit.

Overall, the effects on the consolidated financial statements of the above acquisitions are not material in nature.

## Companies founded and renamed

*Year 2014*

InfraPost AG, based in Berne, was renamed Post Real Estate Management and Services Ltd on 6 January 2014.

velopass SARL, based in Fribourg, was converted into a private limited company and renamed PubliBike Ltd on 1 April 2014.

Caporin Voyages SARL, based in Montverdun (FR), was renamed CarPostal Loire SARL on 23 June 2014.

Monexio AG, based in Berne, was founded on 7 July 2014 and renamed TWINT AG on 18 November 2014.

SÜDOSTSCHWEIZ PRESSEVERTRIEB AG, a company headquartered in Chur, was renamed Somedia Distribution AG on 5 September 2014.

Swiss Post Solutions Card Systems GmbH, based in Bamberg, Germany, was founded on 17 November 2014.

*Year 2013*

On 1 March 2013, FMC Insights Limited, a company headquartered in Cork, Ireland, was renamed Swiss Post Solutions Ireland Limited, and on 6 March 2013, Swiss Post Solutions Holding SAS, based in Paris, France, was renamed Swiss Post Solutions SAS.

CarPostal Riviera SAS, based in Menton, France, was founded on 29 May 2013.

GHP Far East Co. Ltd, a company headquartered in Ho Chi Minh City, Vietnam, was renamed Swiss Post Solutions Ltd on 25 November 2013.

CarPostal Salon de Provence SAS, based in Salon-de-Provence, France, was founded on 13 December 2013.

## 38 | Transactions with related companies and parties

Within the meaning of the IFRSs, Swiss Post Group has relationships with related companies or parties such as subsidiaries, associates and joint ventures. Likewise, as the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

All transactions between Swiss Post and the related companies and parties are carried out at market conditions. As the owner of Swiss Post, the Swiss Confederation paid compensation for passenger transport of 175 million francs in the year under review, as in the previous year.

Transactions between Swiss Post and its subsidiaries were eliminated during the consolidation and are no longer included in these notes.

Swiss Post and its subsidiaries carried out the following transactions with related companies and parties that are not part of the Group.

| Transactions with related companies and parties | Sale of goods and services | | Purchases of goods and services | | Receivables and loans with related companies | | Liabilities to related companies | |
|---|---|---|---|---|---|---|---|---|
| CHF million | 2014 | 2013 | 2014 | 2013 | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| **Companies with joint management or significant influence** | **437** | **418** | **123** | **140** | **1,003** | **648** | **1,040** | **761** |
| Swiss Confederation | 208 | 205 | 8 | 6 | 109 | 61 | 662 | 404 |
| Swisscom | 158 | 146 | 58 | 60 | 652 | 357 | 23 | 19 |
| Swiss Federal Railways SBB | 67 | 63 | 57 | 74 | 42 | 30 | 355 | 335 |
| RUAG | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 3 |
| SKYGUIDE | 3 | 3 | 0 | 0 | 200 | 200 | 0 | 0 |
| **Associates and joint ventures** | **133** | **134** | **37** | **42** | **52** | **43** | **12** | **13** |
| **Other related companies and parties** | **14** | **1** | **4** | **2** | **0** | **0** | **88** [1] | **143** [1] |

1 Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

### Remuneration paid to members of management

In the past financial year, remuneration including fringe benefits of 5.2 million francs (previous year: 5.6 million francs) and pension benefits of around 0.77 million francs (previous year: around 0.71 million francs) was paid to members of the management (Board of Directors and Executive Management). The performance-based component paid out to members of Executive Management in 2014 was based on target attainment in 2012 and 2013 and amounted to around 0.9 million francs (previous year: around 1.2 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

## 39 | Key exchange rates

The following exchange rates were applied in translating the financial statements of foreign subsidiaries into Swiss francs:

| Exchange rates | | Closing rate as at | | Average rate for the period ending | |
|---|---|---|---|---|---|
| Unit | | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| 1 euro | EUR | 1.20 | 1.23 | 1.21 | 1.23 |
| 1 US dollar | USD | 0.99 | 0.89 | 0.92 | 0.93 |
| 1 pound sterling | GBP | 1.54 | 1.47 | 1.51 | 1.45 |

## 40 | Events after the reporting period

### Adjusting events

Prior to the approval of the 2014 consolidated annual financial statements by Swiss Post Ltd's Board of Directors on 16 March 2015, no events came to light which either would have resulted in changes to the carrying amounts of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

### Events not resulting in adjustments

In January 2015 the Swiss National Bank abandoned the minimum exchange rate of 1.20 francs per euro. At the same time, it reduced the interest rate for sight deposit balances that exceed a specific exemption limit by 0.5 percentage points to –0.75 percent. The target range for the three-month Libor slid from the previous level of between –0.75 and 0.25 percent further into negative figures at between –1.25 and –0.25 percent.

Within Swiss Post Group, PostFinance Ltd is particularly likely to be affected by the measures taken by the Swiss National Bank. PostFinance Ltd has paid negative interest on part of its sight deposit balance at the Swiss National Bank since 22 January 2015, which will have an impact on the result in 2015. Measures to minimize the negative effects are implemented on an ongoing basis.

Swiss Post's foreign subsidiaries with a foreign functional currency contribute to operating income. The overall impact on operating income in the consolidated financial statements calculated as at 31 December 2014 is not material in nature. In principle, it can be stated that foreign currency risks will continue to be systematically hedged in future. Natural hedging within the Group also helps ensure that no major currency effects are expected.

# Auditors' report to the General Meeting of Swiss Post Ltd, Berne

**Report of the Statutory Auditor on the Consolidated Financial Statements**

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post Ltd presented on pages 66 to 140 of the financial report, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2014.

**Board of Directors' Responsibility**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

**KPMG AG**

| | |
|---|---|
| Orlando Lanfranchi | Stefan Andres |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

Gümligen-Berne, 16 March 2015

# Swiss Post Ltd annual financial statements

The annual financial statements issued by Swiss Post Ltd as the parent of Swiss Post Group meet the requirements of Swiss law → page 144.

## Income statement

**Swiss Post Ltd** | Income statement

| CHF million | 2014 | 2013 |
|---|---|---|
| **Income** | | |
| Trade income | 78 | 22 |
| **Total operating income** | **78** | **22** |
| **Expenses** | | |
| Staff costs | –4 | –4 |
| Other operating expenses | –31 | –39 |
| Depreciation and amortization | –67 | –67 |
| **Total operating expenses** | **–102** | **–110** |
| Income from investments | 245 | 204 |
| Financial income | 70 | 65 |
| Financial expenses | –41 | –137 |
| **Total net financial income** | **274** | **132** |
| **Earnings before tax** | **250** | **44** |
| Income taxes | 5 | –4 |
| **Profit after tax** | **255** | **40** |

# Balance sheet

**Swiss Post Ltd** | Balance sheet

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 604 | 508 |
| Trade accounts receivable | | |
| due from subsidiaries | 1,359 | 1,386 |
| Other receivables | | |
| due from third parties | 0 | 1 |
| due from subsidiaries | 38 | 41 |
| **Total current assets** | **2,001** | **1,936** |
| **Fixed assets** | | |
| Investments | 7,989 | 7,898 |
| Financial assets | | |
| Loans to subsidiaries | 820 | 843 |
| Other financial assets | 23 | 12 |
| Intangible assets | 867 | 933 |
| **Total fixed assets** | **9,699** | **9,686** |
| **Total assets** | **11,700** | **11,622** |
| **Equity and liabilities** | | |
| **Liabilities** | | |
| Trade accounts payable | | |
| due to third parties | 3 | 4 |
| due to subsidiaries | 127 | 99 |
| Current financial liabilities | | |
| due to subsidiaries | 44 | – |
| Deferred income | | |
| due from third parties | 4 | 3 |
| Non-current financial liabilities | | |
| due to third parties | 1,280 | 1,280 |
| due to subsidiaries | – | 62 |
| Provisions | 2 | 9 |
| **Total liabilities** | **1,460** | **1,457** |
| **Equity** | | |
| Share capital | 1,300 | 1,300 |
| Statutory reserves | | |
| General reserves from capital contributions | 8,685 | 8,825 |
| Net retained profit | | |
| Profit for the year | 255 | 40 |
| **Total equity** | **10,240** | **10,165** |
| **Total equity and liabilities** | **11,700** | **11,622** |

# Notes

## 1 | Basis of accounting

The Swiss Post Ltd annual financial statements have been drawn up in accordance with the requirements of Swiss law, and the article on commercial bookkeeping and limited companies in particular.

