



Smart banking.
Made for Switzerland.
Annual Report 2021

PostFinance 

Profit (ARB)
in millions of francs

223

PostFinance at a glance

PostFinance is a diversified, innovation-driven financial services provider that offers its 2.6 million customers first-class solutions for managing their finances. As a driver of innovation, PostFinance helps people and companies in Switzerland to tackle the challenges of the digital world.

With around 111 billion francs in customer assets and more than a billion payment transactions a year, PostFinance is one of Switzerland's leading financial institutions. It is the ideal partner for everyone who wants to manage their own finances as easily as possible.

Eligible equity capital
in billions of francs

6.3

Capital ratio
in %

20.3



3,633 employees
strive to achieve
PostFinance's objec-
tives each day.



1.9 million customers have access to e-finance.



Total assets as per ARB
122 billion francs



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

Cost-income ratio
in %

75.7

Return on equity
in %

3.7



1.3 billion
transactions at home
and abroad



More than **7 million francs**
have been added to the fund
for young ice hockey players by
the PostFinance Top Scorers
since 2002.

100 percent of the electricity
consumed by PostFinance is
"naturemade basic"-certified
and comes from renewable
energies from Switzerland.



44 different nationalities
ensure a diverse
corporate culture
at PostFinance.





Our organization

Board of Directors Chairman: Marcel Bühler Members: Jürg Brun, Giulia Fitzpatrick, Alex Glanzmann, Bernadette Koch, Hans Lauber, Michaela Troyanov			
Secretary to the Board of Directors Manuel Gwerder		Internal Auditing Isabella Stalder	
CEO Hansruedi Köng*			
Secretariat of CEO and Board of Directors Fabia Schild			
Payment Solutions Benjamin Staeheli*	Retail Banking Sandra Lienhart*	Platform Business Thomas Jakob	Finance Kurt Fuchs*
Governance, Risk, Compliance & Legal Felicia Kölliker*	Strategy & Transformation Gabriela Länger*	IT & Operations Markus Fuhrer*	Digital First Banking Markus Schwab CEO of yuh

* Member of Executive Board.

Joint venture, 50% stake held by PostFinance.

Our performance

PostFinance Ltd | Key figures

2021 with previous year for comparison

		2020	2021
Balance sheet			
Total assets as per ARB	CHF million	117,189	121,667
Capital ratio as per guidelines for systemically important banks	%	19.1	20.3
Going concern leverage ratio ¹	%	7.34	4.71
Gone concern leverage ratio	%	0.28	0.42
Income statement (as per ARB)			
Operating result	CHF million	132	223
Profit / loss	CHF million	129	223
Return on equity ²	%	2.2	3.7
Cost-income ratio	%	81.2	75.7
Customer assets and loans			
Development of customer assets	CHF million	4,019	-12,965
Customer assets	CHF million monthly avg.	123,679	110,715
Market and employee key figures			
Customers	In thousands	2,685	2,576
E-finance users	In thousands	1,860	1,928
Accounts	In thousands	4,286	4,037
Customer satisfaction – private customers	Index	81	80
Customer satisfaction – business customers	Index	78	77
Average headcount	Full-time equivalents	3,260	3,237
Employee satisfaction	Index	79	77
Transactions			
Payment transactions	In millions	1,191	1,265

¹ Central bank deposits were able to be temporarily excluded from the calculation of the leverage ratio in accordance with FINMA Guidance 02/2020 on COVID-19.

² Return on equity = operating result as per ARB / average eligible equity capital as per ARB.

Contents

- 2 Foreword
- 4 Interview

Corporate governance

- 8 Basic principles
- 8 Corporate structure and shareholders
- 8 Board of Directors
- 11 Internal organization
- 12 Executive Board
- 16 Information and supervisory tools
- 17 Remuneration
- 20 Management contracts
- 20 Auditors
- 20 Information policy

Management report

- 22 Business activities
- 23 Regulatory framework
- 25 Strategy
- 27 Commentary on business performance
- 39 Outlook

Statutory annual financial statements

- 42 Balance sheet
- 44 Income statement
- 45 Appropriation of profit/loss
- 46 Cash flow statement
- 47 Statement of changes in equity
- 48 Notes
- 62 Information on the balance sheet
- 79 Information on off-balance sheet transactions
- 80 Information on the income statement
- 82 Auditor's report

More information

- 84 Reporting
- 84 Publication details



As a driver of innovation, we are actively helping to shape Switzerland as a financial and business location.



Marcel Bühler
Chairman of the Board of Directors



Hansruedi Köng
CEO

Dear Reader

In the 2021 financial year, PostFinance generated profit as per the accounting rules for banks (ARB) of 223 million francs, up 94 million francs year-on-year.

As it continues to prove very difficult to find profitable investment opportunities for our customer deposits due to partially negative interest rates on the financial and capital markets, net interest income in our core business continues to decline. Nevertheless, as a result of increased activity in the interbank money market, higher customer asset fees and the reversal of impairments on bonds, interest income rose by 41 million francs overall.

The result from commission business and services rose thanks to the expansion of investment services, higher revenue from e-trading and credit cards and the newly introduced banking package fees for private customers. The result from trading activities rose by 23 million francs due to higher income from foreign exchange trading and fair value changes in the result from trading portfolios.

Operating expenses rose by 23 million francs year-on-year. Higher personnel expenses due to changes in the contributions to employee benefits schemes were offset by a decline in general and administrative expenses as a result of lower project costs.

The use of credit cards again increased slightly year-on-year, but remains below our expectations due to the limitations on travel during the coronavirus pandemic. Overall, the impact of the coronavirus pandemic on the result for the 2021 financial year totalled around 28 million francs.

Smart banking. Made for Switzerland

At the beginning of 2021, we embarked on our new SpeedUp strategy period. As a driver of innovation, we are actively helping to shape Switzerland as a financial and business location. Speed and agility are crucial factors in this process, and for this

reason, we will in future develop our core business in four business areas. In the payment solutions and retail banking sectors, we are accelerating the pace of digital transformation. We're also creating innovative solutions in digital first banking and expanding our range of services in the platform business segment. In doing all this, we have one goal: we simply want to make banking enjoyable. All of our products and services have to be measured against this principle.

In retail banking, we have completely redesigned our range of services. We have launched the new PostFinance App and bundled our accounts and services in the new Smart and SmartPlus banking packages. In platform business, Valuu has extended its services by adding transparent comparison options for private loans. In the digital first banking sector, we launched the digital banking app Yuh in conjunction with our joint venture partner Swissquote. The truly innovative thing about Yuh is its 3-in-1 mix: using the app on their smartphones, customers can not only make payments and save for projects, goals or wishes, they can also invest large or very small sums of money, whether it's in shares and ETFs or in cryptocurrencies.

Change in the Board of Directors

At the end of June 2021, Rolf Watter stepped down from his position as Chairman of the Board of Directors after nine years in office. The Board of Directors would like to thank Rolf Watter for his great commitment to PostFinance over many years. During his term in office, he played a significant role in driving forward PostFinance's digital transformation and in expanding its partner business. Marcel Bühler is the ideal successor to provide the stability required for the entire 2021–2024 strategy period.

Changes in the Executive Board

The past year saw various changes in the Executive Board. The implementation of the SpeedUp strategy also entailed a new organizational structure. As part of these modifications, Beat Jaccottet, Head of Business Development, and Daniel Mewes, Head of Investment Solutions, left the Executive Board at the end of February 2021. In addition, Patrick Graf, Head of Payment Solutions, left PostFinance at the end of May 2021. Ron Schneider headed the unit on an interim basis until the end of the year.

Since 1 January 2022, Benjamin Staeheli has been the new Head of Payment Solutions.

Outlook

In the current year, we will again be implementing numerous projects with a view to creating an even more customer-centric range of services. Since February 2022, e-finance has been available in a new design, providing a better overview and making it more intuitive and easier to use. The new PostFinance Card, combined with Debit Mastercard®, will follow during the first half of the year, allowing our customers to use our debit card to make payments at even more points of sale in Switzerland and abroad. In addition, our customers can now sign up for investment-based 3a solutions more easily and intuitively in e-finance.

Thank you

As a result of the coronavirus pandemic, a large part of our workforce has now been working from home for almost two years. The implementation of our new SpeedUp strategy at the beginning of March 2021 also involved a transition to a new structural and operational organization. This has brought about changes for many employees and, in individual cases, has also led to layoffs. Even during these times of change and uncertainty, we were able to rely on employees to do their utmost day after day to ensure that PostFinance succeeds and that our customers are satisfied. For that, we owe them our sincere thanks.

We would also like to thank you, our valued customers, for your loyalty and trust in us. The coronavirus crisis has accelerated the digitization process in many areas of life. In banking, this is reflected in significantly higher demand for simple digital products and services. Our new strategy takes account of this trend, focusing even more consistently on these requirements. But we have not forgotten those customers who wish to continue managing their finances via physical channels.



Marcel Bühler
 Chairman of the
 Board of Directors



Hansruedi Köng
 CEO



Interview

with **Hansruedi Köng**,
CEO



We've worked hard on our positioning as an investment bank over recent years.

Hansruedi Köng, how was the result in the past financial year?

We posted a profit of 223 million francs in 2021. That equates to 94 million francs – or around 73 percent – more than in the previous year. Measured against our equity capital of 6.3 billion, however, the return is still comparatively low.

How do you explain this improvement?

We've worked hard on our positioning as an investment bank over recent years. We've developed competencies, extended our product range and launched new, digital investment solutions. By adopting this strategic approach and thanks to the newly introduced banking package fees, we

achieved an improvement of 53 million francs in our result from commission business and services last year. Trading portfolio assets also performed well, while personnel expenses were higher due to a rise in employer contribution reserves. Interest operations remain under pressure. Although we managed to increase interest income by a total of 41 million francs by stepping up activities on the interbank money market and thanks to higher customer asset fees and the reversal of impairments on bonds, net interest income in our core business continued to decline. This is because interest on the financial and capital markets is still at a very low level, and it is very difficult for us to find profitable investment opportunities for our customer deposits.

This tough situation on the financial markets is also being felt by customers in the form of rising fees.

Unfortunately, there was no way to avoid increasing the proportion of negative market interest rates that we pass on to our customers. Liquidity has already had a negative market price for several years, and we can no longer fully shield our customers from this. We have therefore adjusted the exemption limits for private and business customer credit balances and, at the same time, created an incentive system to encourage our customers to move more of their account balances into investment solutions. This is a win-win situation: it enables us to make our customer deposits profitable and take the pressure off our balance sheet, while customers benefit from lower fees and higher potential returns. Because, ultimately, they also lose purchasing power by putting their money into a savings account at zero interest.

How is PostFinance affected by the coronavirus pandemic?

The effects are very complex. We've been observing the trend towards digital solutions and processes for some time now. The coronavirus pandemic has greatly accelerated this trend over the past two years. Many of our customers are looking for simple digital products and services. Our new SpeedUp strategy is our response to this

need. In terms of our result, we are in particular feeling the effects of reduced travel among our customers. This has led to a sharp decline in credit card transactions, in cash withdrawals at home and abroad and in foreign currency transactions. And from an employer's point of view, the requirement for some people to work from home has completely changed the way in which we collaborate. Purely in terms of infrastructure, we were well prepared for this, because location-independent working has already been established at our company for several years. Nevertheless, it was and is a challenge when, all of a sudden, your only connection with your colleagues is online.

You mentioned the new SpeedUp strategy. PostFinance embarked on this new strategy period at the beginning of 2021. How satisfied are you with what you've achieved so far?

We're pleased, but we know that we still have a long way to go. The first months of 2021 were influenced by the implementation of our new operating model. We are focusing on four thematic priorities that we are driving forward in independent business fields: payment solutions, retail banking, digital first banking and platform business. This meant changes for many employees. In parallel, we have implemented various operational projects to ensure that our services are tailored even more precisely to

customer requirements. I am thinking, for example, of the new PostFinance App, the Smart and Smart Plus banking packages and Yuh.

The new PostFinance App in particular was heavily criticized in its first few weeks. What went wrong?

There were many different reactions. Some customers missed the previous design, the fast service feature and various functionalities. I was of course not happy with this feedback, or with the low ratings in the various app stores. However, the sharp rise in user numbers makes it clear that we are on the right track with the new app and that users have quickly grown comfortable with it. We have also released several updates over the course of the year that introduced many additional features, and the app is now well regarded again, widely popular and receiving much better ratings.

Last May, you launched another banking app – Yuh. Why does PostFinance have two apps on the market?

If you include TWINT, we actually have three apps (laughs). As the growing numbers of neobank users show, there is a great deal of demand for streamlined solutions of this kind, which are often also free. This is a need we only partially cover with our very comprehensive range of retail services. That's



Our customers are looking for simple digital products and services. The new strategy is our response to this need.

Hansruedi Köng



As part of Swiss Post, we aim to be carbon neutral by 2040, in terms of both our own and indirect emissions.

Hansruedi Köng

why we developed our joint banking app Yuh in collaboration with Swissquote. Thanks to Yuh, we offer our customers a tool they can use to manage their money flexibly from their smartphones, however it suits them. And with well-known partners in the background whom they can trust. It's going well: after just under eight months, Yuh already has 42,000 active users.

What innovations can customers look forward to in the course of this year?

Back in February, we introduced the new e-finance with an updated design and new features, making it easier and more intuitive to use. In addition, our customers can now sign up for investment-based 3a solutions independently more easily and intuitively in e-finance. And this spring, we will also be launching the new PostFinance Card. In

doing so, we have focused on broader acceptance of our card, because we have some catching up to do in that respect.

What does that mean in concrete terms?

The number of card transactions has increased steadily in recent years, and we expect this growth to continue. However, as far as acceptance of our cards in retail is concerned, we are still faced with certain limitations. This is partly because it has never been possible to make payments with the PostFinance Card outside Switzerland. Inside Switzerland, meanwhile, acceptance is declining, because it is often not possible to use the cards for payments at new terminals. We are tackling this problem by combining the PostFinance Card with Debit Mastercard®, enabling our customers to use it to make payments at even more points

of sale in Switzerland and abroad in future. This enhances the value of the PostFinance Card considerably – and with no additional charge, I might add.

In the SpeedUp strategy, you have focused more heavily on the issue of corporate responsibility. What specific goals have you defined?

Back in autumn 2020, the Executive Board made the decision to embed the issue of corporate responsibility into our strategy. Our CR team then took stock of various matters, carried out some initial work and developed a general conceptual overview of the issue. In August 2021, we approved five specific and measurable impact goals. We aim to firmly embed CR amongst our staff by raising awareness of the issue and implementing joint projects. We aim to gradually reduce our CO₂ footprint and – as part of Swiss Post – become carbon neutral by 2040 in terms of both our direct and indirect emissions, such as those stemming from our own investments. We provide sustainable market services in investment and retirement planning. When it comes to innovations, we're focusing on sustainable finance. And we're promoting gender equality by aiming to ensure that a third of management positions are held by women by 2024.

