



For all your daily financial needs
Annual Report 2013

PostFinance 



COMPANY PROFILE

Our strategy and objectives

PostFinance is one of Switzerland's leading financial institutions and, as the number one for payment transactions, ensures a seamless daily flow of liquidity. With simple, straightforward services, we are the ideal partner for all customers who manage their own finances. On request, we advise private and business customers personally. For demanding business customers, we offer tailored solutions along the value chain.

Our customers

Whether private individuals, small and medium-sized enterprises, large companies or associations – we always meet our customers on their level. They appreciate the straightforward relationship with us, our numerous points of contact and our attractively priced, user-friendly services.

Our services

Whether in payments, savings, investments, retirement planning or financing – we offer our customers everything to meet their daily financial needs, including transparent products at attractive conditions, some of which are provided in cooperation with established partners.

Our performance

Key figures		2013
Finances (as per Group IFRS guidelines)		
Operating profit (EBIT)	CHF million	719
Earnings before tax (EBT) ¹	CHF million	856
Total assets	CHF million	115,193
Return on equity ²	%	17.5
Cost-income ratio	%	56.3
Inflow of new money and customer assets		
Inflow of new money ³	CHF million	4,256
Customer assets	CHF million cum. Ø	112,036
Customers		
Private customers	In thousands	2,582
Business customers (including banks & agencies)	In thousands	306
E-finance users	In thousands	1,546
Customer satisfaction: private customers	Index	85
Customer satisfaction: business customers	Index	83
Accounts		
Private and business accounts	In thousands	3,043
E-savings and savings accounts	In thousands	1,585
Transactions		
Transactions	In millions	965
Staff		
Average headcount	Full-time equivalents	3,432
Employee satisfaction	Index	78

¹ Incl. one-off financial profit of CHF 145 million from sale of equity investment in Swiss Post Real Estate Ltd

² Return on equity = earnings before tax (EBT) as per Group IFRS guidelines/average eligible equity capital as per BAG

³ New method of calculating inflow of new money from 1.1.2013

Our conviction

Whatever the concerns of our customers or their financial situation, we always support them fairly and in partnership. We speak their language and understand their needs. We keep our promises, and we act fast and authoritatively.

Our legal status and management

Since June 2013, PostFinance has been a public limited company under private law and, as a subsidiary, is wholly owned by Swiss Post Ltd. PostFinance Ltd is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA) and has a licence in accordance with the Banking Act and Stock Exchange Act. The Board of Directors is the highest official body within PostFinance Ltd. Operational management is the responsibility of the Executive Board.

Our organization



* Member of the Executive Board

Surpassing support

PostFinance is always breaking new ground – and has been doing so for over 100 years. Swiss Post's former "postal cheque and giro service" has become a successful retail finance institution with a comprehensive range of services. Today, PostFinance is a leading Swiss financial institution. With a sense of proportion and fairness, PostFinance intends to remain at the forefront in the future.



856 million

Earnings before tax (EBT) rose by 237 million francs year-on-year.



106 billion

francs represents the level of **average customer deposits**.



2.9 million

customers place their trust in PostFinance to meet their daily financial needs.



1.5 million

users manage their finances with **e-finance**.



965 million

transactions were processed by PostFinance at home and abroad in 2013.



3,432

full-time equivalents or around 4,000 employees work daily to serve our customers.

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PostFinance is and will remain the bank of choice for customers who manage their own finances.



FOREWORD

Rolf Watter, Chairman of the Board of Directors
Hansruedi K  ng, Chief Executive Officer

Dear Reader

We are proud to present the first independent annual report of PostFinance Ltd, detailing the achievements of the past year. A new era began for us in 2013: on 26 June 2013, PostFinance became a legal entity in its own right as a public limited company under private law wholly owned by Swiss Post Ltd. At the same time, PostFinance received a banking licence and became subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA). PostFinance now has a legal form and a regulator that reflect its true importance as one of Switzerland's leading retail financial institutions.

The new era got off to a successful start: PostFinance now has its own Board of Directors, which is responsible for the strategic direction of the company. The new management team with the Executive Board and the Board of Directors has been established, the recently devised processes are in place, and staff have moved into the brand new headquarters in Berne. PostFinance is now one of the largest retail banks in Switzerland. We have 2.9 million customers and manage customer assets totalling 112 billion francs. With 965 million transactions processed for the year, we are Switzerland's number one for payment transactions. We closed our first financial year as PostFinance Ltd with operating

profit (EBIT) of 719 million francs (previous year: 625 million francs) and earnings before tax (EBT) of 856 million francs (previous year: 619 million francs) in accordance with International Financial Reporting Standards (IFRS). We are very satisfied with this result.

PostFinance Ltd is well capitalized. We have an AA+ rating from Standard & Poor's and already meet the new Basel III capital and liquidity requirements. Our company will remain a healthy financial institution with a stable business in the future. We will continue to invest customer deposits in secure, long-term, high-quality investments.

PostFinance has expanded exceptionally quickly since 2000. The number of employees has doubled to 4,000 full-time equivalents, and customer assets have grown five-fold to 112 billion francs. Our company is now entering a phase of consolidation: we intend to develop our business consistently in order to provide even better service to our customers. PostFinance is and will remain the number one for payment transactions and the financial institution of choice for customers who manage their own finances. The degree of independence varies across customer segments, which is why we offer major customers and banks tailored solutions that fit smoothly into their processes. Our strengths lie in simple, straightforward financial products and an excellent

range of digital services. We also aim to make it as easy as possible for customers to reach us.

As part of the Group, we will continue to use Swiss Post's services and infrastructure, such as the post office network, and coordinate our processes. To this end we maintain close relationships and regular contact at all levels. This begins at the top in the highest official body: Swiss Post is represented on our Board of Directors with four members.

We would like to thank our customers for the confidence they have shown in us. On behalf of the Board of Directors and the Executive Board, we would also like to say a big thank you to all of PostFinance's managers and employees for this good result. We appreciate their enthusiasm and passion for their work and are counting on their continued commitment in the coming year.



Rolf Watter
Chairman of the
Board of Directors



Hansruedi Kög
Chief Executive
Officer

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We will continue to pursue our investment policy in full awareness of the risks.

Hansruedi K  ng



INTERVIEW

with Rolf Watter, Chairman of the Board of Directors and Hansruedi K  ng, Chief Executive Officer

Mr K  ng, interest rates are at a historic low. What does that mean for PostFinance?
 Hansruedi K  ng: Low interest rates are a big challenge for PostFinance as net interest income accounts for around two-thirds of our operating income. Net interest income only remained stable in 2013 because we were able to offset declining margins with an appreciation in the value of securities in the investment portfolio. However, if the interest rates on the financial markets remain low, this will no longer suffice, particularly given that many existing investments entered into at better conditions are coming to the end of their terms and we will only be able to reinvest the funds at significantly lower interest rates. This is why we have already had to reduce interest rates on customer assets. But to remain successful, we must also explore other business areas and sources of revenue.

Will this change PostFinance's investment policy?

Hansruedi K  ng: We will continue to pursue our investment policy in full awareness of the risks. Our investments are primarily in the public and government-related sectors, especially in Switzerland, and in corporate bonds with good ratings. We remain very conscious of quality and security in our investments, but that also means that we have to accept correspondingly low margins.

Mr Watter, PostFinance is considered well capitalized. What does that mean exactly?

Rolf Watter: First and foremost, a well-capitalized financial institution means a high level of security for its customers. According to the Swiss Financial Market Supervisory Authority FINMA, a bank such as

PostFinance must underlay its risk-weighted assets with equity of between 13.6 and 14.4 percent. With a ratio of over 20 percent, we fulfil this requirement with a comfortable safety margin. The rating agency Standard & Poor's has given us an AA+ rating. Thanks to its strong capitalization and earnings, PostFinance has been able pay a substantial dividend of 240 million francs to its parent, Swiss Post.

PostFinance has decided to join the programme to settle the tax dispute with the US. What does this mean?

Rolf Watter: PostFinance welcomes the opportunity to settle the past issues of the Swiss financial centre with the United States. For us, it quickly became clear that we would participate in the programme to settle the tax dispute with the US. The more difficult decision involved choosing which category PostFinance should belong to. At the moment, there are still many uncertainties regarding the interpretation of due diligence in the different categories. As a precaution, we have registered for category

two, in order to minimize the risk of coming into conflict with foreign authorities. We do however reserve the right to switch to category three at a later date.

From 2014, Europe will be migrating its payment transactions to SEPA in aiming to create a single European payments area. What does that mean for PostFinance?

Hansruedi Köng: When it comes to the standardization or adaptation of standards, PostFinance always plays a significant role. Since 2010, we have been working together with the other banks on the future of Swiss payment transactions. A working group has analysed the current standards and formats for transfers, direct debits and payment slips, and examined the options for harmonization with the European payments area. It is already clear that the Swiss credit transfer system will be fully harmonized in the next few years and largely in line with European standards. PostFinance will adapt its Debit Direct procedure to meet European standards. The red and orange in-payment slips currently in use will be replaced

by a new uniform slip with a QR code. SEPA will simplify payment transactions for our customers in the long term.

Besides standardizing payment transactions, PostFinance is also replacing its core banking system. Is it really possible to manage two such extensive IT projects at the same time?

Hansruedi Köng: We believe it is. Given that both systems are closely linked, it makes sense to implement the two projects at the same time. The current core banking system for account management and payment transactions was developed in 1993. While it still works perfectly, maintenance and development are becoming increasingly complex. Handling the changes in payment transactions on our existing core banking system would require extensive adjustments to be made. This is why it is the ideal time to replace the system. The new core banking system and the standardization of payment transactions are important elements in the implementation of our strategy. That is why more than 120 internal and external



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Since 2010, PostFinance has been working together with other banks on the future of Swiss payment transactions.

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We want to make it as easy as possible for customers to manage their money.

staff are working hard to ensure the timely completion of both major projects, and making targeted use of synergies.

How does PostFinance intend to develop its business?

Hansruedi K  ng: We are the financial institution for customers who want to manage their own finances, and we want to make it as easy as possible for them to do so. The degree of independence varies across customer segments, which is why we offer major customers and banks tailored solutions. With around 1.5 million e-finance customers, we are the number one in Swiss e-banking. Our app has also been a success story with 462,000 downloads. As we develop, we respond to the growing mobility of our customers. Many of them want to do their banking transactions wherever they are and whenever it suits them – while on the go, electronically, without cash or con-

tactless. With this in mind, PostFinance is making traditional banking services available digitally.

Can you give us any current examples?

Hansruedi K  ng: In about two years, we will launch the PostFinance Card with a radio chip, which enables contactless payment. Up to now, contactless debit cards have not been available in Switzerland. Thanks to the radio chip, all customers have to do is hold the card briefly to the terminal to pay for their goods and charge the amount directly to their postal account – with or without PIN entry, depending on the amount involved. The new contactless PostFinance Card is particularly suitable for paying small amounts for purchases at major retailers or at kiosks and take-away restaurants. We are also considering the introduction of a digital wallet. For business customers, we are developing services in e-commerce and along their own value chain. And with professional working capital management, we help companies to improve their cash flow and make the best possible use of their internal financing options.

Mr Watter, how do you see the future of PostFinance?

Rolf Watter: PostFinance will still be a very important retail financial institution five years from now. We will continue to focus on our core business of payments and savings, while supplementing it with products for investments, retirement planning and financing. In doing so, our focus remains on long-term partnerships and the latest IT systems. This will take us some way closer to our vision of making it as easy as possible for customers to manage their money. We will also see new developments in the digital world: many new providers, including non-banks like Google, Apple and PayPal are joining the market with online payment systems that will compete with us in payment transactions. We will need to be ready for such competition and respond accordingly. As has been the case up until now, we will not conduct activities in traditional private and investment banking going forward. This type of banking does not fit into PostFinance's business model.



Business performance

In 2013, PostFinance generated operating profit (EBIT) of 719 million francs and earnings before tax (EBT) of 856 million francs → [Page 9](#). PostFinance has a healthy capital base and obtained a very high rating from the rating agency → [Page 9](#). Whether in payments, savings or retirement planning – PostFinance offers customers everything to meet their financial needs → [Page 10](#). To allow large companies to create financial flexibility, PostFinance supports them with working capital management → [Page 15](#).



5 billion

francs in eligible equity capital meets the requirements of Basel III.



20.7%

equity ratio with comfortable safety margin



17.5%

return on equity shows that PostFinance is a good investment for its owner.



115 billion

francs in total assets. That is 0.5 billion francs more than the previous year.



4.3 billion

The inflow of new money highlights the confidence customers place in PostFinance.



56.3%

The cost-income ratio shows that PostFinance operates very efficiently.

PostFinance remains on course for success

PostFinance is one of Switzerland's leading financial institutions and, as the number one for payment transactions, ensures a seamless flow of liquidity. It is the ideal partner for anyone who manages their own finances. Whether in payments, savings, investments, retirement planning or financing – PostFinance offers its private and business customers straightforward products at attractive conditions. PostFinance offers large business customers tailored solutions along the entire value chain.



Solid
financial results

KEY FIGURES

719 m

francs in operating profit
(EBIT)

856 m

francs in earnings before
tax (EBT)

56.3%

Cost-income ratio

112 bn

francs in customer assets

RESULT

Successful launch as a public
limited company

PostFinance generated operating profit (EBIT) of 719 million francs and earnings before tax (EBT) of 856 million francs in its first year as a public limited company.

Despite difficult conditions on the financial markets, the PostFinance annual financial statements (in accordance with Group IFRS guidelines) indicate a very good result. The company achieved operating profit (EBIT) of 719 million francs (+94 million francs) and earnings before tax (EBT) of 856 million francs (+237 million francs). The positive financial performance reflects the high level of confidence that our customers have in our products and services, our sustainable investment and risk policy, and our prudent cost management.

Historically low interest rates on the financial markets led to a downturn in margins in PostFinance's interest differential business. By contrast, commission and service income fared well. Thanks to a careful, ongoing cost review, PostFinance's cost-income ratio improved year-on-year by three percentage points to 56.3 per-

cent. PostFinance recorded a one-off financial profit of 145 million francs from the sale of its equity investment in Swiss Post Real Estate Ltd to Swiss Post Ltd.

In 2013 PostFinance recorded a new money inflow of 4.3 billion francs, taking customer assets entrusted to it to 112 billion francs. In total, PostFinance handled 965 million payment transactions for its customers (previous year: 932 million transactions). Our customers use our straightforward, user-friendly products and services frequently, as reflected in the sales and volume figures for commission and service income.



Hansruedi Kög, Chief Executive Officer on the annual result [film]



The rating agency Standard & Poor's gave PostFinance an excellent AA+ rating in 2013.

Kurt Fuchs,
Head of Finance

EQUITY BASE

Well capitalized

FINMA classifies PostFinance as a "very significant market participant" in bank category two. Financial institutions in this category must have an equity ratio of between 13.6 and 14.4 percent. With a ratio of 20.7 percent, PostFinance complies with the strict requirements of Basel III, in terms of both the amount and the composition of the equity.

STRATEGY AND OBJECTIVES

For all your daily financial needs

PostFinance is equally committed to all of its customers: the young and the elderly, customers with large and with small assets, young entrepreneurs and established companies. It supports its customers, whatever their personal concerns, treating all as equals, honestly, fairly and in partnership.

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We keep our promises, and we act fast and authoritatively.

Peter Lacher,
Head of Operations

Whether in payments, savings, investments, retirement planning or financing – PostFinance offers its customers everything to meet their daily financial needs, including straightforward, transparent products at attractive conditions and with easy contact. PostFinance is the ideal partner for all customers who want to manage their own finances.

Honestly, fairly and in partnership

Whatever the concerns of our customers or their financial situation, PostFinance always meets them on their level. Our employees speak their language and understand what they need. PostFinance treats all matters quickly, authoritatively and in an uncomplicated manner, helping customers to achieve their private and business objectives.

PostFinance advises business customers in person at their premises, taking the pressure off with a comprehensive range of services for payment transactions and cash management. For major customers, PostFinance develops individual solutions based on their value chain. Together with other Swiss Post units, PostFinance aims to increase the support it provides to major companies in the efficient use of their capital (working capital management, see page 15).

