



Smart banking.
Made for Switzerland.
Annual Report 2022

PostFinance 

PostFinance at a glance

PostFinance is a diversified, innovation-driven financial service provider that offers its 2.5 million customers modern 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 105 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.

Profit (ARB)
in millions of francs

190

Capital ratio
in %

21.3

Eligible equity capital
in billions of francs

6.3

Total assets as per ARB

114

Return on equity
in %

3.2

Cost-income ratio
in %

77.0



Assets under management in e-asset management have exceeded the **1 billion franc** threshold.



Philipp Merkt
Chief Investment Officer

Now numbering 79,000,000, transactions via the PostFinance TWINT App doubled year-on-year.



Beat Bieri
Subject Matter Expert,
PostFinance TWINT



1.3 billion transactions are processed by PostFinance each year.



Anna Rosa Scacchi
Subject Matter Expert,
Debit Cards



3,655 employees from
46 nations work daily
to serve PostFinance's
2.5 million customers.

PostFinance customers can currently choose from around 30 investment funds and four retirement funds that take account of sustainability aspects.



Almost **1 million** customers used the PostFinance App for their banking transactions.



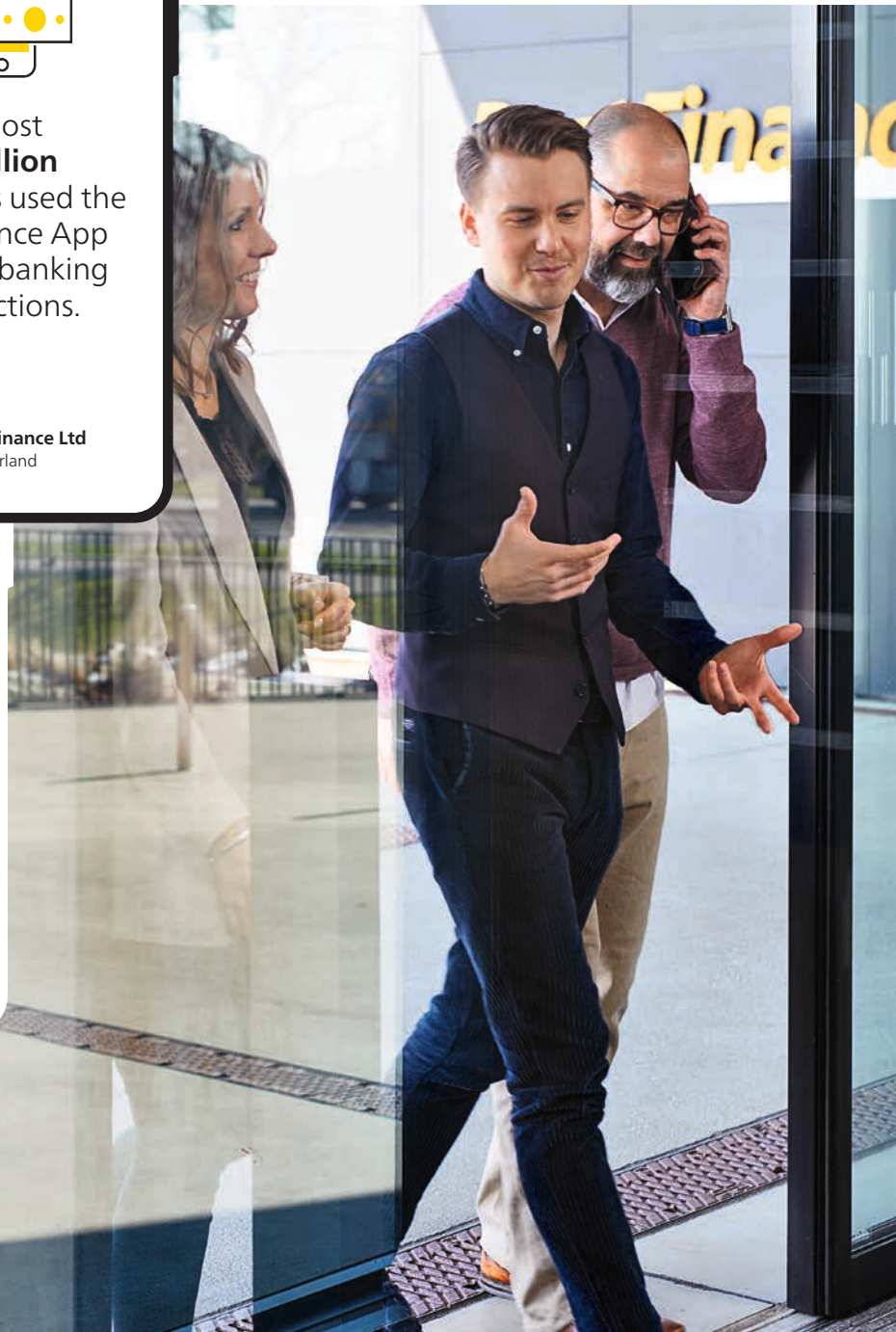
PostFinance Ltd
Switzerland



Around **23,000** pupils worked with MoneyFit in the classroom in 2022.



Léonie Amiet
Sponsoring & Events
Manager





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. ** Until 30 November 2022.

Joint venture, 50 percent stake held by PostFinance.

Our performance

PostFinance Ltd | Key figures

2022 with previous year for comparison

		2021	2022
Balance sheet			
Total assets as per ARB	CHF million	121,667	114,380
Capital ratio as per guidelines for systemically important banks	%	20.3	21.3
Going concern leverage ratio	%	4.71	4.98
Gone concern leverage ratio	%	0.42	0.56
Income statement (as per ARB)			
Operating result	CHF million	223	192
Profit / loss	CHF million	223	190
Return on equity ¹	%	3.7	3.2
Cost-income ratio	%	75.7	77.0
Customer assets and loans			
Development of customer assets	CHF million	-12,965	-6,097
Customer assets	CHF million monthly avg.	110,714	104,617
Market and employee key figures			
Customers	In thousands	2,576	2,461
E-finance users	In thousands	1,928	1,939
Accounts	In thousands	4,037	3,918
Customer satisfaction – private customers	Index	80	79
Customer satisfaction – business customers	Index	77	76
