Group annual financial statements

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

Consolidated income statement

Group | Income statement

CHF million	Notes	2014[1]	2015
Net sales from logistics services		5,533	5,445
Net sales from resale merchandise		553	515
Income from financial services	6	2,108	2,062
Other operating income	7	177	202
Total operating income	5	**8,371**	**8,224**
Personnel expenses	8, 9	–4,108	–4,022
Resale merchandise and service expenses	10	–1,602	–1,529
Expenses for financial services	6	–415	–266
Depreciation and impairment	24–26	–329	–336
Other operating expenses	11	–1,114	–1,195
Total operating expenses		**–7,568**	**–7,348**
Operating profit	5	**803**	**876**
Financial income	12	12	22
Financial expenses	13	–57	–69
Net income from associates and joint ventures	23	16	12
Group profit before tax		**774**	**841**
Income taxes	14	–136	–210
Group profit		**638**	**631**
Group profit attributable to			
Swiss Confederation (owner)		638	631
Non-controlling interests		0	0

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

Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2014	2015
Group profit		**638**	**631**
Other comprehensive income			
Revaluation of employee benefit obligations		–1,344	–1,162
Change in share of other comprehensive income of associates and joint ventures		0	1
Change in deferred income taxes		275	153
Items not reclassifiable in the consolidated income statement, after tax	29	**–1,069**	**–1,008**
Change in currency translation reserves		7	–25
Change in share of other comprehensive income of associates and joint ventures		1	2
Change in fair value reserves from available-for-sale financial assets		33	11
(Gains)/losses transferred to income statement from available-for-sale financial assets		–32	–33
Change in hedging reserves from cash flow hedges		–52	27
(Gains)/losses transferred to income statement from cash flow hedges		43	–23
Change in deferred income taxes		–15	–7
Reclassifiable items in consolidated income statement, after tax	29	**–15**	**–48**
Total other comprehensive income		**–1,084**	**–1,056**
Total comprehensive income		**–446**	**–425**
Total comprehensive income attributable to			
Swiss Confederation (owner)		–446	–425
Non-controlling interests		0	0

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2014	31.12.2015
Assets			
Cash		1,814	1,491
Amounts due from banks	15	42,543	38,933
Interest-bearing amounts due from customers	15	696	563
Trade accounts receivable	15	1,122	1,081
Other receivables	15	911	948
Inventories	16	83	76
Non-current assets held for sale	17	1	0
Financial assets	18–22	72,833	72,479
Interests in associates and joint ventures	23	104	104
Property, plant and equipment	24	2,477	2,423
Investment property	25	180	227
Intangible assets	26	371	436
Current income tax assets		0	0
Deferred income tax assets	14	1,536	1,566
Total assets		**124,671**	**120,327**
Liabilities			
Customer deposits (PostFinance)	27	112,150	107,380
Other financial liabilities	27	1,739	1,665
Trade accounts payable		821	678
Other liabilities		804	776
Provisions	28	488	427
Employee benefit obligations	9	3,489	4,847
Current income tax liabilities		21	20
Deferred income tax liabilities	14	149	149
Total liabilities		**119,661**	**115,942**
Share capital		1,300	1,300
Capital reserves		2,279	2,279
Retained earnings reserves		2,519	2,950
Profits and losses recorded directly in other comprehensive income		–1,089	–2,145
Equity attributable to the owner		**5,009**	**4,384**
Non-controlling interests		1	1
Total equity	29	**5,010**	**4,385**
Total equity and liabilities		**124,671**	**120,327**

Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Share capital	Capital reserves	Retained earnings reserves	Profits and losses recorded directly in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2014		**1,300**	**2,419**	**1,922**	**–5**	**5,636**	**1**	**5,637**
Group profit				638		638	0	638
Other comprehensive income	29				–1,084	–1,084	0	–1,084
Total comprehensive income				**638**	**–1,084**	**–446**	**0**	**–446**
Dividends	29		–140	–40		–180	–	–180
Payments to acquire non-controlling interests	37			–1		–1	0	–1
Total transactions with the owner			**–140**	**–41**		**–181**	**0**	**–181**
Balance as at 31.12.2014		**1,300**	**2,279**	**2,519**	**–1,089**	**5,009**	**1**	**5,010**
Group profit				631		631	0	631
Other comprehensive income	29				–1,056	–1,056	0	–1,056
Total comprehensive income				**631**	**–1,056**	**–425**	**0**	**–425**
Dividends	29			–200		–200	–	–200
Total transactions with the owner				**–200**		**–200**	**–**	**–200**
Balance as at 31.12.2015		**1,300**	**2,279**	**2,950**	**–2,145**	**4,384**	**1**	**4,385**

Consolidated cash flow statement

Group | Cash flow statement

CHF million	Notes	2014	2015
Profit before tax		774	841
Interest expense/(income) (including dividends)		–1,027	–1,001
Depreciation and impairment	24–26	337	355
Net income from associates and joint ventures		–16	–12
Net gain on disposal of property, plant and equipment	7, 11	–20	–40
Net increase in provisions		127	134
Other non-cash expenses/(income)		–30	292
Change in net current assets:			
(Increase) in receivables, inventories and other assets		–74	–37
(Decrease) in accounts payable and other liabilities		–1	–161
Change in items from financial services (PostFinance):			
(Increase)/decrease in amounts due from banks (term of 3 months or more)		–262	376
(Increase) in financial assets		–6,092	–79
Change in customer deposits/interest-bearing amounts due from customers		3,072	–4,634
Change in other receivables/liabilities		236	–68
Interest and dividends received (financial services)		1,338	1,200
Interest paid (financial services)		–169	–46
Income taxes paid		–118	–110
Cash flow from operating activities		**–1,925**	**–2,990**
Purchases of property, plant and equipment	24	–320	–279
Acquisition of investment property	25	–64	–47
Purchases of intangible assets (excl. goodwill)	26	–54	–95
Purchases of subsidiaries, net of cash and cash equivalents acquired	37	–5	–13
Purchases of associates and joint ventures	23	–	–3
Purchases of other financial assets		–13	–3
Proceeds from disposal of property, plant and equipment	24	35	59
Proceeds from disposal of subsidiaries, net of cash proceeds	37	–	0
Proceeds from disposal of associates and joint ventures	23	–	6
Proceeds from disposal of other financial assets		32	31
Interest and dividends received (excl. financial services)		20	19
Cash flow from investing activities		**–369**	**–325**
(Decrease) in other financial liabilities		–5	–14
Interest paid		–12	–12
Payments to acquire non-controlling interests	37	–1	–
Dividends paid to the owner	29	–180	–200
Cash flow from financing activities		**–198**	**–226**
Foreign exchange gains/(losses) on cash and cash equivalents		0	–15
Change in cash and cash equivalents		**–2,492**	**–3,556**
Cash and cash equivalents at 1 January		46,472	43,980
Cash and cash equivalents at 31 December		**43,980**	**40,424**
Cash and cash equivalents include:			
Cash		1,814	1,491
Amounts due from banks with an original term of less than 3 months	15	42,166	38,933

Notes

1 | Business activities

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

2 | Basis of accounting

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

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

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

Revised and new International Financial Reporting Standards (IFRSs)

Since 1 January 2015, Swiss Post has applied various changes to the existing IFRSs and interpretations, which have no material impact on the result or financial situation of the Group.

Standard	Title	Valid from
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1.7.2014
Miscellaneous	Annual improvements to IFRSs, 2010–2012 Cycle	1.7.2014
Miscellaneous	Annual improvements to IFRSs, 2011–2013 Cycle	1.7.2014

Certain new IFRSs or supplements thereto enter into force for financial years beginning on or after 1 January 2016:

Standard	Title	Valid from
IFRS 14	Regulatory Deferral Accounts	1.1.2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1.1.2016
Amendments to IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1.1.2016
Amendments to IAS 16/IAS 41	Bearer Plants	1.1.2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1.1.2016
Amendments to IAS 1	Disclosure initiative	1.1.2016
Amendments to IFRS 10/IFRS 12/IAS 28	Investment Entities: Applying the Consolidation Exception	1.1.2016
Miscellaneous	Annual improvements to IFRSs, 2012–2014 Cycle	1.1.2016
IFRS 9	Financial Instruments	1.1.2018
IFRS 15	Revenue from Contracts with Customers	1.1.2018

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

Accounting changes

Change in the recognition method for commission expenses and income

PostFinance changed the recognition method for commission expenses and income in the second quarter of 2015. Commission expenses and income from the private customer lending business are now recognized on a net basis. The aim of this change is to take the ordinary course of business into account more closely in future disclosures, as PostFinance Ltd acts merely as an intermediary and is therefore not exposed to any risks in relation to this business. The following table gives an overview of the impact of the restatement directly in equity.

Income statement

1.1. to 31.12.2014 CHF million	Reported	Adjustment	Adjusted
Income from financial services	2,194	–86	2,108
Expenses for financial services	–501	86	–415

Significant events and transactions

The "Other non-cash expenses/(income)" item in the cash flow statement of 292 million francs essentially consists of unrealized currency effects on PostFinance's financial assets recognized in profit or loss (272 million francs).

A net book loss due to the adjustment of the technical interest rate and the reduction in the conversion rate at the Swiss Post pension fund, together with the associated funding by Swiss Post, led to a 33 million franc increase in employee benefit expenses (see Note 9, Staff pension plan).

3 | Consolidation methods and accounting policies

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

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

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

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

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

Currency translation

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

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

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

Recognition of income

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

Income from logistics services is recognized after sales deductions at the time the service is provided. A non-material proportion of this income consists of revenue from the leasing of vehicles. Income from the sale of products is recognized in the income statement if the risks and rewards incidental to ownership of the products have been transferred to the purchaser. Swiss Post receives compensation from the Swiss Confederation and from cantons and municipalities for public passenger transport services.

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

Cash

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

Financial receivables

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

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognized at amortized cost, which usually corresponds to the face value, minus an impairment loss (provision for default risk) for expected defaults on receivables. Individual impairment losses are charged to a separate allowance account. The receivable is definitively derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment losses for specifically identified risks of loss, portfolio impairment losses based on statistical analyses of the historical risk of loss are also recognized following the indication of impairment.

Inventories

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

Financial assets

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

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

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

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

Swiss Post checks its current financial assets on a regular basis for any indications of impairment. Here it looks in particular to general market developments and the estimates of rating agencies and banks recognized by FINMA. If there are indications that an asset is impaired, the recoverable amount is calculated. The recoverable amount of interest-bearing assets and loans is the present value of expected future cash flows from interest payments and repayments. The present value of held-to-maturity investments and loans is calculated on the basis of the original effective rate of interest of the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is recognized in profit or loss as an impairment. If an impairment is to be recognized on an available-for-sale financial asset, the cumulative net loss on this asset recognized directly in equity is reclassified from equity to profit or loss. If the fair value of an interest-bearing investment such as a bond is less than the carrying amount solely due to a change in market interest rates, no impairment charge is recognized provided the issuer's credit standing is considered to be good. In this case, the change in the fair value of financial assets classified as available for sale is recognized directly in other comprehensive income.

Impairment losses are recognized for equity instruments in the available-for-sale category if a significant (i.e. fall of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified. No reversals of impairment losses are recognized in profit or loss until the assets' disposal; in this case, positive changes in value are recognized directly in equity in other comprehensive income.

Individual impairment losses on held-to-maturity financial assets and loans are charged to a separate allowance account. The financial asset is definitively derecognized once there are firm indications that it is no longer recoverable. In addition to the individual impairment losses mentioned above, a portfolio impairment loss based on the statistical analysis of historical loss is measured and recognized for the remaining portfolio.

Derivative financial instruments

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

Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged items. The effectiveness of these hedges is reviewed every six months.

Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged item are recognized in the income statement in the result from trading activities.

Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are recognized in other comprehensive income, while changes in value to the extent a hedge is ineffective are recognized in profit or loss in the result from trading activities. As soon as the hedged item has been recognized in profit or loss, the cumulated changes in fair value recorded in other comprehensive income are stated in the result from trading activities.

Derivatives which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading.

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

Fair value

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

The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (present value method, etc.). In the case of listed financial instruments, the fair values correspond to the market prices. In the case of unlisted monetary financial instruments, the fair values are determined by discounting the cash flows using the current interest rate applicable to instruments with the same maturity.

Repurchase, reverse repurchase and securities lending transactions

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

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

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

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

Investment property

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Leases

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

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

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

Intangible assets

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

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

Impairment losses (property, plant and equipment and intangible assets)

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

Customer deposits (PostFinance)

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

Other financial liabilities

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

Provisions

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

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

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

Employee benefit obligations

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

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

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

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

Income taxes

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

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

Non-current assets held for sale

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

4 | Estimation uncertainty and management's judgement

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

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

Estimation uncertainty in applying accounting policies

Useful lives of property, plant and equipment
The useful lives of property, plant and equipment (carrying amount as at 31 December 2015: 2,423 million francs) are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

Employee benefit obligations
Employee benefit expenses and employee benefit obligations (carrying amount as at 31 December 2015: 4,847 million francs) are calculated annually using the projected unit credit method. The calculations are based on various actuarial assumptions such as expected salary and pension trends or the discount rate for pension benefit obligations.

Fair values of financial instruments
Fair values of financial assets (carrying amount as at 31 December 2015: 72,479 million francs) that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observable market information. The discounted cash flow method is used to determine the fair value of some unlisted available-for-sale financial assets. The discounted cash flows are calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account.

Goodwill
The discounted cash flow method is used annually to determine the recoverable amount of goodwill items (carrying amount as at 31 December 2015: 238 million francs). The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next two to five years and a residual value. This does not include any growth component.

Management's judgement used in applying accounting policies

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

Impairment of available-for-sale and held-to-maturity financial assets and loans
In order to determine whether there is evidence of impairment, Swiss Post follows the guidance set out in IAS 39 Financial Instruments: Recognition and Measurement. In measuring impairment, the management takes into account various factors such as maturity, sector, outlook, technological conditions, etc.

5 | Segment information

Principles

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

Note 36 (Consolidated Group) shows the segments to which Swiss Post and its subsidiaries have been assigned.

Segmentation

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

Geographical information

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

Statutory mandates

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

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

State compensation

PostBus received compensation of 176 million francs from the Swiss Confederation (previous year: 175 million francs), 191 million francs from cantons (previous year: 182 million francs) and 7 million francs from municipalities (previous year: 7 million francs) for providing legally required public passenger transport services. This compensation is included in net sales from logistics services.

Composition of segment assets and liabilities

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

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

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

Unallocated assets and liabilities comprise non-operational assets (principally deferred tax assets and loans to PostBus operators) and non-operational liabilities (mainly other financial liabilities and deferred tax liabilities).

Changes in segment assets and liabilities

In comparison with 31 December 2014, the segment assets of PostFinance decreased by 4,295 million francs, particularly with regard to receivables. The decrease was mainly due to lower customer deposits. Liabilities in the "Other" segment were up 656 million francs in relation to 31 December 2014, mainly as a result of higher employee benefit obligations.

More information

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

Results by business segment and region

Result by business segment

Up to or as at 31.12.2014 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post-Logistics	Post-Finance[3]	PostBus[4]	Other[5]	Conso-lidation	Group
Operating income										
from customers[1]		2,515	606	1,026	1,161	2,135	832	96		8,371
from other segments		372	53	637	401	40	3	790	–2,296	–
Total operating income[1, 2]		**2,887**	**659**	**1,663**	**1,562**	**2,175**	**835**	**886**	**–2,296**	**8,371**
Operating profit[2]		**334**	**12**	**–100**	**141**	**382**	**30**	**4**		**803**
Net financial income	12, 13									–45
Net income from associates and joint ventures	23	3	0	–	6	6	0	1		16
Income taxes	14									–136
Group profit										**638**
Segment assets		739	463	542	646	118,286	499	2,787	–1,063	122,899
Associates and joint ventures		56	0	–	13	31	2	2		104
Unallocated assets[6]										1,668
Total assets										**124,671**
Segment liabilities		869	175	566	629	113,699	398	2,944	–1,063	118,217
Unallocated liabilities[6]										1,444
Total liabilities										**119,661**
Investment in property, plant and equipment, intangible assets and investment property	24–26	43	15	7	93	114	39	127		438
Depreciation and amortization	24–26	46	23	12	59	32	42	107		321
Impairment	18, 24–26	–	7	–	–	92	1	0		100
Reversal of impairment	18, 24–26	–	–	–	–	–	–	–		–
Other non-cash (expenses)/income		–33	–10	–2	–14	–59	–32	–314		–464
Headcount[7]		16,979	7,466	6,508	5,304	3,466	2,789	2,169		44,681

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 Operating income and operating profit by segment are reported before management, licence fees and net cost compensation.
3 PostFinance Ltd also applies the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.
4 Within regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
5 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
6 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.
7 The average is expressed in terms of full-time equivalents (excluding trainees).

Result by region

Up to or as at 31.12.2014 CHF million	Notes	Europe	Americas	Asia	Conso-lidation	Group	Switzer-land	Interna-tional and cross-border	Conso-lidation	Group
Operating income from customers[1]		8,296	74	1		8,371	7,138	1,233		8,371
Operating profit[2]		797	4	2		803	731	72		803
Segment assets		122,842	55	6	–4	122,899	122,084	847	–32	122,899
Investment in property, plant and equipment, intangible assets and investment property	24–26	438	0	0		438	417	21		438

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

Result by business segment

Up to or as at 31.12.2015 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post Logistics	Post-Finance [2]	PostBus [3]	Other [4]	Conso-lidation	Group
Operating income										
from customers		2,446	546	982	1,158	2,103	846	143		8,224
from other segments		374	63	619	394	40	3	798	–2,291	–
Total operating income [1]		**2,820**	**609**	**1,601**	**1,552**	**2,143**	**849**	**941**	**–2,291**	**8,224**
Operating profit [1]		**383**	**16**	**–100**	**152**	**463**	**33**	**–71**		**876**
Net financial income	12, 13									–47
Net income from associates and joint ventures	23	6	0	–	5	5	0	–4		12
Income taxes	14									–210
Group profit										**631**
Segment assets		640	332	539	608	113,991	555	2,768	–878	118,555
Associates and joint ventures		55	0	–	13	33	2	1		104
Unallocated assets [5]										1,668
Total assets										**120,327**
Segment liabilities		774	162	546	597	109,198	504	3,600	–878	114,503
Unallocated liabilities [5]										1,439
Total liabilities										**115,942**
Investment in property, plant and equipment, intangible assets and investment property	24–26	29	12	15	81	167	62	55		421
Depreciation and amortization	24–26	50	16	12	63	49	44	96		330
Impairment	18, 24–26	–	5	–	–	19	2	–		26
Reversal of impairment	18, 24–26	–	–	–	–	25	0	0		25
Other non-cash (expenses)/income		–20	–12	–13	–21	–56	–40	–308		–470
Headcount [6]		16,494	7,177	6,299	5,219	3,594	2,939	2,409		44,131

1 Operating income and operating profit by segment are reported before management, licence fees and net cost compensation.
2 PostFinance Ltd also applies the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.
3 Within regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.
4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.
6 The average is expressed in terms of full-time equivalents (excluding trainees).

Result by region

Up to or as at 31.12.2015 CHF million	Notes	Europe	Americas	Asia	Conso-lidation	Group	Switzer-land	Interna-tional and cross-border	Conso-lidation	Group
Operating income from customers		8,139	84	1		8,224	7,075	1,149		8,224
Operating profit [1]		871	3	2		876	819	57		876
Segment assets		118,497	59	4	–5	118,555	117,974	605	–24	118,555
Investments in property, plant and equipment, intangible assets and investment property	24–26	420	1	0		421	402	19		421

1 Operating profit by segment is reported before management, licence fees and net cost compensation.

6 | Net income from financial services

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

PostFinance is affected by the SNB's measures and has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015. PostFinance has defined individual customer thresholds for major business customers and banks, based on their usual behaviour in relation to payment transactions. The proportion of credit that exceeds this threshold has been subject to a fee since 1 February 2015. PostFinance also introduced lower interest limits on business accounts on 1 March 2015. Expenses and income associated with these measures are recognized in commission business and are not material in nature for the 2015 financial year.