Swiss Post as an independent institution under public law was converted into a company limited by shares subject to a special statutory regime on 26 June 2013 with retroactive effect to 1 January 2013. The new legal status is a consequence of the revised postal legislation adopted by the Swiss Parliament in 2010.

## 2 | Risk management

Swiss Post Ltd is fully integrated into the risk assessment process in force at Swiss Post Group. This Group-wide risk assessment process takes into account the type and scope of the business activities carried out and of the specific risks faced by Swiss Post Ltd. Details can be found in Note 32, Risk management, in the consolidated annual financial statements.

In accordance with article 728a, paragraph 1, item 3 of the Swiss Code of Obligations, the external auditors check the existence of an ICS in conducting their regular audit.

## 3 | Notes

### Bond issues

Swiss Post Ltd has several outstanding private placements totalling 1,280 million francs. With 11 tranches overall, expiring between 2018 and 2032, and with an average remaining maturity of approximately nine years, funds were raised on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to this private placement is 0.83 percent.

### Contingent liabilities

As at 31 December 2014, guarantees and guarantee obligations amounted to around 18 million francs (previous year: 16 million francs).

Under the system of group taxation for value added tax, liability is as follows: Each person or partnership belonging to a VAT group is jointly liable for all taxes owed by the group (VAT) together with the taxpayer.

On 31 December 2014, as in the previous year, Letters of Comfort to third parties existed, deposited by Swiss Post Ltd.

### Investments

Please see Note 36, Consolidated Group, in the consolidated annual financial statements. Investments in subsidiaries held directly by Swiss Post Ltd are carried in the balance sheet at cost less any necessary impairment. Impairment charges are recognized under “Financial expenses”.

## Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund totalled approximately 50,000 francs at 31 December 2014 (previous year: 50,000 francs).

## Share capital and general reserves from capital contributions

The Swiss Confederation provided Swiss Post Ltd with share capital of 1,300 million francs. The general reserves from capital contributions are not currently approved by the Federal Tax Administration.

## Proposal for the appropriation of profit

According to the proposal submitted by the Board of Directors of Swiss Post Ltd to the General Meeting held on 28 April 2015, 200 million francs will be distributed to the owner.

# Auditors' report to the General Meeting of Swiss Post Ltd, Berne

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Post Ltd, presented on pages 144 to 148 of the financial report, which comprise the income statement, balance sheet and notes for the year ended 31 December 2014.

## Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

**KPMG AG**

| | |
|---|---|
| Orlando Lanfranchi | Stefan Andres |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

Gümligen-Berne, 16 March 2015

# PostFinance annual financial statements

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its annual financial statements pursuant to the Bank Accounting Guidelines (BAG) set out in articles 23-27 of the Banking Ordinance (FINMA Circular 2008/2 "Accounting – Banks").

## Reconciliation

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its annual financial statements pursuant to the Bank Accounting Guidelines (BAG) set out in articles 23–27 of the Banking Ordinance (FINMA Circular 2008/2 "Accounting – Banks"). The following table shows the differences between the two accounting standards and reconciles the profit for the year in accordance with IFRS with the BAG financial statements.

**PostFinance Ltd** | Reconciliation of profit

| CHF million | | 2014 | 2013 |
|---|---|---|---|
| **PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation** | | **382** | **588** |
| Management / licence fee / net cost compensation | | 90 | 129 |
| **PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation** | | **472** | **717** |
| Net income from associates | | 1 | 1 |
| Operating profit from subsidiaries | | 3 | 2 |
| Net financial income | | –3 | 136 |
| **Earnings before tax (EBT)** | | **473** | **856** |
| Income tax | | –97 | 442 |
| **PostFinance Ltd profit for the year reported to the Group as per IFRS** | | **376** | **1,298** |
| Interest and discount income | Amortization of revalued held-to-maturity financial assets | –78 | –88 |
| Various items of income | Lowest value principle for financial assets as per BAG | 20 | 1 |
| Net trading income | Realized gains from (earlier than scheduled) sales | –20 | –25 |
| Staff costs | Valuation differences between IAS 19 and Swiss GAAP FER 16 | 15 | –45 |
| Depreciation of fixed assets | Revalued real estate | –4 | –4 |
| | Individual impairment charges due to lower fair value | –1 | –11 |
| | Goodwill | –200 | –200 |
| Extraordinary income | Profit from the sale of Swiss Post Real Estate Ltd equity investment | – | –145 |
| Taxes | Deferred tax expenses/income as per IFRS | 59 | –516 |
| **PostFinance Ltd profit for the year as per BAG** | | **167** | **265** |

The main positions in the reconciliation of profit for the PostFinance segment in accordance with IFRS are as follows:

– The goodwill capitalized as part of the conversion is amortized by 200 million francs annually.

– Swiss Post reports its segments in accordance with IFRS based on operating profit before management, licence fee and net cost compensation. For this reason, the reconciliation of profit includes an offset of 90 million francs on the operating profit.

# PostFinance Ltd statutory annual financial statements

PostFinance issues annual financial statements in accordance with the BAG Bank Accounting Guidelines (art. 23-27 Banking Ordinance, FINMA Circular 2008/2 "Accounting – Banks").

The statutory financial statements indicate earnings after tax of 167 million francs. Total assets rose to 120 billion francs in 2014. With a capital ratio of 20.8 percent, PostFinance exceeds the minimum capital requirements of Basel III.

# Balance sheet

**PostFinance Ltd** | Balance sheet as per BAG

| CHF million | Notes | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 41,746 | 39,114 |
| Receivables from money market instruments | | – | – |
| Receivables due from banks | | 4,858 | 9,933 |
| Receivables due from customers | 5 | 11,139 | 9,894 |
| Mortgage receivables | 5 | 0 | 1 |
| Securities held for trading and precious metals | | – | – |
| Financial assets | 6. 20 | 59,196 | 54,454 |
| Investments | 6. 8 | 48 | 14 |
| Property, plant and equipment | 8 | 1,027 | 954 |
| Intangible assets | 8 | 1,600 | 1,800 |
| Prepaid expenses and deferred income | | 682 | 720 |
| Other assets | 9 | 150 | 134 |
| **Total assets** | | **120,446** | **117,018** |
| Total subordinated receivables | | – | – |
| Total receivables due from subsidiaries and holders of qualified participations | | 1,590 | 2,019 |
| **Equity and liabilities** | | | |
| Liabilities from money market instruments | | – | – |
| Amounts due to banks | | 2,788 | 2,380 |
| Amounts due to customers as savings and investments | | 43,241 | 42,585 |
| Other amounts due to customers | | 66,870 | 64,534 |
| Medium-term notes | | 155 | 161 |
| Loans and mortgage bond loans | | – | – |
| Prepaid expenses and deferred income | | 122 | 173 |
| Other liabilities | 9 | 207 | 137 |
| Value adjustments and provisions | 12 | 189 | 101 |
| Reserves for general bank risks | 12 | – | – |
| Share capital | 13 | 2,000 | 2,000 |
| General statutory reserves | 14 | 4,682 | 4,682 |
| of which reserves from capital contributions | | 4,682 | 4,682 |
| Other reserves | | – | – |
| Profit carried forward | | 25 | – |
| Profit for the year | | 167 | 265 |
| **Total equity and liabilities** | | **120,446** | **117,018** |
| Total subordinated liabilities | | – | – |
| Total amounts due to subsidiaries and holders of qualified participations | | 693 | 529 |