Average headcount	Full-time equivalents	3,237	3,250
Employee satisfaction	Index	77	79
Transactions			
Payment transactions	In millions	1,265	1,320

¹ Return on equity = operating result as per ARB / average eligible equity capital as per ARB.

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We remain relevant and profitable –
and will continue to do so in 2023.

Marcel Bühler



Hansruedi Köng
CEO

Marcel Bühler
Chairman of the Board of Directors

Foreword

Dear Reader

It was a historic year that will go down in the history books. The war in Ukraine, geopolitical tensions fuelling the energy crisis and record high global inflation have affected us all in various ways. The financial markets have rarely experienced upheavals of the kind we have seen this past year, and PostFinance was not alone in feeling the impact of many of these developments.

In the 2022 financial year, PostFinance generated profit as per the accounting rules for banks (ARB) of 190 million francs, down 33 million francs year-on-year.

Impact of the interest rate turnaround

As a result of the Swiss National Bank's (SNB) historic decision to take rapid steps to return to positive key interest rates after around eight years, PostFinance was able to cancel its unpopular customer asset fees for private and business customers with effect from 1 October 2022. At the same time, PostFinance suffered a loss of income from negative interest rates on the inter-bank money market. This was offset by new positive returns from interest on credit balances at the SNB. Long-term interest rates on the capital market had already risen significantly last year, making it possible to achieve gradually higher returns

Foreword

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on financial investments. In total, this led to an 80 million franc reduction in net interest income year-on-year, as the immediate discontinuation of negative interest rates had a much greater impact than higher income from financial investments, which takes time to accrue. Greater uncertainty on the markets also led to higher credit risk premiums, and hence to higher general impairment charges on financial assets compared to the previous year.

Higher income from commission business and services made a positive contribution to the result. This was due to the banking packages introduced for private customers in 2021, the expansion of investment solutions and a rise in revenue from credit cards.