Net income from financial services

CHF million	2014	2015
Interest income		
Interest income on amounts due from banks	1	2
Interest income on securities lending and reverse repurchase transactions	2	1
Interest income on interest-bearing amounts due from customers	8	8
Interest income on financial assets	1,209	1,063
Dividend income on financial assets	16	47
Interest expense		
Interest expense for customer deposits (PostFinance)	–208	–115
Interest expense for amounts due to banks	0	0
Interest expense on repurchase transactions	0	0
Net interest income	**1,028**	**1,006**
Impairment/reversal of impairment on financial assets	–95	4
Net interest income, net of impairment/reversal of impairment	**933**	**1,010**
Commission income on lending business	4 [1]	8
Commission income on securities and investment business	42	52
Commission income on other services	75	84
Commission expenses	–49 [1]	–67
Net income from services	500	501
Net services and commission income	**572**	**578**
Net trading income	146	184
Net income from the disposal of available-for-sale financial assets	55	39
Losses on payment transactions	–11	–10
Other net financial income/finance costs	–2	–5
Net income from financial services	**1,693**	**1,796**
Shown in the consolidated income statement under:		
Income from financial services	2,108 [1]	2,062
Expenses for financial services	–415 [1]	–266

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

7 | Other operating income

Other operating income

CHF million	2014	2015
Rental income	69	71
Profits on the sale of property, plant and equipment	24	41
Other income	84	90
Total other operating income	**177**	**202**

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

8 | Personnel expenses

Composition

Breakdown of personnel expenses

CHF million	Notes	2014	2015
Wages and salaries		3,312	3,148
Social security benefits		350	338
Employee benefit expenses	9	335	434
Other personnel expenses		111	102
Total personnel expenses		**4,108**	**4,022**

Headcount

Headcount

Number of employees [1]	2014	2015
Employees at Swiss Post Group (excluding trainees)	44,681	44,131
Trainees at Swiss Post Group	2,067	2,108

1 Average expressed in terms of full-time equivalents.

9 | Staff pension plan

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

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

When determining benefits, the minimum legal requirements regarding the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG) and its regulations of execution must be taken into account. The BVG establishes the minimum salary to be insured as well as minimum retirement assets. The minimum interest rate to be applied to the minimum retirement assets is set by the Federal Council at least once every two years. In 2016, the rate was 1.25 percent (previous year: 1.75 percent).

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

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

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

Actuarial assumptions

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

Actuarial assumptions made in calculating annual employee benefit expenses

Percent	2014	2015
Discount rate	2.25	1.25

Actuarial assumptions at 31 December

Percent	2014	2015
Discount rate	1.25	0.75
Expected change in salaries	1.50	1.00
Pension indexation	0.00	0.00
Interest on retirement assets	2.00	1.25
Staff turnover	3.58	3.56
Current average life expectancy for a man/woman aged 65	21/24 years	21/24 years

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

Employee benefit expenses

Employee benefit expenses

CHF million	2014	2015
Current service cost	540	601
Service cost to be recognized	0	33
Employee contributions	–207	–207
Administrative costs	10	10
Pension payments by the employer	1	1
Other plans, reclassifications	–9	–4
Total employee benefit expenses recognized in personnel expenses	**335**	**434**
Interest expense arising from employee benefit obligations	380	239
Interest income on assets	–340	–198
Other plans, reclassifications	–1	–2
Total net interest expense recognized in financial expenses	**39**	**39**
Total employee benefit expenses recognized in the income statement	**374**	**473**

New assessment elements entered in the statement of comprehensive income

CHF million	2014	2015
Actuarial losses		
due to the adjustment of demographic assumptions	–3	–
due to the adjustment of economic assumptions	1,971	990
due to experience adjustments	–14	–49
Income from plan assets (excluding interest income)	–610	221
Changes in effect of asset ceiling regulation (excluding net interest income)	0	–
Total revaluation gains recorded in other comprehensive income (OCI)	**1,344**	**1,162**
Total employee benefit expenses	**1,718**	**1,635**

In its meeting on 10 June 2015, the Foundation Board of the Swiss Post pension fund decided to decrease the technical interest rate, to reduce conversion rates and to provide funding, in particular for compensation measures for active contributors. The changes were implemented on 1 January 2016. The compensation measures as a result of the adjustment mentioned above led to an increase in employee benefit expenses (33 million francs) being recognized in the income statement.

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

Cover status

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

Summary of cover status

CHF million	31.12.2014	31.12.2015
Present value of employee benefit obligations including assets set aside	19,431	20,492
Benefit plan assets at fair value	–15,956	–15,657
Shortfall	**3,475**	**4,835**
Employee benefit obligations excluding assets set aside	13	9
Total recognized employee benefit obligations arising from defined benefit plans	**3,488**	**4,844**
Employee benefit obligations arising from other benefit plans	1	3
Total recognized employee benefit obligations	**3,489**	**4,847**

Performance of recognized employee benefit obligations from defined benefit plans

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

CHF million	2014	2015
Balance at 1 January	**2,039**	**3,488**
Employee benefit expenses arising from defined benefit plans	384	478
Revaluation gains recognized in other comprehensive income	1,344	1,162
Employer contributions	–284	–284
Pension payments by the employer	–1	–1
Translation differences	0	–1
Company acquisitions, disposals or transfers	6	2
Balance at 31 December	**3,488**	**4,844**
of which:		
current, i.e. payments falling due within the next twelve months	275	278
non-current	3,213	4,566

Change in employee benefit obligations

Change in employee benefit obligations

CHF million	2014	2015
Balance at 1 January	**17,354**	**19,444**
Current service cost	540	601
Interest expense arising from employee benefit obligations	380	239
Actuarial (gains)/losses	1,954	941
Plan settlements	–7	–
Company acquisitions, disposals or transfers	6	6
Restructuring	0	1
Benefits paid from plan assets	–787	–761
Pension payments by the employer	–1	–1
Plan amendments [1]	0	33
Transfers, reclassifications and other	5	–
Translation differences	0	–2
Balance at 31 December	**19,444**	**20,501**
Employee benefit obligations including assets set aside	19,431	20,492
Employee benefit obligations excluding assets set aside	13	9
Total employee benefit obligations	**19,444**	**20,501**

1 Plan amendment costs incurred in 2015 (see employee benefit expenses).

Change in plan assets

Change in fair value of plan assets

CHF million	2014	2015
Balance at 1 January	**15,315**	**15,956**
Interest income on assets	340	198
Income from plan assets (excluding interest income)	610	–221
Employee contributions	207	207
Employer contributions	284	284
Plan settlements	–7	–
Benefits paid from plan assets	–787	–761
Administrative costs	–10	–10
Company acquisitions, disposals or transfers	4	4
Translation differences	0	0
Balance at 31 December	**15,956**	**15,657**

Asset classes

Asset allocation	31 December 2014			31 December 2015		
CHF million	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds	5,651	1,884	7,535	5,256	1,985	7,241
Shares	4,588	–	4,588	4,303	–	4,303
Real estate	–	1,481	1,481	–	1,566	1,566
Alternative investments	328	1,154	1,482	328	1,335	1,663
Qualified insurance paper	–	26	26	–	28	28
Other financial assets	–	–	–	–	14	14
Cash and cash equivalents	–	844	844	–	842	842
Total	**10,567**	**5,389**	**15,956**	**9,887**	**5,770**	**15,657**

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

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

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

Sensitivity

The effect of a 0.25 percentage point rise or fall in the underlying material actuarial assumptions on the present value of pension obligations as at 31 December 2014 and 2015:

Sensitivity of pension obligations to changes in actuarial assumptions		Resulting change in present value			Resulting change in present value	
CHF million	Deviation	31.12.2014	31.12.2015	Deviation	31.12.2014	31.12.2015
Discount rate	+0.25 percentage point	–675	–727	–0.25 percentage point	723	780
Expected change in salaries	+0.25 percentage point	64	66	–0.25 percentage point	–62	–64
Interest on retirement assets	+0.25 percentage point	107	111	–0.25 percentage point	–104	–108
Pension indexation	+0.25 percentage point	563	610	–0.25 percentage point	–	–
Life expectancy at age 65	+1 year	604	668	–1 year	–612	–675

Maturity profile of the defined employee benefit obligation

The weighted average term of the defined employee benefit obligation is 16.7 years as at 31 December 2015 (previous year: 16.2 years).

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

Maturity of the defined employee benefit obligation CHF million	Nominal payment of benefits	Nominal payment of benefits (estimation)
Contributions		
2015	284	275
2016		278
Expected future benefits		
2016		902
2017		913
2018		908
2019		907
2020		903
2021–2025		4,400

10 | Resale merchandise and service expenses

Resale merchandise and service expenses CHF million	2014	2015
Working materials, semi-finished and finished goods	45	45
Resale merchandise expenses	466	434
Service expenses	161	151
Compensation paid to PostBus operators	305	304
Compensation paid to forwarding companies	345	338
Compensation paid for international postal traffic	160	121
Temporary employees	120	136
Total resale merchandise and service expenses	**1,602**	**1,529**

11 | Other operating expenses

Other operating expenses CHF million	2014	2015
Premises	224	225
Maintenance and repairs of property, plant and equipment	225	268
Energy and fuel	64	53
Operating materials	83	85
Consulting, office and administrative expenses	202	225
Marketing and communications	103	107
Loss on disposal of property, plant and equipment	4	6
Other expenses	209	226
Total other operating expenses	**1,114**	**1,195**

12 | Financial income

Financial income

CHF million	Notes	2014	2015
Interest income on other loans	22	10	8
Foreign currency gains		0	6
Other financial income		2	8
Total financial income		**12**	**22**

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

13 | Financial expenses

Financial expenses

CHF million	Notes	2014	2015
Interest expense on other financial liabilities		12	12
Present value adjustments to provisions		0	0
Interest expense for employee benefit obligations	9	39	39
Interest charges on finance leases	27	0	0
Foreign currency losses		2	12
Other financial expenses		4	6
Total financial expenses		**57**	**69**

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

14 | Income taxes

Income taxes recorded in the income statement

CHF million	2014	2015
Expense for current income taxes	–79	–94
Expense for deferred income taxes	–57	–116
Total expense for income taxes recorded in the income statement	**–136**	**–210**

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

Income taxes recognized in other comprehensive income

CHF million	2014	2015
Revaluation of employee benefit obligations	275	153
Fair value reserves	–17	–6
Hedging reserves	2	–1
Other profits and losses recorded directly in other comprehensive income	0	0
Total income taxes recognized in other comprehensive income	**260**	**146**

Deferred taxes relating to balance sheet items

Deferred taxes relating to balance sheet items	31 December 2014			31 December 2015		
CHF million	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
Financial assets	31	–48	–17	15	–48	–33
Interests in subsidiaries, associates and joint ventures	1	–82	–81	0	–83	–83
Property, plant and equipment	267	–2	265	229	–2	227
Intangible assets	429	–3	426	346	–3	343
Other liabilities	2	0	2	3	0	3
Provisions	81	–13	68	55	–12	43
Employee benefit obligations	714	–	714	904	–	904
Other balance sheet items	1	–1	0	1	–1	0
Deferred taxes arising from temporary differences	**1,526**	**–149**	**1,377**	**1,553**	**–149**	**1,404**
Tax assets recognized for loss carryforwards	10		10	13		13
Deferred tax assets/liabilities, gross	**1,536**	**–149**	**1,387**	**1,566**	**–149**	**1,417**
Deferred tax assets/liabilities, prior year	–1,313	130	–1,183	–1,536	149	–1,387
Changes in the composition of the Group	–1	0	–1	–1	1	0
Deferred taxes taken to other comprehensive income	–275	15	–260	–153	7	–146
Deferred taxes recognized in the income statement	**–53**	**–4**	**–57**	**–124**	**8**	**–116**

Deferred tax assets of 1,566 million francs (previous year: 1,536 million francs) are comprised mainly of temporary differences on financial assets, property, plant and equipment and intangible assets, provisions for employee benefit obligations in accordance with IAS 19 that are not accepted for tax purposes as well as other provisions and tax loss carryforwards. Deferred tax assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

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

As at 31 December 2015, temporary differences in relation to interests amounted to 71 million francs (previous year: 75 million francs) for which no deferred tax liabilities were recognized, given that Swiss Post is able to control the reversal of temporary differences and that it is unlikely the temporary differences will be reversed in the foreseeable future.

Unused loss carryforwards

Unused loss carryforwards	31 December 2014			31 December 2015		
CHF million	Recognized	Not recognized	Total	Recognized	Not recognized	Total
Maturing within 1 year	5	–	5	5	0	5
Maturing in 2 to 6 years	18	15	33	2	23	25
Maturing in more than 6 years	17	–	17	39	83	122
Total unused loss carryforwards	**40**	**15**	**55**	**46**	**106**	**152**

Tax loss carryforwards of 106 million francs (previous year: 15 million francs) were not capitalized within Swiss Post Group, as it seems uncertain that they will be utilized in the future.

Analysis of the expense for income taxes

The following breakdown shows the reconciliation from Group profit before tax with the income tax expense accounted for. The weighted average tax rate to be applied is 13.2 percent (previous year: 13.8 percent). The 0.6 percent decrease in the Group tax rate is due to a change in the estimated tax rate for determining the expense for deferred income taxes for several subsidiaries.

Reconciliation from Group profit before tax to expenses for income taxes accounted for

CHF million	2014	2015
Group profit before tax	774	841
Weighted average tax rate	13.8%	13.2%
Tax expense at weighted average tax rate	**107**	**111**
Reconciliation with expenses for income taxes accounted for:		
Effect of change in tax status/tax rates	5	68
Effect of investments/impairment of goodwill	59	76
Effect of back taxes and tax refunds from previous years	–7	–6
Effect of change in impairment on deferred income tax assets	0	1
Effect of fiscally non-relevant income/expenses	–25	–39
Effect of loss carryforwards	–4	6
Other effects	1	–7
Expenses for income taxes accounted for	**136**	**210**

15 | Receivables

Receivables by type

	31 December 2014			31 December 2015		
CHF million	Gross	Impairment	Net	Gross	Impairment	Net
Amounts due from banks [1]	42,639	–96	42,543	39,032	–99	38,933
Interest-bearing amounts due from customers [1]	701	–5	696	567	–4	563
Trade accounts receivable	1,134	–12	1,122	1,091	–10	1,081
Other receivables	912	–1	911	949	–1	948
Total receivables	**45,386**	**–114**	**45,272**	**41,639**	**–114**	**41,525**
[1] of which receivables from reverse repurchase transaction			1,309			311
and covered by securities with a fair value of			1,309			311

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

Amounts due from banks comprise current account balances, money market instruments and reverse repurchase transactions. (31 December 2015: 61 million francs; previous year: 909 million francs). The current accounts mainly relate to Swiss Post's international payment transactions. The money market instruments and reverse repurchase transactions arise from the management of customer deposits. Securities cover for reverse repurchase transactions is recognized on a daily basis at current fair values. In amounts due from banks, cash reserves remain high, and are mostly invested at the SNB.

Interest-bearing amounts due from customers comprise technical overdrafts on postal accounts and receivables from reverse repo transactions with insurance companies (31 December 2015: 250 million francs; previous year: 400 million francs).

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

No assets have been pledged (as collateral) for loans.

Due dates of receivables

Receivables by due date	31 December 2014			31 December 2015		
CHF million	Total	Due in up to 3 months	Due in over 3 months	Total	Due in up to 3 months	Due in over 3 months
Amounts due from banks	42,543	42,166	377	38,933	38,933	0
Interest-bearing amounts due from customers	696	696	–	563	563	–
Trade accounts receivable	1,122	1,032	90	1,081	1,080	1
Other receivables	911	531	380	948	607	341
Total receivables	**45,272**	**44,425**	**847**	**41,525**	**41,183**	**342**

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 2 million francs on amounts due from banks (previous year: one million francs) and 8 million francs on interest-bearing amounts due from customers (previous year: 8 million francs).

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

Overdue receivables for which individual impairment losses are not recognized

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

Overdue receivables for which individual impairment losses are not recognized	31 December 2014				31 December 2015			
CHF million	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
Amounts due from banks	1,149	165	211	–	12	–	–	–
Interest-bearing amounts due from customers	682	5	7	6	296	4	5	10
Trade accounts receivable	86	31	28	100	61	3	3	6
Other receivables	3	2	1	2	13	0	0	1
Total receivables	**1,920**	**203**	**247**	**108**	**382**	**7**	**8**	**17**

Receivables for which impairment losses are recognized

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

Items that are not subject to individual value adjustments are additionally subject to a portfolio value adjustment based on statistical analyses from previous years.

Receivables for which impairment losses are recognized	31 December 2014			31 December 2015		
CHF million	Gross	Impairment losses	Net	Gross	Impairment losses	Net
Individual impairment losses						
Amounts due from banks	99	–96	3	100	–99	1
Interest-bearing amounts due from customers	1	–1	–	1	–1	–
Trade accounts receivable	47	–6	41	39	–6	33
Other receivables	1	–1	–	1	–1	0
Total receivables for which individual impairment losses are recognized	**148**	**–104**	**44**	**141**	**–107**	**34**
Portfolio impairment losses						
Interest-bearing amounts due from customers	26	–4	22	316	–3	313
Trade accounts receivable	55	–6	49	39	–4	35
Other receivables	3	0	3	5	0	5
Total receivables for which portfolio impairment losses are recognized	**84**	**–10**	**74**	**360**	**–7**	**353**

Changes in impairment losses on receivables

Change in impairment losses on receivables	Amounts due from banks		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
CHF million	Individual impairment losses	Portfolio impairment losses	Individual impairment losses	Portfolio impairment losses	Individual impairment losses	Portfolio impairment losses	Individual impairment losses	Portfolio impairment losses
As at 1 January 2014	**97**	**–**	**0**	**2**	**7**	**5**	**1**	**0**
Impairment	–	–	1	2	0	1	–	–
Reversal of impairment	–1	–	–	–	0	–	0	0
Reclassifications	–	–	–	–	0	0	–	–
Disposals	–	–	–	–	–1	–	–	–
Currency translation differences	–	–	–	–	0	0	–	–
As at 31 December 2014	**96**	**–**	**1**	**4**	**6**	**6**	**1**	**0**
Impairment	3	–	0	–	2	–	–	0
Reversal of impairment	–	–	–	–1	–1	–2	0	-
Reclassifications	–	–	–	–	0	0	–	–
Disposals	–	–	–	–	–1	–	–	–
Currency translation differences	–	–	–	–	0	0	–	–
As at 31 December 2015	**99**	**–**	**1**	**3**	**6**	**4**	**1**	**0**

16 | Inventories

Inventories

CHF million	31.12.2014	31.12.2015
Resale merchandise	55	46
Fuel and operating materials	17	22
Production materials	9	7
Work in progress and finished goods	3	1
Impairment loss for inventories which are not easily marketable	– 1	0
Total inventories	**83**	**76**

17 | Non-current assets held for sale

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

Non-current assets held for sale

CHF million	Operating property	Other property, plant and equipment	Total
As at 1 January 2014	**–**	**0**	**0**
Additions arising from reclassifications in accordance with IFRS 5	–	14	14
Disposals	–	– 13	– 13
As at 31 December 2014	**–**	**1**	**1**
Additions arising from reclassifications in accordance with IFRS 5	–	12	12
Disposals	–	– 13	– 13
As at 31 December 2015	**–**	**0**	**0**

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

18 | Financial assets

Financial assets CHF million	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
Notes	19	20	21	22	
As at 1 January 2014	**50,398**	**3,879**	**95**	**12,475**	**66,847**
Additions	11,186	1,116	–	25,798	38,100
Change in value recognized in profit or loss	–110	117	–	73	80
Change in value recognized directly in equity	–	59	–	–	59
Change in value of derivatives	–	–	–90	–	–90
Impairment, net	–66	–8	–	–18	–92
Disposals	–6,866	–575	–	–24,630	–32,071
As at 31 December 2014	**54,542**	**4,588**	**5**	**13,698**	**72,833**
Additions	1,008	5,571	–	14,274	20,853
Change in value recognized in profit or loss	–297	12	–	19	–266
Change in value recognized directly in equity	–	–34	–	–	–34
Change in value of derivatives	–	–	56	–	56
Reversal of impairment/ impairment, net	16	–12	–	2	6
Disposals	–7,582	–233	–	–13,154	–20,969
As at 31 December 2015	**47,687**	**9,892**	**61**	**14,839**	**72,479**

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

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

Of the positive replacement values, 57 million francs (previous year: 2 million francs) are managed in accordance with hedge accounting requirements (see Note 21, Derivative financial instruments).