There for its customers

PostFinance is there for its customers 24 hours a day, seven days a week. Simple financial transactions can be made using the digital contact points, the Contact Center and post offices. PostFinance offers more comprehensive consultations at 44 branches. It also advises business customers in person at their premises.

Outlook

PostFinance wants to remain number one for payment transactions and continue its growth. To ensure that its customers can take care of their financial transactions even more easily and at any time of the night or day, PostFinance is consistently expanding its digital services and products and developing new services along the customer's value chain.

REGULATORY FRAMEWORK

PostFinance Ltd under banking supervision

Since June, PostFinance has been a public limited company under private law. The conversion took place in the context of the revision of postal legislation. It was necessary to meet the requirements of the Swiss Financial Market Supervisory Authority (FINMA) and to receive the banking licence. PostFinance Ltd is wholly owned by Swiss Post Ltd, which in turn is 100 percent owned by the Confederation.

Under the new postal legislation, PostFinance continues to be responsible for the universal service in Switzerland with services in payment transactions. To provide these services, it works closely with Post CH Ltd.



INTERVIEW WITH ARMIN BRUN

“New services need to be better, faster and cheaper”

PostFinance is expanding its range of digital services for mobile customers. The new solutions need to be simple and practical. There are 670 customer advisors available to assist with complex questions.



The benefits of new services must be immediately recognizable.

Armin Brun,
Head of Marketing

Why is PostFinance expanding its range of digital services?

In the past, the customer advisor was the key to the customer. That is no longer the case today. Many customers are themselves very well informed and want to manage their own finances. For payments or balance queries, for example, contact with a customer advisor does not add any value. And customers want to manage their money when it suits them: while on the train or late in the evening at home. Incidentally, the same applies to more and more entrepreneurs. In other words, our business customers, who want to take care of their finances as efficiently as possible so that they can focus on their business.

How do customers use the digital services?

E-finance has been around for 15 years. Today, it is used by more than 1.5 million customers. The system is well established. The same goes for e-trading. The PostFinance App has already been downloaded more than 462,000 times. Since the existing services are very good, new services need to be better, cheaper and faster. Customers want to see the benefits immediately. However, it takes years for a new service to become standard for the general public.

With the expansion of online and mobile financial services, the requirements for digital security are also increasing. What measures does PostFinance take with regard to security?

In fact, PostFinance does a lot in terms of security, and relies on the latest technology to do so. But security needs to be considered in terms of convenience: while access must be secure, it must also be simple and practical. The card reader for logging into e-finance, for example, is very secure, but some people find it compli-

cated. Logging in from a mobile phone is much easier and, with the certificate on the SIM card, just as secure.

Which digital services is PostFinance planning for the future?

In two or three years, we will have the digital wallet – the electronic wallet in your mobile phone. And in the same way that a wallet is used to hold more than money, PostFinance also wants to embed things like ID cards and shopping lists in the digital wallet. In the future, even house keys could be integrated. You can already buy virtual goods in our apps: we are continually expanding the range with credit for iTunes, the paysafecard and Nintendo. More digital goods of this type from major partners are set to follow. Beyond that, we will continue to expand personal finance management solutions such as e-cockpit in order to provide customers with more security when dealing with money. With e-cockpit, customers have their spending under control, and know how much they have left over for savings or retirement planning at all times.

What services do you use yourself?

I was already using e-finance and e-trading before I started working at PostFinance. These days, I use e-moneybox to put aside money automatically while shopping, I use e-bill, and I particularly like the fast service feature in the PostFinance App – it's the quickest way to check the status of my accounts. E-cockpit has taught me a lot about my spending habits. At this point, there is not a single transaction left that is not categorized – I have an overview of my finances at all times.

DIGITAL SERVICES

Money management – simple, online and mobile

Smartphones and tablets are everywhere: in Switzerland, more and more people use mobile devices. With this in mind, PostFinance is focusing on easy access to electronic services and continually expanding its app.

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Our digital services must be so good that customers want to make PostFinance their main bank.

Thierry Kneissler,
Head of Corporate Center

Quickly check your account balance while on the move, view your account transactions, transfer small amounts or top up talktime credit for yourself and the children. You can do all this and much more with the PostFinance App for iPhone and Android, and now also for the iPad. For smartphones and iPads with a camera, the Scan + Pay function is also available. This allows you to scan inpayment slips and release them directly for payment. With the app for the iPad, PostFinance is gathering information for tablet applications. The PostFinance App has already been downloaded more than 462,000 times. PostFinance is expecting an increase in the number of downloads.

Buy iTunes vouchers via the app

Customers can now top up their iTunes credit anytime and anywhere with the PostFinance App. The amount is debited directly from customers' own postal accounts. To use this service you need a private account, an iTunes account, the PostFinance App installed on your mobile device, and to register once only for the PostFinance Mobile fast service. With this service, PostFinance has launched yet another innovation in mobile payment transactions, marking the first time it has sold digital goods in the app.

E-finance: log in directly with your mobile

Need to make a quick payment at the office, but forgot the card reader at home? It's no longer a problem as you can now log in from your mobile phone. Working together with Swisscom, PostFinance has developed a secure, simple login without a card reader as a supplement to the conventional method for when you're on the go. This requires a new SIM card with Swisscom Mobile ID. The secret key is stored encoded on the SIM card and protected by a personal PIN. The data transmitted between your phone and the server is also encrypted.

In 1998, PostFinance launched the electronic payments system, becoming number one for Swiss payment transactions. Today, e-finance has 1.5 million users.

→ www.postfinance.ch/e-finance





1 – PostFinance digital services are accessible anywhere.

2 – Quickly check your account balance while on the move, transfer money or top up your talktime credit. It's possible with the PostFinance App.

„ —
We will continue
to invest heavily
in new products.

Hansruedi Kög,
Chief Executive Officer



E-moneybox [film]



E-cockpit [film]



Online payment solution
in simple terms
[film]

Keep your finances under control with e-cockpit

E-cockpit gives e-finance users a more detailed insight into their income and expenses. The system divides income and expenses into categories such as leisure, rent, food, car, etc., and presents them clearly. It can also be used to easily create budgets or set savings goals. If a goal is reached or exceeded, the user can be notified by SMS or e-mail.

→ www.postfinance.ch/e-cockpit
→ QR code

Play the stock markets

With mobile e-trading, customers can trade on the world's major stock exchanges anytime and anywhere, and track prices on the SIX Swiss Exchange and Scoach in real time, so they're always up to date with the situation on the markets and can buy or sell securities. The Watch-list and Alarming functions can be used to track specific securities. If the share price reaches the specified limit, the customer automatically receives a message. Mobile access is possible via the PostFinance App for iPhone and Android smartphones, or via a mobile browser.

→ www.postfinance.ch/e-trading

Feed the piggy bank electronically

Do you want to pay for purchases with the PostFinance Card and set aside money automatically? That's exactly what you can do with e-moneybox. In e-finance, customers specify whether they want to round up their purchases to the nearest franc or the nearest 10 francs, and the excess amounts immediately start filling the virtual moneybox. The e-moneybox is emptied once a month and the amount credited to the designated account. The accumulated amounts can be viewed in e-finance.

→ www.postfinance.ch/e-moneybox
→ QR code

Benefit for free

With the exception of login with the PostFinance ID displaycard and the use of Swisscom Mobile ID, the digital services in the app and on the Internet are free. Customers benefit because they save time, take care of their finances whenever and wherever it suits them, and maintain an overview at all times, allowing them to make better decisions.

E-COMMERCE

Payment collection in online shops

Simple, fast and secure shopping in online shops is all possible thanks to PostFinance's e-payment solutions, which allow shop operators to handle payment collection efficiently and reliably, eliminating time-consuming tasks such as issuing invoices. Depending on the size of the shop and the number of payments handled, three different options are available with over 20 of the world's most common payment methods. PostFinance's platform is PCI certified, works with maximum security and is easy to integrate into any shop solution.

→ www.postfinance.ch/e-payment
→ QR code



INTERVIEW WITH SYLVIE MEYER

“It’s the quality of service that makes the difference”

PostFinance sets itself apart with its consistent focus on service. Customers benefit because PostFinance not only aims to meet their expectations – it wants to exceed them.



We aim to exceed our customers’ expectations and surprise them in a positive way.

Sylvie Meyer,
Head of Distribution

Why does PostFinance focus on service excellence?

I am convinced that we set ourselves apart from our competitors in the standardized retail banking sector through our service and its quality, regardless of the selected contact channel. Customers have clear expectations about the service they expect from a company. If their expectations are not met, they become dissatisfied. This ultimately decides whether they discontinue the business relationship or remain loyal to us over many years. With service excellence, we surprise our customers in a positive way by anticipating their needs and expectations, and even exceeding them. Satisfied customers recommend PostFinance and our services to others.

What is PostFinance specifically doing to exceed the expectations of customers?

Our service model is based on the preferences of our customers. Our customers choose their preferred point of contact themselves. We work out their needs and expectations through the channel that suits them – on the phone, in e-finance, at the premises of business customers, or at a branch office, allowing their contacts at PostFinance to see things from the customer’s standpoint and assess what exactly they currently need.

Can you give us an example of this type of service in practice?

I recently accompanied a customer advisor on a visit to a business customer whose company had merged with another company. In the course of conversation, our customer advisor drew attention to the new signature policy, and pulled out the required forms, already prepared, from his briefcase. The customer’s response was relief and gratitude, because the PostFinance advisor had presented him with a solution to a pending problem on his own initiative.

How does PostFinance convey a mindset of excellence to its employees?

The service mindset is rooted in our corporate culture and reflected in PostFinance’s values. We use these values to guide all our activities: even when recruiting new employees, we take care to ensure that they share our values and have this comprehensive understanding of service. Professional skills are relatively easy to develop. Without the proper attitude to service and quality, however, things can become difficult or even impossible. In addition, one of our managers’ main responsibilities is to set an example in terms of focus on the customer.



Satisfied customers

Customers particularly appreciate the simple, reliable services provided by PostFinance and perceive the financial institution as safe, trustworthy and fair. In total, 96 percent of private and business customers are satisfied, very satisfied or impressed with PostFinance’s products and services.

WORKING CAPITAL MANAGEMENT

More financial freedom thanks to working capital management

Many large companies tie up too much capital in work processes. With working capital management (WCM), PostFinance helps them to create financial flexibility by taking account of process-related and logistical aspects.

Too many goods in stock. Not issuing invoices until weeks after the service has been provided. Paying receivables too soon. Companies can quickly tie up anything up to a third more capital in work processes or products than is actually necessary. This is where PostFinance's integrated approach to working capital management comes in: it guides company decisions, processes and practices to ensure that as little non-interest bearing capital as possible is tied up in current assets. Warehouses should not be stocked with surplus inventory, customers should receive their invoices quickly, and liabilities with suppliers should be paid when the time is right. This allows companies to improve their liquidity and optimize cash flow. They also save money because improved processes save time. And they can use the freed-up capital for major new investments.

[AUSSENHANDEL.POSTFINANCE.CH](https://aussenhandel.postfinance.ch)

Exploiting potential in foreign trade

Working together with universities and industry partners, PostFinance has developed a web-based information and knowledge platform for all questions on foreign trade. At aussenhandel.postfinance.ch, interested business customers can find the latest news and studies, presented in a concise and easy-to-understand form. Useful tips and the xRisk tool are also available free of charge and help SMEs to exploit potential in foreign trade.

Here's how it works. A specialized Group-wide team of consultants analyses all areas of the business, such as accounts payable and receivable management, transport and inventory management and cash management, at the customer's premises. Using a tool developed jointly with the University of St. Gallen, key figures and processes are compared with those of relevant competitors. The solutions are modular: customers can completely outsource single or comprehensive process steps in their value chain to PostFinance and other Swiss Post units, from purchasing to transport, storage, financing, delivery, invoicing, payment processing and document and dialogue solutions.

→ QR code

Wander AG

In 2013, as part of a PostFinance initiative, Swiss Post conducted a comprehensive analysis for the food manufacturer Wander AG. Based on the benchmarks and analyses of the essential WCM drivers and processes, potential areas for optimization were identified. The options for action to optimize working capital and the related processes were discussed with the company and offered in a tailored solution package.



With our WCM solutions, companies improve their liquidity and optimize cash flow.

Adrian Brönnimann,
Head of Individual Customers



CONCORDIA

As part of the optimization of debtor-side payment transactions for CONCORDIA, Swiss Post replaced paper-based notifications with electronic delivery of documents. Individual solutions such as an e-archive with document splitting and cash pooling were also put into place.



Working capital management [film]



The new uniform slip has a QR code. This is better suited to smartphones than the current code line.



ISO 20022

refers to the international standard for electronic data exchange in the financial industry. It defines a uniform data format.

SEPA

stands for Single Euro Payments Area. Switzerland and over 30 other countries are members.

IBAN

stands for International Bank Account Number and is the international standard for presenting account numbers.

MIGRATION OF PAYMENT TRANSACTIONS

Harmonizing payment transactions in Switzerland

Payment transactions in Switzerland will be standardized over the next few years. As the number one for Swiss payment transactions, PostFinance is actively helping to shape the financial market.

Payment transactions are the core business of PostFinance – the centrepiece. PostFinance invests a lot of effort in providing reliable products at attractive conditions.

As a leading provider, PostFinance actively helps to design the structure of payment transactions in Switzerland. Today, there are around ten procedures and standards for credit transfers and direct debits in Switzerland, and at least seven different slip types. By 2018, these formats are to be converted in Switzerland to ISO 20022, and greatly simplified at the same time.

Uniform slip with QR code

In 2018, the new uniform slip will be launched and today's red and orange inpayment slips will become a thing of the past. By 2020 at the latest, there will be only one slip in circulation. This slip will include a QR code with all necessary information. The QR code will be more easily readable than the current code line and suitable for reading devices and smartphones. The QR code also includes all important payment information, such as recipient details and amount.

IBAN to replace postal account number

The procedure for credit transfers will be adapted to the SEPA rules and will be compulsory for all payment service providers in Switzerland.

The IBAN will be the sole primary identification feature. The current postal account number will no longer be used.

Procedures for direct debit to be unified

As of autumn 2018, current procedures for direct debits will be migrated. For the harmonization, PostFinance is using the European standard as a guideline (SEPA Direct Debit in EUR, standard ISO 20022). It will migrate the current Debit Direct to a solution for Swiss francs adjusted in line with these regulations.

Save time and reduce costs

Companies benefit from the standardized interfaces, formats, and the new uniform slip, and can further simplify and automate their payment transactions in Switzerland and abroad. ISO 20022 will lead to better data quality, lower error rates and reduce costs.

NEW POSTFINANCE CORE BANKING SYSTEM

Staying number one

PostFinance will modernize its core banking system over the next few years to maintain the quality of its services for its customers – with the goal of retaining the number one position in Swiss payment transactions. The core systems for account management and payment transactions were developed in 1993. By replacing them with new technical infrastructure, there will be a considerable reduction in the complexity of business and IT architecture. This will allow us to continue to handle payment transactions at low cost.



As a leading provider, PostFinance is actively helping to shape payment transactions in Switzerland.

Enrico Lardelli,
Head of Information Technology

Employees

PostFinance employs around 4,000 staff from 41 countries. Regardless of gender, age, language or origin, everyone benefits: flexible working time models and modern infrastructure → [Page 19](#), attractive development prospects → [Page 20](#), mixed teams at all levels → [Page 21](#) and an excellent health management programme which has been awarded the Friendly Work Space label → [Page 22](#).



3,432

employees (full-time equivalents) strive to achieve PostFinance's objectives each day.



39.5 years' old

is the **average age** of the company's 3,931 employees.



109,170

hours were invested by PostFinance in the **basic and advanced training** of its employees.



41

different nationalities ensure a diverse corporate culture at PostFinance.



27%

of women in management roles work **part-time**. For men, the rate is 11 percent.



30%

of **management positions** are held by **women**.

Focus on people

At PostFinance, the focus is on people: PostFinance offers a forward-looking work environment that serves as a successful model for life for men and women at every level of the organization. At PostFinance, people have a lively and genuine interest in their work. A wide range of development prospects support and promote their talents and ambitions.





