



Interim Report 2017  
January to June

**PostFinance** 

# Surpassing support

PostFinance's result is dependent on value adjustments on financial investments, which improved the result for the first six months of the year by 124 million francs year-on-year. However, the ongoing low interest situation once again eroded interest margins in the first half of 2017.

PostFinance is one of Switzerland's leading financial institutions and is a reliable partner for 2.9 million private and business customers wishing to manage their own finances.



372 million

francs in **earnings before tax (EBT)** as at 30 June 2017.



118 billion

francs represents the level of **average monthly customer assets** as at June 2017.



2.9 million

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



1.8 million

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



522 million

**transactions** were processed by PostFinance at home and abroad in the first half of 2017.



3,508

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

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Foreword

**Rolf Watter**

Chairman of the Board of Directors

**Hansruedi Köng**

Chief Executive Officer



The emphasis in the first half of 2017 was placed firmly on PostFinance's new strategic focus.

## Dear Reader

PostFinance generated earnings before tax (EBT) as per Group IFRS guidelines of 372 million francs in the first half of 2017. The 140 million franc rise year-on-year is mainly due to reversals of impairment on financial investments (14 million francs), whereas high value adjustments had been recognized the previous year (110 million francs). The encouraging level of net trading income (+27 million francs) and declining personnel expenses (–9 million francs) contributed to the improved result. Net income from the interest differential business, our most important source of revenue, was down 38 million francs due to a lack of profitable investment opportunities.

### New strategic focus

The emphasis in the first half of 2017 was placed firmly on PostFinance's new strategic focus. Our society – and with it the banking world – are rapidly becoming more and more digital. This is a development that we cannot and do not wish to ignore. On the contrary: as a digital innovation leader in the Swiss banking world, we want to take advantage of our strong starting position and actively help shape the future. Over the next few years we will therefore develop PostFinance from a traditional financial service provider into a digital powerhouse.

### Expansion of the investment business

Alongside digitization, the expansion of the investment business is another important pillar of our future strategy. In the coming years we want to experience strong growth in investment within the retail market and offer our customers the widest possible range of simple, straightforward investment opportunities. Before the end of the year we intend to supplement our multi-award winning range of investment funds with a fund of high dividend yielding international equities. This satisfies a major customer need, particularly in the current low and negative interest rate environment.

### PostFinance TWINT App

We launched the “yellow” PostFinance TWINT App at the end of May. Customers are now able to connect their PostFinance account or credit card directly, making payments with TWINT even easier. PostFinance TWINT offers more than payments via smartphone, however. Customers can save their employee ID cards, customer cards and loyalty cards, and benefit from points, discounts and other advantages automatically when they make payments. We are therefore confident that TWINT will establish itself as Switzerland's digital wallet.

### Tailored services

In June we launched a new, innovative service called PostFinance Benefit. It enables our private customers to receive discounted offers on the entire range offered by retail outlets and online shops based on their affinities. In order to use PostFinance Benefit, PostFinance customers must first consent to the analysis of their payment transactions. The protection of customer data is of paramount importance to PostFinance and it continually consulted with the Federal Data Protection and Information Commissioner (FDPIC) when designing PostFinance Benefit.

### Changes in the Executive Board

Valérie Schelker, Head of Working Environment, was appointed Head of Human Resources at Swiss Post in March 2017 and left PostFinance after 14 years of service. The Board of Directors would like to congratulate Valérie Schelker on this career step and thank her for her many years of great commitment to PostFinance. We wish her every happiness and success in her new role.

The Board of Directors of PostFinance appointed Gabriela Länger as her replacement. She will take up her position on 1 November 2017. Until then, Daniel Marti is in charge of Working Environment on an interim basis.

### Thank you

We would like to thank all our customers for their loyalty and trust in us. E-finance experienced a number of disruptions in the first half of the year. Please accept our apologies. Your money and data were secure at all times, although problems of this kind are always annoying. We aim to provide you with the most stable and reliable access possible to our digital services. We will therefore invest large sums of money in the maintenance and expansion of our IT systems in the future.