Gender equality also means that men and women in the same positions earn the same pay. What's the situation at PostFinance in this respect?

As an enterprise affiliated with the Swiss Confederation, we have long been committed to equal pay, and we are actively opposed to any form of discrimination and in favour of equal employment conditions – regardless of language, cultural origin and gender. We want to pay comparable salaries for comparable work. To enable us to identify and correct any salary differences, we undertake an equal pay analysis every two years. In 2021, we found that there was still an unexplained salary gap of 2.3 percent to the disadvantage of women. While this does mean that we are below the 5 percent tolerated by the Confederation, and also below the figure for 2019, when the salary difference was still 3.8 percent, we have defined measures to further close the gap. These include actively raising awareness of this issue among managers, particularly during the recruitment process. Equality is also an important issue in the collective employment contract. And we are looking into publishing the expected salary range in job advertisements in the future.

Corporate governance

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

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

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

Basic principles

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

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

Corporate structure and shareholders

Legal form and ownership

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

Capital structure

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

Board of Directors

Composition

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

Changes in the year under review

Rolf Watter stood down as Chairman of the Board of Directors on 30 June 2021. He was succeeded by Marcel Bühler on 1 July 2021.



Marcel Bühler

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



Hans Lauber

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



Jürg Brun

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



Giulia Fitzpatrick

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

Committees:

IT & Digitization; Organisation, Nomination & Remuneration; Risk

Professional background:

Companion Services DAC (CTO, Member of the Executive Board); Swisscard AECS GmbH (CEO); Credit Suisse (Head of Shared Business Services (Banking Operations & Logistics), Payment Transactions); Bühler, Broger & Partner (Co-Founder and Advisor); Fides Informatik AG (Analyst and Project Leader)

Key posts:

Koller Elektro AG (Chairman of the Board of Directors); Engadin St. Moritz Mountains AG (Vice-Chairman of the Board of Directors); Companion Services DAC (Member of the Board of Directors)

Committees:

Risk (Chair); Audit & Compliance

Professional background:

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

Key posts:

Fisch Asset Management Ltd (Member of the Board of Directors); WAGNER AG Informatik Dienstleistungen (Chairman of the Board of Directors, owner); HFL Invest AG (Member of the Board of Directors, owner); AXA Insurance Ltd (Member of the Board of Directors); AXA Life Ltd (Member of the Board of Directors); Swiss Finance & Property Group AG (Member of the Board of Directors); Swiss Finance & Property Ltd (Member of the Board of Directors); Swiss Finance & Property Funds AG (Member of the Board of Directors)

Committees:

Audit & Compliance (Chair); IT & Digitization

Professional background:

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

Key posts:

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

Committees:

IT & Digitization (Chair)

Professional background:

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

Key posts:

Worldline SA (Member of the Board of Directors); Quintet Private Bank (Switzerland) Ltd (Chair of the Board of Directors); Bascoral GmbH (Chief Executive Officer, Owner); Zetamind AG (Chair of the Board of Directors, joint owner); Swiss Data Alliance (Member of the Managing Board)



Alex Glanzmann

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

Committees:

Organisation, Nomination & Remuneration; Risk

Professional background:

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

Key posts:

Swiss Post Insurance AG (Chair of the Board of Directors); Post CH Ltd (Member of the Board of Directors); Post Real Estate Ltd (Chair of the Board of Directors); Post Real Estate Management and Services Ltd (Chair of the Board of Directors); PostBus Ltd (Member of the Board of Directors); Swiss Post pension fund (Vice-Chair of the Foundation Board); Post CH Network Ltd (Member of the Board of Directors); Post CH Communication Ltd (Member of the Board of Directors); SPS Holding Ltd (Member of the Board of Directors)



Bernadette Koch

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

Committees:

Organisation, Nomination & Remuneration

Professional background:

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

Key posts:

Swiss Post Ltd (Member of the Board of Directors, Chair of the Audit, Risk & Compliance Committee); Geberit AG (Member of the Board of Directors); Mobimo Holding AG (Member of the Board of Directors); Energie Oberkirch AG (Member of the Board of Directors); EXPERTsuisse (Member of the Professional Ethics Committee)



Michaela Troyanov

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

Committees:

Organisation, Nomination & Remuneration (Chair); Audit & Compliance

Professional background:

Wealth & Legal Strategies (founder and owner); Lombard Odier (Head of Legal & Compliance); leading positions in the areas of Corporate Governance, Market Surveillance and Regulation in Swiss stock exchange organizations in Zurich and Geneva (SIX Swiss Exchange, Admission Board, Takeover Board, Geneva Stock Exchange); Kredietbank (Suisse) SA (General Counsel); Shearman & Sterling LLP (Lawyer, Mergers & Acquisitions)

Key posts:

Social Security Funds OASI/III/IC ("compenswiss") (Member of the Board of Directors)

Internal organization

Board of Directors' role and working method

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

Meetings and attendance rates

2021	Number	Attendance rate %
Board of Directors' Meetings	12	100
Board of Directors' Committee Meetings		
Organisation, Nomination & Remuneration	10	100
Audit & Compliance	9	96.3
Risk	8	95.8
IT & Digitization	8	100

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

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

Board of Directors' Organisation, Nomination & Remuneration Committee

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

- Michaela Troyanov (Chair)
- Rolf Watter (until 30 June 2021)
- Marcel Bühler (since 1 July 2021)
- Alex Glanzmann
- Bernadette Koch

Board of Directors' Audit & Compliance Committee

The main role of the Audit & Compliance Committee is to determine accounting and financial reporting principles and to carry out the tasks relating to the control of non-financial risks, as well as compliance. It is responsible for liaising with the external auditors and for supervising Internal Auditing.

It makes proposals to the Board of Directors regarding the appointment and dismissal of the Head of Internal Auditing. Its members are:

- Jürg Brun (Chairman)
- Michaela Troyanov
- Hans Lauber

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

Board of Directors' Risk Committee

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

- Hans Lauber (Chairman)
- Alex Glanzmann
- Rolf Watter (until 30 June 2021)
- Marcel Bühler (since 1 July 2021)

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

Board of Directors' IT & Digitization Committee

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

- Giulia Fitzpatrick (Chair)
- Rolf Watter (until 30 June 2021)
- Marcel Bühler (since 1 July 2021)
- Jürg Brun

Executive Board

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

Changes in the year under review

Since March 2021, the new PostFinance Executive Board has consisted of seven members instead of the previous nine. As part of this reorganization, Beat Jaccottet (Head of Business Development) and Daniel Mewes (Head of Investment Solutions) left the Executive Board.

Patrick Graf (Head of Payment Solutions) stood down from the Executive Board at the end of May 2021. Ron Schneider headed this unit on an interim basis from mid-May until the end of 2021. Since January 2022, Benjamin Staeheli has been the new Head of Payment Solutions.



Hansruedi Köng

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

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

Key posts:
Yuh Ltd (Vice-Chairman of the Board of Directors)



Kurt Fuchs

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

Professional background:
UBS Inc. (Head of Regional Accounting & Controlling Switzerland, Head of Financial Accounting Switzerland); Swiss Bank Corporation

Key posts:
Bern Arena Stadion AG (Member of the Board of Directors)



Markus Fuhrer

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

Professional background:
PostFinance Ltd (Deputy Head of Information Technology, Head of Core Banking Transformation, Head of Information Technology); Entris Banking Ltd

Key posts:
Finform Ltd (Chairman of the Board of Directors)



Felicia Kölliker

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

Professional background:

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

Key posts:

esisuisse (Member of the Board);
Österreichische Post AG (Member
of the Supervisory Board)



Gabriela Länger

Chief Transformation Officer,
member since 2017,
Switzerland, 1971,
lic. phil. I Psychology and Business
Administration, University of
Zurich, Executive Master's in
systematic, solution-oriented
coaching, University of Applied
Sciences and Arts Northwestern
Switzerland in Olten, Executive
MBA HSG, University of St. Gallen

Professional background:

PostFinance Ltd (Head of Working
Environment and Member of the
Executive Board); localsearch.ch
(Head of HR and Member of the
Executive Board); SBB Cargo
(Head of Goods Vehicle Mainte-
nance and various other positions);
SIG Beverages International AG
(Head of Employee Development);
Credit Suisse (Head of the Gradu-
ates and Management Develop-
ment Sector)

Key posts:

Pantex AG (Member of the Board
of Directors); seebacher GmbH
(Partner)



Sandra Lienhart

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

Professional background:

Bank Cler (CEO and Deputy Chair
of Group Management); Bank
Coop (Interim CEO); Bank Coop
(Head of Sales Division, Member
of the Executive Board, Deputy
CEO and Member of Basler Kan-
tonalbank Group Management);
Credit Suisse (Head of Zurich
North Market Area, Oerlikon,
Director)

Key posts:

TWINT Ltd (Member of the Board
of Directors); TWINT Acquiring Ltd
(Member of the Board of Directors)



Ron Schneider

Interim Chief Business Unit Officer
for Payment Solutions,
member since 2021,
Switzerland, 1976,
UAS degree in Business Economics,
Executive Program (Swiss Finance
Institute), MAS in Corporate
Finance, Executive MBA (HSG)

Professional background:

PostFinance Ltd (Head of Retail
Sales, Head of Sales for Business
Customers, Regional Head of
Sales for Business Customers);
UBS AG (various other positions,
2001–2010)

Key posts:

None

Information and supervisory tools

Reporting

The Board of Directors receives regular reports from the Executive Board and from the following units: Internal Auditing, Finance, Risk Control, Compliance, Governance, Security and Corporate Development. 12 meetings were held in 2021.

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

Internal control system

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

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

Internal Auditing

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

Remuneration

Basic principles

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

Remuneration policy

Board of Directors

The amount of the fees paid to members of the Board of Directors is based on their function and the demands placed upon them. Expenses are reimbursed. The chairing of committees and any extraordinary efforts conducted outside the range of normal Board activities are remunerated additionally. Remuneration of the Board of Directors is determined by the General Meeting.

Executive Board

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

Remuneration structure

Remuneration for members of the Executive Board is comprised of a fixed annual base salary and a performance-related variable salary component. This may be a maximum of 16.6 percent of the gross annual base salary and is paid annually. It is determined on the basis of benchmarks for Swiss Post Ltd (50 percent) and PostFinance Ltd (50 percent). The personal performance of members of the Executive Board is not taken directly into account. At Swiss Post Ltd level, the variable component is calculated on the basis of operating income, the EBIT effect from efficiency measures, Group EBIT and the return on capital employed (RoCE) (each weighted at 12.5%). At PostFinance Ltd level, return on equity (RoE) (weighting: 75%) and the result from non-interest-sensitive business (weighting: 25%) are used to calculate the variable component. In the determination of overall target achievement, additional qualitative supplementary values (so-called modulators) are taken into account, with consideration given to the aspects of human resources, customers, society and the public, and ecological sustainability. Depending on the assessment of the qualitative supplementary values by the Board of Directors, target achievement at Group and PostFinance levels can be marked up or marked down for each modulator. Both mark-ups and mark-downs can amount to a maximum of 7.5 percent for each modulator. In all cases, however, overall target achievement can be a maximum of 100 percent.

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

Neither the members of the Executive Board nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year. Both the base salary and the performance component are insured for members of the Executive Board: occupational pension provision is handled by the Swiss Post pension fund in accordance with the basic plan and supplementary plan 1 for salary components up to twelve times the maximum Swiss Old Age and Survivors’ Insurance (OASI) retirement pension (344,160 francs in 2021). Any income in excess of this amount is covered by an external comprehensive insurance solution. Contributions to occupational pension provision are divided in line with the regulatory provisions applicable to the Swiss Post pension fund. Employment contracts are based on the Swiss Code of Obligations. Severance payments can be paid in justified cases up to a maximum of half the gross annual salary. The notice period for members of the Executive Board is six months.

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

Consideration of risk

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

Remuneration in 2021

Human resources

PostFinance Ltd paid a total of 379 million francs in salaries to its staff in 2021. This sum consists of fixed salaries of 352 million francs and variable components of 27 million francs, which were predominantly for 2020 and paid in 2021. Remuneration of 15 million francs for 2021 will not be paid until the subsequent year.

PostFinance employed 3,633 staff on average in 2021. This corresponds to 3,237 full-time equivalents.

Board of Directors

The Members of the Board of Directors (including the Chairman) received remuneration of 829,600 francs (fees and fringe benefits). The fringe benefits amounted to 55,800 francs.

The Chairman of the Board's fee totalled 200,000 francs, and fringe benefits amounted to 20,000 francs. Remuneration for members of the Board of Directors who also hold an Executive Management position at Swiss Post is paid directly to Swiss Post Group.

The upper fee limit of 835,300 francs in total, which was determined by the General Meeting, was respected.

Executive Board

The Members of the Executive Board (including the CEO) received base salaries of 2,823,391 francs. The fringe benefits amounted to 158,621 francs. The variable remuneration payable to members of the Executive Board, which is based on the average attainment of targets in the previous two years, amounted to 481,935 francs.

The CEO's base salary amounted to 683,962 francs. The variable remuneration amounted to 113,538 francs.

The upper limit of 4,956,318 francs for the total remuneration amount for the Executive Board (including employee benefits), which was determined by the General Meeting, was respected.

PostFinance Ltd Remuneration		
CHF	2020	2021
Chairman of the Board of Directors		
Fees	200,000	200,000
Fringe benefits		
Expenses and representation allowances	20,000	20,000
First-class GA travelcard ²	6,300	0
Total remuneration	226,300	220,000
Other members of the Board of Directors (6)¹		
Fees		
Base remuneration	360,000	360,000
Remuneration from committees	218,000	213,800
Fringe benefits		
Expenses and representation allowances	14,700	13,800
Additional fringe benefits ³	2,500	22,000
Total remuneration	595,200	609,600
Entire Board of Directors (7)¹		
Fees	728,000	773,800
Fringe benefits	93,500	55,800
Total remuneration	821,500	829,600
CEO		
Fixed base salary ⁶	550,000	683,962
Variable remuneration ⁶		
Variable salary component (paid out the following year)	233,646	113,538
Fringe benefits		
Expenses and representation allowances	19,200	19,200
Additional fringe benefits ⁴	15,646	15,346
Total remuneration	818,492	832,046
Other members of the Executive Board (6)		
Fixed base salary ⁶	2,404,458	2,139,429
Variable remuneration ⁶		
Variable salary component (paid out the following year)	782,204	368,397
Additional payments ⁵	677	8,374
Fringe benefits		
Expenses and representation allowances	118,750	87,500
Additional fringe benefits ⁴	52,013	36,575
Total remuneration	3,358,102	2,640,275
All members of the Executive Board (7)		
Fixed base salary and variable remuneration	3,970,985	3,313,700
Fringe benefits	205,609	158,621
Total remuneration	4,176,594	3,472,321

1 Remuneration for members of the Board of Directors who also hold an Executive Management position at Swiss Post is paid directly to Swiss Post Group.
 2 In the year in which the Chairmanship of the Board of Directors was handed over, neither the previous nor the new Chair of the Board of Directors claimed a GA Travelcard.
 3 The higher additional benefits result from special expenses for the recruitment of the new Chair of the Board of Directors and a new Member of the Executive Board.
 4 Other fringe benefits include: first-class GA Travelcard, company car and mobile phone.
 5 Beat Jaccottet, Head of Business Development, left the Executive Board in 2021. The additional payment concerns the settlement of unused leave entitlements.
 6 Due to a restructuring of the remuneration model, the variable component was reduced for all eligible staff, and the difference was transferred to the fixed base salary.