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

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

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

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

The impairment losses (net) released to financial assets in 2015 totalled 6 million francs (previous year: creation of 92 million francs). In the case of fixed-interest investments of the held-to-maturity category, individual impairment losses totalling 7 million francs were created and portfolio impairment losses of 23 million francs were released (previous year: creation of 66 million francs of portfolio impairment losses). Due to negative trends in share prices, impairment losses of 12 million francs on equity holdings were created (previous year: 8 million francs). For loans to public-sector entities in

Switzerland and to financial institutions, portfolio impairment losses totalling 2 million francs were created (previous year: creation of 18 million francs for loans to public-sector entities in Switzerland). For other loans (excluding PostFinance Ltd) no impairment losses or reversals of impairment took place (previous year: creation of less than one million francs).

19 | Financial assets held to maturity

Financial assets held to maturity CHF million	Total	Term to maturity Up to 1 year	1–5 years	Over 5 years
31 December 2014				
Bonds	54,542	7,621	30,496	16,425
Total held to maturity	**54,542**	**7,621**	**30,496**	**16,425**
31 December 2015				
Bonds	47,687	7,344	29,990	10,353
Total held to maturity	**47,687**	**7,344**	**29,990**	**10,353**

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

In the reporting period, interest income calculated in accordance with the effective interest method stood at 891 million francs (previous year: 999 million francs).

Held-to-maturity financial assets for which impairment losses are recognized

Held-to-maturity financial assets for which impairment losses are recognized	31 December 2014			31 December 2015		
CHF million	Gross	Impairment losses	Net	Gross	Impairment losses	Net
Individual impairment losses						
Bonds	–	–	–	10	– 7	3
Total held-to-maturity financial assets for which individual impairment losses are recognized	**–**	**–**	**–**	**10**	**– 7**	**3**
Portfolio impairment losses						
Bonds	54,683	– 141	54,542	47,802	– 118	47,684
Total held-to-maturity financial assets for which portfolio impairment losses are recognized	**54,683**	**– 141**	**54,542**	**47,802**	**– 118**	**47,684**

Changes in impairment losses on held-to-maturity financial assets

Changes in impairment losses on held-to-maturity financial assets CHF million	Individual impairment losses	Portfolio impairment losses	Total
As at 1 January 2014	**–**	**75**	**75**
Reversal of impairment	–	66	66
As at 31 December 2014	**–**	**141**	**141**
Reversal of impairment/impairment	7	–23	–16
As at 31 December 2015	**7**	**118**	**125**

In 2015, interest income of under one million francs was recognized from held-to-maturity financial assets for which impairment losses are created (previous year: none).

20 | Financial assets available for sale

Financial assets available for sale				Term to maturity	
CHF million	Total	Up to 1 year	1–5 years	Over 5 years	None
31 December 2014					
Bonds	3,197	15	2,482	700	–
Shares	625	–	–	–	625
Other	766	0	–	–	766
Total available for sale	**4,588**	**15**	**2,482**	**700**	**1,391**
31 December 2015					
Bonds	8,140	665	2,295	5,180	–
Shares	605	–	–	–	605
Other	1,147	0	–	–	1,147
Total available for sale	**9,892**	**665**	**2,295**	**5,180**	**1,752**

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

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net income from the disposal of available-for-sale financial assets (income from financial services). In the reporting period, they amounted to a gain of 39 million francs (previous year: 55 million francs). See also Note 6, Net income from financial services.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 46 million francs (previous year: 28 million francs). Dividend income stood at 47 million francs (previous year: 16 million francs).

21 | Derivative financial instruments

Derivative financial instruments	31 December 2014				31 December 2015			
CHF million	Positive replacement values	Contract volume	Negative replacement values	Contract volume	Positive replacement values	Contract volume	Negative replacement values	Contract volume
Notes	18		27		18		27	
Cash flow hedges								
Currency	–	–	20	449	46	785	34	1,225
Interest rates	0	248	–	–	0	3	–	–
Fair value hedges								
Currency	0	90	35	871	11	687	10	696
Interest rates	2	270	116	3,587	–	–	160	3,607
Other								
Currency	3	419	3	448	4	258	6	322
Total derivative financial instruments	**5**	**1,027**	**174**	**5,355**	**61**	**1,733**	**210**	**5,850**

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

Gains and losses recognized in profit or loss from sales and from the measurement at fair value of derivative financial investments are stated in the result from trading activities. During the period under review, a net loss of 23 million francs was generated with derivative financial investments in the result from trading activities (previous year: net loss of 12 million francs).

Derivatives due dates

Due dates of derivative financial instruments	31 December 2014				31 December 2015			
CHF million	Positive replacement values	Contract volume	Negative replacement values	Contract volume	Positive replacement values	Contract volume	Negative replacement values	Contract volume
Notes	18		27		18		27	
Cash flow hedges								
Less than 1 year	0	248	–	–	0	3	–	–
1 to 5 years	–	–	14	147	–	–	14	300
Over 5 years	–	–	6	302	46	785	20	925
Fair value hedges								
Less than 1 year	0	90	41	1,121	–	–	–	–
1 to 5 years	2	270	33	2,161	11	687	79	3,398
Over 5 years	–	–	77	1,176	–	–	91	905
Other								
Less than 1 year	3	419	3	448	0	2	0	3
1 to 5 years	0	0	0	0	4	256	6	319
Total derivative financial instruments	**5**	**1,027**	**174**	**5,355**	**61**	**1,733**	**210**	**5,850**

Replacement value

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

Contract volume

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

Swiss Post acquires derivative financial instruments predominantly for hedging purposes. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in replacement value or cash flows attributable to the hedged items. Derivatives for which hedge accounting is not applied are classified as trading instruments.

Cash flow hedges

Swiss Post is exposed both to currency fluctuations and interest rate changes. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations of the future interest cash flows on financial assets are hedged by interest rate swaps with various maturities.

On 31 December 2015, the hedging reserve stood at 5 million francs before tax (previous year: 9 million francs). The overall fair value changes of the hedging instruments are included in the hedging reserves directly in equity. Subsequently, the net interest accrued and paid/received (5 million francs; previous year: 2 million francs) and the foreign currency share (28 million francs; previous year: 39 million francs) are transferred to the income statement (recycled in the result from trading activities, see also Note 6, Net income from financial services). Thus the residual fair value change of the hedging instruments remains in the cash flow hedge reserve.

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

Cash flows (not discounted)			Term to maturity
CHF million	Up to 1 year	1–5 years	Over 5 years
31 December 2014			
Inflows of funds	4	16	–
Outflows of funds	–7	–30	–
31 December 2015			
Inflows of funds	14	54	33
Outflows of funds	–31	–121	–77

Fair value hedges

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

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

22 | Loans

Loans		Term to maturity		
CHF million	Total	Up to 1 year	1–5 years	Over 5 years
31 December 2014				
State-owned enterprises	929	354	375	200
Cantons, cities and municipalities [1]	9,025	1,566	3,490	3,969
Banks	3,141	160	2,056	925
PostBus operators	106	21	63	22
Other [2]	497	86	139	272
Total loans	**13,698**	**2,187**	**6,123**	**5,388**
31 December 2015				
State-owned enterprises	725	525	–	200
Cantons, cities and municipalities [1]	9,556	1,362	3,775	4,419
Banks	4,036	565	1,921	1,550
PostBus operators	82	18	52	12
Other [2]	440	75	67	298
Total loans	**14,839**	**2,545**	**5,815**	**6,479**

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

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

In the reporting period, interest income calculated in accordance with the effective interest method stood at 194 million francs (previous year: 207 million francs).

Loans for which impairment losses are recognized

Impairment losses on loans to cantons, cities, municipalities, banks and other entities	31 December 2014			31 December 2015		
CHF million	Gross	Impairment losses	Net	Gross	Impairment losses	Net
Individual impairment losses						
Loans to others	12	–12	–	–	–	–
Total loans for which individual impairment losses are recognized	**12**	**–12**	**–**	**–**	**–**	**–**
Portfolio impairment losses						
Loans to cantons, cities and municipalities	9,056	–31	9,025	9,585	–29	9,556
Loans to banks	3,142	–1	3,141	4,036	–1	4,035
Total loans for which portfolio impairment losses are recognized	**12,198**	**–32**	**12,166**	**13,621**	**–30**	**13,591**

Change in impairment losses on loans

Change in impairment losses on loans to cantons, cities, municipalities, banks and other entities CHF million	Individual impairment losses	Portfolio impairment losses	Total
As at 1 January 2014	**12**	**14**	**26**
Impairment	0	18	18
As at 31 December 2014	**12**	**32**	**44**
Reversal of impairment	0	–2	–2
Disposals	–12	–	–12
As at 31 December 2015	**–**	**30**	**30**

23 | Interests in associates and joint ventures

No substantial interests in associates or joint ventures exist. In addition, there were no material transactions between the Group and any associates and joint ventures (see also Note 38, Transactions with related companies and parties). Further details on associates and joint ventures can be found in Note 36, Consolidated Group.

Interests in associates and joint ventures CHF million	2014	2015
Balance at 1 January	**97**	**104**
Additions	–	3
Disposals	–	–4
Dividends received	–9	–8
Share of net profit (after taxes) recognized in the income statement	16	12
Share of net profit (after taxes) recognized in other comprehensive income	1	3
Currency translation differences	–1	–6
Balance at 31 December	**104**	**104**

Comprehensive income from associates and joint ventures

Net income from associates and joint ventures CHF million	2014	2015
Share of net profit (after taxes) recognized in the income statement	16	12
Share of net profit (after taxes) recognized in other comprehensive income	1	3
Comprehensive income from associates and joint ventures	**17**	**15**

Changes in associates and joint ventures

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

2015
Swiss Post Solutions Holding GmbH, based in Bamberg (Germany) sold its interest (35 percent) in MEILLERGHP GmbH, based in Schwandorf (Germany), on 20 February 2015.

Post CH Ltd, based in Berne, sold its interest (25 percent) in search.ch AG, based in Zurich, on 8 May 2015.

Swiss Post Solutions GmbH, based in Bamberg (Germany) sold 2 percent of its interest in CF Card Factory GmbH, based in Hessisch Lichtenau (Germany), on 17 June 2015. Following the loss of control, CF Card Factory GmbH is disclosed as an associate.

Post CH Ltd, based in Berne, acquired 20 percent in Energy Logistics Schweiz (ELS) Ltd, based in Berne, on 19 October 2015.

On 10 December 2015, a share capital increase of 12 million francs was undertaken at Liechtensteinische Post AG, based in Schaan (Liechtenstein) (Swiss Post share: 25 percent).

24 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 74 million francs (previous year: 67 million francs).

As at 31 December 2015, as in the previous year, no items of property, plant and equipment had been pledged in relation to mortgages.

As in the previous year, no borrowing costs were capitalized in 2015.

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

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

Property, plant and equipment 2015 CHF million	Operating property	Assets under construction: operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: other asset classes	Total
Acquisition cost						
As at 1.1.2015	**5,245**	**132**	**1,104**	**780**	**20**	**7,281**
Additions to the consolidated Group	1	–	1	5	–	7
Additions	0 [1]	58	66	115	42	281
Disposals	–197	–2	–42	–40	0	–281
Reclassifications	126	–126	52	1	–53	0
Disposals arising from reclassifications (IFRS 5)	–	–	–	–53	–	–53
Currency translation differences	–3	–	–5	–10	0	–18
As at 31.12.2015	**5,172**	**62**	**1,176**	**798**	**9**	**7,217**
Cumulative amortization						
As at 1.1.2015	**3,778**	**–**	**638**	**388**	**–**	**4,804**
Depreciation	110	–	100	82	–	292
Impairment	0	–	2	2	–	4
Disposals	–185	–	–34	–35	–	–254
Reclassifications	0	–	0	0	–	0
Disposals arising from reclassifications (IFRS 5)	–	–	–	–41	–	–41
Currency translation differences	–2	–	–4	–5	–	–11
As at 31.12.2015	**3,701**	**–**	**702**	**391**	**–**	**4,794**
Carrying amount as at 1.1.2015	**1,467**	**132**	**466**	**392**	**20**	**2,477**
Carrying amount as at 31.12.2015	**1,471**	**62**	**474**	**407**	**9**	**2,423**
of which assets in leasing	0	–	0	13	–	13

1 Includes around one million francs from subsidies for railway track installations for 2015.

25 | Investment property

Investment property	2014			2015		
CHF million	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
Acquisition cost						
Balance at 1 January	**8**	**108**	**116**	**8**	**172**	**180**
Additions	0	64	64	–	47	47
Disposals	–	0	0	–	0	0
Reclassifications	0	–	0	0	0	0
Balance at 31 December	**8**	**172**	**180**	**8**	**219**	**227**
Cumulative amortization						
Balance at 1 January	**0**	**–**	**0**	**0**	**–**	**0**
Depreciation	0	–	0	0	–	0
Disposals	–	–	–	–	–	–
Reclassifications	0	–	0	–	–	–
Balance at 31 December	**0**	**–**	**0**	**0**	**–**	**0**
Carrying amount as at 1 January	**8**	**108**	**116**	**8**	**172**	**180**
Carrying amount as at 31 December	**8**	**172**	**180**	**8**	**219**	**227**

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

– Rental income: 1.2 million francs (previous year: 0.6 million francs)
– Direct operating expenses (incl. depreciation) that generated rental income during the reporting period: 2.0 million francs (previous year: 1.4 million francs)

On 31 December 2015, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale.

There are investment commitments for investment property of 88 million francs (previous year: 134 million francs).

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

26 | Intangible assets and goodwill

Intangible assets and goodwill	2014				2015			
CHF million	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total
Acquisition cost								
Balance at 1 January	**253**	**229**	**43**	**525**	**256**	**264**	**35**	**555**
Additions to the consolidated Group	3	1	–	4	13	4	–	17
Additions	–	19	35	54	–	21	74	95
Disposals	–4	–28	–	–32	–2	–12	–	–14
Reclassifications	–	43	–43	0	–	31	–31	0
Currency translation differences	4	0	0	4	–6	–6	0	–12
Balance at 31 December	**256**	**264**	**35**	**555**	**261**	**302**	**78**	**641**
Cumulative amortization								
Balance at 1 January	**28**	**146**	**–**	**174**	**25**	**159**	**0**	**184**
Depreciation	–	35	–	35	–	37	–	37
Impairment	1 [2]	6	0	7	– [2]	3	–	3
Disposals	–4	–28	–	–32	–2	–12	–	–14
Reclassifications	–	0	–	0	–	0	–	0
Currency translation differences	0	0	0	0	0	–5	0	–5
Balance at 31 December	**25**	**159**	**0**	**184**	**23**	**182**	**0**	**205**
Carrying amount as at 1 January	**225**	**83**	**43**	**351**	**231**	**105**	**35**	**371**
Carrying amount as at 31 December	**231**	**105**	**35**	**371**	**238**	**120**	**78**	**436**

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

Other intangible assets essentially comprise purchased standard software.

Investment commitments for intangible assets amount to 4 million francs (previous year: 5 million francs).

Reviewing the recoverable amount of goodwill

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

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

The goodwill refers to the following segments or subsidiaries:

Goodwill by segment	31 December 2014						31 December 2015					
CHF million	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Other	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Other
SPS Group	33	–	–	33	–	–	30	–	–	30	–	–
Swiss Post Solutions AG	29	–	–	29	–	–	29	–	–	29	–	–
Swiss Post Solutions Inc.	35	–	–	35	–	–	35	–	–	35	–	–
Swiss Post Solutions Ltd	27	–	–	27	–	–	26	–	–	26	–	–
Swiss Post Solutions SAS Group	1	–	–	1	–	–	0	–	–	0	–	–
Presto Presse-Vertriebs AG	41	41	–	–	–	–	41	41	–	–	–	–
Direct Mail Company AG	24	24	–	–	–	–	24	24	–	–	–	–
PostLogistics Ltd	27	–	27	–	–	–	27	–	27	–	–	–
Swiss Post SAT Holding SA	9	–	9	–	–	–	9	–	9	–	–	–
Société d'Affrètement et de Transit S.A.T. SA	3	–	3	–	–	–	2	–	2	–	–	–
health care research institute AG (hcri)	–	–	–	–	–	–	6	–	–	–	–	6
Other	2	–	1	–	1	–	9	2	4	–	3	–
Total	**231**	**65**	**40**	**125**	**1**	–	**238**	**67**	**42**	**120**	**3**	**6**

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2015 based on the discounted cash flow method, the following parameters were set per country. In addition, a market risk premium of 6 percent (Switzerland and abroad) and depending on the risks a small cap premium of between 0 and 4 percent as well as a debt premium of 2 to 6 percent were applied for the calculation.

Parameters for the determination of the recoverable amount of goodwill by country	2014			2015		
Percent	Interest rate [1]	Tax rate [2]	WACC [3]	Interest rate [1]	Tax rate [2]	WACC [3]
Switzerland	0.5	22.0–25.0	5.0–6.8	0.7	20.7–25.9	6.3–13.2
Belgium	1.2	34.0	10.3	1.9	34.0	12.4
Germany	1.0	29.0	7.0	1.3	29.0	8.7
France	1.3	32.1–33.9	8.1–8.6	1.9	33.3–34.0	8.8–11.4
United Kingdom	2.4	21.0	8.2	2.5	21.0	9.1
US	2.5	45.0	12.2	2.9	45.0	13.6

1 Yield on 30-year bonds of the relevant country.
2 Tax rate of the acquired company.
3 Weighted average cost of capital.

27 | Financial liabilities

Financial liabilities

CHF million	On demand	Callable [1]	Up to 1 year	1–5 years	Over 5 years	Total
31 December 2014						
Postal accounts	68,754	–	–	–	–	68,754
Deposito and investment accounts	–	43,241	–	–	–	43,241
Medium-term notes for customers	–	–	21	62	72	155
Total customer deposits (PostFinance)	**68,754**	**43,241**	**21**	**62**	**72**	**112,150**
Due to banks	5	–	270	–	–	275
Derivative financial instruments	–	–	44	47	83	174
Other financial liabilities						
Finance leases	–	–	1	4	1	6
Other	0	–	1	1	1,282	1,284
Total other financial liabilities	**5**	**–**	**316**	**52**	**1,366**	**1,739**
Total financial liabilities	**68,759**	**43,241**	**337**	**114**	**1,438**	**113,889**
31 December 2015						
Postal accounts	64,421	–	–	–	–	64,421
Deposito and investment accounts	–	42,826	–	–	–	42,826
Medium-term notes for customers	–	–	18	102	13	133
Total customer deposits (PostFinance)	**64,421**	**42,826**	**18**	**102**	**13**	**107,380**
Due to banks	60	–	–	–	–	60
Derivative financial instruments	–	–	0	99	111	210
Other financial liabilities						
Finance leases	–	–	2	5	1	8
Repurchase transactions	–	–	108	–	–	108
Other	0	0	3	4	1,272	1,279
Total other financial liabilities	**60**	**0**	**113**	**108**	**1,384**	**1,665**
Total financial liabilities	**64,481**	**42,826**	**131**	**210**	**1,397**	**109,045**

1 Call deposits for which no notice of withdrawal has been given, recallable provided an agreed notice period is observed.