**PostFinance Ltd** | Off-balance sheet transactions

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Contingent liabilities | – | – |
| Irrevocable commitments | 656 | 641 |
| Liabilities for calls on shares and other equity | – | – |
| Credit commitments | – | – |
| Derivative financial instruments: positive fair values | 5 | 96 |
| Derivative financial instruments: negative fair values | 174 | 20 |
| Derivative financial instruments: contract volume | 6,382 | 5,304 |
| Fiduciary transactions | – | – |

## Income statement

**PostFinance Ltd** | Income statement as per BAG

| CHF million | Notes | 2014 | 2013 |
|---|---|---|---|
| **Income and expenses from ordinary banking operations** | | | |
| Interest and discount income | | 220 | 222 |
| Interest and dividend income from trading portfolios | | – | – |
| Interest and dividend income on financial assets | | 943 | 995 |
| Interest expenses | | –198 | –283 |
| **Net interest income** | | **965** | **934** |
| Commission income on lending business | | 94 | 93 |
| Commission income on securities and investment business | | 42 | 37 |
| Commission income on other services | | 630 | 620 |
| Commission expenses | | –591 | –592 |
| **Net service and commission income** | | **175** | **158** |
| **Net trading income** | 21 | **166** | **158** |
| Net income from disposal of financial assets | | 37 | 15 |
| Income from investments | | 1 | 1 |
| Net income from real estate | | 55 | 52 |
| Other ordinary income | | 120 | 163 |
| Other ordinary expenses | | –13 | –6 |
| **Other ordinary net income** | | **200** | **225** |
| **Operating income** | | **1,506** | **1,475** |
| Staff costs | 22 | –458 | –471 |
| Non-staff costs | 23 | –509 | –470 |
| **Operating expenses** | | **–967** | **–941** |
| **Gross profit** | | **539** | **534** |
| **Profit for the year** | | | |
| **Gross profit** | | **539** | **534** |
| Depreciation of fixed assets | | –237 | –245 |
| Value adjustments, provisions and losses | | –99 | –16 |
| **Operating profit (interim result)** | | **203** | **273** |
| Extraordinary income | 24 | 7 | 71 |
| Extraordinary expenses | 24 | – | – |
| Taxes | 25 | –43 | –79 |
| **Profit for the year** | | **167** | **265** |

# Statement of cash flows

**PostFinance Ltd** | Statement of cash flows as per BAG

| CHF million | Sources of funds 2014 | Use of funds 2014 | Sources of funds 2013 | Use of funds 2013 |
|---|---|---|---|---|
| **Cash flow from operating profit (internal financing)** | | | | |
| Profit for the year | 167 | – | 265 | – |
| Depreciation of property, plant and equipment and amortization of intangible assets | 237 | – | 245 | – |
| Provisions and other value adjustments | 2 | – | – | 4 |
| Changes in impairment charges for default risks and losses | 87 | – | – | 57 |
| Prepaid expenses | 39 | – | 63 | – |
| Deferred income | – | 51 | 68 | – |
| Other positions [1] | 78 | – | 88 | – |
| Previous year's dividend | – | 240 | – | – |
| **Balance** | **319** | **–** | **668** | **–** |
| **Cash flow from equity transactions** | | | | |
| Share capital [2] | – | – | – | – |
| Share premium [2] | – | – | – | – |
| **Balance** | **–** | **–** | **–** | **–** |
| **Cash flow from investment activities** | | | | |
| Investments | – | 34 | 284 | – |
| Real estate | – | 89 | – | 85 |
| Other property, plant and equipment | – | 21 | – | 24 |
| Intangible assets | – | – | – | – |
| **Balance** | **–** | **144** | **175** | **–** |
| **Cash flow from banking operations** | | | | |
| Amounts due to banks | 408 | – | – | 4,313 |
| Liabilities from customer deposits | 2,992 | – | 2,810 | – |
| Medium-term notes | – | 5 | – | 35 |
| Negative fair values of derivative financial instruments | 153 | – | – | 21 |
| Other obligations | – | 84 | 27 | – |
| Receivables due from banks | 5,075 | – | – | 5,242 |
| Receivables due from customers | – | 1,246 | – | 1,409 |
| Mortgage receivables | – | – | – | 0 |
| Positive fair values of derivative financial instruments | 91 | – | – | 1 |
| Financial assets | – | 4,820 | 1,570 | – |
| Other receivables | – | 107 | 25 | – |
| **Balance** | **2,457** | **–** | **–** | **6,589** |
| **Liquidity** | | | | |
| Cash and cash equivalents | – | 2,632 | 5,746 | – |
| **Balance** | **–** | **2,632** | **5,746** | **–** |
| **Total** | **2,776** | **2,776** | **6,589** | **6,589** |

1 Straight-line depreciation of the revaluation of financial assets as per the opening balance sheet on 1 January 2013.
2 The equity base is already included in the opening balance sheet as at 1 January 2013; the equity payment process therefore does not appear in the statement of cash flows.

**PostFinance Ltd** | Liquidity statement

| CHF million | |
| --- | --- |
| Liquidity as at 31.12.2013 | 39,114 |
| Liquidity as at 31.12.2014 | 41,746 |
| **Increase in liquidity in 2014** | **2,632** |
| Liquidity as at 1.1.2013 | 44,860 |
| Liquidity as at 31.12.2013 | 39,114 |
| **Decrease in liquidity in 2013** | **5,746** |

## Appropriation of profit

**PostFinance Ltd** | Net retained profit

| CHF million | 31.12.2014 | 31.12.2013 |
| --- | --- | --- |
| Profit for the year | 167 | 265 |
| Profit carried forward | 25 | – |
| **Total net retained profit** | **192** | **265** |

At the General Meeting on 27 March 2015, the Board of Directors of PostFinance Ltd will propose the following appropriation of profit:

**PostFinance Ltd** | Appropriation of profit

| CHF million | 31.12.2014 | 31.12.2013 |
| --- | --- | --- |
| Allocation to other reserves | – | – |
| Distribution of dividends | 192 | 240 |
| Profit carried forward to new account | – | 25 |
| **Total net retained profit** | **192** | **265** |

# Notes to the annual financial statements

## 1 | Notes on business activities and headcount

PostFinance is one of Switzerland's leading financial institutions. It has processed 996 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 2.8 billion francs of new money in 2014. PostFinance employed 3,956 staff in 2014. This corresponds to 3,454 full-time equivalents. At the end of the financial year, PostFinance had total assets of 120 billion francs and had generated profit for the year of 167 million francs (both figures are in accordance with BAG Bank Accounting Guidelines set out in articles 23–27 of the Banking Ordinance, FINMA Circular 2008/2).

### Net interest income

The interest differential business is the most important source of income for PostFinance. Its main revenues come from the payments and savings segments. PostFinance generates a smaller proportion of its earnings from investment and retirement planning products.

### Commission and service income

Within its commission and service income, PostFinance mainly reported income from payment transactions, account management and indemnities from partner companies. Additional income resulting from higher sales volumes and more intensive use of products offset the lower income from declining over-the-counter transactions in post offices. Under the Postal Services Act, PostFinance is not permitted to issue loans and mortgages. PostFinance works with partners in Switzerland and abroad to offer its customers a full range of products. The income from these partnerships is reported in net commission income. The default risks are borne by the partner banks.