**Rolf Watter**  
Chairman of the Board



**Hansruedi Köng**  
Chief Executive Officer

#### ■ Presentation of figures

The amounts shown in the report are rounded. 0 is a rounded amount, indicating that the original figure was less than half of the unit used.

A dash (–) in place of a figure indicates that the value is zero.

#### ■ True-to-scale representation of figures in charts

All charts are shown to scale to present a true and fair view.

Exceptions to the scale shown below are noted in each case.

20 mm is equivalent to one billion francs.

Percentages in charts are standardized as follows:

Horizontal: 75 mm is equivalent to 100 percent.

Vertical: 40 mm is equivalent to 100 percent.

#### ■ Key for charts and tables

■ Current year

■ Previous year

#### ■ Languages

The report is available in English, German, French and Italian.

The German version is authoritative.

# Management report

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With 2.9 million customers and total assets of 120 billion francs, PostFinance is one of Switzerland's leading financial institutions. In its role as market leader and with more than a billion payment transactions a year, it ensures a seamless flow of liquidity on a daily basis.

Around 1.8 million customers handle all their finances online.

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## Key figures

Earnings before tax at PostFinance are greatly dependent on portfolio value adjustments and/or portfolio reversals of impairment on financial investments, which are highly volatile due to market conditions. Value adjustments on financial investments as at 30 June 2017 led to a 124 million franc improvement in results year-on-year. The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation eroded interest margins and had a negative effect on the result from interest operations. This situation will remain a challenge for PostFinance over the next few years. Non-interest related revenue in net service and commission income and trading activities, which has increased in recent years, had a positive effect on operating income. The sales and transactions figures confirm the emphasis placed on customers who manage their own finances and use our simple, attractive products. The introduction of a fee on the credit balance that exceeds the exemption limit of 1 million francs for private customers too resulted in an outflow of customer deposits and partly to a transfer of assets to funds and securities investments.

### PostFinance Ltd | Key figures

as of 30.06.2017 with previous year for comparison

		31.12.2016	30.6.2017
<b>Balance sheet</b>			
Total assets as per IFRS	CHF million	119,435	120,460
Capital ratio as per guidelines for systemically important banks	%	17.1	17.1
ARB leverage ratio	%	4.5	4.6
<b>Income statement (as per Group IFRS guidelines)</b>			
		30.6.2016	30.6.2017
Operating income	CHF million	765	913
Operating profit (EBIT)	CHF million	235	387
Earnings before tax (EBT)	CHF million	232	372
Return on equity <sup>1</sup>	%	8.4	13.4
Cost-income ratio	%	693	57.6
<b>Customer assets and loans</b>			
		31.12.2016	30.6.2017
Customer assets	CHF million monthly average	119,436	117,684
Funds, securities and life insurance	CHF million monthly average	8,246	9,065
Customer deposits	CHF million monthly average	111,190	108,619
Development of customer deposits	CHF million	4,479	-2,214
Managed assets as per provisions of Circ. 2015/1 <sup>3</sup>	CHF million	45,845	45,925
Inflow of new money as managed assets	CHF million	197	-439
Loans to business customers (taken up)	CHF million	9,894	10,080
Mortgages <sup>2</sup>	CHF million	5,361	5,504
<b>Market and employee key figures</b>			
		30.6.2016	30.6.2017
Customers	In thousands	2,944	2,934
Private customers	In thousands	2,643	2,634
Business customers (incl. banks and agencies)	In thousands	301	300
E-finance users	In thousands	1,717	1,752
Accounts – private customers	In thousands	4,433	4,421
Accounts – business customers	In thousands	399	393
Average headcount	Full-time equivalents	3,622	3,508
<b>Transactions</b>			
		30.6.2016	30.6.2017
Transactions	In millions	516	522

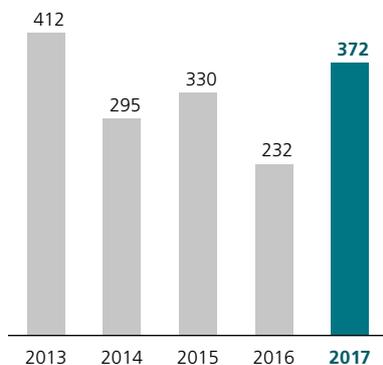
<sup>1</sup> Return on equity = earnings before tax (EBT) as per Group IFRS guidelines/average eligible equity capital as per ARB.