Management contracts

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

Auditors

According to the provisions of the Swiss Code of Obligations on the subject of corporate law, the auditors are to be appointed by the General Meeting. According to the Banking Act and Stock Exchange Act, this is the responsibility of the Board of Directors. Each term of office is one year. Ernst & Young Ltd have been selected as the auditors (accounting and regulatory audit) in accordance with the Swiss Code of Obligations as well as the Banking Act and Stock Exchange Act. Their work is carried out by two separate audit teams. The mandate for the auditors in accordance with the Banking Act and Stock Exchange Act was awarded to Ernst & Young Ltd, and the current head auditor, Mr Philipp de Boer, was engaged for the first time on 1 January 2019. The auditors are appointed annually for a term of office lasting one year. In accordance with the provisions of the Swiss Code of Obligations, the head auditor may exercise this mandate for a maximum of seven years. In the year under review, the expense for PostFinance Ltd for auditing and consultancy fees from Ernst & Young Ltd stood at a total of 1,619,495 francs, of which 582,316 francs were due for the accounting audit and 1,037,179 francs for the regulatory audit. The auditors may provide the overall management body with information in the form of reports during their accounting and regulatory audits, as well as with extraordinary reports in the course of their activities. They may also attend meetings held by the Board of Directors or its Committees.

Information policy

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

Reporting concepts are in place for FINMA and OFCOM as well as for the SNB. The authorities are informed about events within their area of responsibility promptly and on a regular basis.

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

Management report

PostFinance is one of Switzerland's leading financial institutions and is a reliable partner for around 2.6 million private and business customers who manage their own finances.

As number one on the Swiss payment transactions market, PostFinance ensures a seamless daily flow of liquidity. It processed 1,265 million transactions in 2021.

PostFinance employed 3,633 staff in 2021. This corresponds to 3,237 full-time equivalents.

PostFinance generated a profit of 223 million francs in 2021. Total assets stood at 122 billion francs.

Growth in customer assets stood at –13 billion francs overall due to the continuation of customer asset fees and the newly introduced banking package fees for private customers. There was an ongoing shift from postal and savings accounts to investment solutions such as funds and securities investments.

The situation on the domestic and international financial and capital markets, which has been uncertain for a number of years with low and in some cases negative interest rates, and the coronavirus crisis, continued to represent a challenge for PostFinance in 2021 and will remain a major concern in the future.

Business activities

Conversion of the management report from IFRS to ARB

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and draws up its financial statements based on the FINMA Accounting Ordinance together with FINMA Circular 2020/1 "Accounting – banks" (ARB).

PostFinance issues annual financial statements in the statutory form in accordance with the accounting rules under banking law (articles 25–28 of the Banking Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks"). In the past, the management report was primarily based on key figures as per Group IFRS guidelines. The goodwill capitalized as part of the conversion to a private limited company in 2013 was completely impaired at the end of the 2019 financial year. Consequently, there has no longer been any amortization of goodwill since 2020. Accordingly, the delta between the income statements under IFRS and under ARB has undergone a significant decline. The management report has therefore essentially been converted to ARB data.

The other external publications of PostFinance Ltd on the capital adequacy statements are also based on ARB data. The internal, dual reporting based on IFRS and ARB consolidated accounting standards is not affected by the conversion in the management report.

In the "Profit situation" section and in the consolidated Group Financial Report, a table reconciles operating profit (EBIT), financial services segment under Group IFRS guidelines with PostFinance Ltd profit in accordance with ARB.

Markets

PostFinance believes in the power of entrepreneurial freedom. That's why it serves its markets in four independent business areas: as the leading Swiss financial institution, PostFinance is driving forward the digital transformation in payment transactions and retail banking. It is also creating innovative solutions in digital first banking and expanding its range of services in the platform business with Valuu.

While doing so, it is constantly focusing on the requirements of its customers – individuals and companies throughout Switzerland.

Customers

PostFinance is one of Switzerland's leading financial institutions. It offers products and services that appeal to everyone. Its approximately 2.6 million customers often come into contact with PostFinance: whether when making payments in e-finance, via the app or at the checkout, during a consultation at one of its branches about financing, investment or retirement planning, when looking for the ideal mortgage with Valuu or trading cryptocurrencies via the new Yuh app.

Regulatory framework

Legal framework

PostFinance is a private limited company under private law wholly owned by Swiss Post Ltd. The financial institution was granted a banking licence as a bank and securities firm on 26 June 2013 and is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA). Postal legislation and the strategic goals of the Federal Council and Swiss Post are relevant to PostFinance's business activities. In particular, postal legislation specifies that PostFinance must provide a universal service for payment transactions throughout Switzerland. It also states that PostFinance may not issue loans and mortgages to third parties¹. PostFinance has been one of Switzerland's five systemically important banks since summer 2015. This highlights the importance of PostFinance for the Swiss financial system. However, as a systemically important bank, PostFinance must also meet additional regulatory requirements.

Developments

Customers

As a result of technological progress, customers increasingly have access to better networks, so are more well informed. The sheer volume of information available makes things more complex for individuals. There is a demand for simple solutions that offer security and comfort, and hence a positive customer experience. This allows PostFinance to give its customers genuine added value.

Competition

PostFinance operates in a dynamic market environment with ever greater competition. The ongoing digitization of banking services has resulted in more and more global technology companies, as well as fintech startups, forcing their way onto the market. PostFinance has therefore focused its strategy even more strongly on the digital world.

Economy

The coronavirus pandemic is continuing to have a strong adverse effect on the economy. Against this difficult backdrop, the Swiss National Bank (SNB) is maintaining its expansionary monetary policy with a view to stabilizing economic activity and price developments. Interest on sight deposits held at the SNB remains at -0.75 percent. The SNB reaffirms that it will remain active in the foreign exchange market as necessary, while taking the overall exchange rate situation into consideration. The SNB's expansionary monetary policy provides favourable financing conditions, counters upward pressure on the Swiss franc, and contributes an appropriate supply of credit and liquidity to the economy.

In the current situation, the inflation outlook remains subject to high uncertainty. This is primarily due to higher import prices, above all for oil products and for goods affected by global supply bottlenecks. The coronavirus pandemic is continuing to shape the global economic situation. The economic recovery worldwide has weakened somewhat since autumn 2021 due to waves of infection in certain areas and supply bottlenecks in various industries in the manufacturing sector. At the same time, inflation was unusually high in both the US and the euro area. In addition to supply chain problems, higher energy prices also played an important role in this respect. In its baseline scenario for the global economy, the SNB assumes that extensive containment measures will not have to be introduced again, this despite the adverse developments regarding the pandemic at present. The economic recovery should thus continue, albeit somewhat subdued. Supply bottlenecks are likely

¹ Current efforts to partially revise the Postal Services Organization Act envisage among other things allowing PostFinance to offer loans and mortgages.

to persist for some time yet, leading to price increases for the goods concerned. In Switzerland, the economic recovery has continued. There was a further robust increase in gross domestic product (GDP), thus lifting it above its pre-crisis level for the first time. The situation on the labour market also continued to improve.

Regulation

Regulatory requirements in the banking sector continue to increase. Due to developments in the European Union and the Organisation for Economic Co-operation and Development (OECD) in particular, new regulatory provisions are either being applied directly in Switzerland or giving rise to an equivalent Swiss solution. Increasing regulation can be seen in particular with regard to due diligence obligations in the area of money laundering prevention, data protection and liquidity and capital requirements. All in all, costs are higher, which is likely to have a substantial impact on margins.

Smart banking.
Made for
Switzerland.

Strategy

PostFinance is a diversified, innovation-driven financial service provider. It offers its customers fresh solutions and smart innovations for their finances. PostFinance simply wants to make banking enjoyable. To do so, it relies on future-oriented tools and technologies it has specially developed or adapted for the Swiss market. PostFinance adopts a highly responsible, careful and sustainable approach to its use of resources and investments.

PostFinance has firmly enshrined corporate responsibility into its strategy. It is an issue that it considers holistically – which means it looks at the environmental, economic and social aspects. PostFinance takes its responsibility seriously and views sustainability as an opportunity to become an even more innovative and diversified financial service provider.

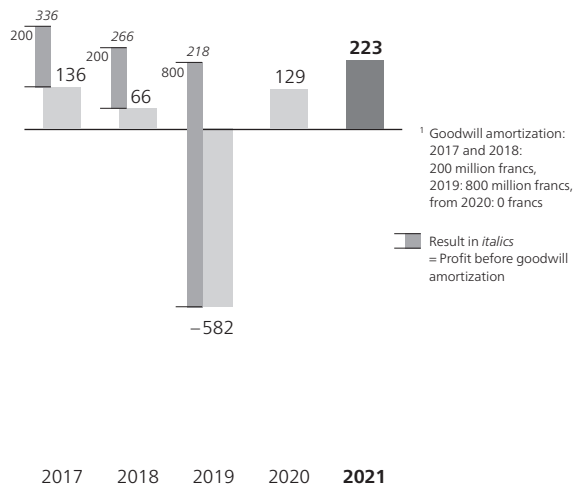
Positioning

By establishing four clearly separate business units focusing on their own activities, PostFinance has consistently geared itself towards customer requirements with the new SpeedUp strategy. Each business unit concentrates specifically on its customers' requirements:

- In Payment Solutions, PostFinance is becoming the reliable partner for payment and billing solutions for retailers and invoice issuers in Switzerland.
- In Retail Banking, PostFinance is offering its private and business customers the smartest ways to handle their money – whether physically or digitally.
- In Digital First Banking, PostFinance is launching a radical new service for “Banking & Beyond” geared entirely to the digital world.
- In Platform Business, PostFinance aims to establish the leading independent Swiss comparison and sign-up platform for financing, insurance and retirement planning.

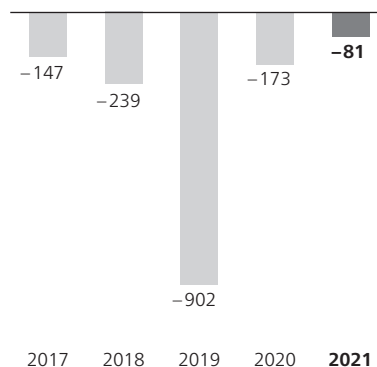
Profit/loss¹

2017 to 2021
CHF million



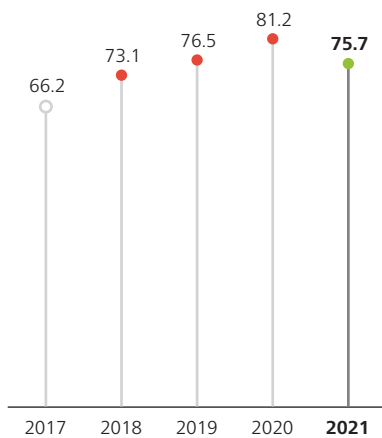
Economic value added

2017 to 2021
CHF million



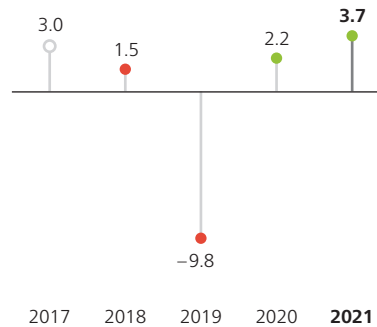
Cost-income ratio

2017 to 2021
percent



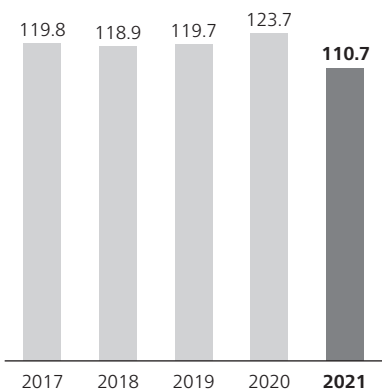
Return on equity

2017 to 2021
percent



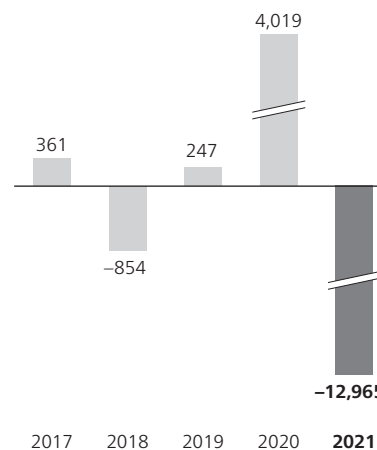
Average customer assets (monthly avg.)

2017 to 2021
CHF billion



Growth in customer assets

2017 to 2021
CHF million



Commentary on business performance

Key figures

PostFinance recorded a profit under the accounting rules for banks (ARB) of 223 million francs for the 2021 financial year, which represents an increase of 94 million francs year-on-year.

Operating income rose by 118 million francs overall.

The market-related decline in net interest income in its core business was more than offset thanks to greater activity in the interbank money market, customer asset fees and reversals of impairment on bonds. The result from commission business and services also rose thanks to the expansion of investment services, revenue from e-trading and credit cards and the newly introduced banking package fees for private customers. Trading portfolio assets performed positively as well. However, the coronavirus pandemic also weighed on the result in the 2021 financial year.

Operating expenses were up by around 23 million francs on the prior year.

Higher personnel expenses due to changes in the contributions to employee benefits schemes were offset by a decline in general and administrative expenses as a result of lower project costs and efficiency improvements from the implementation of the strategy.

The increase in earnings before tax is also reflected in the key figures. Return on equity rose to 3.7 percent and the cost-income ratio declined thanks to a consistent focus on costs. However, once again no economic value added was generated in 2021.

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

The limits of its business model have forced PostFinance to reduce the exemption limits for customer asset fees several times. As expected, these measures resulted in an outflow of customer deposits and in some cases in a transfer of assets to funds and securities investments. Customer assets decreased by 13 billion francs year-on-year.