### Trading income

PostFinance generates most of its net trading income on behalf of customers. Income is obtained primarily from foreign exchange transactions. Trade for its own account is of secondary importance.

## 2 | Accounting and valuation principles

### General principles

The bookkeeping, accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act and the related ordinance, statutory provisions and the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA). In accordance with the true and fair view principle, the combined individual financial statements give an accurate picture of the financial position, the results of operations and the cash flows of the company in accordance with the Bank Accounting Guidelines applicable to banks and securities dealers.

## 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 profit or loss. Income and expenses are converted at the applicable daily rates.

Closing rates

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| EUR | 1.2028 | 1.2265 |
| USD | 0.9892 | 0.8901 |
| GBP | 1.5392 | 1.4714 |

## Offsetting

In principle, no offsetting takes place, except in the cases set out below. Receivables and liabilities are offset if all the following conditions are met: the receivables and liabilities arise from transactions of the same type with the same counterparty, with the same or earlier maturity date and in the same currency, and cannot lead to a counterparty risk. Positive and negative fair values with the same counterparty are offset provided that legally recognized and enforceable bilateral agreements are in place.

## Accounting according to the trade date or settlement date principle

In principle, securities transactions are recorded on the trade date. Completed foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized on the balance sheet as other assets or other liabilities at their fair value until their settlement date.

## General valuation principles

In principle, the detailed positions of items in the balance sheet are valued separately (individual measurement).

## Cash and cash equivalents, receivables from money market instruments, receivables due from banks

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Any premiums and discounts related to bank receivables are accrued over the term. Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets 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. In the case of receivables from money market instruments held to maturity, the discount not yet earned is accrued over the remaining term.

## Loans (receivables due from customers and mortgage receivables)

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Loans are classed as doubtful 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.

Overdue interest, the collection of which is doubtful, 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 reasonable. If a receivable is considered entirely or partially uncollectible or a waiver has been granted, the amount of the receivable is charged against the corresponding value adjustment (see also Value adjustments section).

### Securities lending and borrowing transactions

Securities lending and borrowing transactions are recorded at the value of the cash deposits that have been received or made, including the accrued interest. 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 or 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 or 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 as net service and commission income.

### Securities held for trading

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 profit and loss from these securities is recorded under net trading income. Interest and dividend income from securities held for trading is recognized as net interest income. If, in exceptional circumstances, no fair value is available, the lowest value principle is used for accounting and measurement purposes.

### Financial assets

Investments with a fixed maturity that PostFinance intends and is able to hold to maturity are measured at amortized cost (accrual method). The effective interest method spreads the difference between the acquisition cost and the repayment amount (premium/discount) over the life of the asset 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. Holdings in equity securities (shares) are valued according to the lowest value principle. Debt securities acquired without the intention of being held to maturity are valued according to the lowest value principle. PostFinance checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is calculated (see also Value adjustments section).

### Derivative financial instruments

Derivatives 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 underlying transactions. 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 adjustment account, while changes in value to the extent a hedge is ineffective are recognized in profit or loss. Positive and negative replacement costs for all derivatives are recognized at fair value in other assets or other liabilities.

## Investments

All equity securities in companies intended to be held as long-term investments are reported as investments. These items are included in the balance sheet at cost less necessary depreciation in accordance with the individual measurement principle.

## Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. Useful life is as follows:

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

Intangible assets associated with the purchase, installation and development of payment transaction software are capitalized if they are of measurable economic benefit. They have a useful life of 13–15 years.

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

## Intangible assets

Surplus assets (goodwill) arising from the initial measurement of a business acquisition are included in the balance sheet under "Intangible assets" and depreciated over their useful life. Capitalized goodwill is depreciated on a straight-line basis over a ten-year period. If an assessment on the balance sheet date shows that the capitalization of a proportion of goodwill 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.

## Prepaid expenses and deferred income

Interest income and expenses, 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, other amounts due to customers and medium-term notes

Private and business accounts are included in the balance sheet at their face value. Financial assets transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under "Financial assets". 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 medium-term notes are recorded on the balance sheet at face value.

## Value adjustments and provisions

Value adjustments and 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. Impairment of doubtful receivables is recognized by individual impairment charges directly on the receivable. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. In addition to individual impairment charges, PostFinance calculates general impairment charges to cover losses incurred on the balance sheet date that cannot yet be identified separately. Bad debt provisions are made for the accounts of private and business customers that have been overdrawn for more than 60 days. Value adjustments that are no longer economically necessary are reclassified to profit or loss. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet.

### Contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equity

These items are recorded at their face value as off-balance sheet transactions. Provisions are made for foreseeable default risks.

### Employee benefit obligations

The accounting treatment of employee benefit obligations at PostFinance is based on Swiss GAAP ARR 16 in accordance with FINMA Circular 2008/2, margin no. 29j – 1 ff. 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 (BVG). 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 employee benefit obligations are recognized in staff costs. Employee 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.

### Taxes

Income tax is determined in each reporting period on the basis of the profit/loss accrued for the year. Deferred tax liabilities are calculated at the current tax rate. Accruals and deferrals are recognized in the balance sheet under prepaid expenses or 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.

### Outsourcing of business units

PostFinance Ltd has outsourced various services to Swiss Post Group companies. Significant outsourcing relationships exist with Post CH Ltd in payment transactions, financial services and IT services, and with Swiss Post Solutions Ltd for printing and sending account documents and for the e-bill solution, and with both of these companies for the E-Post Office service, an integrated solution for physical and electronic business communication. The corresponding contracts meet all FINMA requirements with regard to bank client confidentiality and data protection.

### Accounting changes year-on-year

PostFinance Ltd made a voluntary change to accounting methods in the fourth quarter of 2014. Payment obligations from closed, not yet fulfilled securities transactions resulting from trade date accounting (time difference between the trade date and settlement date) are now recognized as "Amounts due to banks" rather than as "Other amounts due to customers". This reclassification was undertaken for the first time as at 31 December 2014; the previous year's figures have not been adjusted.

### Events after the balance sheet date

PostFinance is not affected by the abandoning of the minimum euro exchange rate by the Swiss National Bank SNB and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible. On 15 January 2015, the Swiss National Bank SNB set a new negative interest rate of – 0.75 percent. PostFinance has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015, which will have an impact on its result for the current year. Measures to minimize the negative effects will be implemented in the first quarter of 2015.

## 3 | Risk management

PostFinance operates an appropriate financial and operational risk management system in accordance with banking regulation requirements. The specific business risks faced by PostFinance, namely interest rate, liquidity, credit, market and operational risks, are managed using industry-standard tools and methods.

### Organization

PostFinance's Board of Directors conducts an annual risk assessment. It sets out the primary guidelines and principles on managing financial and operational risks, approves the risk policy, and sets conditions which the operating units are required to observe in managing risks. These limits are based on the international standardized approach set out in the regulatory provisions and specify the highest risks that PostFinance may take, expressed in terms of "equity needed to meet regulatory requirements". Maximum risk exposure is determined by the risk-bearing capacity of PostFinance and the risk tolerance of the Board of Directors. The PostFinance Executive Board is responsible for the active management of financial and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms. Its duties and responsibilities include implementing risk control and risk monitoring by establishing limits in individual risk categories and by setting directives for risk monitoring reports. The Executive Board is informed of the risk measurement results and the extent to which limits are used in monthly reports which enable it to decide on the necessary control measures, if any. The PostFinance Risk Management department identifies, measures and controls financial risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. The Risk Management department also develops measures for controlling financial risks to be approved by the Executive Board. The PostFinance Risk Control department identifies, measures and monitors non-financial risks. As an independent control body, the Risk Control department also evaluates the appropriateness of financial risk control processes.