<sup>2</sup> Commission income in cooperation with financial partners.

<sup>3</sup> PostFinance reports customer assets and managed assets. "Customer assets" includes all assets held by customers based on average monthly assets. "Managed assets" encompasses only values deposited for investment purposes on the reference date.

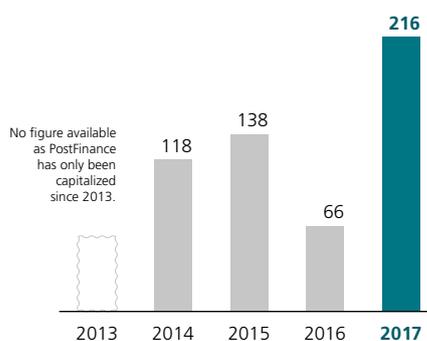
### Earnings before tax (EBT)

1.1. to 30.6.2017, showing change from prior year  
 CHF million



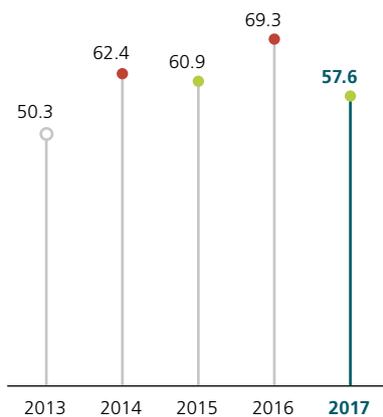
### Economic value added

1.1. to 30.6.2017, showing change from prior year  
 CHF million



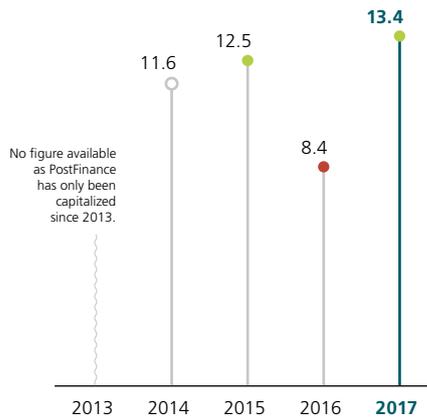
### Cost-income ratio

1.1. to 30.6.2017, showing change from prior year  
 Percent



### Return on equity<sup>1</sup>

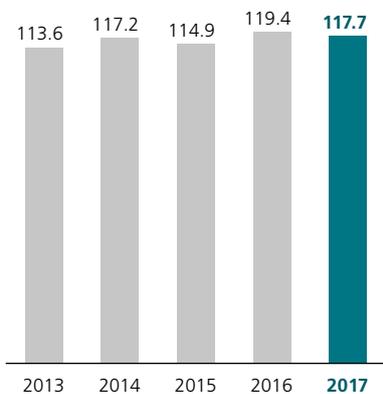
1.1. to 30.6.2017, showing change from prior year  
 Percent



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

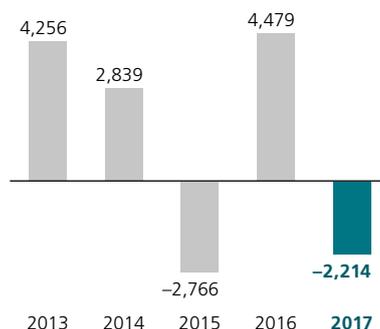
### Average customer assets (monthly avg.)

2013 to 2017  
 CHF billion



### Development of customer deposits

2013 to 2017<sup>1</sup>  
 CHF million



<sup>1</sup> New definition from 2013 on the basis of calculation with average monthly figures. 2012 restatement.

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## Commentary on business performance

### Strategy

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

### General developments

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#### High pressure on interest margins.