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

The fourth quarter of 2012 saw the borrowing of funds by means of a private placement as long-term funds of 1,280 million francs were raised on the capital market from major, predominantly domestic, private and institutional investors. Several tranches were issued with an average maturity of around 11 years. The average interest rate applicable to this private placement is 0.83 percent. A 10 million franc portion of a tranche was repurchased before term and destroyed at the beginning of May 2015.

In accordance with hedge accounting requirements, 204 million francs (previous year: 171 million francs) were posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 115 million francs in the reporting period (previous year: 208 million francs).

Present value of the commitments from finance leases

Present value of the commitments from finance leases	31 December 2014			31 December 2015		
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	1	0	1	2	0	2
Due within 1 to 5 years	4	0	4	5	0	5
Due date longer than 5 years	1	0	1	1	0	1
Total	**6**	**0**	**6**	**8**	**0**	**8**

28 | Provisions

Provisions CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks	Other	Total
As at 1 January 2014	**350**	**7**	**34**	**12**	**69**	**472**
Additions to the consolidated Group	–	–	–	–	0	0
Creation	55	6	12	7 [1]	23	103
Present value adjustment	7	0	–	–	0	7
Use	–26	–4	–7	–6	–10	–53
Reversal	–1	–2	–16	–2	–15	–36
Reclassifications	–5	–	–	0	0	–5
Currency translation differences	0	0	–	0	0	0
As at 31 December 2014	**380**	**7**	**23**	**11**	**67**	**488**
of which short term	27	5	10	4	13	59
Additions to the consolidated Group	0	–	–	–	0	0
Creation	31	21	14	3	28	97
Present value adjustment	3	0	–	–	0	3
Use	–27	–3	–9	–1	–10	–50
Reversal	–97	–2	–3	–2	–6	–110
Reclassifications	–	–	–	–	–	–
Currency translation differences	–	0	–	0	–1	–1
As at 31 December 2015	**290**	**23**	**25**	**11**	**78**	**427**
of which short term	27	16	10	4	19	76

1 Including a provision of 0.8 million francs in 2014 for procedural costs in relation to the US programme (PostFinance Ltd).

The US tax programme was completed in December 2015 following the signature of a non-prosecution agreement (NPA) and the payment of 2 million US dollars by the subsidiary PostFinance Ltd. There are no related provisions as at 31 December 2015.

Other long-term employee benefits

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

The following parameters were applied:

Assumptions for the calculation		Loyalty bonuses		Staff vouchers
as at	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Discount rate	0.75%	0.50%	1.25%	0.75%
Annual change in salaries	1.50%	1.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	95.00%
Leave share	55.80%	55.80%	–	–
Voluntary turnover	8.16%	7.67%	3.64%	3.63%
Average remaining service in years	9.30	9.31	11.03	10.93

Change in other long-term employee benefits

Other long-term employee benefits		Loyalty bonuses		Staff vouchers
CHF million	2014	2015	2014	2015
Balance at 1 January	**217**	**233**	**127**	**146**
Accrued claims	13	16	3	4
Benefits paid	–21	–21	–5	–6
Interest on employee benefit obligations	4	1	3	2
Income from plan amendments	0	–86	–	–
(Gains)/losses resulting from changes in assumptions	20	–3	19	12
Actuarial (gains)	0	–9	–1	–2
Balance at 31 December	**233**	**131**	**146**	**156**

In addition to loyalty bonuses, sabbaticals and staff vouchers, other benefits amounting to 3 million francs (previous year: around one million francs) are also included in provisions for other long-term employee benefits.

Other long-term employee benefits recognized in the income statement

Expenses recognized in the income statement		Loyalty bonuses		Staff vouchers
CHF million	2014	2015	2014	2015
Accrued claims	13	16	3	4
Interest on employee benefit obligations	4	1	3	2
Income from plan amendments	0	–86	–	–
Actuarial (gains)/losses	20	–12	18	10
Total expenses for other long-term employee benefits	**37**	**–81**	**24**	**16**

The social partners approved the new collective employment contracts in April 2015. The new collective employment contract for Post CH Ltd, PostFinance Ltd and PostBus Ltd came into force on 1 January 2016. The new agreements include adjustments to loyalty bonuses. The resulting one-off adjustment of loyalty bonus liabilities in the income statement was recognized in the first half of 2015. This book gain is not related in any way to a reduction in personnel.

29 | Equity

Share capital

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

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

Profits and losses recorded directly in other comprehensive income

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

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

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

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

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

Appropriation of profit

The General Meeting of Swiss Post Ltd held on 28 April 2015 decided to pay a dividend totalling 200 million francs (previous year: 180 million francs). The dividend was paid on 15 May 2015.

According to the proposal submitted by the Board of Directors to the General Meeting of Swiss Post Ltd, a total of 200 million francs will be distributed as a dividend for the 2015 financial year. This corresponds to a dividend of 153.85 francs per share. The amount available for dividends is based on the statutory equity of the parent company Swiss Post Ltd. Further details can be found in the Swiss Post Ltd annual financial statements.

Other comprehensive income includes the following:

Group | Gains and losses recorded directly in other comprehensive income CHF million	Notes	Revaluation of employee benefit obligations	Fair value reserves	Hedging reserves	Currency translation reserves	Other gains and losses	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1 January 2014		**–136**	**174**	**1**	**–49**	**5**	**–5**	**0**	**–5**
Revaluation of employee benefit obligations	9	–1,344	–	–	–	–	–1,344	–	–1,344
Change in share of other comprehensive income from associates and joint ventures	23	–	–	–	–	0	0	–	0
Change in deferred income taxes	14	275	–	–	–	0	275	–	275
Items not reclassifiable in the consolidated income statement, after tax		**–1,069**	**–**	**–**	**–**	**0**	**–1,069**	**–**	**–1,069**
Change in currency translation reserves		–	–	–	7	–	7	0	7
Change in share of other comprehensive income from associates and joint ventures	23	–	–	–	–	1	1	–	1
Change in fair value reserves from available-for-sale financial assets	20	–	33	–	–	–	33	–	33
(Gains)/losses transferred to income statement from available-for-sale financial assets	20	–	–32	–	–	–	–32	–	–32
Change in hedging reserves from cash flow hedges	21	–	–	–52	–	–	–52	–	–52
(Gains)/losses transferred to income statement from cash flow hedges	21	–	–	43	–	–	43	–	43
Change in deferred income taxes	14	–	–17	2	–	0	–15	–	–15
Reclassifiable items in income statement, after tax		**–**	**–16**	**–7**	**7**	**1**	**–15**	**0**	**–15**
Other comprehensive income		**–1,069**	**–16**	**–7**	**7**	**1**	**–1,084**	**0**	**–1,084**
Balance as at 31 December 2014		**–1,205**	**158**	**–6**	**–42**	**6**	**–1,089**	**0**	**–1,089**
Revaluation of employee benefit obligations	9	–1,162	–	–	–	–	–1,162	–	–1,162
Change in share of other comprehensive income from associates and joint ventures	23	–	–	–	–	1	1	–	1
Change in deferred income taxes	14	153	–	–	–	0	153	–	153
Items not reclassifiable in the income statement, after tax		**–1,009**	**–**	**–**	**–**	**1**	**–1,008**	**–**	**–1,008**
Change in currency translation reserves		–	–	–	–25	–	–25	0	–25
Change in share of other comprehensive income from associates and joint ventures	23	–	–	–	–	2	2	–	2
Change in fair value reserves from available-for-sale financial assets	20	–	11	–	–	–	11	–	11
(Gains)/losses transferred to income statement from available-for-sale financial assets	20	–	–33	–	–	–	–33	–	–33
Change in hedging reserves from cash flow hedges	21	–	–	27	–	–	27	–	27
(Gains)/losses transferred to income statement from cash flow hedges	21	–	–	–23	–	–	–23	–	–23
Change in deferred income taxes	14	–	–6	–1	–	0	–7	–	–7
Reclassifiable items in consolidated income statement, after tax		**–**	**–28**	**3**	**–25**	**2**	**–48**	**0**	**–48**
Other comprehensive income		**–1,009**	**–28**	**3**	**–25**	**3**	**–1,056**	**0**	**–1,056**
Balance as at 31 December 2015		**–2,214**	**130**	**–3**	**–67**	**9**	**–2,145**	**0**	**–2,145**

30 | Operating leases

Swiss Post as lessee

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

Commitments under operating leases

CHF million	31.12.2014	31.12.2015
Future commitments under operating leases due in		
Less than 1 year	74	77
1 to 5 years	137	164
Over 5 years	38	77
Future payment commitments under operating leases	**249**	**318**
Minimum lease payments	142	116
Conditional lease payments	9	7
Lease expenses for the period	**151**	**123**
Income from sub-letting in the past financial year	20	20
Future income from sub-letting	22	36

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

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

Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 32 million francs in the reporting period (previous year: 42 million francs). As at the end of the reporting period, Swiss Post had not entered into any other significant lease agreements as lessor.

Income from lease agreements

CHF million	31.12.2014	31.12.2015
Future minimum lease payments due under agreements in		
Less than 1 year	75	64
1 to 5 years	198	168
Over 5 years	58	46
Total	**331**	**278**

31 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2015:

Guarantees and guarantee obligations

There were no guarantees or guarantee obligations at the end of 2015.

Legal cases

As regards claims or legal cases for which provisions have not been recognized, Executive Management believes either that they can be refuted or that they will not have a material impact on the Group's financial position or operating profit. In the reporting period, the resulting contingent liabilities amounted to 7 million francs (previous year: 8 million francs).

32 | Risk management

Risk management (corporate risk management)

Organization
Swiss Post operates a comprehensive risk management system, applicable to all units and subsidiaries. Risk policy is defined by Executive Management and the Board of Directors. Risk management is a line management responsibility. The Executive and Management Board members of the different Group units are responsible for their own risk portfolio. Risks are freshly assessed every six months, and the control measures updated.

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

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

Swiss Post aims to take an integral approach to risk management. Risk management is therefore combined with the Strategy, Accounting/Controlling, Crisis Management and Group Audit units, as well as Compliance (from 2016). The different organizational units coordinate their processes, integrate their reporting documents and pool their analysis findings.

Risk situation
An analysis of the risk situation at Swiss Post in 2015 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In addition, the expected losses do not exceed the planned operating profit. Risk appetite is therefore covered.

Based on the latest measurements (Monte Carlo simulation), the expected earnings at risk for the next twelve months in the Group amounts to around 7 million francs (previous year: 28 million francs). Unexpected earnings at risk (VaR 95 percent) of 122 million francs was also calculated (previous year: 209 million francs). The reduction in risk indicators year-on-year is mainly due to the lower volatility of the Group-wide pension risk and the increased identification of opportunities. The main risks and opportunities are explained below in the "Risks" section. In the case of PostFinance, reported risks only concern earnings at risk or the risk of the Group having to make additional payments, measured according to the earnings at risk approach. The risk situation from PostFinance's standpoint, measured according to the value at risk approach, is described in the "Risk management at PostFinance" section on page 127.

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

Exogenous risks
The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation, interest rate movements for the PostFinance business unit, and the substitution of several business areas by electronic media.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. Earnings performance at PostFinance is highly dependent on interest rate movements. Technological changes resulting in an increased use of digital services are also aggravating the downward trend in the letters business and in some post office services.

Endogenous risks

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

Opportunities

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

Internal control system

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

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

Risk management at PostFinance

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

Organization

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

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

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

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

The Risk Management department at PostFinance provides support to the Executive Board and to the Asset & Liability Committee mandated for this purpose in managing financial risks in the overall balance sheet. It identifies and measures the financial risks entered into by PostFinance and proposes control measures. It also monitors and reports on the effectiveness of the control decided upon.

The Risk Control department defines appropriate instruments to identify, measure, evaluate and control the risks entered into by PostFinance in the non-financial area. It also provides support to risk managers in applying these instruments. As an independent control body, it monitors the established risk profile across all risk categories and provides a central overview of the entire risk situation of PostFinance Ltd.

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

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

The methods applied at PostFinance to measure risks include measurement methods based on scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and value-at-risk methods (e.g. to measure fair value risks resulting from equity investments).

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

– Interest rate risk and balance sheet structure risk
  The term "interest rate risk" refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the income statement.

  PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority.

  The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest or require capital commitment. The interest rate and capital commitment of these deposits are therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing the interest margin volatility of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the target present value sensitivity, and defines the maturity transformation strategy as a result. The resulting imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective.

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

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

  As at 31 December 2015, the absolute change in the present value of equity with a parallel shift in the yield curve of –100 basis points amounted to –410 million francs (previous year: –46 million francs with a shift in interest rates of –100 basis points). PostFinance currently uses a negative maturity transformation. This means that a rise in interest rates would have a positive present value effect for PostFinance overall. A shift of –100 basis points therefore represents the adverse interest rate scenario. The rise in negative maturity transformation was primarily caused by an increase in duration on the liabilities side. Given the challenging market environment, the duration of the investment business could not be extended sufficiently to offset the effect of the increase in duration on the liabilities side. The income effect of an adverse scenario in comparison with the baseline scenario stood at –41 million francs (previous year: –27 million francs) for the following year.

– Credit risk

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

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties. A large proportion of customer deposits remain invested as a sight deposit balance at the SNB.

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

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

The conservative investment strategy pursued by PostFinance is reflected in the figures for financial assets according to rating as at 31 December 2014 and 31 December 2015:

Rating structure of financial assets [1]

Rating category in percent	31.12.2014	31.12.2015
AAA	70	67
AA	19	20
A	9	10
< A	2	3

1 Includes cash and capital contributions; based on nominal values.

The cluster risk is deliberately limited by holding financial assets that are broadly diversified in terms of the counterparties. An overview of major counterparties as at 31 December 2014 and 31 December 2015 is given below:

Breakdown of the largest counterparties [1]

CHF million	31.12.2014	31.12.2015
Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich	11,965	12,183
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	6,652	7,002
Swiss Confederation, Berne	2,819	2,769

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

Country risks are controlled by establishing country portfolio limits which encourages a broad diversification of international financial assets. An overview of major counterparties as at 31 December 2014 and 31 December 2015 is given below:

Summary of main country exposures [1]

CHF million	31.12.2014	31.12.2015
Switzerland	41,517	44,053
France	5,515	5,104
Germany	3,928	3,193

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

Note on collateral concentration risks:
Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. High concentrations of collateral are measured, monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral).

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

– Liquidity risks
Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. To guarantee liquidity on a daily basis, financial cushions are defined for the settlement of unforeseen payments. These 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. The minimum amount for a financial cushion is based on high daily cash outflows with an extremely low probability of occurrence.

Liquidity in the short term is guaranteed and limited by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure. As at 31 December 2015, the Liquidity Coverage Ratio stood at 217 percent (previous year: 186 percent).

To ensure liquidity in the medium term, liquidity stress scenarios are defined that last at least three months and must not lead to insolvency. The long-term structural liquidity situation is reassessed by the Executive Board on an annual basis. There is an emergency plan to resolve any liquidity crises.

The following table shows an analysis of financial assets and financial liabilities in accordance with the contractual maturities remaining as per the balance sheet date.

PostFinance Ltd: contractual maturities

CHF million	0–3 months	4–12 months	1–5 years	over 5 years	Total
31 December 2014					
Financial assets					
Non-derivative financial assets					
Cash	1,706	–	–	–	1,706
Amounts due from banks	40,964	–	–	–	40,964
Interest-bearing amounts due from customers	301	–	–	–	301
Held-to-maturity	1,738	5,732	30,647	16,425	54,542
Available-for-sale	–	15	2,482	700	3,197
Loans	1,548	642	6,012	5,366	13,568
Total financial assets (without derivatives)	**3,286**	**6,389**	**39,141**	**22,491**	**71,307**
Total	**46,257**	**6,389**	**39,141**	**22,491**	**114,278**
Derivative financial assets					
Derivative financial instruments for trading purposes					
Outflow	–276	–140	0	–	–416
Inflow	277	142	0	–	419
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–	–8	–283	–	–291
Inflow	2	5	282	–	289
Total	**3**	**–1**	**–1**	**–**	**1**
Financial liabilities					
Non-derivative financial liabilities					
Postal accounts	69,259	–	–	–	69,259
Deposito and investment accounts	43,241	–	–	–	43,241
Cash bonds for customers	8	14	62	72	156
Total customer deposits	**112,508**	**14**	**62**	**72**	**112,656**
Liabilities relating to banks	270	–	–	–	270
Other financial liabilities	35	–	–	–	35
Total other financial liabilities (excluding derivatives)	**305**	**–**	**–**	**–**	**305**
Irrevocable credit commitments	656	–	–	–	656
Total off-balance-sheet positions	**656**	**–**	**–**	**–**	**656**
Total	**113,469**	**14**	**62**	**72**	**113,617**
Derivative financial liabilities					
Derivative financial instruments for trading purposes					
Outflow	–276	–176	0	–	–452
Inflow	274	174	0	–	448
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–1,037	–41	–2,347	–1,260	–4,685
Inflow	991	8	2,191	1,185	4,375
Total	**–48**	**–35**	**–156**	**–75**	**–314**

PostFinance Ltd: contractual maturities

CHF million	0–3 months	4–12 months	1–5 years	over 5 years	Total
31 December 2015					
Financial assets					
Non-derivative financial assets					
Cash	1,374	–	–	–	1,374
Amounts due from banks	38,070	–	–	–	38,070
Interest-bearing amounts due from customers	317	–	–	–	317
Held-to-maturity	1,769	5,450	30,115	10,353	47,687
Available-for-sale	140	525	2,295	5,180	8,140
Loans	1,461	1,113	5,696	6,467	14,737
Total financial assets (without derivatives)	**3,370**	**7,088**	**38,106**	**22,000**	**70,564**
Total	**43,131**	**7,088**	**38,106**	**22,000**	**110,325**
Derivative financial assets					
Derivative financial instruments for trading purposes					
Outflow	–182	–67	–5	–	–254
Inflow	184	68	5	–	257
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–484	–8	–44	–36	–572
Inflow	487	4	22	16	529
Total	**5**	**–3**	**–22**	**–20**	**–40**
Financial liabilities					
Non-derivative financial liabilities					
Postal accounts	65,206	–	–	–	65,206
Deposito and investment accounts	42,826	–	–	–	42,826
Cash bonds for customers	3	15	102	13	133
Total customer deposits	**108,035**	**15**	**102**	**13**	**108,165**
Liabilities relating to banks	57	–	–	–	57
Other financial liabilities	27	–	–	–	27
Repurchase transactions	108	–	–	–	108
Total other financial liabilities (excluding derivatives)	**192**	**–**	**–**	**–**	**192**
Irrevocable credit commitments	676	–	–	–	676
Total off-balance sheet positions	**676**	**–**	**–**	**–**	**676**
Total	**108,903**	**15**	**102**	**13**	**109,033**
Derivative financial liabilities					
Derivative financial instruments for trading purposes					
Outflow	–258	–63	–5	–	–326
Inflow	252	62	5	–	319
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–807	–496	–2,362	–1,002	–4,667
Inflow	786	451	2,196	924	4,357
Total	**–27**	**–46**	**–166**	**–78**	**–317**

– Foreign currency risk
The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments.