For business customers, the savings and e-savings account services have been discontinued, as it is not possible to pay customer interest in the current market interest rate environment. This led to the closure of around 40,000 accounts, and in some cases to a transfer of customer deposits into payment accounts.

For private customers, the introduction of the new banking packages led to the consolidation of customer files into one primary banking relationship and the closure of inactive accounts, and in some cases to terminations of customer relationships.

Total assets rose by 4.5 billion francs year-on-year as a result of greater activities in the interbank money market.

PostFinance Ltd Key figures			
2021 with previous year for comparison		2020	2021
Balance sheet			
Total assets as per ARB	CHF million	117,189	121,667
Capital ratio as per guidelines for systemically important banks	%	19.1	20.3
Going concern leverage ratio ¹	%	7.34	4.71
Gone concern leverage ratio	%	0.28	0.42
Income statement as per Accounting – banks			
Operating income	CHF million	1,192	1,311
Operating result	CHF million	132	223
Profit/loss	CHF million	129	223
Return on equity ²	%	2.2	3.7
Cost-income ratio	%	81.2	75.7
Customer assets and loans			
Customer assets ³	CHF million monthly avg.	123,679	110,715
Funds, securities and life insurance ³	CHF million monthly avg.	14,490	18,219
Customer deposits	CHF million monthly avg.	109,189	92,495
Development of customer assets ⁴	CHF million	4,019	-12,965
Managed assets as per provisions of Circ. 2020/1 ³	CHF million	43,642	38,389
Inflow of new money as managed assets ⁴	CHF million	-3,074	-6,890
Loans to business customers (taken up)	CHF million	10,498	10,499
Mortgages ⁵	CHF million	6,039	6,262
Market and employee key figures			
Customers	In thousands	2,685	2,576
Private customers	In thousands	2,410	2,308
Business customers (incl. banks and agencies)	In thousands	275	268
E-finance users	In thousands	1,860	1,928
Accounts – private customers	In thousands	3,932	3,732
Accounts – business customers	In thousands	354	305
Customer satisfaction – private customers	Index	81	80
Customer satisfaction – business customers	Index	78	77
Average headcount	Full-time equivalents	3,260	3,237
Employee satisfaction	Index	79	77
Transactions			
Payment transactions	In millions	1,191	1,265

1 In 2020, central bank deposits were able to be temporarily excluded from the calculation of the leverage ratio in accordance with FINMA Guidance 02/2020 on COVID-19.

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

3 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.

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

5 Commission business in cooperation with financial partners.

Assets and financial situation

In the year under review, total assets rose by around 4.5 billion francs. This is mainly due to increased activity in the interbank money market.

Growth in customer assets amounted to –13 billion francs in the 2021 financial year.

As a result of continuing pressure on its interest operations, PostFinance is increasingly obliged to pass on the negative market interest rates to its customers. In the second half of the year, the exemption limits for private and business customer credit balances were therefore adjusted individually. As expected, these measures resulted in some cases in an outflow of customer deposits and a transfer of assets to funds and securities investments.

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 SNB as at 31 December 2021. PostFinance provides services in the commission business such as funds, e-trading, life insurance and credit cards in cooperation with partners. Average customer assets in investment products rose by 26 percent year-on-year to over 18 billion francs. In addition to an increase in e-trading assets, the four new digital investment solutions (e-asset management, fund consulting basic, investment consulting plus and fund self-service) are also being widely taken up.

Investments

In the year under review, PostFinance once again invested in the maintenance of the core banking system. For example, investments were made in the storage area network, data storage, data back-up and active data warehouse, and in its Postomat network.

At the end of 2021, the real estate portfolio of 20 properties had a market value of 1.26 billion francs. PostFinance invested around 37 million francs in developing and preserving the value of its own portfolio in 2021.

The completely renovated building on Baumackerstrasse in Zurich-Oerlikon was opened in autumn 2021. The investment volume in the year under review stood at 15 million francs. The rapid market absorption of the 54 newly developed apartments confirmed the usage strategy pursued of converting office to residential space. On the ground floor, Swiss Post opened its modernized branch.

The Swiss Post units renting the property on Avenue de Tivoli in Fribourg optimized their logistics, retail and workplace requirements. Operational space was replaced by a call center covering around 1,100 square metres. It was put into operation by PostalNetwork in October 2021. The upgrading of the technical facilities is enabling the installation of more eco-friendly ventilation and cooling systems and offering an opportunity to provide retail space on the ground floor. In total, PostFinance invested 6 million francs in Fribourg.

PostFinance made investments of over 2 million francs in the historic property at Geneva Mont-Blanc. Extensive renovation of the second floor means it can be sub-let in an optimal location with a very high fit-out standard.

The Geneva Montbrillant property, situated next to the railway station, is being steadily transformed from a pure Swiss Post building into a marketable investment property. The restoration and reconfiguration of the building's 65,000 square metres absorbed investments of almost 7 million francs in 2021.

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

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

Profit situation

Operating income

Operating income rose by 118 million francs overall.

The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation is increasingly weighing on interest margins. This meant interest income on financial investments in its core business fell sharply again as a result of market conditions. It was offset by the negative interest expense in the deposit-taking business – in other words through customer asset fees – and greater activity on the interbank money market. In contrast to the previous year, the change in default-related value adjustments also resulted in reversals of impairment on financial investments in the 2021 financial year.

Net interest income rose by 41 million francs overall.

The result from services for cash inpayments at the counter was only slightly above the prior-year figure in 2021 despite price adjustments with effect from mid-2020. Higher income from cash inpayments was offset by an accelerated decline in transactions – also due to coronavirus – and lower capacity utilization at Swiss Post branches. The result from commission business increased due to the expansion of the range of investment products and revenue from e-trading and life insurance. While income from the use of credit cards again increased year-on-year, it remains below our expectations due to the limitations on travel caused by the coronavirus crisis.

Commission business and services posted an increase of around 54 million francs overall.

The result from trading activities rose by 23 million francs due to higher net income from foreign exchange trading and fair value changes in the result from trading portfolios.

PostFinance customers again did significantly less travelling in 2021. With regard to revenues from currency conversions, PostFinance is seeing a general shift away from cash transactions from customer foreign exchange transactions and cash withdrawals in foreign currencies from ATMs at home and abroad towards cashless giro transactions abroad. Overall, the impact of the coronavirus pandemic on the result for the 2021 financial year totalled around 28 million francs.

Operating expenses

Operating expenses were up by around 23 million francs on the prior year.

Average headcount stood at 3,237 full-time equivalents, down by 23 full-time equivalents year-on-year. As part of its strategic focus, PostFinance is placing an emphasis on the simplification and digitization of its processes. Vacant positions were therefore only partly filled, while PostFinance focused its investments on new business areas and the specialists they require, in particular at the IT and Platform Business units. Personnel expenses rose by around 34 million francs compared to the prior year, which is mainly attributable to the change in the contributions to employee benefits schemes. The lifting of the waiver of use at the Swiss Post pension fund meant the employer contribution reserves were recognized in profit and loss in the ARB financial statements in the 2020 financial year, leading to a reduction in expenses. In contrast, expenses were incurred during the 2021 financial year due to a one-off payment to the Swiss Post pension fund, the increased pension fund liabilities under Swiss GAAP ARR 16 and a remeasurement of the loyalty bonuses/sabbaticals.

The rise in personnel expenses contrasted with a decline in general and administrative expenses owing to lower external project costs and efficiency improvements from the implementation of the strategy.

Income tax and extraordinary income

No expenses for current income taxes were incurred due to the negative statutory result in the previous years (result in accordance with the accounting rules for banks) and the associated loss carry-forward.

Profit

PostFinance recorded a profit under the accounting rules for banks (ARB) of 223 million francs for the 2021 financial year, which represents an increase of 94 million francs year-on-year.

The result is also reflected in the key figures. Return on equity rose to 3.7 percent and the cost-income ratio declined thanks to a consistent focus on costs. However, once again no economic value added was generated in 2021.

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

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

PostFinance Ltd Reconciliation of profit		
CHF million	2020 ²	2021
Operating result (EBIT) PostFinance, normalized before fees and net cost compensation	162	272
Normalization ¹	–	9
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	162	281
Management / licence fees / net cost compensation	–30	–11
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	132	270
Net income from associates	–2	–3
Net financial income	–36	–36
PostFinance segment earnings before tax (EBT)	94	231
Income tax	11	–36
PostFinance segment profit	105	195
Consolidation effects from associates	–	4
PostFinance Ltd profit before reconciliation	105	199
Valuation differences for financial assets	26	9
Reversal of impairment/impairment on financial assets and receivables, incl. taxes	0	0
Realized gains from (earlier than scheduled) repayments	–34	2
Valuation differences between IAS 19 and Swiss GAAP ARR 16	51	–12
Valuation differences, IFRS 16 Leases	0	0
Depreciation of revalued real estate	–4	–3
Individual value adjustment due to lower market value (fixed assets)	–3	–4
Valuation differences for participations	–3	–2
Realized gains from participations	0	–2
Adjustment of deferred tax effects arising from IFRS	–9	36
PostFinance Ltd profit as per Accounting – banks	129	223

1 By annulling the regulation on issuing staff vouchers to retirees from 2022, PostFinance had to release to income provisions from other long-term employee benefits.

Due to the amended regulation and without normalization, a comparison with the prior-year result would be limited.

2 For purposes of comparability, the changes in pension benefit obligations resulting from the realignment in the Group structure as of 1 January 2021 were also restated accordingly in 2020.

E-finance and TWINT have been well received. An extension of card acceptance is planned.

Non-financial results of a material nature

Customer satisfaction

Satisfaction in 2021 stood at 80 points for PostFinance's private customers and 77 points for retail business customers on a scale of 0 to 100. Both values are just a point below the previous year's figure. Despite the slight decline, around 90 percent of private customers and 85 percent of business customers indicated they are essentially satisfied with PostFinance.

E-finance and TWINT were rated highly by survey participants, which is reflected in the consistently high satisfaction values of recent years. In contrast, participants were more critical of cash withdrawal abroad and the acceptance of the PostFinance Card in general. PostFinance is addressing these points in 2022: it will combine the PostFinance Card and Debit Mastercard® to extend card acceptance to even more points of sale in Switzerland and abroad.

The launch of the new PostFinance App triggered numerous, in many cases negative, reactions. This led to a sharp decline in willingness to recommend the app in summer 2021. It improved to reach the previous year's level in autumn 2021 thanks to various optimization measures.

Staff motivation

At 83 percent, the rate of staff participation achieved in the employee survey was high again in 2021.

The two sets of questions about commitment and the job generally received less approval this year, whereas satisfaction in this area remains at a high level. The values are very pleasing in view of the ongoing pandemic and major changes due to a reorganization.

"My work" again received an average positive score of 77 points (2020: 79 points). The employees see a purpose in their job and rate the infrastructure and resources positively. Compared to the previous year, they were more critical of the time available for the tasks to be completed. There are differences within the individual organizational units.

"My commitment" also received an average positive score of 79 points (2020: 81 points). Even during times of change, employees still enjoy working at PostFinance, can recommend PostFinance as an employer and see their professional future here.

Compared to employees without a line management function, leaders' responses to the questions were more positive (sometimes five to ten points higher), particularly on the topics of development opportunities, enjoyment of the work and willingness to recommend PostFinance as an employer. Further demographic differences are barely identifiable in the two sets of questions.

Risk assessment

The current negative interest rate environment continues to present PostFinance with major challenges. One key aspect to note is that PostFinance is almost entirely exposed to the current interest environment when making new investments due to the lending prohibition and its investment activity on the money and capital markets. Despite the tense situation, PostFinance continues to pursue a cautious credit risk policy. This policy results in a very high-quality investment portfolio, which to date has seen only a negligible impact from the COVID-19 pandemic. The term structure of the investment portfolio is coordinated with the refinancing structure, resulting in balanced interest risk positioning. The environment for implementing negative interest rates in line with the capital market is continually improving, which means PostFinance's interest margin can be supported.

The market risks taken are of secondary importance. Greater volatility on the markets only has limited effects on the result achieved by PostFinance, for example. Market risks are measured and evaluated rapidly. The liquidity situation at PostFinance remains very stable at a high level. As a rule, the major risks at PostFinance arise from the longer-term persistence of the current negative interest

environment and from unexpected losses in the high-quality investment portfolio. Additional challenges could emerge as a result of new regulatory developments that PostFinance is particularly exposed to due to the restricted flexibility in its business model imposed by law. PostFinance is less affected by increased market volatility thanks to a large fixed income portfolio.

Customer transaction volumes

The exemption regime in place at FINMA regarding the easing of the leverage ratio expired on 31 December 2020. Repo borrowings were therefore scaled back at the end of 2020. In the year under review 2021, total assets rose by around 4.5 billion francs. This is mainly due to increased activity in the interbank money market.

Customer assets fell by 13 billion francs. Charging of customer asset fees had to be maintained due to the negative interest rates on sight deposit balances at the SNB. As a result of continuing pressure on its interest operations, PostFinance is increasingly obliged to pass on the negative market interest rates to its customers.

Customer asset fees were still charged to some individual customers with assets above a particular exemption limit. The sight deposits of Corporates customers declined accordingly.

In the second half of 2021, customer asset fees had to be extended to include private customers with assets of over 100,000 francs. As expected, these measures resulted in some cases in an outflow of customer deposits and a transfer of assets to funds and securities investments. The topic of investment remains of strategic importance at PostFinance. PostFinance wants to increase awareness of its products, and is organizing successful campaigns on the subject of investment. In addition to e-trading, PostFinance now offers e-asset management, investment consulting plus, fund consulting basic and fund self-service. Customers can choose the level of support most appropriate to their needs.

PostFinance provides services in the commission business, i.e. funds, e-trading and life insurance, in cooperation with partners. Customer assets in investment products stand at around 18.2 billion francs, representing growth of 26 percent year-on-year. In addition to an increase in e-trading assets, the four digital investment solutions, such as fund self-service, are also being widely taken up. In addition, investments with a focus on sustainability are becoming increasingly popular.

For business customers, the savings and e-savings account services have been discontinued, as it is not possible to pay customer interest in the current market interest rate environment. This led to the closure of around 40,000 accounts and a transfer of customer deposits into payment accounts. For private customers, the introduction of the new banking packages led to the consolidation of customer files into one primary banking relationship and the closure of inactive accounts, and in some cases to terminations of customer relationships.

PostFinance processed 1,265 million payment transactions, which amounts to an increase of 6.2 percent year-on-year. Overall, PostFinance customers carried out transactions representing a total volume of well over 1,900 billion francs. These figures illustrate the importance of PostFinance in the Swiss financial services market.