Operating expenses fell by 36 million francs year-on-year. Personnel expenses were down by around 14 million, the result of a one-off payment to the Swiss Post pension fund in the previous year. At the same time, lower project costs and efficiency improvements as a result of implementation of the strategy led to a fall of around 22 million francs in general and administrative expenses.

Record sales of prepaid cards and credit cards

PostFinance's prepaid cards and credit cards are again seeing widespread use after the years marked by the coronavirus pandemic. On the one hand, there is record growth in transactions and revenues abroad. On the other, the cards are also being used more than ever at home. With a growing desire to travel following the removal of coronavirus restrictions and the substitution of cash, but also as a result of the ongoing development of payment infrastructure, we are seeing increasing use of cards including for smaller amounts.

Changes in the Executive Board

The past year saw two changes in the Executive Board. On 1 January 2022, Benjamin Staeheli joined the Executive Board as the new Head of Payment Solutions. Gabriela Länger, Head of Strategy & Transformation, left the Executive Board at the end of November. As a temporary solution until a definitive successor is chosen, CEO Hans-

ruedi Köng will manage the unit personally on an interim basis. The process of finding a successor will begin in Q1 2023.

Still on track with our strategy

Following Parliament's rejection of the partial revision of the Postal Services Organization Act (PSOA), the lifting of the lending prohibition and any potential privatization of PostFinance are now off the table. Although we did not get the result that we had hoped for from policymakers, we reaffirm our view that we are on the right track with our SpeedUp strategy. Demonstrating their foresight, the Executive Board and the Board of Directors had anticipated this decision while drawing up the 2021–2024 strategy. The decision therefore has no consequences for our strategy, and we are consistently pursuing our chosen path. We will reconsider the focus of our mortgage brokerage business in the future and adapt to the framework under which we operate. We remain relevant and profitable – and will continue to do so in 2023.

Successful launch of the QR-bill

Under the leadership of SIX Interbank Clearing Ltd, the red (IS) and orange (ISR) inpayment slips were discontinued on 1 October 2022 and replaced throughout Switzerland by the QR-bill. In this context, PostFinance is supporting digitized accounting and the replacement inpayment products, QR-bill and eBill. Working with the Swiss financial center last year, PostFinance ensured that the process of transitioning to the QR-bill ran smoothly, picking up points for its customer friendliness, as initial surveys have shown. In autumn, only PostFinance customers could use the QR-bill to pay their bills with either their smartphone or computer, while for many payment was still possible only with a smartphone.

Make payments anywhere with the PostFinance Card combined with Mastercard®

PostFinance works continuously to make the PostFinance Card more attractive by providing additional services for retailers and cardholders. In April 2022, for example, PostFinance launched a PostFinance Card combined with Debit Mastercard® for pri-

vate and business customers. Since then, it has been possible to use the new co-badging card at even more points of sale in Switzerland, both in-store and online, and now also for payment abroad.

Outlook

The turnaround in interest rates will again have an impact on interest income in 2023. Shortfalls in income from customer asset fees and the interbank money market will have an impact. However, all indications suggest that the development of earnings and margins will bottom out in 2023 and that the situation will improve significantly thereafter. We very much welcome the turn towards a positive interest rate environment, which is also in the interests of our customers. The gradual normalization of the overall interest margin – combined with stronger revenue from non-interest-sensitive business – will provide PostFinance with the potential to significantly improve profitability.

Thank you

Despite all the turbulence of the past year, we were again able to count on our staff, who in 2022 worked day after day to ensure the success of PostFinance and the well-being of our customers. For that, we owe them our sincere thanks.

Even if, or indeed because, it may often seem that the world is lurching from one crisis to another, we are grateful to you, our customers, for your trust and loyalty. Without you, our daily efforts to be number one in payment transactions and to work with passion and enthusiasm on new products for managing money would be worthless. That's why we look forward to the coming months with you and promise you that in everything we do, we have only one focus: you



Marcel Bühler
Chairman of the
Board of Directors



Hansruedi Köng
CEO



 Interview

 with **Hansruedi Köng**,
CEO


We very much welcome the turn towards a positive interest rate environment – which is also in the interests of our customers.



Watch a video
of the interview

Hansruedi Köng, 2022 was a turbulent year for the financial sector. How did PostFinance fare?