### Financial risk measurement methods

The methods of measuring and monitoring risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Risks are limited and monitored by means of a multi-level limit system. A variety of methods of differing degrees of complexity are used to measure financial risks. The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times. The methods applied at PostFinance to measure risks include measurement methods based on regulatory requirements (e.g. credit risk measurement in accordance with SA-BIS), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and value-at-risk methods (e.g. to measure fair value risks resulting from equity investments).

### Financial risk management at PostFinance

The following financial risks are constantly taken, measured, controlled and monitored at PostFinance:

*Interest rate risk and balance sheet structure risk*
PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd 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 continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. A large proportion of customer deposits remain invested as an interest-free sight deposit balance at the Swiss National Bank SNB. 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, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the income statement. PostFinance's interest-earning operations are a key earnings driver for Swiss Post. 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 the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment method. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatility

of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the investment method. The 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 a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other. In addition to sensitivity data, a value-at-risk index is used to check whether the investments made by the Treasury department meet the maturity requirements set by the Executive Board. The historic simulation method is applied with a conservative confidence level. Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance's future net interest income. In addition, dynamic income simulations are carried out according to several deterministic scenarios describing future market interest trends and the resulting changes in customer interest and customer volumes for each replica. As at 31 December 2014, the absolute change in the present value of equity with a parallel shift in the yield curve of +100 basis points amounted to +56 million francs (previous year: –51 million francs). Due to the current interest situation, a negative shift in interest produces results that are difficult to interpret and is therefore not reported. The income effect of an adverse scenario in comparison with the baseline scenario stood at –27 million francs (previous year: –44 million francs) for the following year.

*Credit risks*
The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties. The credit risks associated with the Treasury department's investments in the money and capital markets are limited through investment regulations and prescribed limits. Limits apply at counterparty and rating structure level as well as for controlling country risks. Investments are only permitted if the debtor has a first-class credit rating. Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with prescribed limits is monitored on an ongoing basis and is verified before the closing of each transaction.

*Note on collateral concentration risks:*
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. High concentrations of collateral are measured, monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral).

*Note on credit risks arising from mortgage lending and SME financing:*
The mortgage lending solutions offered in cooperation with Münchener Hypothekenbank eG (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank. Since autumn 2009, PostFinance has been collaborating with Valiant Bank on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its range of services in the retail market. Since autumn 2010, PostFinance has also worked with Valiant Bank on mortgage lending to private customers. The credit risks resulting from the two areas of cooperation are assumed by Valiant Bank.

*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 in the short, medium and long term. Financial cushions are defined for the settlement of unforeseen payments. Financial cushions 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. To guarantee liquidity on a daily basis, the composition of financial cushions is defined and limited by specifying a minimum amount to be observed. The minimum amount for a financial cushion is based on high daily cash outflows with an extremely low probability of occurrence. Liquidity in the short term is guaranteed by determining the "Liquidity Coverage Ratio" (LCR), which is a

regulatory key figure. To ensure liquidity in the medium to long term, liquidity stress scenarios lasting at least 3 months are defined that must not lead to insolvency. As at 31 December 2014, the Liquidity Coverage Ratio stood at 186 percent (previous year: 247 percent).

*Foreign currency risks*
The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. Currency swaps and interest rate swaps as well as foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Foreign currency risks are measured in the overall balance sheet using the value-at-risk indicator. All asset and liability transactions with an effect on the currency balance are taken into account in the measurement. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from foreign currency risks stood at 2 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: –2 million francs).

*Other market risks*
PostFinance invests in equity and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, each position is allocated to the risk factors that have an impact on its present value. These risk factors include interest, currency and share price risks. Index proxies are also used to measure the credit risk of fund investments. The change in present value is then modelled according to the change in the allocated risk factors. Other market risks are measured according to the value-at-risk index. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from other market risks amounted to 123 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: 131 million francs). A loss reporting threshold is established for measuring and controlling the accounting effects of changes in fair value. This threshold refers to losses in fair value during the calendar year that are recognized in profit or loss. Predefined measures are introduced if losses in fair value exceed the reporting threshold.

## Operational risk management at PostFinance

*Definition*
In line with the Basel Committee on Banking Supervision, operational risk at PostFinance is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principles on managing operational risk at PostFinance are set out in the risk policy.

*Organization*
PostFinance operates an operational risk management system that is controlled from a central dedicated unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Executive Board Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of the operational risk management policy. Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses. A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2014: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

*Tools*
PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data across the entire company is collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings. Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that may in future pose a threat to PostFinance. The resulting risk inventory allows the Executive Board Committee for Internal Control (GLA IK) to obtain a good overview of the company's entire risk

situation. In addition, the measures decided upon by the Executive Board Committee for Internal Control (GLA IK) to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk situation.

*Reporting*
The Executive Board Committee for Internal Control (GLA IK) receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, Swiss Post's Board of Directors is notified of the risk situation at PostFinance.

## 4 I Capital adequacy disclosure

Capital adequacy disclosure

| CHF million | Basis as per CAO | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Eligible equity** | | | |
| Common equity tier 1 (CET1) | | 5,107 | 4,882 |
| Tier 2 capital (T2) | | 177 | 90 |
| **Total eligible equity capital (CET1 + T2)** | | **5,284** | **4,972** |
| **Equity requirements** | | | |
| Credit risks | International standardized approach (SA-BIS) | 1,714 | 1,592 |
| Non-counterparty risks | International standardized approach (SA-BIS) | 82 | 76 |
| Market risks | Market risk, standardized approach | 17 | 25 |
| Operational risks | Basic indicator approach | 218 | 226 |
| **Total minimum equity required** | **In accordance with CAO, art. 42** | **2,031** | **1,919** |
| **80% equity cushion (for 14.4% equity target)** | **In accordance with FINMA: maximum rate, category 2** | **1,625** | **1,536** |
| **Total capital requirement (T1 + T2)** | **In accordance with CAO, art. 45** | **3,656** | **3,455** |

Additional information in accordance with FINMA Circular 2008/22, margin no. 51:

Details of equity requirements are published at www.postfinance.ch.

## Information regarding the balance sheet

### 5 | Overview of coverage of loans and off-balance sheet transactions

Coverage of loans and off-balance sheet transactions

| as at 31.12.2014 and 31.12.2013<br>CHF million | | Type of coverage<br>Mortgage coverage | Other coverage | Without coverage | Total |
|---|---|---|---|---|---|
| **Loans** | | | | | |
| Receivables due from customers [1] | | – | 400 | 10,739 | 11,139 |
| Mortgage receivables | | 0 | – | – | 0 |
| Residential property | | 0 | 0 | 0 | 0 |
| **Total loans** | **31.12.2014** | **–** | **400** | **10,739** | **11,139** |
| | 31.12.2013 | 1 | – | 9,894 | 9,895 |
| **Off-balance sheet** | | | | | |
| Irrevocable commitments | | – | – | 656 | 656 |
| **Total off-balance sheet** | **31.12.2014** | **–** | **–** | **656** | **656** |
| | 31.12.2013 | – | – | 641 | 641 |

1 Loans to municipalities, cities and cantons. These loans all have a rating issued by a rating agency recognized by FINMA.