The coronavirus crisis also caused a sharp drop in revenues from over-the-counter transactions at Swiss Post branches and from ATM transactions in 2021. In addition, trading portfolio assets saw no substantial conversion gains from cash withdrawals in foreign currencies and from the use of credit cards as a result of the restrictions on travel for PostFinance customers. Inpayments at branches are being replaced by electronic processing. In addition to e-finance, particular growth is being seen in cashless transaction volumes in trading activities (EFT/POS) and in the area of digital commerce with e-payment and TWINT transactions.

2021 milestones

Corporate responsibility

Corporate responsibility (CR) is firmly enshrined in PostFinance's strategy and has been operationalized since 2021. The policy goes much further than simply complying with legal standards. "We aim to assume responsibility by showing courage, commitment and vision – only then is banking enjoyable and meaningful," says Hansruedi Köng, CEO of PostFinance. "The challenges we face are as great as the opportunities they present – more specifically, becoming an even more innovative and diversified financial service provider."

PostFinance has defined five specific and measurable impact goals. It promotes the active commitment of its employees to corporate responsibility. It aims to gradually reduce its CO₂ footprint and – as part of Swiss Post – become carbon neutral by 2040 in terms of both its own and indirect emissions. It provides sustainable market services in investment and retirement planning. In relation to innovations, PostFinance focuses on sustainable finance. It also promotes diversity with an emphasis on gender equality.

For the first time a disclosure of climate-related financial risks was produced and published for the 2021 financial year, which supports PostFinance's commitment to greater transparency.

Innovation

The start of the new strategy period also meant changes for the PFLab, PostFinance's innovation center. The innovation and venturing teams and PostFinance's related initiatives presented themselves as VNTR | Innovation & Venturing (pronounced "venture") from mid-2021. While PostFinance is dedicated to its core business (day-to-day activities), the digital transformation and the strategy implementation, VNTR focuses on what's new, future-oriented topics, technologies and business models that have not yet been embraced by PostFinance. This is achieved both by validating innovation projects directly on the market, and by investing in startups (corporate venturing). It enables opportunities to be seized and any blind spots to be identified. Knowledge and competencies are also being developed for future capabilities.

To systematically identify new areas of innovation and innovation projects, the foresight process was further professionalized (process for systematically exploring the future). The innovation management software ITONICS was introduced as well.

Based on the experiences gained in the innovation environment, VNTR developed the failbook and success book in the year under review. Both innovation books provide insights into successful and failed innovations early on. Enriched with a great deal of innovation know-how, expertise and extraordinary images and illustrations, the innovation books are also ideal for training purposes.

In early 2021, CredRep launched a full service for private individuals that allows them to obtain extracts from the debt collection register with a digital signature, or digital CreditTrust certificates (as a new alternative). Real estate and credit portals as well as software solution providers can easily integrate this service. CredRep was established in close collaboration between the innovation participation tilbago and VNTR | Innovation & Venturing. At Swiss Post, customers can use CredRep to obtain a physical extract from the debt collection register at the counter, but also an extract in fully digital format. The solution is also being provided at PostFinance in recruiting new employees, while a link to it is available on Valuu's homepage and in the documents of PostFinance's mortgage process.

The retirement planning and coverage check miira underwent further development and will continue to be operated on the mortgage brokerage platform Valuu.

As part of the cardossier ecosystem, whose aim is to map a vehicle's life cycle on the blockchain, the use case "registration of new vehicles" was launched. Payment and initial implementation options were assessed by VNTR.

Based on a successful feasibility trial, the functionality was developed to enable business customers to provide their own customers with rapid identification. In a first application, interested PostFinance customers who provide their consent will receive simplified access to the digital smartphone bank Yuh.

The innovation project Green Coin/Swiss Climate Challenge was further developed and tested in a broader context. It combines digitization and climate change, two of today's major drivers of innovation: a green ecosystem for companies promoting a more sustainable lifestyle for their employees and customers, for brands that wish to reach an eco-conscious audience and for a society that needs to achieve sustainability goals. With Green Coin, PostFinance has issued a purpose-specific cryptographic currency for the first time. The Green Coins act as an incentive mechanism for sustainable behaviour. During the trial, they were earned by the users – around 2,000 employees of PostFinance, Swiss Post and Swisscom – and could only be used on the integrated marketplace of the Swiss Climate Challenge for sustainable products or donations.

In 2021, amongst the fields of innovation explored, digital assets proved particularly relevant, which is why feasibility studies and analysis will be stepped up in this area to evaluate potential services.

Development of products and services

Irrespective of the upcoming political decisions, PostFinance is pressing ahead with its transformation to become the number one digital bank in Switzerland. Over 1.9 million customers have access to e-finance. The app is already being actively used by 800,000 customers. This makes PostFinance the ideal partner for everyone who wants to manage their own finances as easily as possible.

PostFinance and Swissquote launched the joint digital banking app Yuh

The Swiss mobile banking market is undergoing rapid change. PostFinance and Swissquote launched the joint digital banking app Yuh. Yuh has been available for download in the Apple App Store and Google Play Store since May 2021. The newly founded joint venture aims to consistently adopt fresh approaches in mobile banking. Yuh wants to provide people with an app on their mobile phones that gives them the freedom to manage their money as they wish. And with partners in the background whom they know and can trust. The companies behind Yuh – PostFinance and Swissquote – are both leading providers of online financial services with many years of experience on the Swiss market. The joint solution was newly developed from scratch. The really revolutionary thing about Yuh is its 3-in-1 mix: with the app on their smartphone, customers can not only make payments and save for projects, goals or wishes, they can also invest large or very small sums of money in more than 100 of the world's most popular shares, ETFs, trending themes or selected cryptocurrencies.

Valuu extended its platform business services by adding transparent comparison options for private loans

PostFinance extended its range of services through the platform business model Valuu. As a mortgage brokerage and comparison platform, Valuu launched the B2C model between mortgage seekers and providers in 2019. The Valuu platform enables mortgage customers to compare and take out a wide range of mortgages through completely digitized channels by bringing together mortgage seekers and lenders using a matching algorithm. People looking for a loan do not simply receive the least expensive but rather the best or most suitable mortgage for them. Customers receive their first personalized offers in the Valuu app in a few, simple steps. Via the customer journey, the mortgage requested is bindingly taken out digitally, and using a hybrid advisory approach if necessary.

364 million francs of finance was provided via Valuu in 2021. Valuu currently has around 18,500 registered users and works with 31 lenders, covering over 100 leading Swiss banks, insurance companies and pension funds. In addition to its core business of B2C mortgages, Valuu is focusing on expanding the B2B2C business model Valuu Pro for mortgage brokers and establishing it on the market. The platform currently has over 25 active partners. Valuu Pro is a tool (software as a service) that essentially enables any advisor or provider (broker) to efficiently arrange a mortgage for an end customer (borrower) via the platform. Valuu is testing new development paths in various pivots. In the financing sub-market, the personal loan comparison of the six largest lenders was added to the product range.

PostFinance bundled its accounts and services in the new Smart and SmartPlus banking packages

The banking packages provide private customers with everything they need to manage their day-to-day finances, tailored to their requirements. Customers can save on fees by opting not to receive documents such as account, interest and credit card statements in paper format, or if they have invested assets of over 25,000 francs, a mortgage or a life insurance policy with PostFinance. Invested assets include fund investments, including retirement funds, and custody account assets in e-trading (excluding cash). PostFinance assigned all private customers to one of the new banking packages based on their previous usage behaviour. All customers received a letter and notification in e-finance informing them about the new banking packages and their allocation. For children, young people and young students in education, PostFinance offers three attractive, free banking packages: SmartKids, SmartYoung and SmartStudents.

With the acquisition of Paynet's customers, PostFinance is underlining the importance of e-invoicing

PostFinance is now Switzerland's leader in the payment transactions market. It intends to develop this strong position and become a national payment champion by 2030. For retailers and invoice issuers in Switzerland, PostFinance will be the reliable partner for payment and billing solutions. They benefit from an attractive price model tailored to Swiss requirements and adapted services. Its e-invoicing services have created a network of relationships in the B2B environment over many years. It links PostFinance customers to many of their customers and suppliers, and supports the digitization of invoicing at Swiss SMEs and major corporations. This positive development is one of the main reasons why PostFinance decided to acquire Paynet's e-invoicing business. By taking over Paynet's customers, PostFinance is highlighting the significance of e-invoicing as one of its most relevant strategic business areas within payment transactions, as well as its vital importance, in its view, to the success of its customers.

Federal Council assistance programme: PostFinance permitted to grant loans up to 500,000 francs

The measures taken by the authorities to contain the spread of the coronavirus have far-reaching economic consequences. One of them is that numerous companies have fewer and fewer liquid assets at their disposal to cover their ongoing costs. For this reason, the Federal Council adopted a comprehensive package of measures in 2020 to cushion the economic impact of the spread of the coronavirus for these companies. Among other things, the affected companies were to quickly and easily receive loan amounts of up to 10 percent of annual turnover or a maximum of 20 million francs. It was possible for banks to pay out loans of up to 500,000 francs immediately after the processing of an extremely simplified, standardized loan application. These loans were fully guaranteed by the Confederation. PostFinance had urged the Federal Council to allow it to participate in this assistance package alongside other banks, despite the lending prohibition, in order to be able to contribute to the common good. As at 31 December 2021, there were just under 15,000 contracts with a credit limit of around 700 million francs. Out of this total, around 53 percent were used by the end of 2021.

Corporate venturing

Since 2016, PostFinance has been investing via participations in startup companies. At the end of 2021, the portfolio comprised 14 participations in innovative young companies. One of the aims of corporate venturing is to create opportunities for developing PostFinance's range of products and services. The collaboration with TONI Digital Insurance Solutions AG is worth highlighting. By participating in and cooperating with innovative companies, PostFinance is ensuring the feasibility of white label insurance services. PostFinance car insurance is the major driver in this respect. As well as car insurance, PostFinance has now added further insurance products to its range, including motorcycle insurance, travel insurance and legal protection insurance. The cooperation enables PostFinance to provide an improved customer experience for insurance products and to participate long-term in the success of the white label insurance portfolio of TONI Digital Insurance Solutions AG.

The TWINT ecosystem is developing well from both a cooperation and participation standpoint. When launching the TWINT+ marketplace in 2020, TWINT established a strategic partnership with RaiseNow for donations. The cash withdrawal service was also integrated into the TWINT ecosystem in the year under review, while a cooperation with the start-up Sonect was also entered into. As the founder and shareholder of TWINT, PostFinance is participating in both RaiseNow and Sonect. Besides an improved customer experience, PostFinance can also benefit financially from these partnerships and the resulting network effects.

Outlook

The ongoing uncertain situation on the domestic and international financial and capital markets with negative interest rates in some cases continues to present PostFinance with significant challenges. 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 private customers with assets of more than 100,000 francs. Upward pressure on the Swiss franc is expected to persist, despite the intervention by the SNB. An increase in the key rates in Swiss francs can therefore be ruled out at present.

PostFinance is operating in a challenging economic and regulatory environment. As interest rates have been low or even negative for years, its interest margin is being eroded. The competitive disadvantage that it faces in not being able to issue its own loans and mortgages is becoming increasingly pronounced.

The coronavirus pandemic is continuing to have a strong adverse effect on the economy. In the current situation, the inflation outlook remains subject to high uncertainty. Infection numbers have risen again rapidly worldwide since October, and containment measures have once more been adopted. This has resulted in a renewed deterioration in the economic outlook. Developments going forward largely depend on how successfully the spread of the virus can be contained in Switzerland and abroad. The monetary and fiscal policy measures adopted worldwide are providing important support in this regard. However, it is likely that global production capacity will be underutilized for some time to come and inflation will remain modest in most countries.

The coronavirus crisis is having a far-reaching impact on customer behaviour in the area of cash handling and the use of financial services in connection with travel and online purchases. Any partial recovery depends on how the pandemic develops.

PostFinance combines PostFinance Card with Debit Mastercard®

PostFinance will combine the PostFinance Card for private and business customers with the Debit Mastercard during the first half of 2022. This means it will be possible to use the card at even more points of sale in Switzerland and for payment abroad in future. The combination with the Debit Mastercard will not result in any card price increase for cardholders. In future, PostFinance will continue to focus on the PostFinance Card, which will play a major role alongside international schemes. In Switzerland, payments are processed via the PostFinance Card whenever possible. The pricing for processing PostFinance Card transactions remains attractive for retailers. No interchange fee or scheme fees are incurred and the transaction prices (EFT/POS and e-payment acquiring) remain unchanged. PostFinance has no influence over fees for processing Debit Mastercard transactions. PostFinance is continuing to work to make the PostFinance Card more attractive by providing additional services for retailers and cardholders.

Federal Council seeks privatization of PostFinance

After the largely negative response during the consultation procedure on the partial revision of the Postal Services Organization Act in 2020, the Federal Council expressed its support for the complete privatization of PostFinance in a policy decision on 20 January 2021. After the drafting of the dispatch and legal text, the bill was transferred to the Federal Assembly for scrutiny on 30 June 2021. The text envisages enabling PostFinance to issue loans and mortgages to third parties independently. PostFinance's entry into the lending and mortgage market is to be accompanied by the transfer of the controlling majority of Swiss Post (and the Swiss Confederation indirectly) to PostFinance. The Confederation is also to be authorized to issue a capitalization guarantee limited in terms of time and scope to Swiss Post Group to cover PostFinance's current emergency capital shortfall.

Work in the preliminary consultation committee of the Council of States is already under way and will be continued in early 2022. The Federal Council has also appointed an expert committee led by former Council of States member Christine Egerszegi. The "Swiss Post universal service expert committee" has been tasked with producing specific proposals on the future development of universal service in the areas of postal and transaction services. The expert committee's report is to be presented by February 2022.

Statutory annual financial statements

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

For 2021, the statutory financial statements indicate profit after tax of 223 million francs.

Total assets amount to 122 billion francs.