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

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

As at 31 December 2015, value-at-risk arising from foreign currency risks stood at 0.7 million francs (previous year: 0.5 million francs).

The following table shows the Group's foreign currency exposure as at 31 December 2014 and 31 December 2015:

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

Financial instruments by currency (Group) As at 31 December 2015 CHF million	Functional currency	Foreign currencies					
		CHF	EUR	USD	GBP	Other	Total
Assets							
Cash	1,357	0	134	0	0	0	1,491
Amounts due from banks	38,632	0	164	118	1	18	38,933
Interest-bearing amounts due from customers	562	–	1	0	0	0	563
Trade accounts receivable	812	0	187	3	1	78	1,081
Other receivables excluding accrued income and prepaid expenses	206	–	1	0	1	1	209
Financial assets	66,738	–	3,939	1,559	53	190	72,479
Held for trading and derivatives	12	–	49	0	0	0	61
Held to maturity	45,538	–	1,998	151	–	–	47,687
Available for sale	6,366	–	1,875	1,408	53	190	9,892
Loans	14,822	–	17	–	–	–	14,839
Liabilities							
Customer deposits (PostFinance)	104,772	-	2,222	320	25	41	107,380
Other financial liabilities	1,520	–	134	10	1	0	1,665
Trade accounts payable	416	0	176	1	1	84	678
Other liabilities excluding accrued income and deferred income	196	–	1	0	0	–	197

– Other market risks
PostFinance invests in shares and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, the risk factors that have an impact on the present value of the relevant position are assigned to each position. These risk factors include interest, currency, credit spread and share price risks. Index proxies are also used to measure the credit risk of fund investments. To determine other market risks, change in present value is now modelled according to the change in the assigned risk factors before being measured and limited using the value-at-risk indicator. The historic simulation method is applied with a conservative confidence level.

As at 31 December 2015, value-at-risk arising from other market risks stood at 329 million francs (previous year: 123 million francs). The increase was mainly due to fixed-interest investments that had been recognized as available-for-sale in order to offer greater flexibility in terms of balance sheet controlling under IFRS, and are therefore also included in the market risk analysis.

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 the income statement. Measures must be taken by the Executive Board if the loss in fair value exceeds the reporting threshold.

Operational risk management at PostFinance

Definition

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

Organization

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

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

A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2014: eight top risks; 2015: nine top risks). These risk managers are responsible for the regular assessment and monitoring of the top risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

Tools

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

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

Reporting

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

Capital management at PostFinance Ltd

In relation to the minimum capital requirements for banks (FINMA Circular 2008/22), PostFinance Ltd is disclosing the following regulatory equity as at 31 December 2014 and 31 December 2015:

Presentation of regulatory eligible equity capital

CHF million	31.12.2014	31.12.2015
Common equity tier 1 (CET1)		
Share capital issued and paid in, fully eligible	6,682	6,682
Retained earnings reserves, incl. reserves for general banking risks	25	–
Common equity tier 1 (before adjustments)	**6,707**	**6,682**
Adjustments concerning common equity tier 1		
Goodwill	–1,600	–1,400
Sum of CET1 adjustments	**–1,600**	**–1,400**
Common equity tier 1 (net CET1)	**5,107**	**5,282**
Additional core capital (AT1)	–	–
Core capital (net T1)	**5,107**	**5,282**
Tier 2 capital (T2)		
Flat-rate impairment losses for default risks	177	151
Tier 2 capital (net T2)	**177**	**151**
Regulatory capital (net T1 + T2)	**5,284**	**5,433**

Presentation of equity required

CHF million	Approach used	31.12.2014	31.12.2015
Credit risk	International standardized approach (BIS)	1,714	1,861
of which CVA	Standard approach	6	23
Non-counterparty risks	International standardized approach (BIS)	82	94
Market risk	Market risk standard approach	17	5
of which specific market risk on interest rate instruments	Market risk standard approach	1	0
of which specific market risk on foreign currencies	Market risk standard approach	16	5
Operational risk	Basic indicator approach	218	208
Minimum equity required		**2,031**	**2,168**
80% equity cushion (for 14.4% equity target)	**FINMA: maximum rate Category 2**	**1,625**	**1,734**
Total capital requirement (T1 + T2)	**In accordance with CAO, art. 45**	**3,656**	**3,902**
Sum of risk-weighted positions	**Factor 12.5[1] × minimum equity**	**25,392**	**27,100**

1 Corresponds to the minimum capital requirement of 8% in accordance with CAO, art. 42.

Capital management at Swiss Post

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

Net debt is measured in relation to EBITDA (operating profit before depreciation and amortization) and must not exceed the figure of 1 for long periods. With external debt in the form of outstanding private placements currently totalling 1,270 million francs, Swiss Post meets this objective and gives the company some financial leeway. Customer deposits and financial investments of PostFinance Ltd are not included in the calculation of this indicator.

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

The appropriation of profit is determined by legal provisions and by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. The aim is also to achieve a sustainable dividend policy.

33 | Fair value disclosures

Carrying amounts and fair values of financial instruments and other assets

The carrying amounts and corresponding fair values of financial assets and liabilities and other assets are as follows on 31 December 2014 and 31 December 2015:

Carrying amounts and fair values of financial instruments and other assets	31 December 2014		31 December 2015	
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Financial assets				
Available for sale				
Bonds	3,197	3,197	8,140	8,140
Shares	625	625	605	605
Funds	766	766	1,147	1,147
Positive replacement values	5	5	61	61
Financial assets not measured at fair value				
Financial assets				
Held to maturity	54,542	57,562	47,687	50,388
Loans	13,698	14,259	14,839	15,262
Financial liabilities measured at fair value				
Other financial liabilities				
Negative replacement values	174	174	210	210
Deferred purchase price payments (earn-outs)	–	–	5	5
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	1,280	1,341	1,270	1,356
Other assets not measured at fair value				
Investment property	180	221	227	271

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

Fair value hierarchy

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

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

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

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

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

Fair values are determined as follows:

Fair value of financial instruments and other assets

CHF million	31 December 2014 Total	Level 1	Level 2	Level 3	31 December 2015 Total	Level 1	Level 2	Level 3
Available for sale								
Bonds	3,197	2,531	666	–	8,140	7,190	950	–
Shares	625	624	1	–	605	604	1	–
Funds	766	0	766	–	1,147	0	1,147	–
Positive replacement values	5	–	5	–	61	–	61	–
Held to maturity [1]	57,562	44,065	13,497	–	50,388	38,394	11,994	–
Loans [2]	14,259	–	14,235	24	15,262	0	15,244	18
Negative replacement values	174	–	174	–	210	–	210	–
Deferred purchase price payments (earn-outs)	–	–	–	–	5	–	–	5
Private placements	1,341	–	1,341	–	1,356	–	1,356	–
Investment property [3]	10	–	–	10	10	–	–	10
Investment property under construction [3]	211	–	–	211	261	–	–	261

1 Financial assets held to maturity are recognized at amortized cost using the effective interest method.
2 Loans are measured at amortized cost. In the case of the loans to PostBus operators (82 million francs, 31.12.2014: 106 million francs) and "Other" (18 million francs, 31.12.2014: 24 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.
3 Recognized in the balance sheet at amortized cost.

Six (previous year: five) Swiss Post interests of a non-material nature that together amount to about one million francs (previous year: about one million francs) are measured at cost in "available-for-sale" shares. As in the previous year, these instruments were not assigned to a level as at 31 December 2015.

As at 31 December 2015, no financial assets were reclassified within the fair value hierarchy (previous year: 57 million francs of available-for-sale financial assets were reclassified from level 1 to level 2, and 1,630 million francs from level 2 to level 1 due to stricter applicable criteria and settings for determining the level allocation). Reclassifications between the different levels are carried out at the end of each reporting period. For an instrument to be assigned to level 1, it must be traded on an active market (public stock exchange), have a quoted price on the reference date and be available in sufficient quantities to ensure a liquid market.

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

– Property: PostParc (investment property under construction)
  As at 31 December 2015, the property is measured using the discounted cash flow approach. The fair value of the property on the due evaluation date is calculated in accordance with the measurement standard from the sum of the anticipated cash flows (including investments not yet undertaken) discounted on the due date and not taking into account any change of ownership, profit from sale of land, value added tax or other costs or commissions arising if selling the property.

  The following assumptions were made for determining fair value:
  – Letting of the property at market terms
  – The operating and maintenance costs considered during the valuation are guided by benchmarks from the database of the evaluator
  – The discounting is based on a risk-compliant real interest rate of 4.5 percent, also taken from the database of the evaluator

  As at 31 December 2015, the fair value determined for the PostParc stands at around 261 million francs (previous year: around 211 million francs).

– Property: Bellinzona Autorimessa (investment property)
  As at 31 December 2015, the property is measured using the capitalized earnings method. The following rate was applied to capitalize effective rental income. In the capitalization rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the earnings value calculated.

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

  As at 31 December 2015, the fair value determined for the Autorimessa in Bellinzona stands at around 10 million francs (previous year: around 10 million francs).

34 | Transfer of financial assets

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

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

Reverse repurchase transactions and securities lending and repurchase transactions

CHF million	Notes	31.12.2014	31.12.2015
Receivables			
Receivables from cash collateral in reverse repurchase transactions	15	1,309	311
of which recognized in amounts due from banks	15	909	61
of which recognized in interest-bearing amounts due from customers	15	400	250
Commitments			
Commitments from cash collateral in securities lending transactions		–	–
of which recognized in financial liabilities – other financial liabilities		–	–
Commitments from cash collateral in repurchase transactions	27	–	108
of which recognized in financial liabilities – other financial liabilities	27	–	108
Securities cover			
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	18	1,765	2,107
of which securities for which an unrestricted right to dispose of or pledge was granted		1,765	1,996
of which recognized in financial assets – held to maturity		1,754	1,907
of which recognized in financial assets – available for sale		11	57
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions		–	2,434
of which repledged or sold securities		–	–

35 | Potential offsetting of financial assets and financial liabilities

No offsetting took place. The following financial assets and financial liabilities were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2014 or 31 December 2015:

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

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

Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2015, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		
	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	Financial assets after consideration of offsetting options
Item in the balance sheet						
Positive replacement values	61	–	61	–27	–	34
Reverse repurchase transactions	311	–	311	–	–313	–2

Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2015, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		
	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	Financial liabilities after consideration of offsetting options
Item in the balance sheet						
Negative replacement values	210	–	210	–158	–	52
Repurchase transactions	108	–	108	–	–111	–3
Securities lending and similar agreements	1,964	–	1,964	–	–1,996	–32

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Acctg. Method	Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2014	Equity interest in percent as at 31.12.2015
Switzerland							
F	7	Swiss Post Ltd	Berne	CHF	1,300,000		
F	1	Presto Presse-Vertriebs AG	Berne	CHF	100	100	100
F	1	Epsilon SA	Lancy	CHF	100	100	100
F	1	PostMail Ltd	Berne	CHF	100	100	100
F	1	Direct Mail Company AG	Basel	CHF	420	100	100
F	1	Direct Mail Logistik AG	Basel	CHF	100	100	100
F	1	IN-Media AG	Basel	CHF	100	100	100
F	1	Swiss Post International Holding Ltd	Berne	CHF	63,300	100	100
F	1	APZ Direct AG [1]	Schaffhausen	CHF	150	–	100
F	1	IWARE SA [2]	Morges	CHF	100	–	100
F	2	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
F	2	SwissSign AG	Opfikon	CHF	450	100	100
F	4	Mobility Solutions Ltd	Berne	CHF	100	100	100
F	4	Mobility Solutions Management Ltd	Berne	CHF	100	85	85
F	4	PostLogistics Ltd	Dintikon	CHF	20,000	100	100
F	4	SecurePost Ltd	Oensingen	CHF	4,000	100	100
F	4	Dispodrom Ltd in liquidation [3]	Berne	CHF	2,000	100	–
F	4	Swiss Post International Logistics Ltd	Basel	CHF	1,000	100	100
F	4	Swiss Post SAT Holding Ltd	Berne	CHF	2,000	100	100
F	4	Tele-Trans AG [4]	Basel	CHF	50	–	100
F	4	Botec Boncourt S.A. [5]	Boncourt	CHF	200	–	100
F	4	Botec Logistic SA [5]	Boncourt	CHF	100	–	100
F	4	Allenbach Verzollungsagentur GmbH [6]	Münchenstein	CHF	20	–	100
F	5	PostFinance Ltd	Berne	CHF	2,000,000	100*	100*
F	5	Debtors Service Ltd [7]	Urtenen-Schönbühl	CHF	1,000	100	100
F	5	TWINT AG (formerly Monexio AG)	Berne	CHF	10,000	100	100
F	6	PostBus Switzerland Ltd	Berne	CHF	72,000	100*	100*
F	6	PubliBike AG (formerly velopass SARL)	Fribourg	CHF	200	100	100
F	6	PostBus Management Ltd [8]	Berne	CHF	100	–	100*
F	6	PostBus Mobility Solutions Ltd [8]	Berne	CHF	100	–	100
F	6	PostBus Production Ltd [8]	Berne	CHF	100	–	100
F	6	PostBus Vehicles Ltd [9]	Berne	CHF	100	–	100
F	7	Post Real Estate Management and Services Ltd (formerly InfraPost AG)	Berne	CHF	1,000	100	100
F	7	Post Real Estate Ltd [10]	Berne	CHF	100,000	20*/80	20*/80
F	7	health care research institute AG (hcri) [11]	Zurich	CHF	100	–	100
F	1–7	Post CH Ltd	Berne	CHF	500,000	100*	100*

* Equity interest is held by Swiss Post Ltd.
1 Shares (100 percent) acquired on 1.10.2015.
2 Shares (100 percent) acquired on 2.10.2015.
3 Liquidated on 24.9.2015.
4 Shares (100 percent) acquired on 19.2.2015.
5 Shares (100 percent) acquired on 30.10.2015.
6 Shares (100 percent) acquired on 30.11.2015.
7 New domicile (previously Berne).
8 Established on 19.2.2015.
9 Established on 19.8.2015.
10 Swiss Post Ltd and Post CH Ltd hold 20 percent and 80 percent respectively of the shares in Post Real Estate Ltd.
11 Shares (100 percent) acquired on 15.10.2015

Accounting method
F = fully consolidated
Segment
1 = PostMail
2 = Swiss Post Solutions
3 = Post Offices & Sales
4 = PostLogistics
5 = PostFinance
6 = PostBus
7 = Other

Acctg. Method	Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2014	Equity interest in percent as at 31.12.2015
Switzerland							
E	1	AZ Vertriebs AG	Aarau	CHF	100	25	25
E	1	search.ch AG [12]	Zurich	CHF	100	25	–
E	1	SCHAZO AG	Schaffhausen	CHF	300	50	50
E	1	Somedia Distribution AG (formerly SÜDOSTSCHWEIZ PRESSEVERTRIEB AG)	Chur	CHF	100	35	35
E	1	DMB Direct Mail Biel-Bienne AG	Biel/Bienne	CHF	100	50	50
E	1	Asendia Holding Ltd	Berne	CHF	100	50	50
E	4	TNT Swiss Post AG	Buchs (AG)	CHF	1,000	50	50
E	4	Energy Logistics Schweiz (ELS) Ltd [13]	Berne	CHF	125	–	20
E	5	SIX Interbank Clearing AG	Zurich	CHF	1,000	25	25
E	6	Sensetalbahn AG	Berne	CHF	2,888	34	34
Belgium							
F	4	Société d'Affrètement et de Transit S.A.T. SA	Brussels	EUR	62	100	100
Germany							
F	2	Fortuna Beteiligungs GmbH [14]	Bamberg	EUR	50	100	–
F	2	Swiss Post Solutions GmbH [15]	Bamberg	EUR	5,000	98.3	100
F	2	Swiss Post Solutions Holding GmbH	Bamberg	EUR	25	100*	100*
F	2	Swiss Post Solutions GmbH	Prien	EUR	1,050	100	100
F	2	Swiss Post Solutions GmbH [16]	Pulsnitz	EUR	100	100	–
F	2	Swiss Post Solutions Card Systems GmbH	Bamberg	EUR	25	100	100
F	4	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
F	4	Zollagentur Imlig GmbH	Rheinfelden Baden	EUR	25	100	100
E	2	eSourceONE GmbH	Bamberg	EUR	25	50	50
E	2	MEILLERGHP GmbH [17]	Schwandorf	EUR	280	35	–
E	5	Swiss Euro Clearing Bank GmbH	Frankfurt am Main	EUR	30,000	25	25
E	2	CF Card Factory GmbH [18]	Hessisch Lichtenau	EUR	500	51	49
France							
F	2	Swiss Post Solutions SAS [19]	Paris	EUR	9,587	100	100
F	4	Société d'Affrètement et de Transit S.A.T. SAS	Bartenheim	EUR	200	100	100
F	4	Société de Transports Internationaux S.T.I. SARL	Bartenheim	EUR	8	100	100
F	4	SCI S.A.T.	Bartenheim	EUR	1	100	100
F	4	Tele-Trans SA [4]	Saint-Louis	EUR	38	–	100
F	4	Botec Sàrl [5]	Fêche-l'Église	EUR	15	–	100
F	6	CarPostal France SAS [20]	Saint-Priest	EUR	8,200	100	100
F	6	CarPostal Bourg-en-Bresse SAS	Bourg-en-Bresse	EUR	190	100	100
F	6	CarPostal Haguenau SAS	Haguenau	EUR	464	100	100
F	6	CarPostal Interurbain SAS	Voreppe	EUR	250	100	100
F	6	CarPostal Mâcon SAS	Mâcon	EUR	300	100	100
F	6	CarPostal Dole SAS	Dole	EUR	300	100	100
F	6	CarPostal Foncière SCI	Saint-Priest	EUR	50	100	100
F	6	CarPostal Villefranche-sur-Saône SAS	Arnas	EUR	150	100	100
F	6	CarPostal Agde SAS	Agde	EUR	250	100	100
F	6	CarPostal Bourgogne Franche-Comté SAS	Mâcon	EUR	300	100	100

* Equity interest is held by Swiss Post Ltd.
12 Shares (25 percent) sold on 8.5.2015.
13 Shares (20 percent) acquired on 19.10.2015.
14 Merged with Swiss Post Solutions Holding GmbH on 30.6.2015.
15 Own shares (1.7 percent) in Swiss Post Solutions Holding GmbH sold on 30.6.2015.
16 Merged with Swiss Post Solutions GmbH, Prien on 7.5.2015.
17 Shares (35 percent) sold on 20.2.2015.
18 Shares (2 percent) sold on 17.6.2015.
19 Share capital increased by 8 million euros on 18.12.2015.
20 Share capital increased by 8 million euros on 10.12.2015.