Doubtful receivables

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Gross debt | 2 | 0 |
| Estimated liquidation value of collateral [1] | – | – |
| Net debt | 2 | 0 |
| Individual impairment charges | 2 | 0 |

1 Credit or disposal value per customer, whichever is the lowest.

## 6 | Financial assets and investments

| Financial assets | Carrying amount | | Fair value | |
|---|---|---|---|---|
| CHF million | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Debt securities | | | | |
| with intention to hold until maturity | 57,953 | 53,665 | 60,762 | 55,630 |
| Equity securities | | | | |
| recognized using lowest value principle | 1,243 | 789 | 1,365 | 897 |
| **Total financial assets** | **59,196** | **54,454** | **62,127** | **56,527** |
| Repo-eligible securities as per liquidity requirements | 37,685 | 42,592 | n.a. | n.a. |

| Investments | | |
|---|---|---|
| CHF million | 31.12.2014 | 31.12.2013 |
| Investments | | |
| with market price | 24 | – |
| without market price | 24 | 14 |
| **Total investments** | **48** | **14** |

## 7 | Details of significant investments

| Non-consolidated significant investments | | | | Equity interest | |
|---|---|---|---|---|---|
| CHF or EUR million, percent | Business activities | Currency | Share capital | 31.12.2014 | 31.12.2013 |
| Debtors Service Ltd, Berne, Switzerland | Accounts receivable management | CHF | 1 | 100% | 100% |
| TWINT AG, Berne, Switzerland | Mobile payment | CHF | 10 | 100% | – |
| SECB Swiss Euro Clearing Bank GmbH, Frankfurt a. M., Germany | Payment transaction processing in EUR for Swiss financial institutions | EUR | 30 | 25% | 25% |
| SIX Interbank Clearing Ltd, Zurich, Switzerland | Payment transaction processing for financial institutions | CHF | 1 | 25% | 25% |

Additional information on the combined individual financial statements in accordance with FINMA Circular 2008/2, margin no. 27a: The effect of a theoretical application of the equity method with regard to these investments would be to increase total assets by 8 million francs (previous year: 7 million francs) and profit for the year by 2 million francs (previous year: 7 million francs).

## 8 | Statement of changes in fixed assets

| Statement of changes in fixed assets<br>CHF million | Acquisition cost | Accumulated depreciation and amortization | Carrying amount 31.12.2013 | Reclassi-fications | Investments | Disinvest-ments | Depreciation and amortization | Appreciation | Carrying amount 31.12.2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Investments** | | | | | | | | | |
| Other investments | 14 | – | 14 | – | 34 | – | – | – | 48 |
| **Total investments** | **14** | **–** | **14** | **–** | **34** | **–** | **–** | **–** | **48** |
| **Property, plant and equipment** | | | | | | | | | |
| Real estate | | | | | | | | | |
| Bank buildings | 186 | –9 | 138 | 39 | 1 | – | –8 | – | 170 |
| Other real estate | 741 | –26 | 698 | 17 | 88 | 0 | –18 | – | 785 |
| Other property, plant and equipment | 74 | –36 | 95 | –57 | 12 | – | –10 | – | 40 |
| Others (software) | 24 | – | 23 | 1 | 9 | – | –1 | – | 32 |
| **Total property, plant and equipment** | **1,025** | **–71** | **954** | **0** | **110** | **0** | **–37** | **–** | **1,027** |
| **Intangible assets** | | | | | | | | | |
| Goodwill | 2,000 | –200 | 1,800 | – | – | – | –200 | – | 1,600 |
| **Total intangible assets** | **2,000** | **–200** | **1,800** | **–** | **–** | **–** | **–200** | **–** | **1,600** |
| **Fire insurance value** | | | | | | | | | |
| Real estate | | | 1,176 | | | | | | 1,326 |
| Other property, plant and equipment | | | 83 | | | | | | 78 |

**PostFinance Ltd** | Future lease obligations under operating leases

| CHF million | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Future lease payments | 20 | 19 | 2 | 1 | 0 | 0 |

## 9 | Other assets and liabilities

| Other assets and liabilities | 31.12.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| CHF million | Other assets | Other liabilities | Other assets | Other liabilities |
| **Fair value from derivative financial instruments, foreign currencies and equity securities** | | | | |
| Contracts as principal | 5 | 173 | 94 | 19 |
| Contracts as commission agent | 0 | 1 | 2 | 1 |
| **Total derivative financial instruments** | **5** | **174** | **96** | **20** |
| Adjustment account | 5 | – | – | 8 |
| Indirect taxes | 42 | 32 | 35 | 57 |
| Other assets and liabilities | 98 | 1 | 3 | 52 |
| **Total other assets and other liabilities** | **150** | **207** | **134** | **137** |

## 10 | Pledged or assigned assets and assets subject to retention of title

Total amount of assets pledged or assigned as collateral for own obligations and assets subject to retention of title [1]

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Carrying amount of assets pledged and assigned as collateral | 0 | 1 |
| Effective obligations | – | 0 |

1 Excluding securities lending and repurchase transactions.

Securities lending and repurchase transactions

| CHF million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Receivables from cash collateral in relation to securities borrowing and reverse repurchase transactions | – | – |
| Commitments from cash collateral in relation to securities lending and repurchase transactions | – | – |
| Own securities lent or provided as collateral as part of securities lending and borrowing transactions or transferred in repurchase transactions | 1,765 | – |
| of which securities for which an unrestricted right to dispose of or pledge was granted | – | – |
| Securities borrowed or received as collateral as part of securities lending and borrowing transactions or reverse repurchase transactions, for which an unrestricted right to dispose of or pledge was granted | 1,309 | 7,150 |
| of which repledged or resold securities | – | – |

## 11 | Amounts due to own employee benefits institutions

### Employee benefit obligations

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

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

### Amounts due to own employee benefits institutions as per Swiss GAAP ARR 16

All the compulsory ordinary employer contributions associated with the employee benefits plan are accounted for as staff costs using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether the employee benefits institutions generate an economic benefit or an economic obligation for PostFinance. The assessment is based on information from contracts, the financial statements of the employee benefits institutions and other calculations presenting their financial situation and current surpluses or shortfalls – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from a surplus to reduce employer contributions. Consequently, instead of capitalizing any future economic benefit, an economic obligation is recognized under liabilities. With 44,081 active insured people and 28,658 pensioners (as at 31 October 2014), the Swiss Post pension fund had total assets of 15,944 million francs as at 31 December 2014 (previous year: 15,286 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at 102.7 percent (previous year: 98.5 percent, or 102.3 percent including employer contribution reserves without renounced use). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no surplus available. The Swiss Post pension fund has employer contribution reserves of 1,081 million francs, of which 550 million francs with renounced use (previous year: 1,110 million francs, of which 550 million francs with renounced use). A discount rate of 3 percent (previous year: 3 percent) and the technical basis of BVG 2010 (previous year: BVG 2010) 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 shortfalls as at 31 December 2014. There are no company employee benefits institutions.