INTERVIEW WITH NATHALIE BOURQUENOUD

“Scope for the best-possible development”

Individual working time models, changing project teams and working on the move call for flexibility from people and infrastructure alike. To accommodate these developments, the Work Environment department is setting the course for the future of PostFinance.

” —

Many employees feel more productive, more creative and more flexible.

Nathalie Bourquenoud,
Head of Work Environment

Ms Bourquenoud, your department is called “Work Environment”. Why exactly?

In addition to the traditional role of HR, we are responsible for an infrastructure that meets the demands of employees in a modern workplace. We consider the traditional responsibilities of HR and the development of staff, management and the organization, but also HR controlling and HR processes, to be at the core of our department. With us, the focus is on people. The core is supplemented by Facility Management, which provides the infrastructure that employees need to work. We try to consider all of the needs of our staff at work to ensure that we are prepared for the future.

And how does that future look?

Work practices will change considerably in the future. We will increasingly work in changing projects and virtual teams, the mobility of employees will continue to grow, and the process of digitization will advance. For these reasons, we have already introduced a largely paperless office in my department – a concept we are extending to the whole of PostFinance. Working only with the laptop makes sense from an environmental perspective. But these new work practices require the appropriate facilities. At Work Environment, we offer solutions for these challenges from a single source.

What solutions have you implemented at PostFinance’s new headquarters?

The design and furnishing of the space was very important to us. The new furniture allows employees to work in a variety of different sitting and standing positions. We also defined a num-

ber of different zones and furnished each of them differently. This allows us to meet the needs of employees in terms of sharing ideas, concentration and regeneration. Depending on the nature of the work, they can choose the most appropriate zone. We also make a significant contribution to enhancing PostFinance’s innovativeness by consciously encouraging creativity and the exchange of ideas with the new facilities and design.

The first big project taken on by Work Environment is to convert almost all jobs at PostFinance to the desk-sharing system – the non-personal workspace. How is this going down with staff?

We introduced the principle of desk-sharing in Work Environment as a pilot project some time ago. Some employees initially had trouble with the idea of no longer having their own personal workspace. At this point, however, the feedback has been overwhelmingly positive. Many employees feel more productive, more creative and more flexible thanks to desk-sharing. They mention that desk-sharing allows them to work together very easily in project teams, giving them an insight into the work of other departments. It also gives rise to spontaneous and productive meetings.



” —
I appreciate the opportunity to continue my development with each new role I assume.

Magali Defferrard,
Head of Contact Center
West Region

DEVELOPMENT PROSPECTS

With purpose and enthusiasm

Performance and passion are what make PostFinance successful. If you regard service provision as a personal mindset that you bring to your work with purpose and enthusiasm, you can achieve a lot at PostFinance. From specialist careers to management prospects, PostFinance offers numerous options for employees to develop. One example:

Since February 2012, Magali Defferrard has been head of the Region West Contact Center in Bulle, where 130 employees handle telephone and written enquiries about PostFinance services. Magali Defferrard started out in 1996 as a part-time employee doing administrative work. She was soon offered a position as a customer advisor. Shortly after that, she was again promoted – first to head of the new accounts team and later to head of the customer service

team. From 2007 to 2011 she worked as a branch manager in Fribourg, leading a team of 15 employees. Before taking over as head of the Contact Center in 2012, she worked for ten months in Berne in a management role in PostFinance Logistics, as part of a programme in which employees temporarily change functions.

“Although I came to PostFinance by chance, I am still here 17 years later at the age of 41”. At PostFinance she has enjoyed exemplary employment conditions and attractive career opportunities. In 2007, she took the initiative to earn the Federal Certificate in Management and Leadership. Again, she had the support of PostFinance. “Developing yourself, having the chance to work in very different roles within one and the same company, balancing one’s private and professional life – I see all of this as a unique opportunity. That’s why I’m still with PostFinance”.

EDUCATION

Well equipped for the future

With its commercial training in the banking sector, PostFinance offers young school-leavers an introduction to the multi-faceted world of work. Whether in payment transactions, customer support or product management, apprentices at PostFinance take on responsibilities early, getting to learn the fundamentals in the world of financial services. Each year, PostFinance provides apprenticeships for commercial bank employees in Berne, where the apprentices are trained in the profile E programme (extended basic commercial education) or in the profile M programme (basic commercial education with a vocational diploma). Budding IT and mediamatics technicians can also complete their practical training at PostFinance.

In addition, business people specializing in the area of “service and administration”, who complete a range of assignments in different Swiss Post units, can gain practical experience at PostFinance.

Beginning in 2014, PostFinance will also offer apprenticeships to young people to train as call center agents.

Good development prospects

Whether as professionals or graduates, PostFinance offers a wide range of career and development opportunities: Training as a commercial bank employee opens up roles in the Sales, Operations and Marketing units to apprenticeship graduates, as well as numerous attractive training opportunities in finance. University graduates in the trainee programme gain an insight into various specialist areas.

→ www.postfinance.ch/en/about/job/prof/rookie

Diversity
in practice

KEY FIGURES

30%

of management positions
are held by women.

27%

of women in management
roles work part-time.

11%

is the share for men.

DIVERSITY AND SELF-MARKETING

Diversity – actively promoted

PostFinance focuses on mixed teams at all levels of the organization to benefit from the diversity of experiences, ideas and opinions. Women are systematically supported with a self-marketing course.

At PostFinance, around 4,000 employees from 41 countries enjoy the same opportunities, regardless of gender, age, language or origin. All benefit from progressive working conditions and, depending on their role, working time models such as job sharing, part-time work or teleworking.

Added value thanks to mixed teams

PostFinance is committed to mixed teams at all levels. The blend of personalities, with their experiences, ideas and opinions, helps to ensure that PostFinance is successful, provides top quality services at all times, and can continue to develop them systematically. PostFinance continually encourages young professionals who are suited to management positions, assigning them responsibility and their first managerial functions at an early stage in their careers.

Women in management positions

PostFinance supports committed women employees and helps them to balance work and family commitments. Part-time working models for example are welcome, including in manage-

ment positions, and the principle of “same function, same base salary” is taken as read. The proportion of women is 54 percent, and 30 percent at management level. For a financial institution, these are very high numbers, which PostFinance wants to continue to expand. As a signatory of the UN Women’s Empowerment Principles, Swiss Post has committed itself to promoting the equality of women in the workplace in the long term. These principles are espoused equally by PostFinance. One specific measure is the self-marketing course, because expertise is just one of the components required for career advancement. Those seeking advancement must also showcase themselves and their skills, and develop their network of professional relationships. This is where the self-marketing tips come in. In the course, participants learn how to communicate their own skills professionally, sell their subjects successfully, accomplish their objectives convincingly, and leave a lasting positive impression.

” —

To get ahead professionally, women must proactively showcase their skills and develop their network of relationships.

Valérie Schelker,
Head of HR Strategy & Development



” —
PostFinance
systematically
encourages the
performance
of its employees.

Nathalie Bourquenoud,
Head of Work Environment

WORKPLACE HEALTH MANAGEMENT

Staying healthy at work and in your free time

Ergonomic office equipment, a non-smoking policy and suggestions for healthy eating and more daily exercise are second nature at PostFinance. For years, PostFinance has taken the lead in health, playing a pioneering role for which it has been awarded the Friendly Work Space label.

With an active health management programme, PostFinance maintains and promotes the motivation and performance of its employees. In this programme, PostFinance focuses on prevention, as well as absence and case management.

Prevention is better

PostFinance provides its employees with the best possible infrastructure, with modern workstations and high tables, as well as free water and fruit. PostFinance encourages exercise among its staff by sharing, for example, the subscription costs for selected gyms, or by supporting campaigns like “bike to work” and “Move for Health”. Meanwhile, those interested can take part in courses on topics such as resource management and work techniques.

For managers, PostFinance offers training and advice on various aspects of management and health. PostFinance does so as it believes that people in management roles have a major impact on the health of their employees. A good team atmosphere, a sense of appreciation and regular exchanges of ideas make it possible to recognize stress at an early stage and take appropriate action.

PostFinance cares

If someone is frequently absent, their line manager invites them in for a talk. Together, they try to work out whether anything in the workplace can be changed to improve the health of the employee. Since 2006, if the reason for the recurring absence involves multiple issues, such as an illness accompanied by an addiction, financial worries or relationship problems, the matter is referred to a case manager, whose job is to analyse the employee’s problems and to work with them to find solutions, agree on goals, and integrate the employee back into the work environment as quickly and sustainably as possible.



Friendly Work Space®

In 2009, PostFinance was awarded the Friendly Work Space label by the Health Promotion Switzerland foundation for its systematic health management programme. This seal of quality is awarded to companies that successfully implement measures to optimize their operating conditions and consider workplace health management to be an integral part of the company management policy. The assessment is based on quality criteria developed by leading Swiss companies together with Health Promotion Switzerland. PostFinance was successfully recertified in 2012.



Friendly
Work Space
[film]

Sustainability and commitment

PostFinance relies on renewable energy and invests in measures to increase energy efficiency. At the end of 2013, the CO₂ reduction target of 732 tonnes annually had been significantly exceeded → [Page 25](#) . In April 2013, 850 employees moved into the new 13-storey headquarters built to comply with the MINERGIE-ECO® standard → [Page 26](#) . PostFinance remains committed to Swiss ice hockey and has begun a new cultural partnership with DAS ZELT – Chapiteau PostFinance → [Page 28](#) .



732 t

less **CO₂** was produced by PostFinance up to the end of 2013, far exceeding the target of 662 tonnes.



358 kg

of **paper** is consumed by PostFinance per full-time equivalent.



30 GWh

of **energy** is consumed annually in Post-Finance buildings. That represents 6 GWh less than 3 years ago.



100%

of PostFinance's electricity needs are covered by **energy** from "naturemade basic" renewable, domestic sources.



4 million

francs were added by the top scorers in the last ten years to the fund for **young ice hockey players**.



165,000

cultural enthusiasts visited DAS ZELT – Chapiteau PostFinance in 2013.

Creating added value for society

PostFinance is aware of its responsibilities towards the environment and society and acts accordingly. Conserving natural resources is not only an economic necessity: sustainable action also helps to strengthen PostFinance's competitiveness and credibility. With its social commitment, PostFinance encourages the younger generation – athletes, musicians, students and young entrepreneurs. Because if you want to have creative minds tomorrow, you need to encourage young people today.



Climate target
exceeded

ENVIRONMENTAL INDICATORS

30 GWh

of energy is consumed in
PostFinance buildings.

358 kg

of paper is consumed per
full-time equivalent.

8 m³

is the water consumption
per full-time equivalent.

47 kg

of waste per full-time
equivalent is recycled.

13,807 t

of CO₂ emissions are
generated by PostFinance
each year.

REVIEW OF SUSTAINABILITY STRATEGY 2011–2013

Target exceeded: CO₂ emissions reduced by 732 tonnes per year

PostFinance's target was to reduce its annual CO₂ emissions by 662 tonnes by the end of 2013. At 732 tonnes, it has significantly exceeded that goal. This success was underpinned by investments in energy efficiency and the use of renewable energy.

With its dual focus on climate protection and energy, PostFinance has systematically implemented its 2011-13 sustainability strategy – based on the sustainability strategy of Swiss Post Ltd – in the past year. The company's objective was to reduce CO₂ emissions by 662 tonnes per year up to the end of 2013 – an amount equivalent to the average annual consumption of around 315 cars. With a reduction of 732 tonnes, this target has been more than fulfilled. This success was underpinned by measures to increase energy efficiency and the use of renewable energy.

Fossil fuels replaced

At the data centre in Engehalde in Berne, the previous heating system, which consisted of two gas boilers, was replaced by a heat pump, saving 135,000 m³ of natural gas per year and reducing CO₂ emissions by 266 tonnes.

The heating system at the Bellinzona Operations Center was previously fuelled by more than 50,000 litres of heating oil per year. With the new energy efficient heat pump (ground water), PostFinance now saves 126 tonnes of CO₂ annually.

Efficient technology put into place

The old systems used to provide an uninterrupted power supply at PostFinance's data centres have been replaced by more energy-efficient systems, allowing annual losses of

more than one million kWh of electricity to be cut, equivalent to the power consumption of 300 households. The savings in CO₂ emissions amount to 159 tonnes.

Certified environmental management

The environmental management system in place at PostFinance is based on the environmental management standard ISO 14001. PostFinance uses this system to coordinate and control environmentally relevant activities and implement its environmental policy on the basis of defined environmental objectives. Attainment of targets is regularly reviewed and documented.

Informative: the CO₂ efficiency index

With its sustainability strategy for 2014–16, Swiss Post is aiming to achieve a CO₂ efficiency increase of at least 10 percent by the end of 2016 (base year 2010). This Group target is no longer defined as an absolute value in terms of emissions per year in tonnes, but instead in relation to the core services provided by each of the units: For PostFinance, the benchmark is the number of transactions. Basic and advanced training, health and procurement have now also been conceptually integrated into the Group's sustainability strategy and appropriate measures to implement them have been developed.

” —

PostFinance is committed to
the principle of sustainability.

Hansruedi Köng,
Chief Executive Officer

SUSTAINABLE BUILDING

PostFinance moves into new MINERGIE-ECO® standard headquarters

In April 2013, PostFinance Ltd moved into its new headquarters. The 55-metre-high tower was built to comply with the MINERGIE-ECO® standard, which is demanding in terms of stability of value, building ecology, energy consumption and workplace quality.

i

The MINERGIE-ECO® standard

To obtain the MINERGIE-ECO® standard certification, requirements in terms of comfort, energy efficiency, health and building ecology must be met. Total energy consumption must be 20 percent below the average of the best available technology, and the fossil fuel share must be below 50 percent. The stability of value of the building and the raw and finished materials used are inspected, as is the energy used for their production.

Right next to SC Berne's ice hockey stadium, the PostFinance Arena, there is a new 13-storey building that accommodates 850 PostFinance employees with 15,000 square metres of office space. The building is joined to the stadium annex building, which houses another 450 employees. In these two buildings in Berne, which serve as its headquarters, PostFinance houses the majority of its 1,800 employees, creating synergies and saving on journey times and costs.

The PostFinance headquarters is certified in accordance with the standards of the MINERGIE® and eco-bau associations. The MINERGIE® standard is a voluntary construction standard for low-energy buildings that requires the efficient use of energy, the use of renewable energy and the reduction of environmental pollution. At PostFinance, 18 geothermal probes penetrating to a depth of 330 metres make use

of ambient heat. Three heat pumps are used for heating and hot water, two of which can also be used as air-conditioning units. Thermo-active ceiling elements regulate the temperature of the offices, make use of residual heat, and also control humidity.

The MINERGIE-ECO® standard requires excellent quality in the workplace, including optimum daylight conditions and good ventilation. At PostFinance, fresh air is supplied continuously through raised floors in the offices. Sound insulation, against outside noise and also between offices, is another criterion. This is achieved at PostFinance by sophisticated workplace design, with areas set aside for work requiring concentration, and others for interaction and regeneration, all using ecological, durable felt soundproofing elements made from recycled PET.



1 _ The reception area is spacious and modern.

2 _ In the new headquarters, there are zones for concentration, interaction, and regeneration.



1 – PostFinance has invested in building technology and reduced power consumption significantly.

2 – To operate reliably, the PostFinance data centres need a fail-safe power supply.

EFFICIENT DATA CENTRES

Power consumption continually reduced

A high-availability energy supply, fail-safe air conditioning and operation of the IT hardware: PostFinance requires a lot of electricity for its data centres in Berne and Zofingen. This means using that energy efficiently is a high priority, for both environmental and cost reasons. Compared to 2010, annual electricity consumption at the data centres has been reduced by around 25 percent to 15,000 megawatt hours. Since 2008, this electricity has been generated from 100 percent renewable sources.

The availability of IT hardware in a data centre places equally high demands on the infrastructure. Thanks to investment in building technology, the share of infrastructure electricity consumption has been continually reduced. With its power usage effectiveness (PUE) now at 1.36, PostFinance operates its data centre infrastructure very efficiently compared with other companies in Switzerland and around the world.