I'm happy with the result. Despite difficult market conditions, we have remained firmly on track. Thanks to the normalized interest rate environment, we were able to free our customers from the unpopular customer asset fees (negative interest rates) in October. In addition, we have continuously optimized our product range and shown that we are bold and innovative.

Since September 2022, the SNB policy rate has again been positive. The period of negative interest rates is history. What was the significance of this step towards "normality" for you?

In the medium term, the return to positive interest rates is a financial blessing for PostFinance, and we very much welcome the

turn towards a positive interest rate environment – which is also in the interest of our customers. In the short term, the positive yields on investment do not yet fully offset the loss of income from negative interest rates in the interbank business. However, the gradual normalization of interest margins – combined with revenue in the interest differential business – will provide PostFinance with the potential to significantly improve profitability from 2024.

In response to the persistent negative interest rates, PostFinance cut back on customer deposits and reduced its balance sheet. But with interest rates rising, that is counterproductive. Why did PostFinance pursue this strategy?

The balance sheet reduction was necessary to secure our economic viability. Because of the lending prohibition, it was simply impos-

sible for us to place customer deposits on the market during the period of negative market interest rates without incurring losses of our own.

Logically, PostFinance would have to attract customer deposits again.

Correct! In today's normalized market situation, we are available to our customers again in the usual way. Customer deposits can again be placed on the market so that they cover costs and yield a profit. We also comfortably meet the statutory requirements governing minimum capital requirements, even allowing for the requirement for domestic systemically important banks to accrue increased emergency capital by 2026, as set out in the Capital Adequacy Ordinance. The key to controlled growth is in the quality of our services.

At the political level, FINMA's capital requirements are a recurring topic of discussion. What is PostFinance's position in this regard?

In the summer of 2015, PostFinance was classified as a systemically important bank by the Swiss National Bank (SNB). A core element of the special requirements for systemically important banks is the build-up of additional equity for emergencies (gone-concern capital). Under the Capital Adequacy Ordinance (CAO), PostFinance has until the end of 2025 to meet these additional capital requirements. With an ARB leverage ratio of 5.54 percent and a risk-weighted capital ratio of 21.3 percent, PostFinance today is solidly capitalized and meets the requirements of the law and ordinance. Should other additional requirements enter into force, PostFinance will of course be able to adhere to these, too.

PostFinance wants to offer its customers fresh solutions and smart innovations for their finances. What did PostFinance achieve in 2022?

Alongside our ongoing business operations, we have also launched various new products to help our customers make digital payments easily. Despite difficult market conditions, the investment solutions introduced in previous years are proving very popular. In our flagship product, e-asset management, we have expanded the assets under management to over one billion. In our strategy and retirement funds, we have migrated to sustainable, ESG-compliant solutions. We can be very proud of that.

At the beginning of this interview, you mentioned the optimized product range. For example, PostFinance has launched a new PostFinance Card combined with Debit Mastercard. How does this benefit customers?

We have been driving the development of convenient and secure cashless payment solutions for many years. The new PostFinance Card can now be used to make payments practically anywhere in Switzerland and abroad. The yellow card can also be used for online orders from domestic and international e-commerce providers from home and on the go. This is our response to customer needs and the growing tendency to replace cash with electronic payment methods.

TWINT remains on course for success.

What are the plans for PostFinance TWINT in the future?

Here at PostFinance, we are proud that TWINT Ltd, which we founded in 2014, is performing so well. Today, we hold just over

a quarter of the capital, and along with SIX, are the largest single shareholder in TWINT. Customers like the fact that they don't have to enter personal data when making payments and that the payments are fast and inexpensive. TWINT continues to grow in terms of transactions, revenue and popularity with retailers, businesses and consumers. Our goal is to establish TWINT as the clear number one in Switzerland's mobile payment landscape by continuously adding new features.

Yuh, the joint venture between PostFinance and Swissquote, is also developing successfully.