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

| Economic benefit / obligation, employee benefit expenses | Shortfall/ surplus | Financial share of assets/ provision for PostFinance Ltd | | Year-on-year change recorded in staff costs | Ordinary contributions | Extraordinary contributions | Total contributions | Employee benefit expenses |
|---|---|---|---|---|---|---|---|---|
| CHF million | 31.12.2014 | 31.12.2014 | 31.12.2013 | 2014 | 2014 | 2014 | 2014 | 2014 |
| Swiss Post pension fund | 52 | – | – | – | 33 | – | 33 | 33 |
| Staff vouchers | –5 | –5 | –4 | 1 | 0 | – | 0 | 1 |
| Disability pensions | –1 | –1 | –1 | 0 | – | – | – | 0 |
| **Total as per ARR 16** | **46** | **–6** | **–5** | **1** | **33** | **–** | **33** | **34** |

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

| Employer contribution reserves | Face value | Renounced use | Other impairments | Balance sheet (provisions) / Assets | | Profit or loss from employer contribution reserves in staff costs |
|---|---|---|---|---|---|---|
| CHF million | 31.12.2014 | 31.12.2014 | 31.12.2014 | 31.12.2014 | 31.12.2013 | 2014 |
| Swiss Post pension fund | 59 | –30 | – | 29 | 29 | 0 |
| Staff vouchers | – | – | – | – | – | – |
| Disability pensions | – | – | – | – | – | – |
| **Total as per ARR 16** | **59** | **–30** | **–** | **29** | **29** | **0** |

## 12 | Value adjustments and provisions and reserves for general bank risks

| Value adjustments and provisions<br>CHF million | As at 31.12.2013 | Use for intended purpose [1] | Recoveries, overdue interest, exchange differences | Newly recognized provisions to be debited from income statement | Reversals of provisions to be credited to income statement | As at 31.12.2014 |
|---|---|---|---|---|---|---|
| Value adjustments and provisions for default risks (bad debt provisions and country risks) | 189 | – | – | 87 | 0 | 276 |
| Provisions from employee benefit obligations | 5 | – | – | 0 | – | 5 |
| Other provisions [2] | 5 | 6 | – | 8 | 1 | 6 |
| **Total value adjustments and provisions** | **199** | **6** | **–** | **95** | **1** | **287** |
| Less impairments deducted directly from assets | –98 | – | – | 0 | 0 | –98 |
| **Total value adjustments and provisions according to balance sheet** | **101** | **6** | **–** | **95** | **1** | **189** |
| **Reserves for general bank risks** | **–** | **–** | **–** | **–** | **–** | **–** |

1 There were no changes in purpose.
2 Including a provision of 0.8 million francs for procedural costs in relation to the US programme (previous year: 2.5 million francs).

No provisions were recognized for potential losses arising from the US tax programme. This decision is due to ongoing uncertainty regarding the probability of occurrence and the extent of loss.

## 13 | Share capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

| Share capital | 31.12.2014 | | | 31.12.2013 | | |
|---|---|---|---|---|---|---|
| CHF million, number in million | Total face value | Number | Dividend-bearing capital | Total face value | Number | Dividend-bearing capital |
| Share capital | 2,000 | 2 | 2,000 | 2,000 | 2 | 2,000 |
| **Total share capital** | **2,000** | **2** | **2,000** | **2,000** | **2** | **2,000** |

| Major shareholders and groups of shareholders bound by voting agreements | 31.12.2014 | | | 31.12.2013 | | |
|---|---|---|---|---|---|---|
| CHF million, number in million | Face value | Number | Share in % | Face value | Number | Share in % |
| Swiss Post Ltd | 2,000 | 2 | 100 | 2,000 | 2 | 100 |

## 14 | Statement of equity

Statement of equity

| as at 31.12.2013 and 31.12.2014<br>CHF million | 2014 | 2013 |
|---|---|---|
| Paid-in capital | 2,000 | 2,000 |
| General statutory reserves | 4,682 | 4,682 |
| Net retained profit | 265 | – |
| **Total equity at the start of the year under review** (before appropriation of profit) | **6,947** | **6,682** |
| – Dividends | –240 | – |
| + profit for the year under review | 167 | 265 |
| **Total equity at the end of the year under review** (before appropriation of profit) | **6,874** | **6,947** |
| Share capital | 2,000 | 2,000 |
| General statutory reserves | 4,682 | 4,682 |
| Profit carried forward | 25 | – |
| Profit for the year | 167 | 265 |

## 15 | Maturity structure of current assets and liabilities

Current assets
by type and term to maturity

| CHF million, as at 31.12.2014 and 31.12.2013 | | On demand | Callable | up to 3 months | 4 to 12 months | 1 to 5 years | over 5 years | Immobilized | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | | 41,746 | – | – | – | – | – | – | 41,746 |
| Receivables due from banks | | 208 | – | 1,149 | 536 | 2,040 | 925 | – | 4,858 |
| Receivables due from customers | | 310 | 11 | 1,794 | 611 | 3,972 | 4,441 | – | 11,139 |
| Mortgage receivables | | – | – | – | 0 | – | – | – | 0 |
| Financial assets | | 1,246 | – | 2,014 | 5,757 | 33,083 | 17,096 | – | 59,196 |
| **Total current assets** | **31.12.2014** | **43,510** | **11** | **4,957** | **6,904** | **39,095** | **22,462** | – | **116,939** |
| | 31.12.2013 | 40,217 | 8 | 9,997 | 6,494 | 36,250 | 20,430 | – | 113,396 |

Liabilities
by type and term to maturity

| CHF million, as at 31.12.2014 and 31.12.2013 | | On demand | Callable | up to 3 months | 4 to 12 months | 1 to 5 years | over 5 years | Immobilized | Total |
|---|---|---|---|---|---|---|---|---|---|
| Amounts due to banks | | 2,788 | – | – | – | – | – | – | 2,788 |
| Amounts due to customers as savings and investments | | – | 43,241 | – | – | – | – | – | 43,241 |
| Other amounts due to customers | | 66,870 | – | – | – | – | – | – | 66,870 |
| Medium-term notes | | – | – | 8 | 13 | 62 | 72 | – | 155 |
| **Total liabilities** | **31.12.2014** | **69,658** | **43,241** | **8** | **13** | **62** | **72** | **–** | **113,054** |
| | 31.12.2013 | 66,912 | 42,585 | 22 | 46 | 74 | 21 | – | 109,660 |

## 16 | Receivables due from and amounts due to affiliates and credits to governing bodies

### Affiliates and credits to governing bodies

Associated companies and subsidiaries that are under the direct or indirect management of associated companies are regarded as affiliates. All transactions between PostFinance and affiliates were carried out at standard market conditions.

Receivables due from and amounts due to affiliates

as at 31.12.2013 and 31.12.2014
CHF million

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Receivables due from affiliates | 6 | 26 |
| Amounts due to affiliates | 577 | 439 |

Credits to governing bodies are all amounts owed to PostFinance by members of the Executive Board and the Board of Directors of PostFinance or the auditors of PostFinance as well as all amounts owed by Executive Management and members of the Board of Directors of Swiss Post Ltd. This definition also includes persons controlled by members of the governing bodies.

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

### Related parties

Transactions (such as securities transactions, payment transactions, lending facilities 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 Ltd), 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.

## 17 | Domestic and international balance sheet

| Domestic and international balance sheet | 31.12.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| CHF million | Domestic | International | Domestic | International |
| **Assets** | | | | |
| Cash and cash equivalents | 41,723 | 23 | 39,090 | 24 |
| Receivables due from banks | 4,003 | 855 | 3,546 | 6,387 |
| Receivables due from customers | 11,136 | 3 | 9,893 | 1 |
| Mortgage receivables | 0 | – | 1 | – |
| Financial assets | 28,917 | 30,279 | 23,041 | 31,413 |
| Investments | 44 | 4 | 10 | 4 |
| Property, plant and equipment | 1,027 | – | 954 | – |
| Intangible assets | 1,600 | – | 1,800 | – |
| Prepaid expenses and deferred income | 367 | 315 | 367 | 353 |
| Other assets | 145 | 5 | 95 | 39 |
| **Total assets** | **88,962** | **31,484** | **78,797** | **38,221** |
| **Equity and liabilities** | | | | |
| Amounts due to banks | 2,684 | 104 | 2,274 | 106 |
| Amounts due to customers as savings and investments | 41,562 | 1,679 | 41,016 | 1,569 |
| Other amounts due to customers | 64,779 | 2,091 | 62,737 | 1,797 |
| Medium-term notes | 152 | 3 | 161 | – |
| Prepaid expenses and deferred income | 122 | 0 | 173 | 0 |
| Other liabilities | 181 | 26 | 133 | 4 |
| Value adjustments and provisions | 189 | – | 101 | – |
| Share capital | 2,000 | – | 2,000 | – |
| General statutory reserves | 4,682 | – | 4,682 | – |
| Profit carried forward | 25 | – | – | – |
| Profit for the year | 167 | – | 265 | – |
| **Total equity and liabilities** | **116,543** | **3,903** | **113,542** | **3,476** |