VEHICLE FLEET

CO₂ emissions cut further

PostFinance sets CO₂ limits when purchasing its new company vehicles. Through the ongoing replacement of older, CO₂-intensive vehicles with CO₂-efficient models, PostFinance has been able to reduce the CO₂ emissions of the entire fleet from 154 grams to 130 grams of CO₂ per kilometre in the past four years. The average CO₂ emissions of the PostFinance vehicle fleet are well below the average of all new car registrations in Switzerland, which currently stands at 148 grams of CO₂ per kilometre. The fleet remained virtually unchanged compared with the previous year at around 300 management, company and service vehicles.



Power usage effectiveness

The power usage effectiveness (PUE) indicator has established itself as an internationally recognized measure of the energy efficiency of data centres. The PUE is defined as the ratio of the total electrical energy consumption of the data centre (IT hardware plus infrastructure components) to the electrical energy consumption of the IT hardware alone over one full year of operation.



Using energy efficiently is a high priority for environmental and cost reasons.

Hansruedi K  ng,
Chief Executive Officer

SPONSORSHIP

Commitment to sport and culture

PostFinance is continuing its support for Swiss ice hockey and has begun a new cultural partnership with DAS ZELT – Chapiteau PostFinance.

Since 2001, PostFinance has been a close partner of Swiss ice hockey, and will continue its support until at least 2017. To this end, it has extended its contract with the Swiss Ice Hockey Federation (SIHF) for another four years. PostFinance also supports ten National League A clubs with a direct commitment.

Focus on fostering young talent

PostFinance supports talented young ice hockey players with the PostFinance Trophy, the biggest national schools tournament, and the PostFinance Top Scorer project. In the 2012/2013 season, the top scorers in the National League clubs earned 173,200 francs for their clubs' juniors with their goals and assists. PostFinance doubled that sum and transferred 346,400 francs to Swiss Ice Hockey to support the junior national teams during the year under review. Since the introduction of the Top Scorer project ten years ago, PostFinance has supported up-and-coming Swiss ice hockey players with around 4 million francs.

For the sports stars of tomorrow

Since 2008, PostFinance has been a gold partner of the Swiss Sports Aid Foundation, supporting the promotion of young talent in particular. In addition, PostFinance supports seven young sporting talents with direct sponsorship. PostFinance is now also an event partner for the Super10Kampf contest. At the event, which is organized by Swiss Sports Aid and held at the Hallenstadion in Zurich, stars from the worlds of sport and entertainment compete in an exciting showcase contest. The proceeds go to youth sports.

Cultural commitment

As a partner of the Swiss Youth Symphony Orchestra (SYSO) since 2006, PostFinance has also shown its commitment to culture for the next generation. It supports the SYSO concert tours that take place every spring and autumn.

DAS ZELT – Chapiteau PostFinance

Since January 2013, PostFinance has been the main partner of DAS ZELT. The travelling Swiss theatre troupe is now known as DAS ZELT – Chapiteau PostFinance. The partnership with PostFinance makes it possible for the troupe to expand its tour and take its varied shows to culture fans throughout the country, with the number of locations expanded from 16 to 21, and investments made in the quality of the infrastructure. In addition, a series of special events for young people is being launched, and there is plenty for the little ones at KINDERZELT – Chapiteau PostFinance. Alongside its long-standing commitment to Swiss ice hockey, DAS ZELT – Chapiteau PostFinance is the company's second largest sponsorship project.

Supporting young entrepreneurs

PostFinance helps young entrepreneurs in their first steps towards independence. The company also supports platforms such as the Institut für Jungunternehmen, GründerZentrum Bern, and startups.ch.

→ www.ifj.ch

→ www.startups.ch



PostFinance supports young entrepreneurs and young talent in sport and culture.

Ursula Käser Aebi,
Head of Communication



1 – PostFinance has been supporting up-and-coming Swiss ice hockey players for over ten years.

2 – PostFinance nurtures musical talent among young people and supports their concert tours.

3 – As the main sponsor of DAS ZELT – Chapiteau PostFinance, the company supports a wide range of cultural activities.

Management report

PostFinance is one of Switzerland's leading financial institutions. It has processed 965 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 4.3 billion francs in new money in 2013.

PostFinance employed 3,931 staff at the end of 2013. This corresponds to 3,432 full-time equivalents.

At the end of the financial year, PostFinance had total assets of 115 billion francs and had generated operating profit (EBIT) of 719 million francs and earnings before tax (EBT) of 856 million francs (each in accordance with Group IFRS guidelines).

Business activities

Markets

PostFinance is one of Switzerland's leading financial institutions. As number one on the Swiss payment transactions market, it ensures a seamless daily flow of liquidity. In the sub-markets of payments, savings, investments, retirement planning and financing, PostFinance offers its customers everything to meet their daily financial needs, including straightforward products at attractive conditions and easy access to the company.

Customers

2.6 million private customers and 306,000 business customers put their trust in PostFinance. PostFinance's range of services is straightforward and user-friendly, enabling its customers to manage their own finances at all times. They can obtain advice in its branches, in post offices, online or over the phone in the Contact Centers 24 hours a day, 365 days a year. PostFinance also advises business customers in person at their premises.

Regulatory framework

Legal framework

Since 2013, PostFinance has been an independent public limited company under private law wholly owned by Swiss Post Ltd. PostFinance was granted a licence to operate as a bank and securities dealer on 26 June 2013 and is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA). Postal legislation and the Confederation's strategic objectives for Swiss Post remain just as relevant to PostFinance's business activities as before. In particular, postal legislation specifies that PostFinance must provide a universal service for payment transactions throughout Switzerland. It also states that PostFinance may not issue loans and mortgages to third parties.

PostFinance has been a public limited company since 2013

Developments

Customers

As a result of technological progress, customers increasingly have access to better networks, so are more well informed. However, the sheer volume of information available makes things more complex for individuals. With this in mind, customers are looking for simple solutions that offer them security and comfort.

Competition

PostFinance operates in a dynamic market environment with ever greater competition. The digital revolution has reached retail banking. Growing numbers of new competitors from other industries are attempting to gain a foothold in payment transactions and retail banking.

Economy

The global economic situation remains volatile. Compared with the European Economic Area, Switzerland's financial position is fundamentally stable. Switzerland's economic situation and developments in interest and monetary policy depend to a large extent on how the debt crisis unfolds. There are

unlikely to be any major increases in interest rates in the short to medium term. As a result, pressure on interest margins is set to remain high.

Regulation

Regulatory requirements are increasing within banking. Due to greater international harmonization, in particular, laws in force in other countries are gradually being applied in Switzerland or giving rise to an equivalent Swiss solution. The new regulations focus mainly on offering greater transparency and on meeting the growing information requirements of customers, authorities and the public.

Strategy

PostFinance –
the easiest way
to manage your
money

PostFinance aims to help its customers manage their money as easily as possible. Its approach is based on an in-depth understanding of what customers need, both now and in the future. Continually working on this is what drives all PostFinance employees. To attain its objectives, PostFinance is prepared to take unconventional steps and to keep surprising its customers in a positive way.

Positioning

PostFinance pursues a differentiation strategy and positions itself on the market as the “First choice for customers who manage their own finances”. Its positioning strategy also involves open access via all its distribution channels, simple, inexpensive products, a focus on the sub-markets of payments and savings, and the PostFinance culture.

Strategic objectives

PostFinance’s objectives are to consolidate market share in terms of customer deposits, to remain the number one in payment transactions and to increase customers’ independence.

Its financial objectives are to achieve return on equity in line with industry standards (currently 7–10 percent) and to increase cost efficiency.

Strategic thrusts

PostFinance is pursuing three main strategic thrusts as priorities for change in the current strategy period:

- Migration of payment transactions: The aim is to safeguard the company’s position as the number one for payment transactions in the long term by modernizing its IT infrastructure and implementing the new national and international formats for its products.
- End-to-end processes: The aim is to set up and operate comprehensive end-to-end process management throughout PostFinance. Process management is used to implement the strategy. The focus is on optimizing costs and on designing customer processes that encourage self-service use.
- New services: The aim is to develop new services in PostFinance’s core business. This is to avoid being substituted for new competitors, to encourage customers’ independence and to boost earning power outside the interest differential business. In retail banking, the emphasis is on extending the range of digital services available. For demanding business customers, the priority is on working capital management. The aim is to provide better support for customers in accounts receivable, accounts payable and cash management as well as inventory processes.

Commentary on business development

Key figures

Despite the uncertain situation on the financial and capital markets, PostFinance again achieved a record result. Margin erosion due to persistently low interest rates weighed on net interest income despite increased volumes. The conservative investment policy led to reversals of impairment in the interest business. PostFinance continued to focus consistently on costs and took sustainability into account in its expenses and investments. The high level of confidence in PostFinance was again borne out by the significant inflow of customer deposits.

The sales and transactions figures confirm the emphasis placed on customers who manage their own finances and use simple, attractive products.

PostFinance Ltd Key figures 2013 with previous year for comparison		2013	2012
Finances (as per Group IFRS guidelines)			
Operating income	CHF million	1,646	1,534
Operating profit (EBIT)	CHF million	719	625 ²
Earnings before tax (EBT)	CHF million	856 ³	619 ²
Total assets	CHF million	115,193	114,727 ²
Return on equity ¹	%	17.5	n.a.
Cost-income ratio	%	56.3	59.3 ²
Customer deposits and customer assets			
Inflow of new money ⁴	CHF million	4,256	9,200
Customer assets	CHF million, cum. Ø	112,036	103,850
Funds, securities and life insurance	CHF million, cum. Ø	5,495	4,692
Customer deposits	CHF million, cum. Ø	106,542	99,158
Loans			
Loans to business customers	CHF million	7,271	6,379
Mortgages ⁵	CHF million	4,424	4,167
Customers			
Customers	In thousands	2,888	2,922
Private customers	In thousands	2,582	2,612
Business customers (incl. banks and agencies)	In thousands	306	310
E-finance users	In thousands	1,546	1,463
Customer satisfaction – private customers	Index	85	85
Customer satisfaction – business customers	Index	83	84
Accounts			
Private accounts	In thousands	2,645	2,570
Savings accounts – private customers	In thousands	1,013	1,017
E-savings accounts – private customers	In thousands	572	541
Business accounts	In thousands	398	392
Transactions			
Transactions	In millions	965	932
Staff			
Average headcount	Full-time equivalents	3,432	3,473
Employee satisfaction	Index	78	79

¹ Return on equity = earnings before tax (EBT) as per Group IFRS guidelines/average eligible equity capital as per BAG

² 2012 restatement based on IAS 19 revised. Impact on EBIT of 4 million francs; impact on EBT of 12 million francs

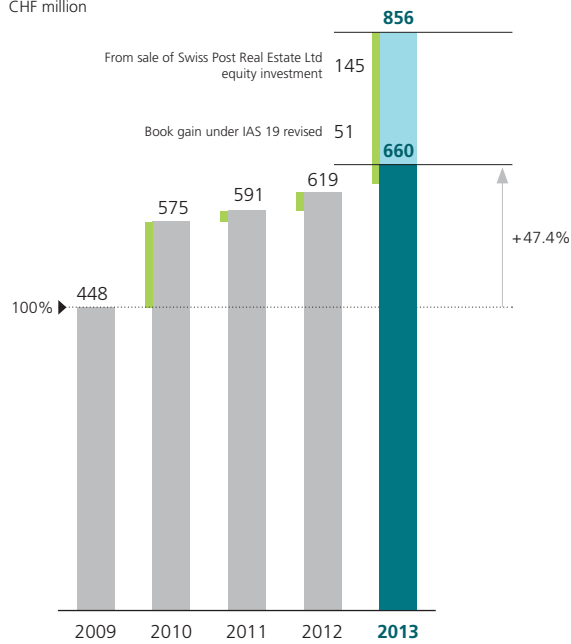
³ Incl. one-off financial profit of 145 million francs from the sale of equity investment in Swiss Post Real Estate Ltd

⁴ New method of calculating inflow of new money from 1.1.2013

⁵ Commission income earned together with financial partners

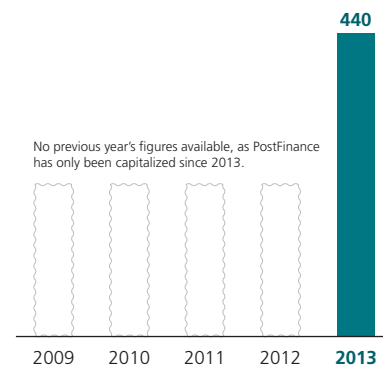
Earnings before tax (EBT)

2009 to 2013
CHF million



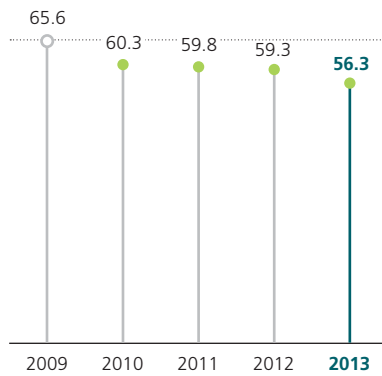
Economic value added

2009 to 2013
CHF million



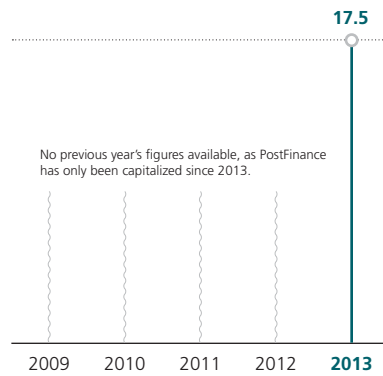
Cost-income ratio

2009 to 2013
Percent



Return on equity¹

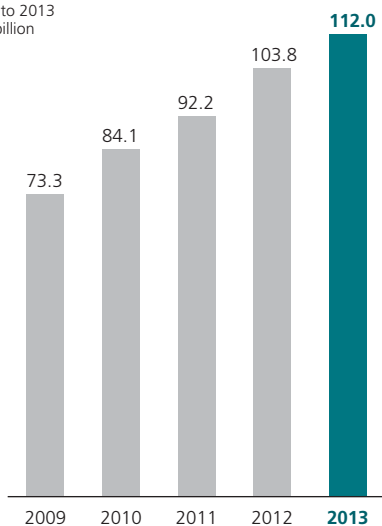
2009 to 2013
Percent



¹ See definition in footnote at the bottom of page 32.

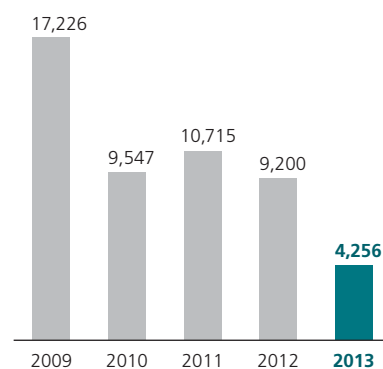
Average customer assets

2009 to 2013
CHF billion



Inflow of new money

2009 to 2013²
CHF million



² Adjusted figures for 2009 to 2012.

High pressure on interest margins

General developments

Both the US Federal Reserve and the European Central Bank are sticking to their expansionary monetary policy. Base rates remain at lows. The future performance of the money and capital markets depends largely on the debt crisis in the EU and on the global outlook. Despite a moderate upturn in the Swiss economy and those of its main trading partners, low interest rates will have an impact on financial institutions' results. Limited investment options on the financial market continue to weigh on margins in the interest differential business.

Assets and financial situation

Total assets rose by 0.5 billion francs during the year under review. Equity in the form of share capital of 2 billion francs and a share premium of 1.8 billion francs was recognized as a result of the merger of PostFinance from its parent, Swiss Post. Payment was made with the acquisition of properties and the offsetting of the previous Group obligation (cash contribution). In the annual financial statements, provisions for employee benefits (IAS 19) have been recognized directly in the balance sheet for the first time. As at 31 December 2013, there is a high proportion of deferred tax assets due to the tax-neutral appreciation as intended under the Postal Organization Act. Customer deposits declined by 1.6 billion francs year-on-year as at the balance sheet date on 31 December 2013. This decrease can be explained by the fact that PostFinance Ltd became subject to the Banking Act. This resulted in a change regarding counterparty assignment for banks, which had an effect on diversification in terms of risk weighting, leading to higher minimum capital requirements. PostFinance Ltd continues to invest a large proportion of its assets in long-term fixed-rate financial assets in Switzerland and abroad. A large amount of liquidity was still held at the Swiss National Bank as at 31 December 2013.