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

Acctg. Method	Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2014	Equity interest in percent as at 31.12.2015
France							
F	6	CarPostal Méditerranée SAS	Agde	EUR	420	100	100
F	6	Holding Rochette Participations SAS	Montverdun	EUR	400	100	100
F	6	CarPostal Loire SARL (formerly Caporin Voyages SARL)	Montverdun	EUR	1,680	100	100
F	6	CarPostal Riviera SAS	Menton	EUR	200	100	100
F	6	CarPostal Salon de Provence SAS	Salon-de-Provence	EUR	200	100	100
F	6	CarPostal Bassin de Thau [21]	Sète	EUR	250	–	100
F	6	GR4 [22]	Crolles	EUR	200	–	48
F	6	Autocars et Transports Grindler [23]	Vif	EUR	104	–	100
F	6	Les Cars du Trièves [23]	Vif	EUR	30	–	100
United Kingdom							
F	2	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100	100
Italy							
F	2	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
Ireland							
F	2	Swiss Post Solutions Ireland Limited [24]	Cork	EUR	0	100	–
Liechtenstein							
F	6	PostAuto Liechtenstein Anstalt	Vaduz	CHF	1,000	100	100
F	7	Swiss Post Insurance AG	Triesen	CHF	30,000	100*	100*
E	7	Liechtensteinische Post AG	Schaan	CHF	5,000	25	25
Slovakia							
F	2	Swiss Post Solutions s.r.o.	Bratislava	EUR	15	100	100
USA							
F	2	Swiss Post Solutions Inc.	New York	USD	45	100	100
F	2	Swiss Post US Holding Inc.	New York	USD	10,100	100	100
Vietnam							
F	2	Swiss Post Solutions Ltd.	Ho-Chi-Minh City	VND	1,821,446	100	100

* Equity interest is held by Swiss Post Ltd.
21 Established on 29.7.2015.
22 Established on 1.7.2015. Share of voting rights: around 56 percent.
23 Shares (100 percent) acquired on 1.12.2015.
24 Shares (100 percent) sold on 3.2.2015.

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

37 | Changes in the consolidated Group

Year 2014

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

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

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

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

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

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

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

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

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

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

Year 2015

Post CH Ltd, based in Berne, sold Swiss Post Solutions Ireland Limited, based in Cork (Ireland) on 3 February 2015.

Post CH Ltd, based in Berne, acquired the company Tele-Trans AG, based in Basel and its subsidiary Tele-Trans SA, based in Saint-Louis (France) on 19 February 2015. This acquisition enables PostLogistics to strengthen its international unit, to expand its current service portfolio and to safeguard its presence in the customs clearance market in the Basel area. Tele-Trans AG and its subsidiary offer services in the field of European transport and customs clearance, and employ seven members of staff.

With effect from 7 May 2015, Swiss Post Solutions GmbH, based in Pulsnitz (Germany) was merged with Swiss Post Solutions GmbH, headquartered in Prien (Germany).

Swiss Post Solutions GmbH, based in Bamberg (Germany) sold 2 percent of its interest in CF Card Factory GmbH, based in Hessisch Lichtenau (Germany), on 17 June 2015. Following the loss of control, CF Card Factory GmbH is disclosed as an associate.

On 30 June 2015, Swiss Post Solutions GmbH sold 1.7 percent of its own interest in Swiss Post Solutions Holding GmbH, both based in Bamberg (Germany).

Fortuna Beteiligungs GmbH was merged with Swiss Post Solutions Holding GmbH, both based in Bamberg (Germany) on 30 June 2015.

SecurePost Ltd, based in Oensingen, acquired the banknote processing unit from UBS AG, based in Zurich and Basel, on 1 September 2015. SecurePost Ltd becomes the largest banknote processor in Switzerland as a result of the acquisition. The takeover includes operating materials as well as around 40 members of staff.

Dispodrom Ltd in liquidation, based in Berne, was liquidated on 24 September 2015.

Post CH Ltd, based in Berne, acquired APZ Direct AG, based in Schaffhausen, on 1 October 2015. The acquisition enables PostMail to strengthen its position in the growth area of direct marketing. APZ Direct AG specializes in the delivery of unaddressed and addressed mail, and employs around 230 members of staff.

Post CH Ltd, based in Berne, acquired IWARE SA, based in Morges, on 2 October 2015. The acquisition enables PostMail to strengthen its position in the publishing business. IWARE SA operates in fields including subscription management and the issuing of publications, and employs 13 members of staff.

Post CH Ltd, based in Berne, acquired health care research institute AG (hcri), based in Zurich, on 15 October 2015. Thanks to this acquisition, Swiss Post is strengthening its market position, and positioning itself as an innovative, integrated service provider in the healthcare sector. health care research institute AG (hcri) is the market leader in the data-driven quality management of processes and information processing in the healthcare sector, and employs 19 members of staff.

Post CH Ltd, based in Berne, acquired Botec Boncourt S.A. and Botec Logistic SA, both based in Boncourt, and Botec Sàrl, based in Fêche-l'Église (France), on 30 October 2015. Thanks to these acquisitions, PostLogistics is strengthening the freight, express and warehousing international unit, including customs clearance, and increasing its presence in the area of Boncourt, crossing the border into France. As well as customers, the takeover includes the infrastructure, with a customs clearance office in Boncourt, and nine members of staff.

Post CH Ltd, based in Berne, acquired Allenbach Verzollungsagentur GmbH, based in Münchenstein, on 30 November 2015. This acquisition enables PostLogistics to strengthen its international forwarding and customs clearance unit, to expand its current service portfolio and to boost its presence in the customs clearance market. Allenbach Verzollungsagentur GmbH has two sites in Münchenstein and Basel-Weil, and employs three members of staff.

CarPostal France SAS, based in Saint-Priest (France), acquired the two associates Grindler Autocars et Transports Grindler and Les Cars du Trièves, both based in Vif (France), on 1 December 2015. Thanks to the acquisition, PostBus is strengthening its presence in the department of Isère by expanding its vehicle depots to all three valleys around Grenoble. The Grindler family business, which employs 90 people, is one of the most important transport companies in the Grenoble region.

On 10 December 2015, a share capital increase of 8 million euros was undertaken at CarPostal France SAS, based in Saint-Priest (France).

On 18 December 2015, a share capital increase of 8 million euros was undertaken at Swiss Post Solutions SAS, based in Paris (France).

Assets and liabilities arising from acquisitions

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

Assets and liabilities arising from acquisitions	2014	2015
CHF million	Total fair value [1]	Total fair value [2]
Cash and cash equivalents	1	5
Trade accounts receivable and other receivables	2	7
Inventories	–	0
Property, plant and equipment, intangible assets and financial assets	0	13
Other financial liabilities	–	–4
Trade accounts payable	0	–2
Provisions and other liabilities	0	–9
Fair value of net assets	**3**	**10**
Goodwill	3	13
Cash and cash equivalents acquired [3]	–1	–5
Purchase price payments falling due at a later date (earn-outs)	–	–5
Net cash outflow for acquisitions	**5**	**13**

1 Composition: Société d'Affrètement et de Transport S.A.T. SA., Asendia Press D4M AG.
2 Composition: Allenbach Verzollungsagentur GmbH, APZ Direct AG, Autocars et Transports Grindler, Botec Boncourt S.A., Botec Logistic SA, Botec Sàrl, health care research institute AG (hcri), IWARE SA, Les Cars du Trièves, Tele-Trans AG, Tele-Trans SA, UBS AG operating unit.
3 Composition: cash and current amounts due from banks.

The acquisition costs for the companies acquired in 2015 and for parts of companies amount to a total of 23 million francs. The purchase price payments (earn-outs) due at a later date amount to 5 million francs. The remaining amount was settled in cash and cash equivalents.

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

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

Since the acquisition date, the acquired entities have contributed 9 million francs to operating income and one million francs to operating profit.

Overall, the effect of these acquisitions on the consolidated financial statements is not material in nature.

Assets and liabilities arising from disposals

The following assets and liabilities were deconsolidated in connection with disposals of subsidiaries:

Assets and liabilities arising from disposals CHF million	2014 Total carrying amount	2015 Total carrying amount [1]
Cash and cash equivalents	–	0
Trade accounts receivable and other receivables	–	1
Inventories	–	1
Property, plant and equipment, intangible assets and financial assets	–	1
Other financial liabilities	–	–1
Trade accounts payable	–	–2
Provisions and other liabilities	–	0
Carrying amount of net assets disposed of	**–**	**0**
Cash and cash equivalents disposed of [2]	–	0
Loss from disposals	–	0
Net cash inflow from disposals	**–**	**0**

1 Composition: CF Card Factory GmbH, Swiss Post Solutions Ireland Limited.
2 Composition: cash and current amounts due from banks.

Sales proceeds arising from disposals stood at less than one million francs in 2015.

Overall, the effect of these disposals on the consolidated financial statements is not material in nature.

Companies founded and renamed

Year 2014

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

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

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

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

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

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

Year 2015

PostBus Management Ltd, PostBus Mobility Solutions Ltd and PostBus Production Ltd, all based in Berne, were founded on 19 February 2015.

GR4, based in Crolles (France) was founded with an interest of 48 percent on 1 July 2015.

CarPostal Bassin de Thau, based in Sète (France) was founded on 29 July 2015.

PostBus Vehicles Ltd, based in Berne, was founded on 19 August 2015.

38 | Transactions with related companies and parties

Within the meaning of the IFRSs, Swiss Post Group has relationships with related companies and parties. As the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

All transactions between Swiss Post and the related companies and parties are carried out at market conditions. Transactions between Swiss Post and its subsidiaries were eliminated during the consolidation and are no longer included in these notes.

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

Transactions with related companies and parties	Sale of goods and services		Purchases of goods and services		Receivables and loans with related companies		Liabilities to related companies	
CHF million	2014	2015	2014	2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Companies with joint management or significant influence	**437**	**447**	**123**	**110**	**1,003**	**891**	**1,040**	**834**
Swiss Confederation	208 [1]	240 [1]	8	7	109	162	662	605
Swisscom	158	137	58	49	652	492	23	20
Swiss Federal Railways SBB	67	66	57	54	42	37	355	209
RUAG	1	1	0	0	0	0	0	0
SKYGUIDE	3	3	0	0	200	200	0	0
Associates and joint ventures	**133**	**126**	**37**	**38**	**52**	**40**	**12**	**16**
Other related companies and parties	**14**	**1**	**4**	**3**	**0**	**0**	**88** [2]	**224** [2]

1 Includes compensation for public transport of 176 million francs for 2015 (previous year: 175 million francs).
2 Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

Remuneration paid to members of the management

In the past financial year, remuneration including fringe benefits of 5.8 million francs (previous year: 5.2 million francs) and pension benefits of around 0.75 million francs (previous year: around 0.77 million francs) was paid to members of the management (Board of Directors and Executive Management). The performance-based component paid out to members of Executive Management in 2015 was based on target attainment in 2013 and 2014 and amounted to around 1.2 million francs (previous year: around 0.9 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

39 | Key exchange rates

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

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2014	31.12.2015	31.12.2014	31.12.2015
1 euro	EUR	1.20	1.08	1.21	1.07
1 US dollar	USD	0.99	0.99	0.92	0.96
1 pound sterling	GBP	1.54	1.47	1.51	1.47

40 | Events after the reporting period

Prior to the approval of the 2015 consolidated annual financial statements by Swiss Post Ltd's Board of Directors on 7 March 2016, no events came to light which either would have resulted in changes to the carrying amounts of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post Ltd presented on pages 74 to 150 of the financial report, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Gümligen-Berne, 7 March 2016

Swiss Post Ltd annual financial statements

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

Income statement

Swiss Post Ltd | Income statement

CHF million	2014	2015
Operating income		
Trade income	78	76
Income from interests	245	296
Total operating income	**323**	**372**
Operating expenses		
Personnel expenses	–4	–4
Other operating expenses	–31	–49
Depreciation of intangible assets	–67	–67
Total operating expenses	**–102**	**–120**
Operating profit	**221**	**252**
Financial income	70	143
Financial expenses	–41	–87
Total net financial income	**29**	**56**
Profit for the year before tax	**250**	**308**
Direct taxes	5	–2
Profit for the year	**255**	**306**

Balance sheet

Swiss Post Ltd | Balance sheet

CHF million	31.12.2014	31.12.2015
Assets		
Current assets		
Amounts due from banks	601	815
Amounts due from PostFinance Ltd	3	18
Trade accounts receivable	2	6
Other current receivables	1,357	1,322
Total current assets	**1,963**	**2,161**
Fixed assets		
Financial assets	881	820
Interests	7,989	7,937
Intangible assets	867	800
Total fixed assets	**9,737**	**9,557**
Total assets	**11,700**	**11,718**
Equity and liabilities		
Liabilities		
Trade accounts payable	3	0
Current interest-bearing liabilities	171	96
Other current liabilities	0	0
Accrued expenses and deferred income	4	4
Total current liabilities	**178**	**100**
Non-current interest-bearing liabilities	1,280	1,270
Provisions	2	2
Total non-current liabilities	**1,282**	**1,272**
Total liabilities	**1,460**	**1,372**
Equity		
Share capital	1,300	1,300
Statutory capital reserves		
Other capital reserves	8,685	8,685
Distributable profit		
Profit carried forward	–	55
Profit for the year	255	306
Total equity	**10,240**	**10,346**
Total equity and liabilities	**11,700**	**11,718**

Notes

1 | Principles

Initial adoption of new accounting law

For the first time, the 2015 annual financial statements were issued in accordance with the new provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). To improve legibility and facilitate comparison, the financial figures for 2014 have also been adapted to reflect the new accounting structure. No value adjustments have been made.

1.1 General

A description is given below of any significant valuation principles applied that are not specified by law.

1.2 Legal form

Swiss Post Ltd was established as a company limited by shares subject to a special statutory regime. It is domiciled in Berne.

1.3 Financial assets

Financial assets include long-term loans to subsidiaries of Swiss Post Ltd. They are measured at a maximum of acquisition cost less any necessary impairment losses. Loans granted in foreign currencies are measured at the current closing rate. Unrealized losses are recognized, whereas unrealized profits are not disclosed (imparity principle).

1.4 Interests

Swiss Post Ltd controls various subsidiaries. These interests are recognized in the balance sheet at cost less any necessary impairment losses.

1.5 Intangible assets

Any intangible assets acquired are capitalized at cost, provided that they offer the company economic benefits over several years. Internally generated intangible assets are capitalized if they meet the necessary requirements at the balance sheet date. Intangible assets are depreciated on a straight-line basis. If there are any signs of overvaluation, the carrying amounts are checked and impairment losses recognized if necessary.

1.6 Decision to dispense with additional information in the notes to the annual financial statements, cash flow statement and management report

Swiss Post Ltd, as the parent company within Swiss Post Group, prepares consolidated financial statements in accordance with a recognized financial reporting standard (International Financial Reporting Standards, IFRS). Consequently, and as set out in article 961d, paragraph 1 of the Swiss Code of Obligations, additional information in the notes to the annual financial statements, the cash flow statement and the management report is dispensed with in these financial statements, in accordance with the requirements for financial reporting for larger undertakings.

2 | Information on the balance sheet and income statement

2.1 Trade accounts receivable

Swiss Post Ltd | Trade accounts receivable

CHF million	31.12.2014	31.12.2015
Amounts due from third parties	0	–
Amounts due from interests	2	6
Total trade accounts receivable	**2**	**6**

2.2 Other current receivables

Swiss Post Ltd | Other current receivables

CHF million	31.12.2014	31.12.2015
Amounts due from third parties	0	0
Amounts due from interests	1,357	1,322
Total other current receivables	**1,357**	**1,322**

2.3 Financial assets

Swiss Post Ltd | Financial assets

CHF million	31.12.2014	31.12.2015
Financial assets in relation to third parties	0	0
Financial assets in relation to interests	881	820
Total financial assets	**881**	**820**

2.4 Interests

Swiss Post Ltd | Interests			Share capital	Interest in percent	
Company	Domicile	Currency	in 1000	Balance as at 31.12.2014	Balance as at 31.12.2015
Directly held interests					
Switzerland					
PostFinance Ltd	Bern	CHF	2,000,000	100	100
PostBus Switzerland Ltd	Bern	CHF	72,000	100	100
Post Real Estate Ltd	Bern	CHF	100,000	20 [1]	20 [1]
Post CH Ltd	Bern	CHF	500,000	100	100
PostBus Management Ltd	Bern	CHF	100	–	100
Germany					
Swiss Post Solutions Holding GmbH	Bamberg	EUR	25	100	100
Liechtenstein					
Swiss Post Insurance AG	Triesen	CHF	30,000	100	100
Significant indirectly held interests					
Switzerland					
PostMail Ltd	Bern	CHF	100	100	100
Swiss Post Solutions Ltd	Zürich	CHF	1,000	100	100
Mobility Solutions Ltd	Bern	CHF	100	100	100
PostLogistics Ltd	Dintikon	CHF	20,000	100	100
SecurePost Ltd	Oensingen	CHF	4,000	100	100

1 Swiss Post Ltd indirectly holds an additional 80 percent in Post Real Estate Ltd.

2.5 Intangible assets

The intangible assets disclosed in the balance sheet are capitalized Swiss Post brands.

2.6 Trade accounts payable

Swiss Post Ltd | Trade accounts payable		
CHF million	31.12.2014	31.12.2015
Liabilities relating to third parties	3	0
Liabilities relating to interests	0	0
Total trade accounts payable	**3**	**0**

2.7 Current interest-bearing liabilities

Swiss Post Ltd | Current interest-bearing liabilities		
CHF million	31.12.2014	31.12.2015
Liabilities relating to interests	171	96
Total current interest-bearing liabilities	**171**	**96**

2.8 Non-current interest-bearing liabilities

Swiss Post Ltd | Non-current interest-bearing liabilities

CHF million	31.12.2014	31.12.2015
Liabilities relating to third parties	1,280	1,270
Total non-current interest-bearing liabilities	**1,280**	**1,270**

2.9 Share capital

The share capital stands at 1,300,000,000 francs. The 1,300,000 registered shares, each with a par value of 1,000 francs, are owned by the Swiss Confederation.

2.10 Trade income

Trade income principally discloses revenue from licence fees.

2.11 Income from interests

Dividend income from the financial years 2015 and 2014 from the following interests is reported in income from interests: Post CH Ltd, PostFinance Ltd, Swiss Post Insurance AG and Post Real Estate Ltd.

2.12 Financial income

Financial income mainly consists of interest income from loans to interests and repayments received on receivables for which impairment losses were previously recognized.

3 | Additional information

3.1 Full-time equivalents

The average annual number of full-time equivalents did not exceed 50, either in the year under review or in the previous year.

3.2 Bond issues

Swiss Post Ltd has several outstanding private placements totalling 1,270 million francs. 11 tranches overall, expiring between 2018 and 2032, and with an average remaining maturity of approximately ten years, were raised on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to these private placements is 0.83 percent.

3.3 Liabilities relating to employee benefits schemes

The liabilities relating to the Swiss Post pension fund totalled 48,732 francs at 31 December 2015 (31 December 2014: 46,775 francs), and are reported in other current liabilities. They are classed as liabilities relating to third parties.

3.4 Collateral for third party liabilities

As at 31 December 2015, guarantees and guarantee obligations amounted to 18 million francs (31 December 2014: 18 million francs).

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

On 31 December 2015, as in the previous year, Letters of Comfort to third parties existed, deposited by Swiss Post Ltd.

3.5 Material events occurring after the reporting period

No material events occurred after the reporting period which either would have resulted in changes to the carrying amounts of the assets and liabilities disclosed or would have to be disclosed in this section of the Report.

There is no other information required by law as set out in article 959c, paragraph 1, section 4 of the Swiss Code of Obligations.

4 | Proposed appropriation of distributable profit

At the General Meeting on 26 April 2016, the Board of Directors will propose that the distributable profit of 361 million francs for the financial year ended 31 December 2015 be appropriated as follows:

Swiss Post Ltd | Appropriation of distributable profit proposed by the Board of Directors

CHF million	31.12.2015
Amount carried forward from the previous year	55
Profit for the year	306
Available distributable profit	**361**
Dividends	–200
Amount carried forward to new account	**161**

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Post Ltd, presented on pages 154 to 160 of the financial report, which comprise the income statement, balance sheet and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Gümligen-Berne, 7 March 2016

PostFinance annual financial statements

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 “Accounting – Banks”).