In May 2022, the Yuh app turned one year old – and celebrated its birthday with 60,000 "Yuhers". The digital financial product, jointly developed by Swissquote and PostFinance, brings together the most important banking functions in a single innovative app. Yuh is an exciting development for people who prefer to take care of everything digitally, ideally with apps on their smartphone. The special thing about Yuh: not only does it support savings plans and payments, it is a neobank that also makes it easy to start trading in securities and cryptocurrencies. At the end of 2022, the app registered more than 100,000 customers for the first time. I am very proud that PostFinance is working with Swissquote to operate one of the most successful neobanks in Switzerland.



We have been driving the development of convenient and secure cashless payment solutions for many years.

Hansruedi Kög



Customer demand for sustainable financial products is growing.

Hansruedi Köng

What other projects relating to digital payment transactions does PostFinance have up its sleeve for private customers? And what about innovations for business customers?

At PostFinance, we are continuously improving our range of products and services for our private and business customers, and we tell them about innovations once they are ready for use. As an exception to this rule, we announced at an early stage that we are working on a new solution for the retail sector, PostFinance Pay, and on the safeguarding of cryptocurrencies, and we will now see how quickly we make headway with their implementation. PostFinance Pay, for example, is a major undertaking involving not only various teams at PostFinance but also many smaller and larger retailers and payment service providers.

Our business customers also have innovations and improvements to look forward to in 2023: for example, next-generation cash management will give them a central overview of all accounts, including accounts with third-party banks.

PostFinance is looking to get into the crypto market, even though it has not had a good year. Why is PostFinance jumping on this bandwagon now of all times?

Blockchain technology will continue to be a relevant driver of new innovations in the future. The collapse of the FTX trading venue and the massive corrections of all of the major cryptocurrencies do not spell the end of them: they are more like a cleansing storm that has washed away excesses that were in some cases absurd. Through PostFinance's entry into crypto trading, we are addressing a need among our customers – namely the need for a trustworthy provider for the trading and safeguarding of cryptocurrencies. This is something that we at PostFinance can offer our customers.

Sustainability is important to PostFinance. PostFinance has converted its funds into ESG funds. Why do you think this step was necessary?

Customer demand for sustainable financial products is growing. As is our belief that the financing of companies is one of the

factors that can encourage sustainable business management, and PostFinance has continued to develop its services accordingly. Since May, the four PostFinance Pension retirement funds have been strategically geared towards sustainability in accordance with environmental, social and corporate governance (ESG) criteria, with PostFinance adopting the “best in class” approach. This means that investments are made in companies delivering the best sustainability performance within their industry. For each of the investment funds, adhering to these sustainability criteria achieves a better ESG value and a lower CO₂ value.

The QR-bill represents a further step in the digitization process. How is the number of face-to-face transactions over the counter developing?

The introduction of the QR-bill allows for the ongoing digitization of business processes among our business customers, while also implementing the legal requirements aimed at combating money laundering and the financing of terrorism. This means that customers who deposit cash can be better identified. It also means that the confirmations of beneficial ownership required by law can be carried out more easily. It has long been clear to us that this technological development will accelerate the long-standing trend towards declining cash payments at the counter. This trend will continue, and the challenge of financing this expensive physical counter infrastructure will therefore also continue to grow.

Policymakers are discussing the future of Swiss Post's universal service obligation and the associated mandate to provide payment transaction services. What is the current situation in this regard?

The issue is what kind of universal service for payment transactions Switzerland wants to have in the future. That is a political question. The Federal Council is seeking to set out concrete proposals by summer 2023. Swiss Post and PostFinance welcome this, are happy to participate in the work and are providing a basis to facilitate the political decision.

What kind of universal service obligation would you like to see from 2030?

I would like to see a solution that takes the needs of businesses and the general public into account, while also being technically feasible and financially viable.

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 "Corporate governance – banks". Members are elected for two years.