Balance sheet

PostFinance Ltd | Balance sheet as per Accounting – banks

CHF million	Notes	31.12.2020	31.12.2021
Assets			
Liquid assets		38,308	45,991
Amounts due from banks		3,655	3,473
Amounts due from securities financing transactions	6	–	–
Amounts due from customers	7	12,527	11,817
Mortgage loans	7	0	0
Trading portfolio assets		–	–
Positive replacement values of derivative financial instruments	8	232	451
Other financial instruments at fair value		–	–
Financial investments	9	60,477	58,179
Accrued income and prepaid expenses		315	301
Participations	10, 11	106	129
Tangible fixed assets	12	1,121	1,084
Intangible assets	13	–	7
Other assets	14	448	235
Total assets		117,189	121,667
Total subordinated claims		12	11
of which subject to mandatory conversion and/or debt waiver		–	–
Liabilities			
Amounts due to banks		1,026	814
Liabilities from securities financing transactions	6	22	19,593
Amounts due in respect of customer deposits		109,340	94,624
Trading portfolio liabilities		–	–
Negative replacement values of derivative financial instruments	8	330	105
Liabilities from other financial instruments at fair value		–	–
Cash bonds		12	8
Bond issues and central mortgage institution loans		–	–
Accrued expenses and deferred income		108	93
Other liabilities	14	71	63
Provisions	17	51	43
Reserves for general banking risks		–	–
Bank's capital	18	2,000	2,000
Statutory capital reserve		4,682	4,553
of which tax-exempt capital contribution reserve		4,682	4,553
Statutory retained earnings reserve		–	–
Voluntary retained earnings reserves		–	–
Profit / loss carried forward		–582	–452
Profit / loss		129	223
Total liabilities		117,189	121,667
Total subordinated liabilities		203	203
of which subject to mandatory conversion and / or debt waiver		203	203

PostFinance Ltd | Off-balance sheet transactions

CHF million	Notes	31.12.2020	31.12.2021
Contingent liabilities	26	75	86
Irrevocable commitments		1,109	990
Obligations to pay up shares and make further contributions		–	–
Credit commitments		–	–

Income statement

PostFinance Ltd | Income statement as per Accounting – banks

CHF million	Notes	2020	2021
Interest and discount income	27	126	114
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		276	221
Interest expense	27	150	217
Gross result from interest operations		552	552
Changes in value adjustments for default risks and losses from interest operations		–29	12
Net result from interest operations		523	564
Commission income from securities trading and investment activities		79	96
Commission income from lending activities		21	21
Commission income from other services		615	645
Commission expense		–371	–364
Result from commission business and services		344	398
Result from trading activities and the fair value option	26	189	212
Result from the disposal of financial investments		3	8
Income from participations		3	5
Result from real estate		72	65
Other ordinary income		58	59
Other ordinary expenses		–	–
Other result from ordinary activities		136	137
Operating income		1,192	1,311
Personnel expenses	28	–433	–468
General and administrative expenses	29	–536	–524
Operating expenses		–969	–992
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–81	–86
Changes to provisions and other value adjustments, and losses		–10	–10
Operating result		132	223
Extraordinary income	32	1	4
Extraordinary expenses		–	–
Changes in reserves for general banking risks		–	–
Taxes	33	–4	–4
Profit		129	223

Appropriation of profit/loss

PostFinance Ltd | Distributable profit/accumulated loss

CHF million	31.12.2020	31.12.2021
Profit for the year	129	223
Loss carried forward	-581	-452
Total accumulated loss	-452	-229

At its meeting on 25 February 2022, the PostFinance Ltd Board of Directors will propose the following appropriation of profit/loss for the attention of the Annual General Meeting on 25 April 2022: offsetting of ARB profit of 222,768,801.98 francs against the loss carryforward and transfer to the new account, including a distribution in this amount from capital reserves:

PostFinance Ltd | Appropriation of profit/loss

CHF million	31.12.2020	31.12.2021
Dividend distributions	–	–
Loss carried forward to new account	-452	-229
Total accumulated loss	-452	-229

PostFinance Ltd | Other distributions

CHF million	31.12.2020	31.12.2021
Distributions from the capital reserve	-129	-223
Total distributions from the capital reserve	-129	-223

Cash flow statement

PostFinance Ltd | Cash flow statement as per Accounting – banks

CHF million	Cash inflow 2020	Cash outflow 2020	Cash inflow 2021	Cash outflow 2021
Cash flow from operating activities (internal financing)				
Profit for the year	129	–	223	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	81	–	82	–
Provisions and other value adjustments	17	–	–	8
Change in value adjustments for default risks and losses	29	–	–	12
Accrued income and prepaid expenses	68	–	14	–
Accrued expenses and deferred income	4	–	–	16
Other items	–	–	–	–
Previous year's dividend	–	–	–	–
Subtotal	328		283	
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	–	–	129
Subtotal	–			129
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	0	6	1	24
Real estate	–	23	7	37
Other tangible fixed assets	0	9	–	12
Intangible assets	–	–	–	8
Subtotal		38		73
Cash flow from banking operations				
Medium and long-term business (>1 year):				
Amounts due to banks	336	–	–	19
Amounts due in respect of customer deposits	–	–	–	1
Cash bonds	–	59	–	5
Other liabilities	–	15	–	8
Amounts due from banks	190	–	34	–
Amounts due from customers	–	–	167	–
Mortgage loans	0	–	0	–
Financial investments	–	92	2,308	–
Other accounts receivable	–	28	213	–
Short-term business:				
Amounts due to banks	–	634	–	192
Liabilities from securities financing transactions	–	9,103	19,571	–
Amounts due in respect of customer deposits	950	–	–	14,715
Negative replacement values of derivative financial instruments	–	10	–	225
Amounts due from banks	45	–	148	–
Amounts due from securities financing transactions	22	–	–	–
Amounts due from customers	–	461	545	–
Positive replacement values of derivative financial instruments	–	69	–	219
Financial investments	–	–	–	–
Subtotal		8,928	7,602	
Liquidity				
Liquid assets	8,638	–	–	7,683
Subtotal	8,638			7,683
Total	8,966	8,966	7,885	7,885

Statement of changes in equity

PostFinance Ltd | Presentation of the statement of changes in equity

CHF million	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity as at 1.1.2021	2,000	4,682	–	–	–452	–	6,230
Dividends and other distributions	–	– 129	–	–	–	–	– 129
Profit	–	–	–	–	–	223	223
Equity as at 31.12.2021	2,000	4,553	–	–	–452	223	6,324

Notes

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

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

2 | Accounting and valuation policies

General principles

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

Individual report figures are rounded in the notes for publication, 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	31.12.2020	31.12.2021
EUR	1.0841	1.0347
USD	0.8820	0.9144
GBP	1.2026	1.2348
JPY	0.0086	0.0079

Offsetting

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

Trade date/settlement date accounting

As a rule, securities transactions 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 policies

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

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

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

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

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

Trading portfolio assets

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

Positive and negative replacement values of derivative financial instruments

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

Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are allocated to the compensation account, while changes in value to the extent a hedge is ineffective are recognized in profit or loss. Positive and negative replacement values for all derivatives are recognized at fair value in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments.

Financial investments

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

Establishing amounts for value adjustments

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

At the time of acquisition, a financial instrument with intrinsic value is allocated to level 1. A transition to level 2 takes place if there has been a significant increase in credit risk since initial recognition. There is a significant increase in credit risk if the current rating of a position is below a defined threshold. The threshold applied depends on the original rating of the position. Due to the exponential nature of the probability of default, the relative change in the probability of default must be higher, the better the rating at the time an instrument was acquired. The assigned rating corresponds to the rating issued by recognized rating agencies. If no such rating exists, the ratings of non-recognized rating agencies (e.g. ratings of qualified banks) are used. A payment delay of more than 30 days also serves as a criterion for a move to level 2. In addition, a dedicated committee assesses whether there is a significant rise in credit risk for positions under special consideration, leading to a reclassification to level 2. This affects the following positions: those that have a non investment-grade rating, those whose spread exceeds a defined value, those that are lower tier 2 positions or those that do not have an external rating. If an event of default is present on the balance sheet date, the position is allocated to level 3. An event of default is present if PostFinance assumes that there is a strong probability that the debtor will be unable to meet their payment obligations in full and as agreed, if a D rating (default) applies or if the liability is more than 90 days overdue from the counterparty. If a position has been allocated to levels 2 or 3, it can again be transferred to level 1 or 2 as soon as the criteria for that level have been satisfied.

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

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

Participations

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

Tangible fixed assets

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

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

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

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

Intangible assets

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

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

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

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

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

Provisions

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

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

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

Pension benefit obligations

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

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

Taxes

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

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

Changes in the accounting and valuation principles versus the previous year

PostFinance has reviewed all contracts, systems and models affected by the replacement of LIBOR with alternative reference interest rates. The work required for contract amendments, system and model adjustments and the conversion of business transactions to alternative reference rates is completed, with the exception of interest rate swaps. Based on the current commitment and business model, PostFinance is less severely affected by the replacement of LIBOR than other institutions. PostFinance has adopted the ISDA standards for interest rate swaps. The expected impact of the changeover of the interest rate swaps that have not yet been converted from LIBOR to alternative reference interest rates is less than 1 million francs at PostFinance.

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

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

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

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

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

PostFinance mainly uses hedge accounting in connection with bonds (hedging of interest and currency risks by means of interest rate/interest rate currency swaps). Hedging is by means of micro-hedges.

Economic relationship between hedged items and hedging transactions

PostFinance records the relationship between the hedging instrument and the hedged item on the date on which a financial instrument is classed as a hedging relationship. The information recorded includes the risk management objectives and strategy of the hedging transaction, and the methods used to measure the effectiveness of the hedging relationship. The economic relationship between the hedged item and the hedging transaction is 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 upon its initial recognition (on a prospective basis via the critical terms match method).
- There is a close economic relationship between the hedged item and the hedging transaction.
- There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.

Ineffectiveness

If this results in an ineffective portion, this is recognized in the income statement for the period in question. PostFinance analyses the fair value of the hedged item to determine the ineffectiveness using the hypothetical derivative method. The terms of the hypothetical derivative match the decisive terms of the hedged item and there is a fair value of zero at the beginning of the hedging relationship.

Events after the balance sheet date

On the date of issue of the annual financial statements, no material events had occurred as at 31 December 2021 which would have to be disclosed in the financial statements and/or in the notes.

3 | Risk management

Business model and risk profile

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

PostFinance defines three risk categories based on its business model.

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

Governance and reporting

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

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

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

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

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

The units in the 2nd LoD independently monitor risk management in the 1st LoD, ensuring that all risks are appropriately identified, measured, managed, monitored and reported across the Group. At PostFinance, the Governance, Compliance and Risk Control units are the control entities responsible for the 2nd LoD function. The independence of the 2nd LoD units from the 1st LoD units is ensured in organizational terms by the fact that these units are located in the business unit of the CRO.

As independent control entities, the 2nd LoD units monitor the established risk profile with suitable instruments, provide a central overview of PostFinance's risk situation and report it to the Executive Board and the Board of Directors on a regular basis. They also issue directives on the assurance of compliance with internal and external provisions and define methods and procedures for risk management.

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

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

Compliance independently monitors adherence to legal, regulatory and internal provisions relating to money laundering, tax compliance and the provision of financial services. Governance inde-

pendently monitors compliance by staff with the rules of governance as a whole and with the Code of Conduct.

Risk Control and Compliance inform the Board of Directors and the Executive Board about serious compliance breaches or matters of major significance.

The 2nd LoD units jointly report at least quarterly to the Executive Board and the Board of Directors on the development of PostFinance's risk profile. In addition, matters of major importance are reported to the Board of Directors by the units in the 2nd LoD promptly and on an ad hoc basis. Risk Control coordinates the reporting activities of all 2nd LoD functions.

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

Risk measurement methods

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

PostFinance measures and monitors financial risks both at individual portfolio level and with regard to the overall balance sheet. Risks are limited by means of a multi-dimensional limit system. A variety of methods of differing degrees of complexity are used by Risk Management to measure

financial risks. In concrete terms, they include scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and stochastic models to determine value-at-risk or expected shortfall risk indicators (e.g. to measure market risks or to quantify economic concentration risks in the credit portfolio). The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times.

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

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

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

Stress testing

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

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

Financial risk management at PostFinance

Credit risks

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

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

To limit the credit risks taken, each year the Board of Directors of PostFinance sets a maximum figure not to be exceeded with regard to regulatory minimum capital to cover credit risks. It also determines directives on the investment rating structure, limits potential country risks and delegates responsibility for approving major counterparty limits to the Board of Directors' Risk Committee. New invest-

ments are generally only permitted if the debtor has a rating and its creditworthiness is classed as investment grade.

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

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

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

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

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

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

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. Concentrations of securities delivered (with the exception of cash collateral) are measured, monitored and reported to the Executive Board on a monthly basis. At the same time, wrong-way risks are assessed and risk control proposals submitted where concentrations have been identified.

Note on credit risks arising from mortgage lending

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

Interest rate risk and balance sheet structure risk

The term “interest rate risk” refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet and on the result from interest operations in the income statement resulting mainly from maturity mismatches. 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 customer deposits held by PostFinance are non-maturing and do not earn a fixed rate of interest. The interest rate of these deposits is therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing interest margin volatility. An additional liquidity buffer is used to cover short-term volume fluctuations.

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

The present value perspective covers the net effect of a change in interest rates on the equity capital of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to shifts in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other. The present value sensitivity of equity capital is measured by the Risk Management department on a weekly basis and reported to the Executive Board. If the present value sensitivity deviates significantly from the required level specified by the Executive Board due to short-term shocks, maturity can be controlled on the asset side using swaps.

Absolute change in the present value of equity

CHF million	31.12.2020	31.12.2021
Flattener shock in accordance with FINMA Circular 2019/2. ¹	- 190	- 279

¹ In order to determine the present value sensitivity of equity, the six standard shocks in accordance with FINMA Circular 2019/2 “Interest rate risks – banks” have been applied since 1.1.2019. The scenario resulting in the greatest negative change in the present value of equity is shown per reference date.

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

Liquidity risks

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

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

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

Market risks

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

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

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

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

As at 31 December 2021, value at risk for the income statement stood at 9 million francs (previous year: 10 million francs).

Operational and strategic risks

In line with the Basel Committee on Banking Supervision, operational risk at PostFinance is defined as the risk of direct financial loss, reduced revenues, additional internal expenses or a combination thereof, resulting from inadequate or failed internal processes, people and systems or from external events. Strategic risk refers to the risk of failing to achieve company goals at the level of the fundamental or long-term orientation of the institution as a result of unexpected developments or incorrect assessment of the relevant economic, regulatory and social environment. The Board of Directors sets out the principles for managing operational and strategic risks and defines the risk appetite in the risk policy regulations.

The risk appetite is defined using quantitative and/or qualitative directives and plays an essential role in the management of PostFinance's business activities. Using suitable management instruments, the risk management process ensures that the risks assumed are in line with the risk appetite and that the risk capacity and in particular the legal and regulatory requirements can only be infringed during stress phases. The stabilization and emergency plan is a set of measures used to identify the options available to PostFinance and enable either the continuation of business activities or, alternatively, an orderly wind-down with the continuation of systemically important functions, even during stressful periods.

The risk appetite for operational risks is defined for the relevant sub-categories. Compliance, security and all other operational risks with the potential to lead to serious infringements of laws or reg-

ulations in plausible, adverse scenarios are not tolerated. In the area of behavioural risks, no activities that are unlawful or unethical or that otherwise jeopardize PostFinance's reputation as a credible, reliable, trustworthy and responsible company are tolerated.