## 18 | Assets by country / group of countries

| Assets by country / group of countries | 31.12.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| CHF million, percent | Absolute | Share in % | Absolute | Share in % |
| **Assets** | | | | |
| Switzerland | 88,962 | 73.9 | 78,796 | 67.3 |
| Europe | 25,714 | 21.3 | 33,434 | 28.6 |
| North America | 3,135 | 2.6 | 2,783 | 2.4 |
| Other countries | 2,635 | 2.2 | 2,005 | 1.7 |
| **Total assets** | **120,446** | **100.0** | **117,018** | **100.0** |

## 19 | Balance sheet by currency

Balance sheet by currency

| as at 31.12.2014<br>CHF million | CHF | EUR | USD | GBP | JPY | Others | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 41,581 | 165 | – | – | – | – | 41,746 |
| Receivables due from banks | 4,123 | 99 | 586 | 2 | 36 | 12 | 4,858 |
| Receivables due from customers | 11,126 | 13 | 0 | 0 | 0 | 0 | 11,139 |
| Mortgage receivables | 0 | – | – | – | – | – | 0 |
| Financial assets | 55,303 | 2,570 | 1,104 | 88 | 50 | 81 | 59,196 |
| Investments | 44 | 4 | – | – | – | 0 | 48 |
| Property, plant and equipment | 1,027 | – | – | – | – | – | 1,027 |
| Intangible assets | 1,600 | – | – | – | – | – | 1,600 |
| Prepaid expenses and deferred income | 645 | 34 | 3 | – | – | – | 682 |
| Other assets | 148 | 0 | 0 | 1 | 0 | 1 | 150 |
| **Total balance sheet assets** | **115,597** | **2,885** | **1,693** | **91** | **86** | **94** | **120,446** |
| Delivery claims from foreign exchange transactions | 2,021 | 366 | 70 | 35 | 0 | 34 | 2,526 |
| **Total assets** | **117,618** | **3,251** | **1,763** | **126** | **86** | **128** | **122,972** |
| **Equity and liabilities** | | | | | | | |
| Amounts due to banks | 2,655 | 96 | 2 | 1 | 30 | 4 | 2,788 |
| Amounts due to customers as savings and investments | 42,185 | 1,056 | – | – | – | – | 43,241 |
| Other amounts due to customers | 64,588 | 1,430 | 782 | 34 | 6 | 30 | 66,870 |
| Medium-term notes | 150 | 5 | – | – | – | – | 155 |
| Prepaid expenses and deferred income | 122 | 0 | – | – | – | – | 122 |
| Other liabilities | 207 | – | 0 | – | – | – | 207 |
| Value adjustments and provisions | 189 | – | – | – | – | – | 189 |
| Share capital | 2,000 | – | – | – | – | – | 2,000 |
| General statutory reserves | 4,682 | – | – | – | – | – | 4,682 |
| Profit carried forward | 25 | – | – | – | – | – | 25 |
| Profit for the year | 167 | – | – | – | – | – | 167 |
| **Total balance sheet equity and liabilities** | **116,970** | **2,587** | **784** | **35** | **36** | **34** | **120,446** |
| Delivery obligations from foreign exchange transactions | 723 | 613 | 1,004 | 82 | 64 | 85 | 2,571 |
| **Total equity and liabilities** | **117,693** | **3,200** | **1,788** | **117** | **100** | **119** | **123,017** |
| **Net position per currency as at 31.12.2014** | **–75** | **51** | **–25** | **9** | **–14** | **9** | **–45** |
| Net position per currency as at 31.12.2013 | 15 | –2 | 60 | 68 | – | 16 | 157 |

## Information regarding off-balance sheet transactions

### 20 | Open derivative financial instruments

| Open derivative financial instruments as at 31.12.2014 CHF million | | Trading instruments | | | Hedging instruments | | |
|---|---|---|---|---|---|---|---|
| | | Positive fair values | Negative fair values | Contract volume | Positive fair values | Negative fair values | Contract volume |
| **Interest-bearing instruments** | | | | | | | |
| Interest rate swaps (IRS) | | – | – | – | 2 | 117 | 3,857 |
| **Foreign currencies / precious metals** | | | | | | | |
| Forward contracts | | 3 | 3 | 867 | 0 | 35 | 1,209 |
| Cross currency interest rate swaps (CCIRS) | | – | – | – | – | 19 | 449 |
| **Total open derivative financial instruments** | | **3** | **3** | **867** | **2** | **171** | **5,515** |
| before consideration of netting contracts | 31.12.2014 | 3 | 3 | 867 | 2 | 171 | 5,515 |
| | 31.12.2013 | 5 | 4 | 787 | 91 | 16 | 4,517 |
| after consideration of netting contracts | 31.12.2014 | 3 | 3 | 867 | 2 | 171 | 5,515 |
| | 31.12.2013 | 5 | 4 | 787 | 91 | 16 | 4,517 |

# Information regarding the income statement

## 21 | Net trading income

Net trading income

| CHF million | 2014 | 2013 |
|---|---|---|
| Trade in foreign currencies and foreign notes and coins | 166 | 158 |
| Trade in interest rate derivatives | 0 | 0 |
| Trade in securities | – | – |
| Trade in precious metals [1] | – | – |
| **Net trading income** | **166** | **158** |

1 PostFinance does not trade in precious metals.

## 22 | Staff costs

Staff costs

| CHF million | 2014 | 2013 |
|---|---|---|
| Salaries and benefits (incl. attendance fees and indemnities to bank authorities) | 368 | 369 |
| Social security benefits | 36 | 37 |
| Contributions to employee benefits institutions | 34 | 47 |
| Other staff costs | 20 | 18 |
| **Total staff costs** | **458** | **471** |

## 23 | Non-staff costs

Non-staff costs

| CHF million | 2014 | 2013 |
|---|---|---|
| Premises and energy costs | 58 | 57 |
| Expenses for IT, machinery, furniture, vehicles and other facilities | 189 | 152 |
| Other operating expenses | 262 | 261 |
| **Total non-staff costs** | **509** | **470** |

## 24 | Extraordinary income and extraordinary expenses

Extraordinary income

| CHF million | 2014 | 2013 |
|---|---|---|
| Reversal of impairment | 7 | 71 |
| Other extraordinary income | – | 0 |
| **Total extraordinary income** | **7** | **71** |

Extraordinary expenses

| CHF million | 2014 | 2013 |
|---|---|---|
| Losses on the sale of assets | – | – |
| Other extraordinary expenses | – | – |
| **Total extraordinary expenses** | **–** | **–** |

The rating structure and credit spreads were the main reasons for the recognition and reversal of portfolio impairment charges. Due to trends on the financial markets, fewer previously incurred general impairment charges could be recognized in profit or loss in 2014 than in the previous year.

## 25 | Taxes

Tax expenses for corporate income tax and taxes on capital stood at 43 million francs (previous year: 79 million francs). A tax rate of 20.5 percent (previous year: 22 percent) was used for calculating corporate income tax.

# Report of the Statutory Auditor to the General Meeting of PostFinance Ltd, Berne

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of PostFinance AG, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 154 to 180) for the year ended 31 December 2014.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions governing the preparation of financial statements for banks, the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for banks and comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

**KPMG AG**

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| Ertugrul Tüfekçi | Jakub Pesek |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

Berne, 27 February 2015