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The moderate growth of the global economy continued at the beginning of 2017. There has been a sustained upward trend in world trade and sentiment indicators suggest that the economic upswing in many countries will persist. Although economic growth in the USA was disappointing in the 1st quarter of 2017 (–0.3 percent), the robust state of the job market suggests there is no threat of an economic downturn. The US economy looks set to grow more strongly over the coming quarters and to more or less keep up with the momentum of the last few years. The euro area is continuing to recover. The Swiss economy has undergone a slower recovery than expected over the past three quarters. Although the key sentiment indicators have recently dropped somewhat, they nevertheless remain high, indicating that the Swiss economy will continue to grow. The SECO forecasts GDP growth of 1.4 percent for 2017 as a whole. Economic growth is expected to accelerate substantially throughout the year. Domestic demand is likely to be a key pillar of growth. Export activity of Swiss companies looks set to benefit from the upward trend in the global economy. Underpinned by oil prices, inflation in Switzerland is returning to normal.

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy, with the aim of stabilizing price developments and supporting economic activity. Interest on sight deposits at the National Bank remains at –0.75 percent, and the target range for the three-month Libor is unchanged at between –1.25 and –0.25 percent. Negative interest rates and the willingness of the National Bank to intervene in the currency market make investments in Swiss francs less attractive, thereby reducing pressure on the franc. Owing to the economic growth, the labour market situation in advanced economies has improved in recent quarters. Despite positive developments in the real economy, inflation remains modest in most advanced economies. Against this background, monetary policy in Japan and the euro area, in particular, is likely to remain very expansionary. In the US, monetary conditions are expected to gradually normalize.

### Assets and financial situation

Customer deposits were down by around 2.2 billion francs in comparison with December 2016. The outflow mainly concerned private customer deposits following the introduction of a fee on credit balances exceeding one million francs. Assets were partly transferred to funds and securities investments as a result of this measure. PostFinance continues to invest a large proportion of its assets in long-term fixed-interest financial investments in Switzerland and abroad. A very large amount of liquidity was still held at the Swiss National Bank (SNB) as at 30 June 2017.

### Profit situation

PostFinance generated earnings before tax (EBT) of 372 million francs in the first half of 2017, which represents an increase of 140 million francs year-on-year.

Earnings before tax at PostFinance are greatly dependent on portfolio value adjustments and/or portfolio reversals of impairment on financial investments, which are highly volatile due to market conditions. Value adjustments on financial investments as at 30 June 2017 led to a 124 million franc improvement in results year-on-year.

The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation eroded interest margins and had a negative effect on the result from interest operations. This situation will remain a challenge for PostFinance over the next few years.

Operating income in the first half of 2017 benefited from one-off capital gains of 109 million francs from the sale of two equity portfolios in January 2017 as part of the revision of our investment strategy.

Non-interest related revenue in net service and commission income and trading activities, which has increased in recent years, also had a positive effect on operating income.

In comparison with the first half of 2016, headcount decreased by 114 full-time equivalents to an average of 3,508 full-time equivalents. As part of its new strategic focus, PostFinance is placing an emphasis on the simplification and digitization of its services and processes. Vacant positions were therefore only partly filled in the first half of the year. Personnel expenses fell by 9 million francs.

Investments were required in strategic projects to modernize the core banking systems, leading to additional depreciation and amortization. General and administrative expenses were up slightly year-on-year as a result of these projects.

The cost-income ratio declined significantly to 57.6 percent thanks to a consistent focus on costs and a rise in operating income year-on-year. At 13.4 percent, return on equity was above our expectations due to one-off capital gains from the sale of two equity portfolios.

## Outlook

Due to the current investment climate, the high level of liquid assets cannot be profitably invested in the capital market. The negative interest on sight deposit balances charged by the SNB is partly being passed on to major customers and wealthy private customers. PostFinance is closely monitoring the situation and constantly checking the measures taken to control liquidity. Upward pressure on the Swiss franc is expected to persist, despite the intervention by the SNB. An increase in the base interest rates in Swiss francs in the course of the year can therefore be ruled out.