The risk appetite for strategic risks is taken into account by the Board of Directors when drawing up the business strategy. The Board of Directors is provided with a periodic assessment of the extent of the strategic risks for this purpose, along with evidence that the strategy is viable in all dimensions and in compliance with the risk appetite as part of the equity capital planning process.

4 | Capital adequacy disclosure in accordance with FINMA Circular 2016/1

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

Two disclosures showing PostFinance's equity situation were published as at 31 December 2021. The information in the "Capital adequacy disclosure" meets the requirements of Annexes 1 and 2 of the FINMA Circular 2016/1 "Disclosure – banks". The capital adequacy disclosure on grounds of systemic importance, which is a parallel calculation in accordance with Annex 3 of the aforementioned Circular, is also published. The different requirements result in deviations, particularly with regard to eligible capital and capital ratios. The specified documents are published at → postfinance.ch/reporting.

5 | Disclosure of climate-related financial risks

Banks and insurance companies are required to inform the public adequately about their risks. These also include the consequences of climate change, which could pose significant financial risks for financial institutions in the longer term. FINMA is requiring large banks and insurance companies to provide qualitative and quantitative information in this area and amended its circulars on disclosure in 2021.

PostFinance is publishing the climate-related financial risks for the first time for 2021 with a separate disclosure. The specified document is published at → postfinance.ch/reporting.

This report, drawn up in accordance with the internationally recognized TCFD initiative, provides transparency by supervised entities about their climate-related financial risks, and is a first important step towards identifying, measuring and managing these risks. FINMA also clarified its supervisory practice in the area of disclosure of climate-related financial risks. In doing so it is fulfilling its strategic goal of contributing to the sustainable development of the Swiss financial center. Besides the consideration of climate risks in supervisory activities and preventing the public from being misled about a product's sustainable characteristics (greenwashing), promoting transparency is FINMA's major focus in this realm.

Information on the balance sheet

6 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2020	31.12.2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	–	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	22	19,593
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	3,203	22,628
with unrestricted right to resell or pledge	3,203	22,628
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	3,460	3,532
of which, repledged securities	–	–
of which, resold securities	–	–

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

31.12.2021 CHF million		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Presentation of collateral for loans/receivables					
Loans (before netting with value adjustments)					
Amounts due from customers		–	1,721	10,117	11,838
Mortgage loans		0	–	–	0
Residential property		0	–	–	0
Total loans (before netting with value adjustments)	31.12.2021	0	1,721	10,117	11,838
	31.12.2020	0	1,588	10,964	12,552
Total loans (after netting with value adjustments)	31.12.2021	0	1,721	10,096	11,817
	31.12.2020	0	1,588	10,939	12,527

31.12.2021 CHF million		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Presentation of collateral for off-balance-sheet transactions					
Off-balance sheet					
Contingent liabilities		–	85	1	86
Irrevocable commitments		–	317	673	990
Total off-balance sheet	31.12.2021	–	402	674	1,076
	31.12.2020	–	505	679	1,184

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

PostFinance discloses payment obligations for depositor protection in irrevocable commitments.

CHF million	31.12.2020	31.12.2021
Gross debt amount	67	64
Estimated liquidation value of collateral	0	–
Net debt amount	67	64
Individual value adjustments	62	61

8 | Derivative financial instruments and hedge accounting

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

Presentation of derivative financial instruments (assets and liabilities)		Trading instruments			Hedging instruments		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
31.12.2021 CHF million							
Interest rate instruments							
Forward contracts including FRAs		–	–	–	0	–	3
Swaps		–	–	–	44	94	3,552
Foreign exchange/precious metals							
Forward contracts		2	4	526	88	3	6,315
Cross-currency interest rate swaps		–	–	–	317	4	7,619
Equity securities/indices							
Options (exchange-traded)		–	–	–	–	–	–
Total before netting agreements as at		2	4	526	449	101	17,489
of which, determined using a valuation model		2	4		449	101	
31.12.2020		4	4	655	228	326	17,231
of which, determined using a valuation model		4	4		228	326	
Total after netting agreements as at		2	4	526	449	101	17,489
31.12.2020		4	4	655	228	326	17,231

Breakdown by counterparty

31.12.2021 CHF million	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	449	2

Cash flow hedges

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

Contract volumes of cash flow hedges CHF million	Total	0–3 months	3 months–1 year	Term to maturity	
				1–5 years	Over 5 years
31.12.2020					
Currency risk					
Cross-currency interest rate swaps	8,129	–	679	5,909	1,541
Other					
Completed non-settled transactions	1	1	–	–	–
31.12.2021					
Currency risk					
Cross-currency interest rate swaps	7,619	145	1,020	5,290	1,164
Other					
Completed non-settled transactions	3	3	–	–	–

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

Changes in hedging instruments CHF million	Positive fair values	Negative fair values	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Change in fair value of hedging instrument in the reporting period, recorded in other assets/liabilities	Ineffectiveness recorded in the income statement	Net amount reclassified from other assets/liabilities to the income statement ¹
Currency risk						
Cross-currency interest rate swaps	181	120	129	129	3	–134
Other						
Completed non-settled transactions	0	–	0	0	–	–
31.12.2021						
Currency risk						
Cross-currency interest rate swaps	317	4	291	291	–	–217
Other						
Completed non-settled transactions	0	–	0	0	–	–

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

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

Effects of hedged items in cash flow hedging	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Hedging reserves in other assets/liabilities
CHF million		
31.12.2020		
Currency risk		
Debt securities intended to be held to maturity	-129	-187
31.12.2021		
Currency risk		
Debt securities intended to be held to maturity	-291	-114

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

Hedging reserves in other assets / liabilities	2020	2021
CHF million	Hedging reserves – unrealized gains/losses from cash flow hedge	Hedging reserves – unrealized gains/losses from cash flow hedge
Balance at 1.1	-182	-187
Change in fair value of hedging instrument		
Currency risk	129	291
Other	0	0
Net amount reclassified from cash flow hedging reserves to income statement		
Currency risk	-134	-217
of which arising from discontinued hedging relationships	20	4
of which from changes in foreign currency basis spreads	3	-3
Balance at 31.12	-187	-113

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

Cash flows (not discounted)	Term to maturity			
CHF million	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2020				
Cash inflows	6	29	90	12
Cash outflows	-28	-94	-320	-31
31.12.2021				
Cash inflows	6	27	67	9
Cash outflows	-27	-86	-243	-27

Fair value hedges

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

Contract volumes for fair value hedges CHF million	Term to maturity				
	Total	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2020					
Interest rate and currency risk					
Interest rate swaps	3,159	75	200	530	2,354
31.12.2021					
Interest rate and currency risk					
Interest rate swaps	3,552	40	200	290	3,022

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

Change in fair value hedges CHF million	Positive fair values	Negative fair values	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Ineffectiveness recorded in income statement ¹
31.12.2020				
Interest rate and currency risk				
Interest rate swaps	2	179	–18	–
31.12.2021				
Interest rate and currency risk				
Interest rate swaps	44	94	125	–

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

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

Effects of hedged items from fair value hedging CHF million	Book value of hedged item	Accumulated expenses or income from fair value hedge adjustments that were recorded in the book value of the hedged item	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Accumulated amount of fair value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses
31.12.2020				
Interest rate and currency risk				
Debt securities intended to be held to maturity	2,379	116	24	0
Amounts due from customers and banks	963	48	–6	–
31.12.2021				
Interest rate and currency risk				
Debt securities intended to be held to maturity	2,949	15	–101	0
Amounts due from customers and banks	664	24	–24	–

9 | Financial investments

Breakdown of financial investments	Book value		Fair value	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
CHF million				
Debt securities	60,363	58,069	61,958	58,792
of which, intended to be held to maturity	60,363	58,069	61,958	58,792
Equity securities ¹	114	110	126	123
Total	60,477	58,179	62,084	58,915
of which, securities eligible for repo transactions in accordance with liquidity requirements ^{2,3}	23,863	23,775	–	24,066

1 There are no qualified participations.

2 The securities eligible for repos correspond to the SNB GC Basket.

3 The fair value of the securities eligible for repos is disclosed for the first time as at 31.12.2021.

Breakdown of counterparties by rating¹

31.12.2021 CHF million	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Below B–	Unrated
Debt securities: book values	37,986	13,192	5,242	–	–	1,649

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.

10 | Participations

Presentation of participations

CHF million	Acquisition cost	Accumulated value adjustments	Book value 31.12.2020	2021						
				Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals	Book value 31.12.2021	Market value 31.12.2021
Participations										
with market value	44	–	44	–	–	1	–	–	45	205
without market value	127	–65	62	–	24	0	–6	4	84	–
Total participations	171	–65	106	–	24	1	–6	4	129	205

11 | Significant participations

CHF or EUR, percent	Business activities	Currency	Company capital	Share of capital and of votes ¹	
				31.12.2020	31.12.2021
Finform Ltd, Bern, Switzerland	Fintech and regtech	CHF	100,000	50.00%	50.00%
Yuh Ltd, Gland, Switzerland	Fintech in the neobanking area	CHF	1,000,000	–	50.00%
Ormera AG, Bern, Switzerland ²	Automated energy billing	CHF	464,016	42.50%	34.90%
TONI Digital Insurance Solutions AG, Schlieren, Switzerland	Insurance service provider	CHF	1,952,782	28.89%	28.89%
moneymeets community GmbH, Cologne, Germany	Online financial services	EUR	99,631	27.38%	27.38%
moneymeets GmbH, Cologne, Germany	Infrastructure for online financial services	EUR	99,631	27.38%	27.38%
TWINT Ltd, Zurich, Switzerland	Mobile payment	CHF	12,750,000	26.66%	26.66%
TWINT Acquiring Ltd, Zurich, Switzerland ¹	Acquiring for payment transactions	CHF	100,000	26.66%	26.66%
Tilbago AG, Lucerne, Switzerland	Smart online payment collection solution (robo payment collection)	CHF	177,906	24.43%	24.43%

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

² Ormera AG will discontinue its services from the second quarter of 2022, and will be liquidated.

Additional information on the true and fair value statutory single-entity financial statements in accordance with article 62 of the FINMA Accounting Ordinance: The effect of a theoretical application of the equity method with regard to these participations would be to reduce total assets by 12 million francs (previous year: 7 million francs) and to decrease profit for the year by 6 million francs (previous year: 7 million francs).

12 | Tangible fixed assets

Presentation of tangible fixed assets

CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2020	2021					Book value 31.12.2021
				Reclassifications	Additions	Disposals	Depreciation	Reversals	
Bank buildings	231	–64	167	–	3	–	–8	–	162
Other real estate	1,039	–240	799	–	34	–7	–35	–	791
Proprietary or separately acquired software	231	–104	127	–	–	–	–23	–	104
Other tangible fixed assets	80	–52	28	–	12	–	–13	–	27
Total tangible fixed assets	1,581	–460	1,121	–	49	–7	–79	–	1,084

Future lease obligations under operating leases

CHF million	2022	2023	2024	2025	2026	2027	Total
Future lease payments	8	7	7	7	3	0	32
of which cancellable within a year	1	1	1	0	0	0	3

13 | Intangible assets

Presentation of intangible assets							2021	
CHF million	Cost value	Accumulated amortization	Book value 31.12.2020	Additions	Disposals	Amortization	Book value 31.12.2021	
Other intangible assets	-	-	-	8	-	-1	7	
Total intangible assets	-	-	-	8	-	-1	7	

14 | Other assets and other liabilities

Breakdown of other assets and other liabilities				
CHF million	31.12.2020	31.12.2021	31.12.2020	31.12.2021
	Other assets	Other assets	Other liabilities	Other liabilities
Compensation account	333	144	-	-
Employer contribution reserves	38	29	-	-
Indirect taxes	74	59	8	6
Other assets and liabilities	3	3	63	57
Total other assets and other liabilities	448	235	71	63

15 | 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	31.12.2020	31.12.2021
Financial investments:		
Book value of assets pledged and assigned as collateral	100	98
Effective commitments	-	-
Amounts due from customers		
Book value of assets pledged and assigned as collateral	390	354
Effective commitments	336	317

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

16 | Liabilities relating to own pension schemes

Pension benefit obligations

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

Additional amounts due for extended disability benefit plans in the form of transitional invalidity insurance (supplementary disability pensions for men up to the age of 65 and women up to the age of 64) are taken into account in the annual financial statements. Staff vouchers were paid out to pension beneficiaries for the last time in 2021 and the scheme was discontinued.

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

All the compulsory ordinary employer contributions associated with the pension plan are accounted for as personnel expenses using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether, for PostFinance, the pension schemes generate an economic benefit or an economic obligation. The assessment is based on information from contracts, the annual financial statements of the pension schemes and other calculations presenting their financial situation and current overfunding or underfunding – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not, however, intend to use the economic benefit that may result from overfunding to reduce employer contributions. Consequently, a future economic benefit is not capitalized. An economic obligation is, however, recognized under liabilities. With 39,313 active insured persons and 29,399 pensioners (as at 31 October 2021), the Swiss Post pension fund had total assets of 17,674 million francs as at 31 December 2021 (previous year: 17,086 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at approximately 109.6 percent (previous year: 105.3 percent). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no overfunding available. The Swiss Post pension fund has employer contribution reserves of 350 million francs without a waiver of use (previous year: 551 million francs without a waiver of use). A technical interest rate of 1.5 percent (previous year: 1.75 percent) and the technical basis of OPA 2020 (previous year: OPA 2015) 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 2021. There are no employer-sponsored pension schemes.

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

Presentation of the economic benefit/obligation and the pension expenses	Overfunding/ underfunding	Economic interest of PostFinance Ltd		Change in economic interest (eco- nomic benefit/ obligation) versus previous year	Contributions paid	Pension expenses in personnel expenses	
		31.12.2020	31.12.2021			31.12.2020	31.12.2021
		CHF million	CHF million			CHF million	CHF million
Swiss Post pension fund	150	0	0	0	37	36	37
Staff vouchers	–	–7	–	–7	0	0	–7
Disability pensions	–1	–2	–1	–1	0	1	–1
Total ARR 16	149	–9	–1	–8	37	37	29

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

Employer contribution reserves (ECR)	Nominal value		Waiver of use	Net amount	Influence of ECR on personnel expenses	
	31.12.2021	31.12.2020			31.12.2020	31.12.2021
	CHF million	CHF million			CHF million	CHF million
Swiss Post pension fund	29	0	38	29	38	9
Total ARR 16	29	0	38	29	38	9

17 | 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 31.12.2020	Use in conformity with designated purpose ¹	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2021
Provisions for pension benefit obligations	9	–	–	–	–	–	–8	1
Provisions for default risks	0	–	–	–	–	0	0	0
of which provisions as per Art. 28 para. 1 RelV-FINMA	–	–	–	–	–	0	–	0
of which provisions for expected losses	0	–	–	–	–	–	0	0
Provisions for restructuring	20	–10	–	–	–	0	–	10
Other provisions	22	–1	–	–	–	12	–1	32
Total provisions	51	–11	–	–	–	12	–9	43
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default and country risks²	101	–	–	–	–	2	–15	88
of which, value adjustments for default risks in respect of impaired loans/receivables	62	–	–	–	–	2	–3	61
of which, value adjustments for expected losses	39	–	–	–	–	–	–12	27

¹ There were no changes in purpose.