Marcel Bühler

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

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)



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

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)



Jürg Brun

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

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)



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 (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); Bascoral GmbH (Chief Executive Officer, owner); Zetamind AG (Chair of the Board of Directors, joint owner); Swiss Data Alliance (Member of the Board); Zabka Group (independent member of the Board of Directors)



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 (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); Post CDR Ltd (Chair 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 (Vice-Chair 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 (Vice-Chair 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:

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/II/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

2022	Number	Attendance rate %
Board of Directors' Meetings	10	100
Board of Directors' Committee Meetings		
Organisation, Nomination & Remuneration	9	100
Audit & Compliance	9	96.3
Risk	8	100
IT & Digitization	8	95.8

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 and succession planning 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)
- Marcel Bühler
- 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)
- Marcel Bühler
- Alex Glanzmann

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. 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)
- Marcel Bühler
- 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

Gabriela Länger (Head of Strategy & Transformation) left the Executive Board on 30 November 2022. Hansruedi Köng is leading this unit on an interim basis.

Hansruedi Köng, CEO of PostFinance, announced on 6 March 2023 that he will step down from his position of his own volition at the end of February 2024.



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 Compliance Management, Lucerne University of Applied Sciences and Arts/Institute of Financial Services IFZ Zug

Professional background:
PostFinance Ltd (Head of Compliance, 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); Albert Egger AG (Member of the Board of Directors)

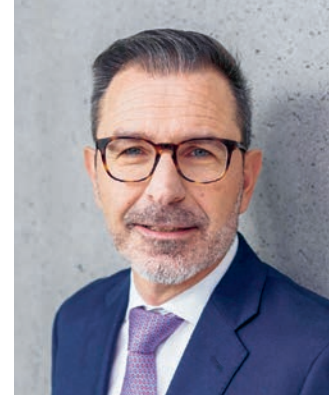


Sandra Lienhart

Chief Business Unit Officer 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 Kantonalbank 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)



Benjamin Staeheli

Chief Business Unit Officer for Payment Solutions, member since 2022, Switzerland, 1968, doctorate in Cross-cultural Management (University of St. Gallen), lic. oec. Business Administration (University of St. Gallen)

Professional background:
Avaloq Group (Head of Global Banking Operations); B-Source SA (now called Avaloq Sourcing Ltd, Head of Banking and member of Executive Board); Credit Suisse Group AG (various management functions)

Key posts:
Centro di Studi Villa Negroni (Member of the Advisory Board)



Gabriela Länger

(until 30 November 2022)

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 Maintenance
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)

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. Ten meetings were held in 2022.

Besides handling business activities from the business units, 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. New remuneration regulations for the Board of Directors were introduced on 1 January 2022. In addition to basic compensation, flat-rate remuneration is paid for chairing and sitting on each committee. This covers all time commitments involved in performing the mandate. Expenses are also covered with annual flat-rate remuneration. 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 percent). At PostFinance Ltd level, return on equity (RoE) (weighting: 37.5 percent) and the result from non-interest-sensitive business (weighting: 12.5 percent) 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. The basic salary and 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 2022). Any income in excess of this amount is covered by an external comprehensive insurance solution. Contributions

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

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.

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.

Equal pay

Under the Gender Equality Act, companies with over 100 staff members are obliged to perform an equal pay analysis and to have this audited by an independent body. The salaries at PostFinance Ltd were analysed by Post CH Ltd and PostFinance Ltd on the reporting date of 31 October 2020 using the "Logib, standard analysis tool of the Swiss Confederation" analysis method. This took account of the 3,633 employees in an employment relationship at this time. The result of the equal pay analysis is within the statistical tolerance threshold of ± 5 percent. Mazars Ltd, based in Zurich, verified whether PostFinance Ltd's equal pay analysis had been carried out according to the correct procedures and confirmed that the analysis met the legal requirements and complied with equal pay in all respects.

Remuneration in 2022

Human resources

PostFinance Ltd paid a total of 374 million francs in salaries to its staff in 2022. This sum consists of fixed salaries of 354 million francs and variable components of 19 million francs, which were predominantly for 2021 and paid in 2022. Remuneration of 15 million francs for 2022 will not be paid until the subsequent year.

PostFinance employed 3,655 staff on average in 2022. This corresponds to 3,250 full-time equivalents.

Board of Directors

The Members of the Board of Directors (including the Chairman) received remuneration of 813,100 francs (fees and fringe benefits). The fringe benefits amounted to 43,100 francs.