# PostFinance interim financial statements

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PostFinance Ltd issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Accounting rules for banks (ARB).

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## Balance sheet

### PostFinance Ltd | Balance sheet as per Group IFRS guidelines

CHF million	31.12.2016	30.6.2017
<b>Assets</b>		
Cash and cash equivalents	1,777	1,574
Amounts due from banks	35,936	38,874
Interest-bearing amounts due from customers	405	373
Trade accounts receivable	21	11
Other receivables	774	647
Inventories	4	4
Financial investments	79,166	77,650
Participations	56	57
Tangible fixed assets	486	482
Investment property	236	234
Intangible assets	167	195
Deferred tax assets	407	359
<b>Total assets</b>	<b>119,435</b>	<b>120,460</b>
<b>Liabilities</b>		
Customer deposits	111,231	112,188
Other financial liabilities	1,839	2,108
Trade accounts payable	84	84
Other liabilities	144	146
Income tax liabilities	0	0
Provisions	396	256
Deferred tax liabilities	82	61
Equity	5,241	5,307
Profit	418	310
<b>Total liabilities</b>	<b>119,435</b>	<b>120,460</b>

## Income statement

<b>PostFinance Ltd   Income statement as per Group IFRS guidelines</b>		
CHF million	2016 1.1.-30.6.	2017 1.1.-30.6.
Net interest income, net of impairment	391	476
Net income from services	77	83
Net commission income	25	43
Net trading income	94	121
Net income from financial assets	93	94
Other net income	85	96
<b>Operating income</b>	<b>765</b>	<b>913</b>
Personnel expenses	-262	-252
General and administrative expenses	-245	-247
<b>Operating expenses</b>	<b>-507</b>	<b>-499</b>
<b>Gross profit (EBDIT)</b>	<b>258</b>	<b>414</b>
Depreciation of fixed assets	-23	-27
<b>Operating profit (EBIT)</b>	<b>235</b>	<b>387</b>
Net financial income	-3	-15
<b>Earnings before tax (EBT)</b>	<b>232</b>	<b>372</b>
Expenses for current taxes	-33	-33
Expenses for deferred taxes	-23	-27
Expenses for non-reclaimable withholding tax	0	0
<b>Income taxes</b>	<b>-56</b>	<b>-60</b>
<b>Profit</b>	<b>176</b>	<b>312</b>

## Reconciliation of IFRS income statement with ARB

PostFinance issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Accounting rules for banks (ARB) set out in article 6 ff. of the Banking Act and article 25 ff. of the Banking Ordinance (FINMA Circular 2015/1 "Accounting – Banks"). The following table shows the differences between the two accounting standards in the income statement. It reconciles the interim results in accordance with Group IFRS guidelines with the ARB financial statements.

<b>PostFinance Ltd   Reconciliation of income statement as per Group IFRS guidelines with ARB</b>		2016	2017
CHF million		1.1.-30.6.	1.1.-30.6.
<b>Profit as per Group IFRS guidelines</b>		<b>176</b>	<b>312</b>
Interest and dividend income from financial investments	Amortization of revalued held-to-maturity financial investments	-26	-14
Various income statement items	Valuation differences for financial investments as per ARB	46	-23
Changes in value adjustments for default risks and losses from interest operations	Reversal of impairment/impairment on loans	3	-
Result from the disposal of financial investments	Realized gains from (earlier than scheduled) sales	-4	-33
Personnel expenses	Valuation differences between IAS 19 and Swiss GAAP ARR 16	13	-7
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	Revalued real estate	-2	-2
	Goodwill	-100	-100
Various income statement items	Valuation differences for participations as per ARB	-2	-33
Extraordinary income/extraordinary expenses	Realized gains from participations	1	2
Taxes	Deferred tax income as per Group IFRS guidelines	23	27
<b>Six-month profit as per ARB</b>		<b>128</b>	<b>129</b>

# Statutory interim financial statements

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PostFinance issues interim financial statements in accordance with the Accounting rules for banks (articles 25-28 of the Banking Ordinance, FINMA Circular 2015/1 “Accounting – banks” ARB).