Reconciliation

PostFinance Ltd reports to the Group in accordance with IFRS and issues its financial statements pursuant to the Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (FINMA Circular 2015/1 "Accounting – Banks"). The following table shows the differences between the two accounting standards and reconciles the profit for the year in accordance with IFRS with the ARB financial statements.

PostFinance Ltd | Reconciliation of profit

CHF million	2014	2015
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	**382**	**463**
Management/licence fees/net cost compensation	90	99
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	**472**	**562**
Net income from associates	1	1
Operating profit from subsidiaries	3	15
Net financial income	–3	–3
Earnings before tax (EBT)	**473**	**575**
Income tax	–97	–145
PostFinance Ltd profit reported to the Group as per IFRS	**376**	**430**
Amortization of revalued held-to-maturity financial assets	–78	–65
Principle of lower of cost or market value for financial assets as per ARB	20	–28
Realized gains from (earlier than scheduled) sales	–20	–9
Valuation differences between IAS 19 and Swiss GAAP ARR 16	15	16
Depreciation of revalued real estate	–4	–2
Individual value adjustments due to lower fair value (fixed assets)	–1	–11
Amortization of goodwill	–200	–200
Adjustment of deferred tax effects as per IFRS	59	90
PostFinance Ltd profit as per ARB	**167**	**221**

The main positions in the reconciliation of profit are as follows:

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

– Swiss Post reports its segments in accordance with IFRS based on operating profit before management, licence fees and net cost compensation. For this reason, the reconciliation of profit includes an offset of 99 million francs on the operating profit (previous year: 90 million francs).

PostFinance Ltd statutory annual financial statements

The following pages show the PostFinance Ltd statutory financial statements in accordance with the Accounting rules for banks (articles 25–28 of the Banking Ordinance, FINMA Circular 2015/1 "Accounting – Banks" ARB).

Balance sheet

PostFinance Ltd | Balance sheet as per ARB

CHF million	Notes	31.12.2014	31.12.2015
Assets			
Liquid assets		41,746	38,882
Amounts due from banks		3,948	4,471
Amounts due from securities financing transactions	5	1,309	311
Amounts due from customers	6	10,704	10,993
Mortgage loans	6	0	0
Trading portfolio assets		–	–
Positive replacement values of derivative financial instruments	7	5	61
Other financial instruments at fair value		–	–
Financial investments	8	59,055	57,395
Accrued income and prepaid expenses		682	653
Participations	9, 10	48	59
Tangible fixed assets	11	1,027	1,175
Intangible assets	12	1,600	1,400
Other assets	13	145	289
Total assets		**120,269**	**115,689**
Total subordinated claims		–	–
of which subject to mandatory conversion and/or debt waiver		–	–
Liabilities			
Amounts due to banks		2,788	1,220
Liabilities from securities financing transactions	5	–	108
Amounts due in respect of customer deposits		110,111	106,966
Trading portfolio liabilities		–	–
Negative replacement values of derivative financial instruments	7	174	210
Liabilities from other financial instruments at fair value		–	–
Cash bonds		155	134
Bond issues and central mortgage institution loans		–	–
Accrued expenses and deferred income		122	118
Other liabilities	13	33	17
Provisions	16	12	13
Reserves for general banking risks		–	–
Bank’s capital	17	2,000	2,000
Statutory capital reserve		4,682	4,682
of which tax-exempt capital contribution reserve		4,682	4,682
Statutory retained earnings reserve		–	–
Voluntary retained earnings reserves		–	–
Profit carried forward		25	–
Profit		167	221
Total liabilities		**120,269**	**115,689**
Total subordinated liabilities		–	–
of which subject to mandatory conversion and/or debt waiver		–	–

PostFinance Ltd | Off-balance sheet transactions

CHF million	31.12.2014	31.12.2015
Contingent liabilities	–	1
Irrevocable commitments	656	676
Obligations to pay up shares and make further contributions	–	–
Credit commitments	–	–

Reconciliation of BAG with ARB

PostFinance applies the new Accounting rules for banks (ARB) (FINMA Circular 2015/1) as at 31 December 2015. To improve legibility and facilitate comparison, the financial figures as at 31 December 2014 have also been adapted to reflect the new accounting structure. No value adjustments have been made.

Income statement

PostFinance Ltd | Income statement as per ARB

CHF million	Notes	2014	2015
Interest and discount income		220	196
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		943	852
Interest expense		–198	–95
Gross result from interest operations		**965**	**953**
Changes in value adjustments for default risks and losses from interest operations		–87	13
Net result from interest operations		**878**	**966**
Commission income from securities trading and investment activities		42	42
Commission income from lending activities		94	14
Commission income from other services		630	639
Commission expense		–591	–497
Result from commission business and services		**175**	**198**
Result from trading activities and the fair value option	25	**166**	**188**
Result from the disposal of financial investments		37	34
Income from participations		1	1
Result from real estate		55	56
Other ordinary income		120	142
Other ordinary expenses		–13	–50
Other result from ordinary activities		**200**	**183**
Operating income		**1,419**	**1,535**
Personnel expenses	27	–458	–473
General and administrative expenses	28	–509	–518
Operating expenses		**–967**	**–991**
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–237	–258
Changes to provisions and other value adjustments, and losses		–12	–10
Operating result		**203**	**276**
Extraordinary income	29	7	4
Extraordinary expenses		–	–
Changes in reserves for general banking risks		–	–
Taxes	30	–43	–59
Profit		**167**	**221**

Appropriation of profit

PostFinance Ltd | Distributable profit

CHF million	31.12.2014	31.12.2015
Profit for the year	167	221
Profit carried forward	25	–
Total distributable profit	**192**	**221**

At the General Meeting on 8 April 2016, the Board of Directors of PostFinance will propose the following appropriation of profit (previous year: 27 March 2015):

PostFinance Ltd | Appropriation of profit

CHF million	31.12.2014	31.12.2015
Allocation to other reserves	–	–
Dividend distribution	192	221
Profit carried forward to new account	–	–
Total distributable profit	**192**	**221**

Cash flow statement

PostFinance Ltd | Cash flow statement as per ARB

CHF million	Cash inflow 2014	Cash outflow 2014	Cash inflow 2015	Cash outflow 2015
Cash flow from operating activities (internal financing)				
Profit for the year	167	–	221	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	237	–	257	–
Provisions and other value adjustments	2	–	1	–
Change in value adjustments for default risks and losses	87	–	–	13
Accrued income and prepaid expenses	39	–	29	–
Accrued expenses and deferred income	–	51	–	4
Other items	78	–	65	–
Previous year's dividend	–	240	–	192
Subtotal	**319**	**–**	**364**	**–**
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	–	–	–
Subtotal	**–**	**–**	**–**	**–**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	–	34	–	15
Real estate	0	89	3	121
Other tangible fixed assets	–	21	–	82
Intangible assets	–	–	–	–
Subtotal	**–**	**144**	**–**	**215**
Cash flow from banking operations				
Amounts due to banks	408	–	–	1,568
Liabilities from securities financing transactions	–	–	108	–
Amounts due in respect of customer deposits	2,992	–	–	3,145
Cash bonds	–	5	–	22
Negative replacement values of derivative financial instruments	153	–	37	–
Other liabilities	–	84	–	16
Amounts due from banks	–	867	–	523
Amounts due from securities financing transactions	5,842	–	997	–
Amounts due from customers	–	1,146	–	289
Mortgage loans	–	–	0	–
Positive replacement values of derivative financial instruments	91	–	–	56
Financial investments	–	4,820	1,608	–
Other accounts receivable	–	107	–	144
Subtotal	**2,457**	**–**	**–**	**3,013**
Liquidity				
Liquid assets	–	2,632	2,864	–
Subtotal	**–**	**2,632**	**2,864**	**–**
Total	**2,776**	**2,776**	**3,228**	**3,228**

Statement of changes in equity

Presentation of the statement of changes in equity

CHF million	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity as at 1.1.2015	**2,000**	**4,682**	**–**	**–**	**192**	**–**	**6,874**
Dividends	–	–	–	–	–192	–	–192
Profit	–	–	–	–	–	221	221
Equity as at 31.12.2015	**2,000**	**4,682**	**0**	**0**	**0**	**221**	**6,903**

Notes

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

Business name: PostFinance Ltd (company number CHE-114.583.749)
Legal form: Private limited company (Ltd)
Domicile: Berne (Switzerland)

2 | Accounting and valuation policies

General principles

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

Individual report figures are rounded in the notes, while calculations are carried out using the non-rounded figures. Small rounding differences may therefore occur.

Foreign currency translation

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

Closing rates

	31.12.2014	31.12.2015
EUR	1.2028	1.0810
USD	0.9892	0.9900
GBP	1.5392	1.4685

Offsetting

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

Trade date/settlement date accounting

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

General valuation principles

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

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

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

Amounts due from customers and mortgage loans

These items are included in the balance sheet at their nominal value or acquisition cost less value adjustments for impaired loans/receivables. Impairment is measured according to the difference between the book value 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. Receivables are classed as impaired at the latest when the contractually agreed payments of capital and/or interest are more than 90 days outstanding. Interest outstanding for more than 90 days is regarded as overdue. In addition to individual value adjustments, PostFinance calculates portfolio value adjustments to cover losses incurred on the balance sheet date that cannot yet be identified separately. Provisions for default risks 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 released to income. All value adjustments are deducted directly from this item in the balance sheet.

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

Trading portfolio assets

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

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as trading instruments. Derivative financial instruments acquired for trading purposes are recognized at fair value and are subsequently measured at fair value. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged items. The effectiveness of these hedges is reviewed every six months. Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged underlying instrument are recognized in the income statement. Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are allocated to the compensation account, while changes in value to the extent a hedge is ineffective are recorded in the income statement. Positive and negative replacement values for all derivatives are recognized at fair value in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments.

Financial investments

Financial investments with a fixed maturity that PostFinance intends and is able to hold to maturity are measured at amortized cost (accrual method). 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 principle of the lower of cost or market value. Debt securities acquired without the intention of being held to maturity are also valued according to the principle of the lower of cost or market value. PostFinance checks its financial investments 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 credit ratings by recognized rating agencies or qualified banks. If there are indications that an investment is impaired, the recoverable amount is calculated. In addition to individual value adjustments, PostFinance calculates portfolio value adjustments to cover losses incurred on the balance sheet date that cannot yet be identified separately. Both value adjustments are deducted directly from this item in the balance sheet. Value adjustments that are no longer economically necessary are released to income. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet. Real estate available for sale is recognized in the balance sheet under financial investments according to the principle of the lower of cost or market value.

Participations

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

Tangible fixed assets

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

– IT infrastructure 3–4 years
– Postomats 10 years
– Payment transaction software 10 years
– Real estate 10–50 years

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

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

Intangible assets

Surplus assets (goodwill) arising from the initial valuation 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.

Accrued income and prepaid expenses, and accrued 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, liabilities from securities financing transactions and amounts due in respect of customer deposits

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

Provisions

Provisions are made according to objective criteria for all risks detectable on the balance sheet date and presented under this item in the balance sheet. Provisions that are no longer economically necessary are released to income.

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

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

Pension benefit obligations

The accounting treatment of pension benefit obligations at PostFinance is based on Swiss GAAP ARR 16/26 in accordance with FINMA Circular 2015/1, margin no. 495 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 pension benefit obligations are recognized in personnel expenses. Pension benefit obligations represent the actuarial present value of benefits for the employee's eligible insurance period and take the future into account by including statistical probabilities such as death and disability.

The employer contribution reserve is part of the Swiss Post pension fund. PostFinance Ltd has no power of disposal over it. The employer contributions are not capitalized, given that PostFinance does not have control over the future economic benefit.

Taxes

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

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

Outsourcing of business units

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

Accounting changes year-on-year

Changes have been made to the presentation of the financial statements (modifications to the minimum structure of the balance sheet, income statement and cash flow statement) following the implementation of the new FINMA Circular 2015/1 "Accounting – Banks" (which replaces Circular 2008/2). The prior-year figures have been applied in accordance with the new accounting principles. The valuation principles remain the same.

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

PostFinance Ltd uses derivative financial instruments exclusively to hedge interest and currency risks by applying hedge accounting.

PostFinance invests in foreign currency bonds in order to diversify its investment universe. In order to hedge the currency risks, foreign currency bonds refinanced in Swiss francs are transformed into synthetic Swiss franc bonds via currency swaps, and the foreign currency risks are fully mitigated.

Rolling foreign exchange forward contracts are used to hedge the foreign currency risks arising from equity mandates. Most foreign currency risks (>80%) are mitigated as a result.

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

Types of hedged items and hedging transactions
PostFinance Ltd mainly uses hedge accounting in connection with bonds (hedging of interest and currency risks by means of interest rate/interest rate currency swaps) and shares (partial hedging of the currency risk via foreign exchange forward contracts).

Composition of groups of financial instruments
Financial investments that are sensitive to interest rates and currencies are hedged by micro hedges. In the case of shares, the currency risk is largely reduced by foreign exchange forward contracts.

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

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

– Hedging is considered to be highly effective both upon its initial recognition (on a prospective basis via regression analysis) and throughout its term (retrospectively via the dollar offset method).
– There is a close economic relationship between the hedged item and the hedging transaction.
– There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.
– The actual results of the hedging are within a range of 80–125 percent.

Ineffectiveness
If the result of the effectiveness test is within a range of (80–125 percent), hedge accounting may be applied for the relevant period in accordance with IAS 39. If this results in an ineffective portion, this is included in the income statement for the period in question.

Events after the balance sheet date

On the date of issue of the financial statements, no material events had occurred as at 31 December 2015 which would have to be disclosed in the financial statements 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 interest rate, liquidity, credit, market and operational risks, are managed using industry-standard tools and methods.

Organization

PostFinance's Board of Directors conducts an annual risk assessment. It sets out the primary guidelines and principles on managing financial and operational risks, approves the risk policy, and sets conditions which the operating units are required to observe in managing risks. These limits are based on the international standardized approach set out in the regulatory provisions and specify the highest risks that PostFinance may take, expressed in terms of "equity needed to meet regulatory requirements". Maximum risk exposure is determined by the risk-bearing capacity of PostFinance and the risk appetite of the Board of Directors. The PostFinance Executive Board is responsible for the active management of financial and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms. Its duties and responsibilities include implementing risk control and risk monitoring by establishing limits in individual risk categories and by defining requirements for risk monitoring reports. The Executive Board is informed of the risk measurement results and the extent to which limits are used in monthly reports. This enables it to decide on the necessary control measures, if any. The Risk Management department at PostFinance provides support to the Executive Board and to the Asset & Liability Committee mandated for this purpose in managing financial risks in the overall balance sheet. It identifies and measures the financial risks entered into by PostFinance and proposes control measures. It also monitors and reports on the effectiveness of the control decided upon. The Risk Control department defines appropriate instruments to identify, measure, evaluate and control the risks entered into by PostFinance in the non-financial area. It also provides support to risk managers in applying these instruments. As an independent control body, it monitors the established risk profile across all risk categories and provides a central overview of the entire risk situation of PostFinance Ltd.

Financial risk measurement methods

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

Financial risk management at PostFinance

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

Interest rate risk and balance sheet structure risk

The term "interest rate risk" refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet, resulting mainly from maturity mismatches, as well as the possible effect on the result from interest operations in the income statement. PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest or require capital commitment. The interest rate and capital commitment of these deposits are therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing the interest margin volatility of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the target present value sensitivity, and defines the maturity transformation strategy as a result. The resulting imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective. The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other. Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance's future net interest income. In addition, dynamic income simulations are carried out according to several deterministic scenarios These scenarios describe future market interest trends and the resulting changes in customer interest and customer volumes for each replica, as well as different maturity transformation strategies where applicable. As at 31 December 2015, the absolute change in the present value of equity with a parallel shift in the yield curve of –100 basis points amounted to –410 million francs (previous year: –46 million francs with a shift in interest of –100 basis points). PostFinance currently uses a negative maturity transformation. This means that a rise in interest rates would have a positive present value effect for PostFinance overall. A shift of –100 basis points therefore represents the adverse interest rate scenario. The rise in negative maturity transformation was primarily caused by an increase in duration on the liabilities side. Given the challenging market environment, the duration of the investment business could not be extended sufficiently to offset the effect of the increase in duration on the liabilities side. The income effect of an adverse scenario in comparison with the baseline scenario stood at –41 million francs (previous year: –27 million francs) for the following year.

Credit risks

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. A large proportion of customer deposits remain invested as a sight deposit balance at the SNB. 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 financial losses. Credit risk increases as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties. The credit risks associated with the Treasury department's investments in the money and capital markets are limited through investment regulations and prescribed limits. Limits apply at counterparty and rating structure level as well as for controlling country risks. Investments are only permitted if the debtor has a rating and its creditworthiness is classed as investment grade. Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with prescribed limits is monitored on an ongoing basis and is also verified before the conclusion of each transaction.

Note on collateral concentration risks:
Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. High concentrations of collateral are measured, monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral).

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

Liquidity risks
Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. To guarantee liquidity on a daily basis, financial cushions are defined for the settlement of unforeseen payments. These 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. The minimum amount for a financial cushion is based on high daily cash outflows with an extremely low probability of occurrence. Liquidity in the short term is guaranteed and limited by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure. As at 31 December 2015, the Liquidity Coverage Ratio stood at 217 percent (previous year: 186 percent). To ensure liquidity in the medium term, liquidity stress scenarios are defined that last at least three months and must not lead to illiquidity. The long-term structural liquidity situation is reassessed by the Executive Board on an annual basis. There is an emergency plan to resolve any liquidity crises.

Foreign currency risks
The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. Currency swaps and interest rate swaps as well as foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Foreign currency risks are measured and limited in the overall balance sheet using the value-at-risk indicator. All asset and liability transactions with an effect on the currency balance are taken into account in the measurement. The historic simulation method is applied with a conservative confidence level. As at 31 December 2015, value-at-risk arising from foreign currency risks stood at 0.7 million francs (previous year's figure: 0.5 million francs).

Other market risks
PostFinance invests in shares and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, the risk factors that have an impact on the present value of the relevant position are assigned to each position. These risk factors include interest, currency, credit spread and share price risks. Index proxies are also used to measure the credit risk of fund investments. To determine other market risks, changes in present value are modelled according to the change in the assigned risk factors before being measured and limited using the value-at-risk indicator. The historic simulation method is applied with a conservative confidence level. As at 31 December 2015, value-at-risk arising from other market risks stood at 329 million francs (previous year's figure: 123 million francs). The increase was mainly due to fixed-interest investments that had been recognized as available-for-sale in order to offer greater flexibility in terms of balance sheet controlling under IFRS, and are therefore also included in the market risk analysis.

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 the income statement. Measures must be taken by the Executive Board if the loss in fair value exceeds the reporting threshold.

Operational risk management at PostFinance

Definition

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

Organization

PostFinance operates an operational risk management system that is controlled from a central specialist unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting of all material operational risks. The specialist unit also provides the necessary tools and instruments and acts as the interface between line management and the Executive Board Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of the operational risk management policy. Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses. A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2015: nine top risks; previous year: eight top risks). These risk managers are responsible for the regular assessment and monitoring of the top risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

Tools

PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data across the entire company is collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings. Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that could in future pose a threat to PostFinance. The resulting risk inventory allows the Executive Board Committee for Internal Control (GLA IK) to obtain a good overview of the company's entire risk situation. In addition, the measures decided upon by the Executive Board Committee for Internal Control (GLA IK) to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk situation.