Balance sheet

PostFinance Ltd | Balance sheet as per Group IFRS guidelines CHF million

	31.12.2013	31.12.2012
Assets		
Cash and cash equivalents	1,989	2,068
Receivables due from banks	44,027	44,028
Interest-bearing amounts due from customers	542	93
Trade accounts receivable	28	518 ¹
Other receivables	755	819
Inventories	2	3
Financial assets	66,697	67,136
Investments	15	15
Property, plant and equipment	436	38
Investment property	106	–
Intangible assets	23	9
Deferred tax assets	573	–
Total assets	115,193	114,727
Liabilities		
Customer deposits	109,498	111,139
Other financial liabilities	45	76
Trade accounts payable	138	2,123
Other liabilities	229	187
Provisions	208	5
Deferred tax liabilities	25	–
Equity	3,752	578
Profit for the year	1,298	619 ¹
Total equity and liabilities	115,193	114,727

1 2012 restatement based on IAS 19 revised. Impact on profit for the year: 12 million francs

The interest differential business is the most important source of income

Cash flow situation

Operating income

The interest differential business is the most important source of income for PostFinance. Interest margins remained under pressure as a result of the uncertain situation on the financial markets and persistently low interest rates. The effects of margin erosion on net interest income could not be fully offset by increased volumes. PostFinance was however able to reverse previously incurred general and individual impairment charges through its sustainable investment policy. This resulted in an increase of 15 million francs (+1.5 percent) in net interest income, net of impairment.

Commission and service income rose year-on-year due to higher sales volumes and more intensive use of products. In terms of expenses, the switch to a new remuneration system for over-the-counter transactions in post offices led to a significant increase in service expenses. Net income from services fell by 143 million francs as a result. This was largely offset by net cost compensation allocations (recognized in other income).

An additional 15 million francs (+10 percent) of trading profit was generated by increased volumes in international payment transactions.

Other net income increased by 212 million francs year-on-year. Rental income from real estate acquired in 2013 contributed to this result in addition to the compensation payment mentioned above.

Operating expenses

Staff costs fell by 54 million francs year-on-year. This was the result of a book gain of 51 million francs in accordance with IAS 19 revised following a plan amendment in the employee benefit regulations. Other positions in staff costs progressed in line with expectations. Within non-staff costs (+50 million francs), PostFinance recorded management and licence fees to Swiss Post for the first time as well as taxes on capital. Depreciation rose owing to the real estate portfolio acquired in 2013. Operating expenses in 2013 remained at the previous year's level.

Operating profit (EBIT)

PostFinance generated operating profit (EBIT) of 719 million francs (+94 million francs). Despite difficult financial market conditions, PostFinance succeeded in increasing profit and, in particular, in achieving growth in all its financial services in terms of both volume and income. This result is a reflection of the high level of confidence customers have in our products and services, the sustainable investment and risk policy and the consistent focus on costs.

Financial profit

PostFinance made a financial profit of 145 million francs from the sale of its equity investment in Swiss Post Real Estate Ltd to Swiss Post Ltd.

Earnings before tax (EBT)

PostFinance recorded earnings before tax (EBT) of 856 million francs (+237 million francs) in 2013. It is hard to draw a year-on-year comparison due to one-off and initial recognition of items.

Reconciliation of income statement from segment information with PostFinance's profit for the year.

Swiss Post discloses information on the retail financial market segment as part of its reporting. It indicates transfers of individual income and expense items from PostFinance to other Group units from a Group perspective. It also contains fully-consolidated investments. The table below reconciles this result with PostFinance's profit for the year in accordance with Group IFRS guidelines.

PostFinance Ltd Reconciliation of income statement Segment disclosure on PostFinance's profit for the year as per Group IFRS guidelines CHF million		
	2013	2012
Segment operating profit (EBIT) prior to fees and net cost compensation	588	623
Expenses from management and licence fees as well as income from net cost compensation	129	–
Segment operating profit (EBIT) after fees and net cost compensation	717¹	623¹
Financial profit	143	–
Investment income from subsidiaries and associates	–2	–2
Operating profit from subsidiaries	–2	–2
Earnings before tax (EBT)	856	619
Income tax	–75	–
Deferred taxes	517	–
Profit for the year	1,298	619

¹ PostFinance Ltd's operating profit (EBIT) (2013 = CHF 719 m, 2012 = CHF 625 m) is calculated as follows: segment operating profit (EBIT) less operating profit from subsidiaries.

Income statement

PostFinance Ltd Income statement as per Group IFRS guidelines		
CHF million	2013	2012
Net interest income, net of impairment	1,078	1,063
Net income from services	104	247
Net commission income	62	56
Net trading income	162	147
Net income from financial assets	25	18
Other net income	215	3
Operating income	1,646	1,534
Staff costs	-421	-475 ¹
Non-staff costs	-476	-426
Operating expenses	-897	-901
Gross profit (EBDIT)	749	633
Depreciation and amortization	-30	-8
Operating profit (EBIT)	719	625
Net financial income	137	-6 ¹
Earnings before tax (EBT)	856	619
Expense for current taxes	-75	-
Expense for deferred taxes	517	-
Expense for non-reclaimable withholding tax	0	-
Income tax	442	-
Profit for the year	1,298	619

1 2012 restatement based on IAS 19 revised. Impact on EBIT of 4 million francs; impact on EBT of 12 million francs

Non-financial results of a material nature

Customer satisfaction

The simplicity and reliability of services are the main factors that drive customer satisfaction

In terms of overall satisfaction, private customers awarded PostFinance 85 points and business customers awarded PostFinance 83 points on a scale of 1 to 100. These figures remained virtually unchanged year-on-year. 96 percent of the private and business customers questioned described themselves as satisfied, very satisfied or impressed. The overall satisfaction rate for private customers has risen steadily from 82 to 85 points since 2001. An increase from 79 to 83 points was recorded for business customers over the same period. The main factors that influence customer satisfaction are the simplicity and reliability of services and PostFinance's image as a secure, trustworthy and fair financial institution.

Staff motivation

Staff motivation levels are extremely high

PostFinance employees exhibit a high level of commitment and are satisfied with their employer. From 8 to 31 May 2013, PostFinance carried out its annual employee satisfaction survey among 3,838 members of staff. 89 percent of employees completed the questionnaire. The response rate increased by 10 percent over the previous year. This figure shows the ongoing acceptance of the survey, the user-friendliness of the online questionnaire and the integration of the tool by management.

Many employees are proud to work for PostFinance and support the services offered by the company. Staff motivation levels are extremely high, at 89 points out of 100. The rating for personal commitment again came out on top at a very high 91 points. The commitment index is made up of questions on the attitudes and behaviour of employees (motivation, identification and staff turnover) and stands at 86 points. Scores above 85 points reflect a very high positive opinion.

Employee satisfaction stood at 78 points, which is a high positive score. The quality factors for work situation and unit fitness earned 76 and 74 points respectively, which represent a high and an average rating. The high participation rate in the employee satisfaction survey and the results obtained indicate that employees take a great interest in helping to shape our company.

Risk assessment

The Risk Committee is a standing committee made up of at least three members of the Board of Directors. It assists the Board of Directors, as the top management and supervisory body of the company, particularly in the following areas: risk management and risk control of financial risks; risk policy (financial risks; investment policy) and regular verification of directives for controlling financial risks; compliance; ensuring that all significant financial and compliance risks within the company are identified, limited and monitored; monitoring of the organization and processes of the internal control system for financial and compliance risks as well as ensuring that a financial risk management system and effective compliance are in place throughout the company. The Board of Directors' Risk Committee works closely with the Board of Directors, the Executive Board and Internal Auditing. More information about risk management (organization, financial and operational risk management) can be found in section 3 of the statutory annual financial statements.

Customer transaction volumes

PostFinance experienced further growth in its core business of payments and savings. The inflow of 4.3 billion francs of new money was slightly below the previous year's level. Volumes declined in interbank business, which can be explained by the fact that PostFinance became subject to the Banking Act. This resulted in a change regarding counterparty assignment for banks, which had an effect on diversification in terms of risk weighting, leading to higher minimum capital requirements. PostFinance recorded significant volume increases in the private and business customer segment. PostFinance has now processed 965 million transactions, placing it just short of the one billion mark. Overall, our customers carried out transactions representing a total volume of 1,700 billion francs. These figures illustrate the importance of PostFinance in the Swiss retail banking market. Although inpayments in post offices continue to decline as electronic processing in e-finance gains ground, trading activities (EFT/POS) and international payment transactions are rising sharply. In the commission business, sales volumes for funds, e-trading, life insurance and mortgages saw considerable growth. PostFinance offers these products in cooperation with partners. The relationship with our customers was strengthened through the use of products from different sub-markets.

Innovation and projects

As a company that wants to remain relevant to its customers in years to come, PostFinance looks to the future on a daily basis. With this in mind, PostFinance engages in strategic innovation management at three levels. Firstly, it examines current trends in-depth in order to retain its perspective and openness. Secondly, it explores different avenues in order to identify and understand promising ideas. Thirdly, it adopts an innovation process for pursuing potential business ideas and developing them as far as the implementation stage. PostFinance aims to use innovation to tap into new sources of income that do not depend on interest rate levels. Innovation activities focus on digitization and growth along our customers' value chain. The strong market position in its core business of payment transactions forms the basis for innovation.

One-off events

On 26 June 2013, PostFinance was demerged into a public limited company under private law regulated by the Swiss Financial Market Supervisory Authority (FINMA). Supervision consistent with the banking industry was provided to reflect the company's importance as one of Switzerland's leading financial institutions. On becoming regulated by FINMA, PostFinance was granted a licence to operate as a bank and securities dealer and given the right to offer products independently that it could previously only provide in cooperation with banks. However, in accordance with the Postal Organization Act, it is still not able to issue its own loans and mortgages, but will continue to work with other banks in this area. PostFinance now meets all the organizational, financial and HR requirements of a bank. The new Board of Directors has taken on its role as the highest strategic body of PostFinance. PostFinance meets the new equity requirements set by Basel III – in terms of both the amount and the quality of its capital.

Standard & Poor's (S&P) assigned PostFinance an AA+ rating. The rating agency took various factors into consideration such as the general business position, the universal service obligation, the ownership structure, the capital resources and earnings situation, the risks as well as the financing and liquidity situation. The rating shows that PostFinance remains a solid, reliable financial institution after the demerger into a public limited company. It is well capitalized and extremely creditworthy.

On 2 April 2013, the keys to the company's new head office at Mingerstrasse 20 in Berne were handed over as planned. Employees previously based in five different locations across the city were brought together in the new head office building. The new 13-storey, 55-metre-high head office, which houses 850 employees and features 15,000 m² of gross floor space, is one of the largest buildings in Berne. Approximately 1,300 jobs are based at the Mingerstrasse site, including the existing jobs at the PostFinance Arena. The building meets the MINERGIE®-ECO standard. MINERGIE stands for high quality of life, lower environmental pollution and greater energy efficiency. The ECO label is a guarantee of healthy, ecological construction.

Outlook

PostFinance generates two thirds of its operating income from the interest business. Uncertainty on the global financial markets is putting pressure on margins and restricting investment opportunities on the money and capital markets. PostFinance has high levels of liquidity that it is investing profitably as the financial markets gradually recover, whilst continuing to exercise a cautious risk policy. According to current estimates, the discontinuation of the explicit state guarantee will not have a significant impact on customer deposits. Customers put great trust in PostFinance and appreciate the good service and the simple, attractive products and services it offers. The conditions are in place for strengthening customer relations, which will have a consequent effect on earnings. PostFinance is examining further cost development and analysing the sustainability of expenses and investments.

Reconciliation

PostFinance Ltd issues its annual financial statements in accordance with Group guidelines on International Financial Reporting Standards (IFRS) and the Bank Accounting Guidelines set out in articles 23–27 of the Banking Ordinance (FINMA Circular 2008/2 “Accounting – Banks”). The tables below set out the differences between the two types of presentation of the financial statements in the balance sheet and income statement. They reconcile total assets and profit for the year presented in accordance with the Group IFRS guidelines with the BAG financial statements.

PostFinance has been a public limited company under private law regulated by the Swiss Financial Market Supervisory Authority (FINMA) since June 2013. The financial statements are being issued in accordance with BAG for the first time for the financial year 2013. As a result, no prior-year figures are disclosed.

Balance sheet

PostFinance Ltd Reconciliation of balance sheet as per Group IFRS guidelines with BAG CHF million		31.12.2013
Total assets	as per Group IFRS guidelines	115,193
Assets		
Financial assets	Revaluation of financial assets held to maturity	212
	Lowest value principle for shares as per BAG	–108
	OCI ¹ bonds in financial assets	–3
Investments	Amortization of Debtors Service Ltd equity investment in BAG financial statements	–1
Property, plant and equipment	Revaluation of real estate	389
	Goodwill adjustment in BAG less amortization	1,800
Other assets	Deferred tax assets (assets)	–572
Items in other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	–1
Positions in other liabilities	Negative hedge fair value interest swaps	19
Positions in value adjustments and provisions	General impairment charges for receivables/bonds/loans	90
Difference in assets	BAG – Group IFRS guidelines	1,825
Liabilities		
Other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	–1
Other liabilities	Adjustment account for liabilities (early sale of bonds)	8
	Employee benefit obligations	–169
	Deferred tax liabilities	–13
	OCI ¹ equity interest transfer	–37
	Negative hedge fair value interest swaps	19
Value adjustments and provisions	General impairment charges for receivables/bonds/loans	90
General statutory reserves	Capital reserves (from revaluations)	2,897
	Retained earnings under IFRS	188
Profit for the year	Difference in profit: Group IFRS guidelines – BAG	–1,033
Positions in financial assets	OCI ¹ bonds in financial assets	–3
OCI ¹ as per Group IFRS guidelines only	OCI ¹ from shares	–121
Difference in liabilities	BAG – Group IFRS guidelines	1,825
Total assets	as per BAG	117,018

1 Other comprehensive income (other comprehensive income recorded directly in equity)

Income statement

PostFinance Ltd Reconciliation of income statement as per Group IFRS guidelines with BAG		2013
CHF million		
Profit for the year (as per Group IFRS guidelines)		1,298
Interest and discount income	Amortization of revalued held-to-maturity financial assets	-88
Various items of net income	Lowest value principle for financial assets as per BAG	1
Net trading income	Realized gains from (earlier than scheduled) sales	-25
Staff costs	Valuation differences between IAS 19 and Swiss GAAP ARR 16	-45
Depreciation of fixed assets	Revalued real estate	-4
	Individual impairment charge due to lower fair value	-11
	Goodwill	-200
Extraordinary income	Profit from the sale of Swiss Post Real Estate Ltd equity investment	-145
Taxes	Deferred tax income as per Group IFRS guidelines	-516
Profit for the year as per BAG		265

Corporate governance

Swiss Post Ltd and PostFinance Ltd are guided by the SWX Swiss Exchange “Directive on Information Relating to Corporate Governance” (DCG) and the recommendations of the “Swiss Code of Best Practice for Corporate Governance” drawn up by [economiesuisse](https://www.economiesuisse.ch).

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by FINMA (Circular 2010/1).

Open and transparent communication is the key to good corporate governance. This creates trust with customers, employees, the public and the Confederation as owner.

Principles

Corporate governance covers all the different factors that determine how a company is managed and monitored. It concerns both its organizational structure and control system, and its corporate culture and values.

PostFinance Ltd has drawn up a Code of Conduct that sets out its convictions in detail. This forms the basis for its employees' actions.