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

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

As at 31 December 2020 and 31 December 2021, the levels of expected loss within amounts due from banks, amounts due from customers, debt securities intended to be held to maturity and contingent liabilities consisted of the following.

Analysis of expected losses and impaired loans/receivables	31.12.2020				31.12.2021			
	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total
CHF million								
Amounts due from banks	3,656	–	–	3,656	3,473	–	–	3,473
Value adjustments	0	–	–	0	–0	–	–	–0
Book value	3,656	–	–	3,656	3,473	–	–	3,473
Amounts due from customers	12,527	4	21	12,552	11,817	4	18	11,839
Value adjustments	–7	–2	–16	–25	–5	–2	–15	–22
Book value	12,520	2	5	12,527	11,812	2	3	11,817
Debt securities held to maturity								
AAA to AA–	37,848	–	–	37,848	37,989	–	–	37,989
A+ to A–	14,328	–	–	14,328	13,199	–	–	13,199
BBB+ to BBB–	6,284	–	–	6,284	5,250	–	–	5,250
BB+ to B–	185	–	–	185	–	–	–	–
Unrated	1,748	–	46	1,794	1,651	–	46	1,697
Total	60,393	–	46	60,439	58,089	–	46	58,135
Value adjustments	–29	–	–46	–75	–20	–	–46	–66
Book value	60,364	–	0	60,364	58,069	–	0	58,069
Contingent liabilities	75	–	–	75	86	–	–	86
Provisions for expected losses	0	–	–	0	0	–	0	0
Total	75	–	–	75	86	–	–	86

The measures adopted by the Confederation and cantons in 2020 and 2021 to contain the COVID-19 crisis may also have an impact on the credit quality of bonds and receivables. The assessment of the effects remains subject to a great deal of uncertainty. However, the economic situation has improved slightly since March 2021 and the outlook is brighter. The effects on the holdings of expected losses on financial investments and receivables were taken into account by updating the model parameters, which led to a reduction in value adjustments required of 6 million francs in the current financial year. Reclassifications within the three levels were immaterial in nature.

18 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital CHF million, number in million	31.12.2020			31.12.2021		
	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

19 | Amounts due from / to related parties

Disclosure of amounts due from/to related parties CHF million	Amounts due from		Amounts due to	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Holders of qualified participations	579	674	840	602
Linked companies	16	88	326	314
Transactions with members of governing bodies	0	0	17	14

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

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

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

PostFinance 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.

20 | Holders of significant participations

Disclosure of holders of significant participations CHF million	31.12.2020		31.12.2021	
	Nominal	% of equity	Nominal	% of equity
With voting rights: Swiss Post Ltd	2,000	100	2,000	100

21 | Maturity structure of financial instruments

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

31.12.2021 CHF million	Due							Total	
	At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity		
Liquid assets	45,991	–	–	–	–	–	–	45,991	
Amounts due from banks	48	–	94	70	2,492	769	–	3,473	
Amounts due from customers	461	1	550	1,006	4,535	5,264	–	11,817	
Mortgage loans	–	–	0	–	–	–	–	0	
Positive replacement values of derivative financial instruments	–	–	91	61	230	69	–	451	
Financial investments	110	–	1,315	6,193	29,656	20,905	–	58,179	
Total	31.12.2021	46,610	1	2,050	7,330	36,913	27,007	–	119,911
	31.12.2020	39,039	1	2,412	6,378	39,942	27,427	–	115,199

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

31.12.2021 CHF million	Due							Total	
	At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity		
Amounts due to banks	497	317	–	–	–	–	–	814	
Liabilities from securities financing transactions	–	–	19,593	–	–	–	–	19,593	
Amounts due in respect of customer deposits	67,505	27,104	15	–	–	–	–	94,624	
Negative replacement values of derivative financial instruments	–	–	6	4	14	81	–	105	
Cash bonds	–	–	1	1	6	–	–	8	
Total	31.12.2021	68,002	27,421	19,615	5	20	81	–	115,144
	31.12.2020	74,184	36,181	50	14	114	186	–	110,730

22 | Assets and liabilities by domestic and foreign origin

CHF million	31.12.2020		31.12.2021	
	Domestic	Foreign	Domestic	Foreign
Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle				
Assets				
Liquid assets	38,308	–	45,991	–
Amounts due from banks	3,574	81	3,446	27
Amounts due from securities financing transactions	–	–	–	–
Amounts due from customers	12,507	20	11,806	11
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	66	166	156	295
Financial investments	30,535	29,942	29,950	28,229
Accrued income and prepaid expenses	215	100	206	95
Participations	89	17	109	20
Tangible fixed assets	1,121	–	1,084	–
Intangible assets	–	–	7	–
Other assets	448	–	235	–
Total assets	86,863	30,326	92,990	28,677
Liabilities				
Amounts due to banks	940	86	499	315
Liabilities from securities financing transactions	22	–	14,393	5,200
Amounts due in respect of customer deposits	105,207	4,133	91,020	3,604
Negative replacement values of derivative financial instruments	158	172	78	27
Cash bonds	12	0	8	0
Accrued expenses and deferred income	108	0	93	0
Other liabilities	67	4	60	3
Provisions	51	–	43	–
Bank's capital	2,000	–	2,000	–
Statutory capital reserve	4,682	–	4,553	–
Profit/loss carried forward	–582	–	–452	–
Profit/loss	129	–	223	–
Total liabilities	112,794	4,395	112,518	9,149

23 | Assets by country / group of countries

Breakdown of total assets by country or group of countries (domicile principle)	31.12.2020		31.12.2021	
	Absolute	Share as %	Absolute	Share as %
CHF million, percent				
Assets				
Switzerland	86,863	74.12	92,990	76.43
Europe	12,155	10.37	11,364	9.34
North America	9,302	7.94	9,324	7.66
Other countries	8,869	7.57	7,989	6.57
Total assets	117,189	100.00	121,667	100.00

24 | Assets by credit rating of country groups

Breakdown of total assets by credit rating of country groups (risk domicile view)	Foreign exposure 31.12.2020		Foreign exposure 31.12.2021	
	Absolute	Share as %	Absolute	Share as %
CHF million, percent				
Rating (Moody's)				
Aaa	15,055	50.64	15,202	53.94
Aa	9,408	31.65	8,760	31.08
A	3,797	12.77	2,938	10.43
Baa	641	2.16	538	1.91
Ba	67	0.22	60	0.21
B	292	0.98	217	0.77
Caa	319	1.07	319	1.13
No rating	150	0.51	150	0.53
Total	29,729	100.00	28,184	100.00

25 | Assets and liabilities by currency

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

31.12.2021

CHF million

	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	45,903	88	–	–	–	–	45,991
Amounts due from banks	3,445	10	3	1	10	4	3,473
Amounts due from customers	11,806	7	4	0	0	0	11,817
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	451	–	–	–	–	–	451
Financial investments	42,478	10,540	4,460	–	–	701	58,179
Accrued income and prepaid expenses	221	47	29	–	–	4	301
Participations	110	2	16	1	–	0	129
Tangible fixed assets	1,084	–	–	–	–	–	1,084
Intangible assets	7	–	–	–	–	–	7
Other assets	233	2	0	–	–	–	235
Total assets shown in balance sheet	105,738	10,696	4,512	2	10	709	121,667
Delivery entitlements from spot exchange, forward forex and forex options transactions	13,953	302	101	47	0	57	14,460
Total assets	119,691	10,998	4,613	49	10	766	136,127
Liabilities							
Amounts due to banks	800	14	0	0	0	0	814
Liabilities from securities financing transactions	19,593	–	–	–	–	–	19,593
Amounts due in respect of customer deposits	91,748	2,284	496	47	10	39	94,624
Negative replacement values of derivative financial instruments	105	–	–	–	–	–	105
Cash bonds	7	1	–	–	–	–	8
Accrued expenses and deferred income	93	0	–	0	–	–	93
Other liabilities	30	25	7	0	–	1	63
Provisions	43	–	–	–	–	–	43
Bank's capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,553	–	–	–	–	–	4,553
Profit/loss carried forward	–452	–	–	–	–	–	–452
Profit	223	–	–	–	–	–	223
Total liabilities shown in the balance sheet	118,743	2,324	503	47	10	40	121,667
Delivery obligations from spot exchange, forward forex and forex options transactions	486	8,655	4,088	0	0	723	13,952
Total liabilities	119,229	10,979	4,591	47	10	763	135,619
Net position per currency 31.12.2021	462	19	22	2	0	3	508
Net position per currency 31.12.2020	228	16	17	1	0	4	266

Information on off-balance sheet transactions

26 | Contingent assets and liabilities

Breakdown of contingent liabilities and contingent assets		
CHF million	31.12.2020	31.12.2021
Guarantees to secure credits and similar	75	84
Other contingent liabilities	0	1
Total contingent liabilities	75	85
Contingent assets arising from tax losses carried forward	75	42
Total contingent assets	75	42

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

As far as systemic importance is concerned, Swiss Post Ltd has deposited a letter of comfort amounting to 1.5 billion francs in favour of PostFinance Ltd as at 31 December 2021.

27 | Managed assets

Breakdown of managed assets		
CHF million	31.12.2020	31.12.2021
Type of managed assets:		
Assets under discretionary asset management agreements	168	881
Other managed assets	43,474	37,508
Total managed assets¹	43,642	38,389
of which, double counting	–	–

¹ "Managed assets" refers only to assets deposited for investment purposes. Assets in connection with retirement planning products which are managed by third parties and assets deposited for transaction purposes are not included. PostFinance Ltd offers neither collective investment schemes managed by the bank nor asset management. Accordingly, assets for which the customer decides independently how they should be invested are reported under "Other managed assets".

Presentation of the development of managed assets		
CHF million	31.12.2020	31.12.2021
Total managed assets (including double counting) at beginning	46,058	43,642
+/- net new money inflow or net new money outflow ¹	–3,074	–6,890
+/- price gains/losses, interest, dividends and currency gains / losses	658	1,637
+/- other effects	–	–
Total managed assets (including double counting) at end	43,642	38,389

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

Information on the income statement

28 | Result from trading activities and the fair value option

Breakdown by business area

CHF million	2020	2021
Payment transactions and financial investments	204	205
Hedge accounting	0	-1
Proprietary trading	-15	8
Total result from trading activities	189	212

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

CHF million	2020	2021
Result from trading activities from:		
Interest rate instruments	-196	-366
Equity securities	-2	1
Foreign currencies	386	577
Total result from trading activities¹	189	212

¹ PostFinance does not apply the fair value option.

29 | 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 is subject to a customer asset fee. PostFinance also charges a customer asset fee for private customers' assets that exceed a defined threshold value.

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

CHF million	2020	2021
Negative interest on the lending business offset against interest and discount income	-2	-1
Negative interest on the borrowing business offset against interest expense	174	231

30 | Personnel expenses

Breakdown of personnel expenses

CHF million	2020	2021
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	385	376
Social insurance benefits	34	75
Other personnel expenses	14	17
Total personnel expenses	433	468

31 | General and administrative expenses

Breakdown of general and administrative expenses		
CHF million	2020	2021
Office space expenses	37	33
Expenses for information and communications technology	235	232
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	17	17
Fees of audit firm(s) (Art. 961a no. 2 CO)	2	2
of which, for financial and regulatory audits	2	2
of which, for other services	0	–
Other operating expenses	245	240
Total general and administrative expenses	536	524

32 | Extraordinary expenses and income

Extraordinary income		
CHF million	2020	2021
Reversals of impairment	1	4
Gains from disposal of participations	0	0
Total extraordinary income	1	4

33 | Taxes

Current and deferred taxes		
CHF million	2020	2021
Expenses for current capital and income taxes	4	5
Total taxes	4	5

Owing to the loss carryforward, expenses for current capital taxes and income taxes in 2021 largely consist of capital taxes. In the prior year, expenses for current capital taxes and income taxes also consisted largely of capital taxes due to the loss carryforward from previous years.



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
PostFinance Ltd, Berne

Berne, 25 February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PostFinance Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 41 to 81), including a summary of significant accounting policies, for the year ended 31 December 2021.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements, which provide a true and fair view of the financial position, the results of operations and the cash flows, 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 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the applicable financial reporting framework for banks and comply with Swiss law and the company's articles of incorporation.



2



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 para. 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 distribution from capital reserves complies with Swiss law and the company's articles of incorporation and recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Philipp de Boer
Licensed audit expert
(Auditor in charge)

Daniel Güttinger
Licensed audit expert

Reporting

Download

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

Ordering

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

Structure of Swiss Post reporting documents

The Swiss Post annual reporting documents consist of:

- Swiss Post Business Report:
 - Annual Report
 - Financial Report (management report, corporate governance, annual financial statements for the Group, Swiss Post Ltd and PostFinance Ltd)
 - Global Reporting Initiative Index
 - Annual Report key figures
- PostFinance Ltd Annual Report

Publication details

Publisher and point of contact

PostFinance Ltd
Mingerstrasse 20
3030 Bern
Switzerland

Tel. +41 58 338 25 00
Media relations +41 58 338 30 32
postfinance.ch

Concept and project management
PostFinance Ltd Communication, Bern
phorbis Communications Ltd, Basel

Text
PostFinance Ltd, Bern
Klarkom AG, Bern

Photographs

Rolf Siegenthaler, Bern,
Julian Salinas, Basel,
and various sources

Design and typesetting

phorbis Communications Ltd, Basel

Proofreading and translations

Swiss Post Language Services, Bern

Printer

Stämpfli Ltd., Bern

ISSN numbers:
Print: 2296-8113
Online: 2296-8164

About the paper:
This Annual Report was produced carbon-neutrally on 100% FSC®-certified recycled paper without optical brightening agents. RecyStar Polar paper is certified with the Blue Angel eco-label for particularly environmentally friendly products (blauer-engel.de). It also has the EU Ecolabel (ecolabel.eu) and is FSC®-certified (fsc.org).



printed in
switzerland

450.01 EN 03.2022 PF

PostFinance Ltd
Mingerstrasse 20
3030 Bern
Switzerland

Tel. +41 58 338 25 00
postfinance.ch

PostFinance 