Reporting

The Executive Board Committee for Internal Control (GLA IK) receives quarterly reports on the current top risks and, if necessary, introduces measures to mitigate the risks. The PostFinance 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	31.12.2014	31.12.2015
Eligible equity capital			
Common equity tier 1 (CET1)		5,107	5,282
Tier 2 capital (T2)		177	151
Total eligible equity capital (CET1 + T2)		**5,284**	**5,433**
Required equity			
Credit risks	International standardized approach (SA-BIS)	1,714	1,861
Non-counterparty risks	International standardized approach (SA-BIS)	82	94
Market risks	Market risk, standardized approach	17	5
Operational risks	Basic indicator approach	218	208
Total minimum required equity	**as per art. 42, CAO**	**2,031**	**2,168**
80% equity cushion (for equity target of 14.4%)	**in accordance with FINMA: maximum rate, category 2**	**1,625**	**1,734**
Total required capital (T1+T2)	**as per art. 45, CAO**	**3,656**	**3,902**

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

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

Information regarding the balance sheet

5 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2014	31.12.2015
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	1,309	311
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	–	108
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	1,765	2,107
with unrestricted right to resell or pledge	1,765	1,996
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,309	2,434

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

Presentation of collateral for loans/receivables

as at 31.12.2015 and 31.12.2014 CHF million		Type of collateral Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers [1]		–	–	11,029	11,029
Mortgage loans		0	–	–	0
Residential property		0	–	–	0
Total loans (before netting with value adjustments)	**31.12.2015**	**0**	**–**	**11,029**	**11,029**
	31.12.2014	0	–	10,740	10,740
Total loans (after netting with value adjustments)	**31.12.2015**	**0**	**–**	**10,993**	**10,993**
	31.12.2014	–	–	10,704	10,704

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

Presentation of collateral for off-balance-sheet transactions

as at 31.12.2015 and 31.12.2014 CHF million		Type of collateral			
		Secured by mortgage	Other collateral	Unsecured	Total
Off-balance sheet					
Contingent liabilities		–	–	1	1
Irrevocable commitments		–	–	676	676
Total off-balance sheet	**31.12.2015**	**–**	**–**	**677**	**677**
	31.12.2014	–	–	656	656

Impaired loans/receivables

CHF million	31.12.2014	31.12.2015
Gross debt amount [1]	2	34
Estimated liquidation value of collateral [2]	–	–
Net debt amount	2	34
Individual value adjustments	2	34

1 Expired bond and its individual value adjustment were reclassified from financial investments to amounts due from banks.
2 Credit or liquidation value per customer: the lower value is to be applied.

7 | Derivative financial instruments

Presentation of derivative financial instruments (assets and liabilities)

as at 31.12.2015 CHF million	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Swaps	–	–	–	–	159	3,607
Foreign exchange/precious metals						
Forward contracts	3	6	576	11	10	1,386
SWAPS CCIRS	–	–	–	46	34	2,010
Total before netting agreements as at 31.12.2015	**3**	**6**	**576**	**57**	**204**	**7,003**
of which, determined using a valuation model	3	6	576	57	204	7,003
31.12.2014	3	3	867	2	171	5,515
of which, determined using a valuation model	3	3	867	2	171	5,515
Total after netting agreements as at 31.12.2015	**3**	**6**	**576**	**57**	**204**	**7,003**
31.12.2014	3	3	867	2	171	5,515

Breakdown by counterparty

as at 31.12.2015 CHF million	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	60	0

8 | Financial investments

Breakdown of financial investments	Book value		Fair value	
CHF million	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Debt securities	57,953	55,757	60,762	58,403
of which, intended to be held to maturity	57,953	55,757	60,762	58,403
Equity securities	1,243	1,638	1,365	1,729
Total	**59,196**	**57,395**	**62,127**	**60,132**
of which, securities eligible for repo transactions in accordance with liquidity requirements	37,685	48,387	–	–

Breakdown of counterparties by rating [1]						
CHF million	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	45,857	5,887	2,052	636	113	1,211

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

9 | Participations

Presentation of participations				2015						
CHF million	Acquisition cost	Accumulated value adjustments	Book value 31.12.2014	Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals	Book value 31.12.2015	Market value 31.12.2015
Participations										
with market value	28	–4	24	–	–	–	–4	–	20	20
without market value	25	–1	24	–	15	–	–	–	39	–
Total participations	**53**	**–5**	**48**	**–**	**15**	**–**	**–4**	**–**	**59**	**20**

10 | Significant participations

Significant participations				Share of capital and of votes [1]	
CHF or EUR million, percent	Business activities	Currency	Company capital	31.12.2014	31.12.2015
Debtors Service Ltd, Berne, Switzerland	Accounts receivable management	CHF	1	100%	100%
TWINT AG, Berne, Switzerland	Mobile payment	CHF	10	100%	100%
SECB Swiss Euro Clearing Bank GmbH, Frankfurt a.M., Germany	Payment transaction processing in EUR for Swiss financial institutions	EUR	30	25%	25%
SIX Interbank Clearing Ltd, Zurich, Switzerland	Payment transaction processing for financial institutions	CHF	1	25%	25%

1 All significant participations are held directly.

Additional information on the true and fair view statutory single-entity financial statements in accordance with FINMA Circular 2015/1, margin no. 264: The effect of a theoretical application of the equity method with regard to these participations would be to reduce total assets by 4 million francs (previous year: increase of 8 million francs) and profit for the year by 11 million francs (previous year: increase of 2 million francs).

11 | Tangible fixed assets

Presentation of tangible fixed assets

CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2014	2015 Reclassi-fications	Additions	Disposals	Depreciation	Reversals	Book value 31.12.2015
Bank buildings	187	–17	170	–	6	0	–6	–	170
Other real estate	829	–44	785	–	115	–3	–31	–	866
Proprietary or separately acquired software	33	–1	32	–	66	–	–2	–	96
Other tangible fixed assets	78	–38	40	–	15	–	–12	–	43
Total tangible fixed assets	**1,127**	**–100**	**1,027**	**–**	**202**	**–3**	**–51**	**–**	**1,175**

Future lease obligations under operating leases

CHF million	2016	2017	2018	2019	2020	2021	Total
Future lease payments	21	20	2	1	0	0	44
of which cancellable within a year	0	0	0	0	0	0	0

12 | Intangible assets

Presentation of intangible assets

CHF million	Cost value	Accumulated amortization	Book value 31.12.2014	2015 Additions	Disposals	Amortization	Book value 31.12.2015
Goodwill	2,000	–400	1,600	–	–	–200	1,400
Total intangible assets	**2,000**	**–400**	**1,600**	**–**	**–**	**–200**	**1,400**

13 | Other assets and other liabilities

Breakdown of other assets and other liabilities

CHF million	31.12.2014 Other assets	31.12.2015 Other assets	31.12.2014 Other liabilities	31.12.2015 Other liabilities
Compensation account	100	144	–	–
Deferred income taxes recognized as assets	1	–	–	–
Indirect taxes	41	142	32	15
Other assets and liabilities	3	3	1	2
Total other assets and other liabilities	**145**	**289**	**33**	**17**

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

Total amount of assets pledged or assigned to secure own commitments and of assets under reservation of ownership[1]

CHF million	31.12.2014	31.12.2015
Book value of assets pledged and assigned as collateral	0	0

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

15 | Liabilities relating to own pension schemes

Pension benefit obligations

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

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

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

All the compulsory ordinary employer contributions associated with the pension plan are accounted for as personnel expenses using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether the pension schemes generate an economic benefit or an economic obligation for PostFinance. The assessment is based on information from contracts, the financial statements of the pension schemes and other calculations presenting their financial situation and current overfunding or underfunding – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from overfunding to reduce employer contributions. Consequently, a future economic benefit is not capitalized. An economic obligation is however recognized under liabilities. With 43,644 active insured people and 28,714 pensioners (as at 31 October 2015), the Swiss Post pension fund had total assets of 15,641 million francs as at 31 December 2015 (previous year: 15,944 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at just under 100 percent (previous year: 102.7 percent). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no overfunding available. The Swiss Post pension fund has employer contribution reserves of 1,056 million francs, of which 550 million francs with a waiver of use (previous year: 1,081 million francs, of which 550 million francs with a waiver of use). A technical interest rate of 2.25 percent (previous year: 3 percent) and the technical basis of BVG 2010 (previous year: BVG 2010) were used to calculate pension cover. It should be noted that all data regarding the Swiss Post pension fund is based on the information available at the time of drawing up the ARR 16 financial statements. Consequently, it may differ from the actual information contained in the annual financial statements for the Swiss Post pension fund. A detailed assessment did not reveal any financial impact on the bank; according to the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP ARR 26, there were no spare funds or underfunding as at 31 December 2015. There are no employer-sponsored pension schemes.

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

Presentation of the economic benefit/obligation and the pension expenses	Economic interest of PostFinance Ltd	Overfunding/ underfunding	Economic interest of PostFinance Ltd	Change in economic interest versus previous year [1]	Pension expenses in personnel expenses	Contributions paid	Pension expenses in personnel expenses
CHF million	31.12.2014	31.12.2015	31.12.2015	2015	31.12.2014	2015	31.12.2015
Swiss Post pension fund	0	4	0	0	33	34	34
Staff vouchers	–5	–6	–6	1	1	0	1
Disability pensions	–1	–1	–1	0	0	0	0
Total ARR 16	**–6**	**–3**	**–7**	**1**	**34**	**34**	**35**

1 Economic benefit/obligation.

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

Employer contribution reserves (ECR)	Net amount	Nominal value	Waiver of use	Net amount	Influence of ECR on personnel expenses	
CHF million	31.12.2014	31.12.2015	31.12.2015	31.12.2015	31.12.2014	31.12.2015
Swiss Post pension fund	29	60	–31	29	0	0
Total ARR 16	**29**	**60**	**–31**	**29**	**0**	**0**

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

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year CHF million	as at 31.12.2014	Use in conformity with designated purpose [1]	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2015
Provisions for pension benefit obligations	6	–	–	–	1	–	7
Other provisions	6	2	–	–	3	1	6
Total provisions	**12**	**2**	**–**	**–**	**4**	**1**	**13**
Reserves for general banking risks	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Value adjustments for default and country risks	**276**	**–**	**–**	**–**	**14**	**–28**	**262**
of which, value adjustments for default risks in respect of impaired loans/receivables	97	–	–	–	14	–	111
of which, value adjustments for latent risks	179	–	–	–	–	–28	151

1 There were no changes in purpose.

17 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital	31.12.2014			31.12.2015		
CHF million, number in million	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Bank's capital						
Share capital	2,000	2	2,000	2,000	2	2,000
of which, paid up	2,000	2	2,000	2,000	2	2,000
Total bank's capital	**2,000**	**2**	**2,000**	**2,000**	**2**	**2,000**

18 | Amounts due from/to related parties

Disclosure of amounts due from/to related parties	Amounts due from		Amounts due to	
CHF million	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Holders of qualified participations	1,580	1,630	693	635
Group companies	7	13	1	7
Linked companies	6	9	577	831
Transactions with members of governing bodies	0	0	3	3

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

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

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

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

19 | Holders of significant participations

Disclosure of holders of significant participations	31.12.2014		31.12.2015	
CHF million	Nominal	% of equity	Nominal	% of equity
With voting rights: Swiss Post Ltd	2,000	100	2,000	100

20 | Maturity structure of financial instruments

Presentation of the maturity structure of financial instruments (assets / financial instruments)

CHF million, as at 31.12.2015 and 31.12.2014		At sight	Cancellable	Due Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity	Total
Liquid assets		38,882	–	–	–	–	–	–	38,882
Amounts due from banks		204	–	422	400	1,895	1,550	–	4,471
Amounts due from securities financing transactions		–	–	311	–	–	–	–	311
Amounts due from customers		307	6	1,049	912	3,801	4,917	–	10,993
Mortgage loans		–	–	0	–	–	–	–	0
Positive replacement values of derivative financial instruments		61	–	–	–	–	–	–	61
Financial investments		1,513	–	2,103	5,970	32,367	15,441	–	57,395
Total	**31.12.2015**	**40,967**	**6**	**3,886**	**7,282**	**38,063**	**21,908**	**–**	**112,113**
	31.12.2014	43,510	11	4,957	6,904	39,095	22,462	–	116,939

Presentation of the maturity structure of financial instruments (debt capital / financial instruments)

CHF million, as at 31.12.2015 and 31.12.2014		At sight	Cancellable	Due Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity	Total
Amounts due to banks		1,220	–	–	–	–	–	–	1,220
Liabilities from securities financing transactions		–	–	108	–	–	–	–	108
Amounts due in respect of customer deposits		64,140	42,826	–	–	–	–	–	106,966
Negative replacement values of derivative financial instruments		210	–	–	–	–	–	–	210
Cash bonds		–	–	3	16	102	13	–	134
Total	**31.12.2015**	**65,570**	**42,826**	**111**	**16**	**102**	**13**	**–**	**108,638**
	31.12.2014	69,658	43,241	8	13	62	72	–	113,054

21 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle		31.12.2014		31.12.2015
CHF million	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	41,723	23	38,879	3
Amounts due from banks	3,618	330	4,432	39
Amounts due from securities financing transactions	784	525	281	30
Amounts due from customers	10,701	3	10,991	2
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	3	2	13	48
Financial investments	28,776	30,279	29,572	27,823
Accrued income and prepaid expenses	367	315	389	264
Participations	44	4	54	5
Tangible fixed assets	1,027	–	1,175	–
Intangible assets	1,600	–	1,400	–
Other assets	142	3	287	2
Total assets	**88,785**	**31,484**	**87,473**	**28,216**
Liabilities				
Amounts due to banks	2,684	104	1,151	69
Liabilities from securities financing transactions	–	–	–	108
Amounts due in respect of customer deposits	106,341	3,770	103,406	3,560
Negative replacement values of derivative financial instruments	148	26	162	48
Cash bonds	152	3	131	3
Accrued expenses and deferred income	122	0	118	0
Other liabilities	33	0	17	0
Provisions	12	–	13	–
Bank’s capital	2,000	–	2,000	–
Statutory capital reserve	4,682	–	4,682	–
Profit carried forward	25	–	–	–
Profit	167	–	221	–
Total liabilities	**116,366**	**3,903**	**111,901**	**3,788**

22 | Assets by country / group of countries

Breakdown of total assets by country or group of countries (domicile principle)	31.12.2014		31.12.2015	
CHF million, percent	Absolute	Share as %	Absolute	Share as %
Assets				
Switzerland	88,785	73.8	87,474	75.7
Europe	25,714	21.4	21,547	18.6
North America	3,135	2.6	4,194	3.6
Other countries	2,635	2.2	2,474	2.1
Total assets	**120,269**	**100.0**	**115,689**	**100.0**

23 | Assets by credit rating of country groups

Breakdown of total assets by credit rating of country groups (risk domicile view)[1]	Net foreign exposure 31.12.2015	
CHF million, percent	Absolute	Share as %
Rating (Moody's)		
Aaa	18,470	64.80
Aa	8,375	29.39
A	481	1.69
Baa	909	3.19
Ba	137	0.48
B	0	0.00
Caa	100	0.35
No rating	29	0.10
Total	**28,501**	**100.0**

1 No disclosure of figures as at 31.12.2014.

24 | Assets and liabilities by currency

Presentation of assets and liabilities broken down by the most significant currencies for the bank

as at 31.12.2015 CHF million	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	38,755	127	–	–	–	–	38,882
Amounts due from banks	4,250	125	78	1	7	10	4,471
Amounts due from securities financing transactions	250	22	39	–	–	–	311
Amounts due from customers	10,982	11	0	0	0	0	10,993
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	61	–	–	–	–	–	61
Financial investments	51,790	3,845	1,532	52	60	116	57,395
Accrued income and prepaid expenses	613	37	3	–	–	–	653
Participations	54	5	–	–	–	0	59
Tangible fixed assets	1,175	–	–	–	–	–	1,175
Intangible assets	1,400	–	–	–	–	–	1,400
Other assets	287	0	0	1	0	1	289
Total assets shown in balance sheet	**109,617**	**4,172**	**1,652**	**54**	**67**	**127**	**115,689**
Delivery entitlements from spot exchange, forward forex and forex options transactions	3,629	211	72	30	–	29	3,971
Total assets	**113,246**	**4,383**	**1,724**	**84**	**67**	**156**	**119,660**
Liabilities							
Amounts due to banks	1,205	14	1	0	0	0	1,220
Liabilities from securities financing transactions	–	108	–	–	–	–	108
Amounts due in respect of customer deposits	104,332	2,239	324	31	7	33	106,966
Negative replacement values of derivative financial instruments	210	–	–	–	–	–	210
Cash bonds	130	4	–	–	–	–	134
Accrued expenses and deferred income	118	0	–	–	–	–	118
Other liabilities	17	0	0	–	–	–	17
Provisions	13	–	–	–	–	–	13
Bank’s capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,682	–	–	–	–	–	4,682
Profit	221	–	–	–	–	–	221
Total liabilities shown in the balance sheet	**112,928**	**2,365**	**325**	**31**	**7**	**33**	**115,689**
Delivery obligations from spot exchange, forward forex and forex options transactions	334	1,980	1,427	46	69	103	3,959
Total liabilities	**113,262**	**4,345**	**1,752**	**77**	**76**	**136**	**119,648**
Net position per currency as at 31.12.2015	**–16**	**38**	**–28**	**7**	**–9**	**20**	**12**
Net position per currency as at 31.12.2014	–75	51	–25	9	–14	9	–45

Information regarding off-balance sheet transactions

In addition to payment obligations for depositor protection, PostFinance discloses contingent liabilities from pending legal cases in irrevocable commitments. There are no other off-balance-sheet transactions in accordance with FINMA Circular 2015/1 Annexes 5–28 to 5–31.

Information regarding the income statement

25 | Result from trading activities and the fair value option

Breakdown by business area

CHF million	2014	2015
Payment transactions and financial investments	168	195
Hedge accounting	0	6
Proprietary trading	– 1	– 14
Total result from trading activities	**166**	**188**

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

CHF million	2014	2015
Result from trading activities from:		
Interest rate instruments	0	0
Foreign currencies	166	188
Total result from trading activities	**166**	**188**

26 | Material negative interest

PostFinance is affected by the SNB's measures and has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015. PostFinance has defined individual customer thresholds for major business customers and banks, based on their usual behaviour in relation to payment transactions. The proportion of credit that exceeds this threshold has been subject to a fee since 1 February 2015. PostFinance also introduced lower interest limits on business accounts on 1 March 2015. Expenses and income associated with these measures are recognized in the result from interest operations and are not material in nature for the 2015 financial year.

27 | Personnel expenses

Breakdown of personnel expenses

CHF million	2014	2015
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	368	381
Social insurance benefits	70	72
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	20	19
Total personnel expenses	**458**	**472**

28 | General and administrative expenses

Breakdown of general and administrative expenses

CHF million	2014	2015
Office space expenses	58	48
Expenses for information and communications technology	163	186
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	26	22
Fees of audit firm(s) (Art. 961a no. 2 CO)	2	2
of which, for financial and regulatory audits	2	1
of which, for other services	0	1
Other operating expenses	260	260
Total general and administrative expenses	**509**	**518**

29 | Extraordinary income

Extraordinary income

CHF million	2014	2015
Reversals of impairment	7	4
Total extraordinary income	**7**	**4**

30 | Taxes

Tax expenses for corporate income tax and taxes on capital stood at 58 million francs (previous year: 43 million francs). As in the previous year, a tax rate of 20.5 percent was used for calculating corporate income tax.

Current and deferred taxes

CHF million	2014	2015
Expenses for current capital and income taxes	43	58
Creation/release of deferred taxes	0	1
Total taxes	**43**	**59**

Report of the Statutory Auditor to the General Meeting of PostFinance AG, Berne

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of PostFinance AG, which comprise the balance sheet, income statement, cash flows statement, statement of changes in equity and notes (pages 166 to 194) for the year ended 31 December 2015.

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 2015 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

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

Berne, 26 February 2016