The Chairman of the Board's fee totalled 200,000 francs, and fringe benefits amounted to 14,300 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 875,700 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 2,945,462 francs. The fringe benefits amounted to 163,300 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 460,831 francs.

The CEO's base salary amounted to 683,962 francs. The variable remuneration amounted to 107,009 francs.

The upper limit of 4,500,000 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	2021	2022
Chairman of the Board of Directors		
Fees	200,000	200,000
Fringe benefits		
Expenses and representation allowances	20,000	8,000
First-class GA travelcard ²	0	6,300
Total remuneration	220,000	214,300
Other members of the Board of Directors (6)¹		
Fees		
Base remuneration	360,000	400,000
Remuneration from committees	213,800	170,000
Fringe benefits		
Expenses and representation allowances	13,800	28,800
Additional fringe benefits ³	22,000	0
Total remuneration	609,600	598,800
Entire Board of Directors (7)¹		
Fees	773,800	770,000
Fringe benefits	55,800	43,100
Total remuneration	829,600	813,100
Chief Executive Officer		
Fixed base salary	683,962	683,962
Variable remuneration		
Variable salary component (paid out the following year)	113,538	107,009
Fringe benefits		
Expenses and representation allowances	19,200	19,200
Additional fringe benefits ⁴	15,346	16,480
Total remuneration	832,046	826,651
Other members of the Executive Board (8)		
Fixed base salary	2,139,429	2,261,500
Variable remuneration		
Variable salary component (paid out the following year)	368,397	353,822
Additional payments ⁵	8,374	0
Fringe benefits		
Expenses and representation allowances	87,500	90,000
Additional fringe benefits ⁴	36,575	37,620
Total remuneration	2,640,275	2,742,942
All members of the Executive Board (9)		
Fixed base salary and variable remuneration	3,313,700	3,406,293
Fringe benefits	158,621	163,300
Total remuneration	3,472,321	3,569,593

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 Additional 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 other payment concerns the settlement of unused leave entitlements.

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, 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 1,659,393 francs, of which 568,342 francs were due for the accounting audit and 1,091,051 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 the Federal Office of Communications (OFCOM) and for the Swiss National Bank (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 2.5 million private and business customers.

As number one on the Swiss payment transactions market, PostFinance ensures a seamless daily flow of liquidity. It processed 1.3 billion transactions in 2022.

PostFinance employed 3,655 staff in 2022. This corresponds to 3,250 full-time equivalents.

PostFinance generated a profit of 190 million francs in 2022. Total assets stood at 114 billion francs.

Customer assets fell by 6.1 billion francs in 2022. As anticipated, the continuation of customer asset fees until September 2022 led to consolidations of customer relationships and account balances. Geopolitical uncertainties and a significant adjustment of the interest rate structure produced negative market effects on non-interest-sensitive assets held by PostFinance customers. Economic uncertainties led to cautious investment behaviour with regard to investment solutions such as funds and securities investments.

The rapid shift by the Swiss National Bank (SNB) towards positive policy rates had a direct and appreciable impact on PostFinance's net interest income in the form of a loss of income from negative interest rates. However, rising capital market interest rates have the potential for a normalization of interest margins in the medium term.

Business activities

Reconciliation of operating profit as per Group IFRS guidelines with PostFinance's profit as per "Accounting – banks"

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".

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"). The other external publications of PostFinance Ltd on the capital adequacy statements are also based on ARB data.

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 "Accounting – banks".

Markets

PostFinance believes in the power of entrepreneurial freedom. That's why it serves its markets in four independent business areas: as a 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 2.5 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 Yuh app, which PostFinance operates as a joint venture with Swissquote.

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 set by 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 parties. 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

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

Global economic growth slowed considerably in 2022. At the same time, inflation in many countries is markedly above central banks' targets, with many central banks further tightening their monetary policy in response. The high level of inflation had a curbing effect, weighing on purchasing power and reducing demand, and so, too, did the uncertainty stemming from the war in Ukraine and the coronavirus lockdowns in China. There has been a broad-based increase in inflation in many countries since March. The war in Ukraine was a significant factor here, too, in that the prices of many commodities rose as a result. In addition, persisting supply bottlenecks led to further price increases for various goods.