Corporate structure and shareholders

Legal form and ownership

Since June 2013, PostFinance has been a public limited company under private law and a subsidiary of Swiss Post Ltd. PostFinance Ltd is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA) and has been granted a licence in accordance with the Banking Act and the Stock Exchange Act. The Board of Directors is the highest official body within PostFinance Ltd.

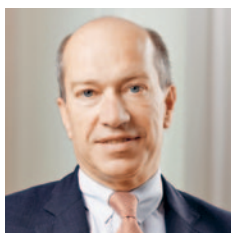
Capital structure

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

Board of Directors

Composition

The Board of Directors has seven members, the majority of whom must represent Swiss Post. The three remaining members must satisfy FINMA's requirements for independence. Members are elected for two years.



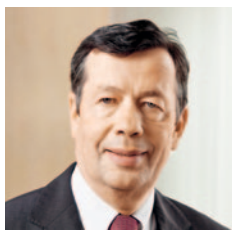
Prof. Dr. Rolf Watter

Chairman of the Board of Directors, 1958, Switzerland, member since 1 October 2012, Prof. Dr.

Committees: Organization, Nomination & Remuneration; Audit

Professional background: Law firm Bär & Karrer (partner); honorary professor at the University of Zurich. Previous directorships: Syngenta Ltd, Member (2000–2012); Board of Directors and Executive Board of Bär & Karrer (1999–2008); Cablecom Holding AG, Chairman of the Board of Directors (2003–2008); Forbo Holding Ltd, Vice-Chairman (1999–2005); Feldschlösschen Beverages Ltd, Member (2001–2004); Centerpulse, Vice-Chairman (2002–2003).

Key posts: Nobel Biocare (Chairman of the Board of Directors); Zurich Insurance Group (Member of the Board of Directors until April 2014); Member of the Board of Directors of Faber Castell (Holding) AG and of UBS Alternative Portfolio Ltd and Chairman of two charitable foundations; SIX Regulatory Board (Member)



Dr. Marco Durrer

Vice-Chairman of the Board of Directors, 1952, Switzerland, member since 1 October 2012, Dr. ès sc. pol. (Relations internationales), MALD, The Fletcher School, Tufts University, USA

Committees: Organization, Nomination & Remuneration (Chair)

Professional background: Directorships; Valiant Privatbank AG, Berne (CEO and member of Executive Management Valiant Holding AG); Lombard, Odier, Darier, Hentsch & Cie, Geneva/Zurich (Group Management, Branch Manager Zurich); Deutsche Bank (Switzerland) SA, Geneva (Head of Sales and Trading); Schweizerische Kreditanstalt Lausanne/New York/Zurich (Assistant to Josef Ackermann/Investment Banking)

Key posts: Swiss Post Ltd (Member of the Board of Directors, Organization, Nomination & Remuneration Committee); Picard Angst Asset Management Ltd (Vice-Chairman of the Board of Directors); Piquet Galland & Cie SA (Member of the Board of Directors); DGM Immobilien AG (Chairman of the Board of Directors); COMUNUS SICAV, Montreux (Vice-Chairman of the Board of Directors)



Dr. Patrick Frost

Member of the Board of Directors, 1968, Switzerland and Germany, member since 1 October 2012, Dr. rer. pol.

Committees: Risk (Chair); Audit

Professional background: Swiss Life (Group Chief Investment Officer and Member of Executive Management, elected as CEO on 1 July 2014)

Key posts: various Swiss Life subsidiaries (Member of the Board of Directors); Technopark Zurich (Member of the Foundation Board)



Pascal Koradi

Member of the Board of Directors, 1972, Switzerland, member since 1 October 2012, lic. oec. publ. University of Zurich, CFA (Chartered Financial Analyst)

Committees: Risk

Professional background: Swiss Post (Head of Finance); Neue Aargauer Bank AG/NAB (Head of Trading, CFO/Member of the Executive Team); Credit Suisse UK, London (Project Restructuring in the Onshore Banking Division); Neue Aargauer Bank AG/NAB (Employee in the Controlling Department, Head of the Treasury Department)

Key posts: Swiss Post Insurance AG (Chairman of the Board of Directors); Liechtensteinische Post AG (Member of the Board of Directors); Swiss Post pension fund (Member of the Foundation Board)



Susanne Ruoff

Member of the Board of Directors, 1958, Switzerland, member since 1 October 2012, Master's Degree in Economics from the University of Fribourg, Executive MBA

Committees: Organization, Nomination & Remuneration

Professional background: Swiss Post (CEO); British Telecom Switzerland (CEO BT Switzerland Ltd); IBM Switzerland (Management Board member Global Technology Services); IBM Switzerland (Head of Public Sector Division); various management positions in services, marketing and sales, previous directorships and positions on Foundation Boards: Geberit, Bedag, IBM pension fund, Industrial Advisory Board of the Department of Computer Science at the ETH Zurich

Key posts: none



Dr. Michaela Troyanov

Member of the Board of Directors, 1961, Switzerland and Austria, member since 1 October 2012, Dr. iur., University of Vienna, M.C.J. (Master of Comparative Jurisprudence), New York University, Lic. iur., University of Geneva

Committees: Risk

Professional background: Independent consultant; Lombard Odier Darier Hentsch & Cie, Geneva (Head of Legal & Compliance), Swiss stock exchange organizations, Zurich and Geneva (SWX Swiss Exchange, Admission Board, Takeover Board, Geneva Stock Exchange, leading positions in the areas of Corporate Governance, Market Surveillance & Regulation, Kredietbank (Switzerland) Ltd, Geneva (General Counsel), Shearman & Sterling LLP, New York (Lawyer, Mergers & Acquisitions)

Key posts: none



Adriano P. Vassalli

Member of the Board of Directors, 1954, Switzerland, member since 1 October 2012, federal diploma in auditing

Committees: Audit (Chair)

Professional background: Studio di consulenza e di revisione (founder and owner); Arthur Andersen (founder and head of the Lugano and Berne branches, worldwide partner); Revisuisse AG (auditor and management consultant in Berne and founder of the Lugano branch)

Key posts: Swiss Post Ltd (Member of the Board of Directors, Audit, Risk & Compliance Committee (Chair)); Istituto di previdenza del Cantone Ticino (Board member); Swiss Red Cross (member of the Executive Committee of the Conference of Red Cross Cantonal Associations); Swiss Red Cross, Lugano Section (Chairman)

Internal organization

Board of Directors' role and working method

Under the management of its Chairman, the Board of Directors determines PostFinance Ltd's strategy and exercises supreme supervisory control over the Executive Board and all those subordinated to it. It defines company and business policy, long-term corporate objectives, and the means required to achieve those objectives. It also ensures that the company meets the obligation assigned to it by Swiss Post to provide a universal service for payment transactions.

Meetings and attendance rates 2013

	Number	Attendance rate
Board of Directors' Meetings	10	95.7%
Board of Directors' Committee Meetings		
Organization, Nomination & Remuneration	10	96.7%
Audit	8	95.8%
Risk	8	100%

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

- Organization, Nomination & Remuneration
- Audit
- Risk

Board of Directors' Organization, Nomination & Remuneration Committee

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

- Dr. Marco Durrer (Chairman)
- Susanne Ruoff
- Prof. Dr. Rolf Watter

Board of Directors' Audit Committee

The main role of the Audit Committee is to determine accounting and financial reporting principles and to carry out tasks related to risk management and risk control of non-financial risks. It is also responsible for liaising with the external auditors and Internal Auditing. This includes appointing and dismissing the Head of Internal Auditing. Its members are:

- Adriano P. Vassalli (Chairman)
- Dr. Patrick Frost
- Prof. Dr. Rolf Watter

The majority of committee members are independent of Swiss Post Ltd. The Chairman of the Board of Directors is also a member. This enables the committee to benefit from his knowledge of the above topics and to satisfy the requirements for independence.

Board of Directors' Risk Committee

The Risk Committee is responsible mainly for risk management and control of financial risks, risk policy and compliance. The majority of committee members are independent of Swiss Post Ltd. Its members are:

- Dr. Patrick Frost (Chairman)
- Pascal Koradi
- Dr. Michaela Troyanov

Executive Board

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



Hansruedi K  ng

CEO, 1966, Switzerland, member since 1 January 2012, lic. rer. pol. University of Bern, Business Administration and Economics Advanced Executive Program, Swiss Finance Institute Zurich

Professional background: Swiss Post Ltd (PostFinance: Head of Treasury, Head of Finance; CEO; Member of the Executive Board since 1 March 2003); BVgroup Berne (Deputy Managing Director); Pricewaterhouse Coopers Ltd (Senior Manager); Basler Kantonalbank (Member of Executive Management); Schweizerische Volksbank (Head of Asset & Liability Management)

Key posts: Swiss Post pension fund (Member of the Foundation Board and Chairman of the Investment Committee); Q-Net AG (Member of the Board of Directors)



Thierry Kneissler

Head of Corporate Center, 1971, Switzerland, member since 1 January 2012, Lic.rer.pol (Universities of Bern and Cork (Ireland)); Executive MBA (University of St. Gallen)

Professional background: Swiss Post Ltd (PostFinance: Head of Corporate Development, Member of the Executive Board since 1 July 2008); consultant at the Internet consultancy firm New Impact Ltd, Berne (Senior Business Consultant and Head of the financial industry sector; Member of the extended Executive Board), Berner Kantonalbank (Project Manager)

Key posts: Debtors Service Ltd (Board of Directors)

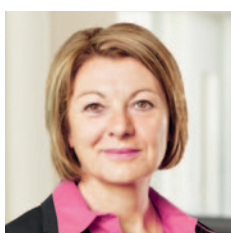


Armin Brun

Head of Marketing and Deputy CEO, 1965, Switzerland, member since 1 July 2013, lic. rer. pol. (University of Bern), postgraduate qualification in bank management (Institute of Financial Services IFZ Zug), further certification in managerial leadership (IFZ Zug), International Executive Program (INSEAD Fontainebleau, Abu Dhabi and Singapore), Strategic Leadership Program (IMD, Business School Lausanne)

Professional background: Swiss Post Ltd (PostFinance: Head of Business Customers, Head of Market & Distribution; Member of the Executive Board since 1 September 2001); Luzerner Kantonalbank (various positions)

Key posts: Bern Arena Stadion AG (Board of Directors), Swiss Euro Clearing Bank GmbH (Board of Directors), SIX Interbank Clearing Ltd (Board of Directors, PostFinance representative on the Swiss Payments Council SPC), member of partnership steering committees



Sylvie Meyer

Head of Distribution, 1960, France, member since 1 July 2013, MBA. Management Executive (Fribourg School of Management)

Professional background: Swiss Post Ltd (PostFinance, Head of Contact Center, Member of the Executive Board since 1 July 2013); Swisscom (positions including Director of Sales and Marketing of the subsidiary SICAP)

Key posts: PostFinance conciliation office (Member of the Foundation Board)



Peter Lacher

Head of Operations, 1968, Switzerland, member since 1 August 2013, business school graduate, Master of Advanced Studies in Bank Management (Lucerne University of Applied Sciences and Arts).

Professional background: Swiss Post Ltd (PostFinance, Head of the Process Management Processing unit, various other positions; Member of the Executive Board since 1 August 2013)

Key posts: none



Enrico Lardelli

Head of Information Technology, 1966, Switzerland, member since 1 October 2009, business informatics graduate (Vaduz University of Applied Sciences), postgraduate qualification in financial mathematics and statistics (Lucerne University of Applied Sciences and Arts), further studies in financial mathematics and statistics and in managerial leadership (Zug University of Applied Sciences)

Professional background: Swiss Post Ltd (PostFinance: Head of Information Technology; on the PF Executive Board since 1 October 2009, RBS Coutts Zurich (CIO), Raiffeisen Switzerland, Clariden Leu (formerly Clariden Bank, CIO)

Key posts: none



Kurt Fuchs

Head of Finance, 1962, Switzerland, member since 1 November 2011, qualified banking expert, Advanced Executive Program (Swiss Finance Institute)

Professional background: Swiss Post Ltd (PostFinance: Head of Finance; on the PF Executive Board since 1 November 2011), UBS (Head of Regional Accounting & Controlling Switzerland, Head of Financial Accounting Switzerland); Swiss Bank Corporation

Key posts: Debtors Service Ltd (Board of Directors)



Nathalie Bourquenoud

Head of Work Environment, 1970, Switzerland, member since 1 September 2006, Executive MBA in Integrated Management (Fribourg School of Management), Swiss Certified Controller

Professional background: Swiss Post Ltd (PostParcels: Head of Finance & Controlling; PostFinance: Head of HR & Logistics, Member of the Executive Board since 1 September 2006); Manager of a Raiffeisen-bank

Key posts: Swiss Post Personnel Fund Foundation Board (Member)

Changes in the year under review

At the end of July, Peter Lacher took over from Hans-Rudolf Thönen as Head of Operations (previously Production). Beat Witschi, Head of Products, left the Executive Board at the end of June. In the year under review, Nathalie Bourquenoud resigned with effect from May 2014 and will leave the company.

Information and supervisory tools

Reporting

The Board of Directors receives regular reports from the Executive Board as well as from the following units: Internal Auditing, Finance, Risk Control, Compliance and Security. Ten meetings were held in 2013.

The Executive Board receives regular reports from the following units: Internal Auditing, Finance, Risk Control, Compliance and Security. It meets once every two weeks on average.

Internal control system

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

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

Internal Auditing

Internal Auditing is PostFinance Ltd's independent inspection body. It is the Board of Directors' management tool for control purposes. Internal Auditing works independently of PostFinance Ltd's daily business processes and is an autonomous unit from an organizational standpoint. Functionally, it reports to the Board of Directors. The Chairman of the Board of Directors' Audit Committee is responsible for HR management, while the Board of Directors is in charge of technical management. This guarantees maximum independence. The Board of Directors' Audit Committee appoints the Head of Internal Auditing, who then appoints the remaining members of staff. The Head of Internal Auditing also appoints a deputy.

Remuneration

Principles

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by FINMA (Circular 2010/1).

Remuneration policy

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

Remuneration structure

Remuneration for members of the Executive Board is comprised of a fixed base salary plus a performance-related component, which may amount to a maximum of 35 percent of the gross annual base salary (45 percent for the CEO). It is determined on the basis of benchmarks for Swiss Post Ltd (30 percent) and PostFinance Ltd (30 percent) as well as the individual's own performance (40 percent). At Swiss Post Ltd level, the variable component is calculated on the basis of the economic value added. At PostFinance Ltd level, return on equity (weighting: 50 percent), customer satisfaction and unit fitness according to the employee satisfaction survey (weighting: 25 percent each) are used to calculate the variable component.

Members of the Executive Board also receive a first-class GA travelcard, a company car (private use can be invoiced on request), a mobile phone and a monthly expense account. PostFinance Ltd pays the insurance premiums for a risk insurance policy. Life insurance is taken out for the CEO. Individual bonuses may be paid to reward special personal contributions.

Neither the members of the Executive Board nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year. The base salary and the performance component are insured for members of the Executive Board: up to a maximum of 334,080 francs in the Swiss Post pension fund (defined contribution plan); income in excess of this amount is covered by a management insurance scheme (defined contribution plan). Pension contributions are paid half each by the employer and the employee. Employment contracts are based on the Swiss Code of Obligations. Severance payments may be paid in justified cases; a maximum of half of an annual gross salary may be paid. The notice period for members of the Executive Board is six months.

The following weightings are given to the benchmarks for calculating the variable remuneration due to staff exercising a control function: Swiss Post Ltd (15 percent), PostFinance Ltd (20 percent), the individual's own performance (65 percent). In addition, care is taken that no individual targets are linked to the financial success of PostFinance.

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

A penalty principle also applies when calculating the variable salary component.

Consideration of risk

To calculate the variable remuneration due to members of the Executive Board, a penalty principle applies whereby all three performance levels are taken into account (Swiss Post Ltd, PostFinance Ltd and individual performance) to determine whether the variable component threshold has been reached. The variable component is only paid on reaching this value. The penalty range lies below this threshold for variation remuneration. A third of the effective annual remuneration is paid into an account specially set up for this purpose; the remaining two-thirds are paid out directly. If the effective variable salary component is negative owing to the penalty rule, this negative figure is booked into the account for variable remuneration and reduces the balance of this account accordingly.