The statutory interim financial statements as at 30 June 2017 indicate earnings after tax of 129 million francs.

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## Balance sheet

### PostFinance Ltd | Balance sheet as per ARB

CHF million	31.12.2016	30.6.2017
<b>Assets</b>		
Liquid assets	37,453	40,020
Amounts due from banks	4,397	4,300
Amounts due from securities financing transactions	84	116
Amounts due from customers	13,169	12,123
Mortgage loans	0	0
Trading portfolio assets	–	–
Positive replacement values of derivative financial instruments	65	113
Other financial instruments at fair value	–	–
Financial investments	61,742	61,426
Accrued income and prepaid expenses	598	552
Participations	101	73
Tangible fixed assets	1,259	1,279
Intangible assets	1,200	1,100
Other assets	311	271
<b>Total assets</b>	<b>120,379</b>	<b>121,373</b>
Total subordinated claims	1	12
of which subject to mandatory conversion and/or debt waiver	–	–
<b>Liabilities</b>		
Amounts due to banks	2,406	2,139
Liabilities from securities financing transactions	723	1,700
Amounts due in respect of customer deposits	109,709	110,180
Trading portfolio liabilities	–	–
Negative replacement values of derivative financial instruments	268	261
Liabilities from other financial instruments at fair value	–	–
Cash bonds	114	100
Bond issues and central mortgage institution loans	–	–
Accrued expenses and deferred income	138	141
Other liabilities	8	3
Provisions	20	38
Reserves for general banking risks	–	–
Bank's capital	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	–	–
Profit	311	129
<b>Total equity and liabilities</b>	<b>120,379</b>	<b>121,373</b>
Total subordinated liabilities	–	–
of which subject to mandatory conversion and/or debt waiver	–	–

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## Off-balance sheet

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

CHF million	31.12.2016	30.6.2017
<b>Off-balance-sheet transactions</b>		
Contingent liabilities	0	18
Irrevocable commitments	709	708
Obligations to pay up shares and make further contributions	–	–
Credit commitments	–	–

## Income statement

### PostFinance Ltd | Income statement as per ARB

CHF million	2016 1.1.-30.6.	2017 1.1.-30.6.
Interest and discount income	93	89
Interest and dividend income from trading portfolios	–	–
Interest and dividend income from financial investments	408	356
Interest expense	–26	3
<b>Gross result from interest operations</b>	<b>475</b>	<b>448</b>
Changes in value adjustments for default risks and losses from interest operations	–71	14
<b>Net result from interest operations</b>	<b>404</b>	<b>462</b>
Commission income from securities trading and investment activities	19	22
Commission income from lending activities	8	9
Commission income from other services	313	311
Commission expense	–241	–219
<b>Result from commission business and services</b>	<b>99</b>	<b>123</b>
<b>Result from trading activities and the fair value option</b>	<b>98</b>	<b>105</b>
Result from the disposal of financial investments	24	67
Income from participations	1	2
Result from real estate	33	43
Other ordinary income	53	50
Other ordinary expenses	0	–8
<b>Other result from ordinary activities</b>	<b>111</b>	<b>154</b>
<b>Operating income</b>	<b>712</b>	<b>844</b>
Personnel expenses	–250	–260
General and administrative expenses	–241	–257
<b>Operating expenses</b>	<b>–491</b>	<b>–517</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–128	–160
Changes to provisions and other value adjustments, and losses	–3	–5
<b>Operating result</b>	<b>90</b>	<b>162</b>
Extraordinary income	73	3
Extraordinary expenses	–	–
Changes in reserves for general banking risks	–	–
Taxes	–35	–36
<b>Six-month profit</b>	<b>128</b>	<b>129</b>

PostFinance Ltd  
Mingerstrasse 20  
3030 Berne  
Switzerland

Tel. +41 58 338 25 00

[www.postfinance.ch](http://www.postfinance.ch)

**PostFinance** 