2013 remuneration

Staff

PostFinance Ltd paid a total salary sum of 369 million francs to its employees in 2013. 351 million francs of this sum were fixed salaries, while 25 million francs were variable components. –23 million francs represent deferred remuneration that will be paid out over the next few years.

PostFinance made payments recognized in profit or loss of 23 million francs for previous financial years in 2013.

PostFinance Ltd employed 3,921 staff at the end of 2013. This corresponds to 3,424 full-time equivalents.

Board of Directors

The Federal Council determines the level of remuneration for members of the Board of Directors. In 2013, the members of the Board (including the Chairman) received total remuneration of 724,000 francs (fees and fringe benefits). Fringe benefits stood at 164,000 francs. In 2013, the fee of the Chairman of the Board totalled 200,000 francs. The fringe benefits amounted to 26,000 francs. Remuneration for members of the Board of Directors who also hold an Executive Management position was paid directly to Swiss Post Group.

Executive Board

Total remuneration of 3,063,000 francs (base salaries, fringe benefits, performance-based components and one-off payments) was paid to the eight active members and the two members who left the Executive Board. Fringe benefits stood at 368,000 francs. The performance-related component paid out to members of the Executive Board is based on the average attainment of targets in the previous two years. The performance-related component payable in 2014, which is based on attainment of targets in 2012 and 2013, amounts to 513,000 francs. This sum is charged to the annual financial statements in 2013.

The base salary paid out to the CEO stood at 375,000 francs, and the performance-related component 102,000 francs.

Remuneration 2013, CHF	Total	Average
Chairman of the Board of Directors		
Fees	200,000	
Fringe benefits		
Expenses and representation allowances	20,000	
First-class GA travelcard	5,800	
Total remuneration	225,800	
Other members of the Board of Directors (6)		
Fees	360,000	60,000
Fringe benefits		
Expenses and representation allowances	27,600	4,600
Additional fringe benefits	110,800	18,467
Total remuneration	498,400	83,097
Entire Board of Directors (7)		
Fees	560,000	
Fringe benefits	164,200	
Total remuneration	724,200	
Chief Executive Officer		
Fixed base salary	375,000	
Performance-related component (payable 2014)	102,395	
Fringe benefits		
Expenses and representation allowances	19,200	
Additional fringe benefits ¹	32,581	
Additional payments ²	–	
Total remuneration	529,176	
Other members of the Executive Board (9)³		
Fixed base salary	1,807,071	240,943
Performance-related component (payable 2014)	410,406	54,721
Fringe benefits		
Expenses and representation allowances	107,000	14,267
Additional fringe benefits ¹	74,159	9,888
Additional payments ^{2,4}	135,140	18,019
Total remuneration	2,533,776	337,837
All members of the Executive Board (10)⁵		
Fixed base salary and performance-related component	2,694,875	
Fringe benefits	368,080	
Total remuneration	3,062,955	

¹ Other fringe benefits include: first-class GA travelcard company car, mobile phone and premiums for risk insurance policies.

² Additional payments excluding salaries and fringe benefits such as top bonuses and loyalty bonuses.

³ Seven active members and two members who left the Executive Board in 2013.

⁴ A severance payment of six month's salary was paid to one of the two members who left the Executive Board in 2013.

⁵ Including the two members who left the Executive Board in 2013.

Management contracts

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

Auditor

According to the Swiss Code of Obligations, the auditors are to be appointed by the General Meeting. According to the Banking Act, this is the responsibility of the Board of Directors. KPMG have been appointed as the auditors (accounting and regulatory audit) in accordance with both the Swiss Code of Obligations and the Banking Act. Their work is carried out by two separate audit teams. In the year under review PostFinance paid KPMG a total of 900,000 francs in auditing and consultancy fees.

Information policy

PostFinance Ltd maintains regular contact with its parent at various levels, in particular with regard to the universal service obligation for payment transactions. Reporting concepts are in place for FINMA and OFCOM. The regulatory authorities are informed regularly and promptly about facts that are relevant to their role as supervisory bodies.

Statutory annual financial statements

PostFinance is issuing annual financial statements in accordance with the BAG Bank Accounting Guidelines (articles 23–27, Banking Ordinance, FINMA Circular 2008/2 “Accounting – Banks”) for the first time in 2013.

PostFinance has been a public limited company with a licence to operate as a bank and securities dealer and subject to FINMA supervision since 26 June 2013. The accounting was adjusted with retroactive effect to 1 January 2013. To facilitate comparison, the tables relating to the balance sheet and notes show the figures from the opening balance sheet as at 1 January 2013.

The statutory financial statements indicate earnings after tax of 265 million francs.

Balance sheet

PostFinance Ltd | Balance sheet as per BAG
CHF million

	Notes	31.12.2013	1.1.2013
Assets			
Cash and cash equivalents		39,114	44,860
Receivables from money market instruments		–	–
Receivables due from banks		9,933	4,691
Receivables due from customers	5	9,894	8,485
Mortgage receivables	5	1	1
Securities held for trading and precious metals		–	–
Financial assets	6, 20	54,454	56,108
Investments	6	14	298
Property, plant and equipment	8	954	890
Intangible assets		1,800	2,000
Prepaid expenses and deferred income		720	783
Other assets	9	134	157
Total assets		117,018	118,273
Total subordinated receivables		–	–
Total receivables due from subsidiaries and holders of qualified participations		2,019	2,213
Equity and liabilities			
Liabilities from money market instruments		–	–
Amounts due to banks		2,380	6,693
Amounts due to customers as savings and investments		42,585	36,834
Other amounts due to customers		64,534	67,475
Medium-term notes		161	195
Loans and mortgage bond loans		–	–
Prepaid expenses and deferred income		173	105
Other liabilities	9	137	131
Value adjustments and provisions	12	101	158
Reserves for general bank risks		–	–
Share capital	13	2,000	2,000
General statutory reserves	14	4,682	4,682
<i>of which reserve from capital contributions</i>		4,682	4,682
Other reserves		–	–
Profit carried forward		–	–
Profit for the year		265	–
Total equity and liabilities		117,018	118,273
Total subordinated liabilities		–	–
Total amounts due to subsidiaries and holders of qualified participations		529	561

PostFinance Ltd | Off-balance sheet transactions

CHF million	31.12.2013	1.1.2013
Contingent liabilities	–	–
Irrevocable commitments	641	–
Liabilities for calls on shares and other equity	–	–
Credit commitments	–	–
Derivative financial instruments: positive fair values	96	94
Derivative financial instruments: negative fair values	20	42
Derivative financial instruments: contract volume	5,304	4,253
Fiduciary transactions	–	–

Until it was demerged on 26 June 2013, PostFinance Ltd was merely a shelf company with no operational activities. The balance sheet as at 31 December 2012 is therefore shown separately (in CHF thousands) using the BAG balance sheet structure.

PostFinance Ltd | Shelf company balance sheet as per BAG

CHF thousands	31.12.2012
Cash and cash equivalents	98
Other assets	0
Total assets	98
Share capital	100
Loss carried forward	–2
Profit for the year	0
Total equity and liabilities	98

Income statement

PostFinance Ltd | Income statement as per BAG
CHF million

	Notes	2013 ¹
Income and expenses from ordinary banking operations		
Interest and discount income		222
Interest and dividend income from trading portfolios		–
Interest and dividend income on financial assets		995
Interest expenses		–283
Net interest income		934
Commission income on lending business		93
Commission income on securities and investment business		37
Commission income on other services		620
Commission expenses		–592
Net service and commission income		158
Net trading income	21	158
Net income from disposal of financial assets		15
Income from investments		1
Net income from real estate		52
Other ordinary income		163
Other ordinary expenses		–6
Other ordinary net income		225
Operating income		1,475
Staff costs	22	–471
Non-staff costs	23	–470
Operating expenses		–941
Gross profit		534
Profit for the year		
Gross profit		534
Depreciation of fixed assets		–245
Value adjustments, provisions and losses		–16
Operating profit (intermediate result)		273
Extraordinary income	24	71
Extraordinary expenses	24	–
Taxes	25	–79
Profit for the year		265

1 PostFinance has prepared its annual financial statements for 2013 in accordance with BAG for the first time. For this reason, no prior-year figures for 2012 are given.

Cash flow statement

PostFinance Ltd Cash flow statement as per BAG CHF million	Source of funds 2013	Application of funds 2013
Cash flow from operating profit (internal financing)		
Profit for the year	265	–
Depreciation of property, plant and equipment and amortization of intangible assets	245	–
Provisions and other value adjustments	–	4
Changes in impairment charges for default risks and losses	–	57
Prepaid expenses	63	–
Deferred income	68	–
Other positions ¹	88	–
Balance	668	–
Cash flow from equity transactions		
Share capital ²	–	–
Share premium ²	–	–
Balance	–	–
Cash flow from investment activities		
Investments	284	–
Real estate	–	85
Other property, plant and equipment	–	24
Intangible assets	–	–
Balance	175	–
Cash flow from banking operations		
Amounts due to banks	–	4,313
Liabilities from customer deposits	2,810	–
Medium-term notes	–	35
Negative fair values of derivative financial instruments	–	21
Other obligations	27	–
Receivables due from banks	–	5,242
Receivables due from customers	–	1,409
Mortgage receivables	–	0
Positive fair values of derivative financial instruments	–	1
Financial assets	1,570	–
Other receivables	25	–
Balance	–	6,589
Liquidity		
Cash and cash equivalents	5,746	–
Balance	5,746	–
Total	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 cash flow statement.

PostFinance Ltd Liquidity statement CHF million	
Liquidity as at 1.1.2013	44,860
Liquidity as at 31.12.2013	39,114
Decline in liquidity	5,746

Appropriation of profit

PostFinance Ltd | Net retained profit CHF million

	31.12.2013
Profit for the year	265
Profit carried forward	–
Total net retained profit	265

PostFinance Ltd | Appropriation of profit CHF million

	31.12.2013
Allocation to other reserves	–
Distribution of dividends	240
Profit carried forward to new account	25
Total net retained profit	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 965 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 4.3 billion francs of new money in 2013. PostFinance employed 3,931 staff on average in 2013. This corresponds to 3,432 full-time equivalents. At the end of the financial year, PostFinance had total assets of 117 billion francs and had generated profit for the year of 265 million francs (both figures are in accordance with BAG Bank Accounting Guidelines, 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 sub-markets of payments and savings. 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.

Information on the income statement, cash flow statement and appropriation of profit

As the annual financial statements are being issued according to BAG for the first time for the financial year 2013, no previous year's figures are given.

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

Closing rates	31.12.2013	31.12.2012
EUR	1.2265	1.2080
USD	0.8901	0.9152
GBP	1.4714	1.4801

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.

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.

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 using the straight-line method 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 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 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. The corresponding contracts meet all FINMA requirements with regard to bank client confidentiality and data protection.

Accounting changes year-on-year

PostFinance has prepared its annual financial statements for 2013 in accordance with BAG for the first time. There were no changes in accounting and valuation principles compared with the opening balance year-on-year.

Events after the balance sheet date

On the date of issue of the financial statements, no significant events had occurred as at 31 December 2013 which would have to be disclosed in the balance sheet and/or in the notes.

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 market, credit and operational risks, are managed using industry-standard tools and methods. Modern software solutions are implemented. Monthly stress tests based on plausible multi-year macroeconomic scenarios are carried out to ensure risk tolerance. PostFinance was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but continue to be 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 credit balance at the Swiss National Bank.

Organization

PostFinance's Board of Directors conducts an annual risk assessment and draws up the primary guidelines and principles for managing financial and operational risks. It approves the risk policy, and sets limits that the operating units are required to observe in managing financial and operational 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 Executive Board of PostFinance delegates responsibility for the active control and management of financial risks within the defined framework to the Asset & Liability Management Committee (ALKO). Its duties and responsibilities include managing the balance sheet structure and setting sublimits for market and credit risks based on operational risk management areas. The Asset & Liability Management Committee also ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms. The risk management department is responsible for identifying, measuring and aggregating the risks taken by PostFinance. As part of the strategy process, risk management involves analysing potential risk allocations for different strategic options. The emphasis is on guaranteeing risk tolerance at all times, taking into account the amount of risk coverage available, the defined risk appetite and the desired return on capital. The risk control department defines appropriate processes for identifying, measuring, assessing and controlling the risks taken by PostFinance. Risk control is the central unit in charge of monitoring all the other departments. It ensures that risk-related data is collected systematically, and that the information obtained is properly processed, integrated and reported at the appropriate level. Where limits are exceeded, predefined measures are introduced immediately.

Financial risk management

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

Interest rate risk and balance sheet structure risk

The term "interest rate risk" refers to the potential impact of a change in market interest rates on the fair 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 statement of comprehensive income. Interest-earning operations are a key source of revenue for PostFinance. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of 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 model. 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 ALKO 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. This is controlled by the ALKO 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 in 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 ALKO. 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. Interest rate swaps are used to a limited extent to hedge against interest rate risks. Individual positions are hedged rather than complete portfolios. The risk control department provides the ALKO with a weekly report on interest rate risks that indicates the relevant risks and shows whether limits are being observed. Additional reports on interest rate risks are issued to the Executive Board each month and to the Board of Directors each quarter.

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. The currency risks faced by PostFinance result from financial assets and business operations. Currency swaps and 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. Market risks arising from foreign exchange transactions are measured and managed daily in the overall balance sheet using the value-at-risk method. The historic simulation method is applied with a conservative confidence level for foreign currency value-at-risk measurement in a similar way to interest rate value-at-risk measurement.

Equity price risk

Equity price risk is understood to be the risk of loss resulting from changes in the value of equity indices or individual equities. PostFinance has invested in equities since 2005 for the purposes of diversification, which means that it is exposed to equity price risk. Equity price risk is monitored and limited with value-at-risk measurement. As in the case of interest rate and foreign currency value-at-risk measurement, the historic simulation method is applied with a conservative confidence level. In addition to equity, the value-at-risk index contains bond funds, as the latter are included in the balance sheet at fair value. Limits are monitored on a daily basis. 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. No equities were held for trading in either financial year 2013 or 2012.

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 PostFinance Treasury's investments in the money and capital markets are strictly limited through special investment regulations and prescribed limits. Among other things, limits apply at counterparty, portfolio and rating structure level. For example, investments are only permitted in debtors with very good ratings. Limits also apply for the appropriate limitation of country risks. 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 credit risk limits is measured and reported on daily.

Lending business

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 worked with Valiant Bank AG on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its range of services in the retail financial 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 risk

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 in the short term, financial cushions are limited by specifying a minimum amount to be observed. Outgoing payments on a one-day horizon are taken into account for this purpose. Compliance with limits is measured and reported on daily. To ensure liquidity in the medium and long term, liquidity stress scenarios lasting at least three months are defined that must not lead to insolvency. Stress test results are measured on a monthly basis and reports are sent to the Board of Directors at least once a year.

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 monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral). Collateral concentration risks are measured and monitored on a monthly basis for individual days in the past month. Measures are introduced by the Executive Board if the concentration limit is exceeded. Quarterly reports are sent to the Board of Directors regarding the proximity of the concentration limit.

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 professionally controlled from a central dedicated unit. It defines the risk management process for the entire bank 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 operational risk management. 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 (2013: 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 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 bank'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. The Board of Directors is informed of the risk situation at PostFinance based on this information.

4 | Capital adequacy disclosure

Capital adequacy disclosure CHF million		Basis as per CAO	31.12.2013
Eligible equity capital			
Common equity tier 1 (CET1)			4,882
Tier 2 capital (T2)			90
Total eligible equity capital (CET1 + T2)			4,972
Required equity			
Credit risks	International standardized approach (SA-BIS)		1,592
Non-counterparty risks	International standardized approach (SA-BIS)		76
Market risks	Market risk, standardized approach		25
Operational risks	Basic indicator approach		226
Deductions from required equity			–
Total minimum required equity	As per art. 42, CAO		1,919
Equity buffer 80% (for equity target of 14.4%)	In accordance with FINMA: maximum rate for category 2		1,536
Total required capital (T1+T2)	As per art. 45, CAO		3,455

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

Information on equity requirements is available 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 per 31.12.2013 and 1.1.2013 CHF million		Type of coverage			Total
		Mortgage coverage	Other coverage	Without coverage	
Loans					
Receivables due from customers ¹		–	–	9,894	9,894
Mortgage receivables		1	–	–	1
Residential property		1	–	–	1
Total loans	31.12.2013	1	–	9,894	9,895
	1.1.2013	1	–	8,485	8,486
Off-balance sheet					
Irrevocable commitments		–	–	641	641
Total off-balance sheet	31.12.2013	–	–	641	641
	1.1.2013	–	–	–	–
Doubtful receivables					
CHF million		31.12.2013		1.1.2013	
Gross debt		0		–	
Estimated liquidation value of collateral ²		–		–	
Net debt		0		–	
Individual impairment charges		0		–	

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

² Credit or disposal value per customer, whichever is the lowest.

6 | Financial assets and investments

Financial assets CHF million	Carrying amount		Fair value	
	31.12.2013	1.1.2013	31.12.2013	1.1.2013
Debt securities				
with intention to hold until maturity	53,665	55,324	55,630	58,105
Equity securities				
recognized using lowest value principle	789	784	897	784
Total financial assets	54,454	56,108	56,527	58,889
repo-eligible securities as per liquidity requirements	42,592	n.a.	–	–

Investments CHF million	31.12.2013	1.1.2013
Investments		
with market price	–	–
without market price	14	298
Total investments	14	298

7 | Details of significant investments

Significant investments				Equity interest	
CHF or EUR million, percent	Business activities	Currency	Share capital	31.12.2013	1.1.2013
Fully-consolidated investments					
Debtors Service Ltd, Berne, Switzerland	Accounts receivable management	CHF	1	100%	100%
Non-consolidated significant investments					
SECB Swiss Euro Clearing Bank GmbH, Frankfurt a.M. (Germany)	Payment transaction processing in EUR for Swiss financial institutions	EUR	20	25%	25%
SIX Interbank Clearing Ltd, Zurich	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 7 million francs and profit for the year by 7 million francs.

8 | Statement of fixed assets

Statement of fixed assets									
CHF million	Acquisition cost	Previously accumulated depreciation and amortization	Carrying amount 1.1.2013	Reclassifications	Investments	Divestments	Depreciation and amortization	Appreciation	Carrying amount 31.12.2013
Investments									
Other investments	298	–	298	–	–	–284	–	–	14
Total investments	298	–	298	–	–	–284	–	–	14
Property, plant and equipment									
Real estate									
Bank buildings	141	–	141	–	–	–	–3	–	138
Other real estate	720	–51	669	–	52	–	–23	–	698
Other property, plant and equipment	257	–186	71	–	43	–	–19	–	95
Others (software)	9	–	9	–	14	–	–	–	23
Total property, plant and equipment	1,127	–237	890	–	109	–	–45	–	954
Intangible assets									
Goodwill	2,000	–	2,000	–	–	–	–200	–	1,800
Total intangible assets	2,000	–	2,000	–	–	–	–200	–	1,800
Fire insurance value									
Real estate									1,176
Other property, plant and equipment									83
Future lease commitments under operating leases									
CHF million	2014	2015	2016	2017	2018	2019			
Future lease payments	18	17	2	1	0	0			

9 | Other assets and liabilities

Other assets and liabilities	31.12.2013		1.1.2013	
	Other assets	Other liabilities	Other assets	Other liabilities
Fair value from derivative financial instruments, foreign currencies and equity securities				
Contracts as principal	94	19	94	41
Contracts as commission agent	2	1	0	0
Total derivative financial instruments	96	20	94	41
Adjustment account	–	8	–	3
Indirect taxes	35	57	34	84
Other assets and liabilities	3	52	29	3
Total other assets and other liabilities	134	137	157	131

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 title¹

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

¹ Excluding securities lending and repurchase transactions

Securities lending and repurchase transactions

CHF million	31.12.2013	1.1.2013
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	–	30
Own securities lent or provided as collateral as part of securities lending and borrowing transactions or transferred in repurchase transactions.	–	8,513
of which securities for which an unrestricted right to dispose of or pledge was granted	–	8,513
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	7,150	10,125
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 obligations due from supplementary invalidity insurance (IV) in the form of IV transitional pensions (IV supplementary pensions for men up to 65 years old and women up to 64 years old) 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, in PostFinance's opinion, the employee benefits institutions generate an economic benefit or an economic obligation. 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 44,829 active insured people and 36,981 pensioners (as at 1 October 2013), the Swiss Post pension fund had total assets of 15,286 million francs as at 31 December 2013 (previous year: 14,009 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at 102.3 percent (previous year: 98.8 percent). Not taking into account employer contribution reserves with renounced use, the level of cover is 98.5 percent (previous year: 95.0 percent). 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 1,110 million francs, of which 550 million francs are with renounced use (previous year: 1,110 million francs, of which 550 million francs with renounced use). To calculate the pensions' actuarial reserve, a discount rate of 3 percent (previous year: 3.5 percent) and the actu-

arial basis of the Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG) 2010 (previous year: BVG 2010) are used. A detailed assessment did not reveal any financial impact on the bank; in the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP ARR 26, there were no spare funds or shortfalls taking account of the employer contribution reserves with renounced use as at 31 December 2013. There are no company employee benefits institutions.

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

Economic benefits / obligations, 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
	31.12.2013	31.12.2013	1.1.2013	1.1.2013	2013	2013	2013	2013
CHF million								
Swiss Post pension fund	17	–	–6	–5	34	2	36	31
Staff vouchers	–4	–4	–3	1	0	–	0	1
Disability pensions	–1	–1	–1	0	–	–	–	0
Total ARR 16	12	–5	–10	–4	34	2	36	32

The Swiss Post pension fund employer contribution reserves are allocated based PostFinance Ltd's retirement capital as a percentage share of PostFinance Ltd's total retirement capital. On this basis, the following information can be provided:

Employer contribution reserves						Profit or loss from employer contribution reserves in staff costs
CHF million	Face value	Renounced use	Other value adjustments	Balance sheet (provisions)/assets		
	31.12.2013	31.12.2013	31.12.2013	31.12.2013	1.1.2013	2013
Swiss Post pension fund	57	–28	–	29	32	3
Staff vouchers	–	–	–	–	–	–
Disability pensions	–	–	–	–	–	–
Total ARR 16	57	–28	–	29	32	3

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

Value adjustments and provisions	As at 1.1.2013	Use for intended purpose ¹	Recoveries, overdue interest, exchange differences	Newly recognized provisions charged to income statement	Reversals of provisions credited to income statement	As at 31.12.2013
CHF million						
Value adjustments and provisions for default risks (bad debt provisions and country risks)	248	3	–	10	66	189
Provisions from employee benefit obligations	9	–	–	–	4	5
Other provisions	5	3	–	5 ²	2	5
Total value adjustments and provisions	262	6	–	15	72	199
less value adjustments offset directly against assets	–104	–3	–	–5	–8	–98
Total value adjustments and provisions according to balance sheet	158	3	–	10	64	101
Reserves for general bank risks	–	–	–	–	–	–

¹ There were no changes in purpose.

² Incl. recognition of a provision for the costs of proceedings in the US programme of 2.5 million francs

No provision has been recognized for any fines payable from the US tax programme. The reason for this view is primarily the written statement of reservation submitted to the US judicial authorities to switch from category 2 to category 3.

13 | Share capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Share capital	31.12.2013			1.1.2013		
CHF million, number in million	Total face value	Number	Capital entitled to dividend	Total face value	Number	Capital entitled to dividend
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

	31.12.2013			1.1.2013		
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 per 1.1.2013 and 31.12.2013
CHF million

	2013
Share capital	2,000
General statutory reserves	4,682
Total equity on 1.1.2013 (before appropriation of profit)	6,682
Profit for the year under review	265
Total equity on 31.12.2013 (before appropriation of profit)	6,947
Share capital	2,000
General statutory reserves	4,682
Profit for the year	265

15 | Maturity structure of current assets and liabilities

Current assets by type
and term to maturity

CHF million, as per 31.12.2013 and 1.1.2013

	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	immobilized	Total
Cash and cash equivalents	39,114	–	–	–	–	–	–	39,114
Receivables due from banks	47	–	6,747	174	1,525	1,440	–	9,933
Receivables due from customers	263	8	1,166	1,231	3,658	3,568	–	9,894
Mortgage receivables	–	–	–	1	–	–	–	1
Financial assets	793	–	2,084	5,088	31,067	15,422	–	54,454
Total current assets	31.12.2013	40,217	8	9,997	6,494	36,250	20,430	113,396
	1.1.2013	44,356	3	6,276	6,628	34,757	22,123	114,145

Liabilities by type and term to maturity

CHF million, as per 31.12.2013 and 1.1.2013

	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	immobilized	Total
Amounts due to banks	2,380	–	–	–	–	–	–	2,380
Amounts due to customers as savings and investments	–	42,585	–	–	–	–	–	42,585
Other amounts due to customers	64,532	–	2	–	–	–	–	64,534
Medium-term notes	–	–	20	46	74	21	–	161
Total liabilities	31.12.2013	66,912	42,585	22	46	74	21	109,660
	1.1.2013	74,095	36,834	75	–	153	40	111,197

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/amounts due to affiliates as at 1.1.2013 and 31.12.2013 CHF million		
	31.12.2013	1.1.2013
Receivables due from affiliates	26	–
Amounts due to affiliates	439	605

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

PostFinance Ltd 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 (members of top management and individual specialist functions within PostFinance Ltd), were carried out with related parties 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		31.12.2013		1.1.2013	
CHF million	Domestic	International	Domestic	International	
Assets					
Cash and cash equivalents	39,090	24	44,837	23	
Receivables due from banks	3,546	6,387	3,564	1,127	
Receivables due from customers	9,893	1	8,484	1	
Mortgage receivables	1	–	1	–	
Financial assets	23,041	31,413	20,370	35,738	
Investments	10	4	294	4	
Property, plant and equipment	954	–	890	–	
Intangible assets	1,800	–	2,000	–	
Prepaid expenses and deferred income	367	353	357	426	
Other assets	95	39	84	73	
Total assets	78,797	38,221	80,881	37,392	
Equity and liabilities					
Amounts due to banks	2,274	106	6,599	94	
Amounts due to customers as savings and investments	41,016	1,569	35,807	1,027	
Other amounts due to customers	62,737	1,797	66,088	1,387	
Medium-term notes	161	–	195	–	
Prepaid expenses and deferred income	173	0	105	0	
Other liabilities	133	4	131	0	
Value adjustments and provisions	101	–	158	–	
Share capital	2,000	–	2,000	–	
General statutory reserves	4,682	–	4,682	–	
Profit for the year	265	–	–	–	
Total equity and liabilities	113,542	3,476	115,765	2,508	

18 | Assets by country / group of countries

Assets by country/group of countries		31.12.2013		1.1.2013	
CHF million, percent	Absolute	Share in %	Absolute	Share in %	
Assets					
Switzerland	78,796	67.3	80,881	68.4	
Europe	33,434	28.6	32,529	27.5	
North America	2,783	2.4	3,166	2.7	
Other countries	2,005	1.7	1,697	1.4	
Total assets	117,018	100.0	118,273	100.0	

19 | Balance sheet by currency

Balance sheet by currency
as per 31.12.2013
CHF million

	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Cash and cash equivalents	38,971	143	–	–	–	–	39,114
Receivables due from banks	8,235	282	1,367	24	5	20	9,933
Receivables due from customers	9,881	13	0	0	0	0	9,894
Mortgage receivables	1	–	–	–	–	–	1
Financial assets	51,376	2,288	526	123	44	97	54,454
Investments	10	4	–	–	–	0	14
Property, plant and equipment	954	–	–	–	–	–	954
Intangible assets	1,800	–	–	–	–	–	1,800
Prepaid expenses and deferred income	683	36	1	0	–	0	720
Other assets	132	1	0	1	0	0	134
Total balance sheet assets	112,043	2,767	1,894	148	49	117	117,018
Delivery claims from foreign exchange transactions	1,113	233	55	18	2	26	1,447
Total assets	113,156	3,000	1,949	166	51	143	118,465
Equity and liabilities							
Amounts due to banks	2,109	217	52	1	0	1	2,380
Amounts due to customers as savings and investments	41,510	1,075	–	–	–	–	42,585
Other amounts due to customers	61,652	1,355	1,449	41	6	31	64,534
Medium-term notes	155	6	–	–	–	–	161
Prepaid expenses and deferred income	173	0	0	0	–	0	173
Other liabilities	137	–	0	–	–	–	137
Value adjustments and provisions	101	–	–	–	–	–	101
Share capital	2,000	–	–	–	–	–	2,000
General statutory reserves	4,682	–	–	–	–	–	4,682
Profit for the year	265	–	–	–	–	–	265
Total balance sheet equity and liabilities	112,784	2,653	1,501	42	6	32	117,018
Delivery obligations from foreign exchange transactions	357	349	388	56	45	95	1,290
Total equity and liabilities	113,141	3,002	1,889	98	51	127	118,308
Net position per currency	15	–2	60	68	–	16	157

Information regarding off-balance sheet transactions

20 | Open derivative financial instruments

Open derivative financial instruments as at 31.12.2013 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)		–	–	–	48	16	3,857
Foreign currencies / precious metals							
Forward contracts		4	3	666	11	0	516
Cross currency interest rate swaps (CCIRS)		1	1	121	32	–	144
Total open derivative financial instruments							
before consideration of netting contracts	31.12.2013	5	4	787	91	16	4,517
	1.1.2013	14	2	761	80	40	3,492
after consideration of netting contracts	31.12.2013	5	4	787	91	16	4,517
	1.1.2013	14	2	761	80	40	3,492

Information regarding the income statement

As the annual financial statements are being issued according to BAG for the first time for the financial year 2013, no previous year's figures are given.

21 | Net trading income

Net trading income CHF million	2013
Trade in foreign currencies and foreign notes and coins	158
Trade in interest rate derivatives	0
Trade in securities	–
Trade in precious metals ¹	–
Total net trading income	158

¹ PostFinance Ltd does not trade in precious metals.

22 | Staff costs

Staff costs CHF million	2013
Salaries and benefits (incl. attendance fees and indemnities to bank authorities)	369
Social security benefits	37
Contributions to employee benefits institutions	47
Other staff costs	18
Total staff costs	471

23 | Non-staff costs

Non-staff costs CHF million	2013
Premises and energy costs	57
Expenses for IT, machinery, furniture, vehicles and other facilities	152
Other operating expenses	261
Total non-staff costs	470

24 | Extraordinary income and extraordinary expenses

Extraordinary income CHF million	2013
Reversal of impairment	71
Other extraordinary income	0
Total extraordinary income	71

Extraordinary expenses CHF million	2013
Losses on the sale of assets	–
Other extraordinary expenses	–
Total extraordinary expenses	–

The main factors behind the recognition/reversal of impairment in the investment portfolios are the rating structure and credit spreads. In previous years, general impairment charges were mainly recognized on bonds held to maturity. Reversals of 64 million francs owing to positive performance were recognized in profit and loss in 2013. Changes in value of postal account overdrafts and individual impairment charges also contributed to the result.

25 | Tax expenses

Tax expenses from taxes on profits and capital amounted to 79 million francs. Tax on profits was calculated with a tax rate of 22%.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of PostFinance Ltd, Berne

As statutory auditor, we have audited the financial statements of PostFinance Ltd, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 55 to 81) for the year ended 31 December 2013.

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 2013 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

Kurt Stoll
Licensed Audit Expert
Auditor in Charge

Jakub Pesek
Licensed Audit Expert

Berne, 28 February 2014

Reporting

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

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Print versions of the Annual Report can be ordered online at www.postfinance.ch/order-annualreport.

Structure of Swiss Post reporting documents

The Swiss Post annual reporting documents consist of:

- Swiss Post Ltd Annual Report
- Swiss Post Ltd Financial Report (management report, corporate governance, annual financial statements)
- PostFinance Ltd Annual Report
- PostBus Switzerland Ltd performance report

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