In June 2022, in its first increase since 2015, the Swiss National Bank (SNB) raised the SNB policy rate and the interest rate on sight deposits held at the SNB by half a percentage point to –0.25 percent in a effort to counteract increased inflationary pressures.

With two further increases on 22 September and 15 December 2022, the SNB further tightened its monetary policy, raising the SNB policy rate to 1.0 percent. With these measures, it is working to counteract increased inflationary pressure and a further broadening of inflation. It remains possible that additional interest rate hikes will be needed to ensure price stability in the medium term.

In its baseline scenario for the global economy, the SNB assumes that for now, this challenging situation will persist. Global economic growth is likely to be weak in the coming quarters, while inflation will remain elevated for the time being. Over the medium term, however, inflation abroad should return to more moderate levels, not least due to the increasingly tighter monetary policy in many countries.

In the current situation, the inflation outlook nevertheless remains subject to high uncertainty. The energy situation in Europe, for example, could again deteriorate. At the same time, high inflation could become entrenched, requiring even stronger monetary policy responses in other countries. Finally, the coronavirus pandemic remains an important source of risk for the global economy.

The situation on the labour market remained positive. Employment continued to rise, and unemployment decreased again slightly. Overall production capacity has been well utilized.

Regulation

With the failure of the revision of the Postal Services Organization Act before parliament, the prohibition on issuing loans and mortgages remains in place for PostFinance. Meanwhile, the general regulatory momentum in the banking sector remains unchanged. Of particular note are tighter rules with regard to the prevention of money laundering, sustainable finance and depositor protection, and the management of operational risks. Taken as a whole, these regulatory developments are leading to appreciable additional expenses for banks. Added to that is the implementation of the repeatedly adjusted sanctions imposed in connection with the war in Ukraine.

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.

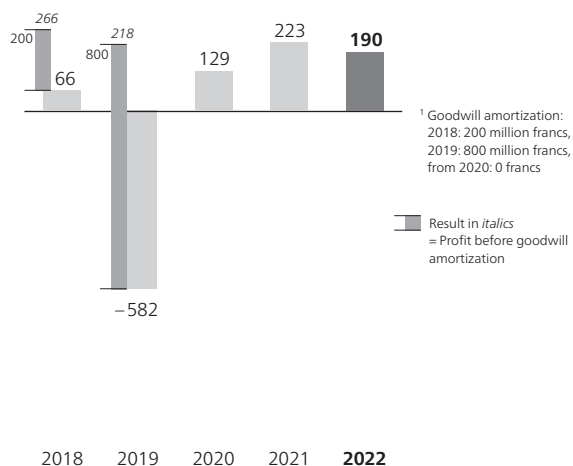
Positioning

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

- In Payment Solutions, PostFinance is 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 further developing a radical new service for “Banking & Beyond” geared entirely to the digital world.
- In Platform Business, PostFinance is establishing an independent Swiss comparison and sign-up platform for financing, insurance and retirement planning.

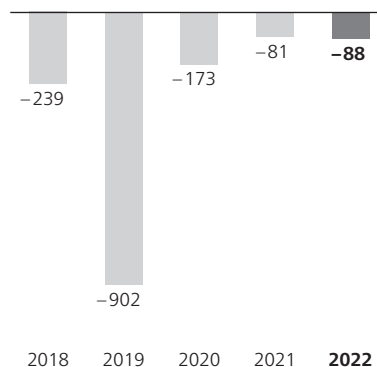
Profit/loss¹

2018 to 2022
CHF million



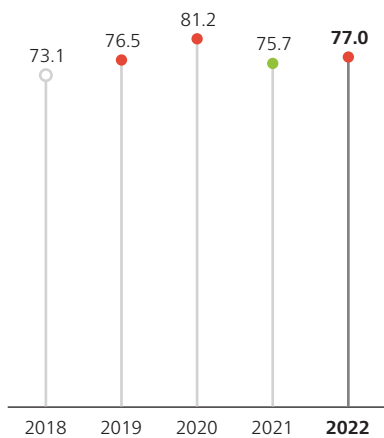
Economic value added

2018 to 2022
CHF million



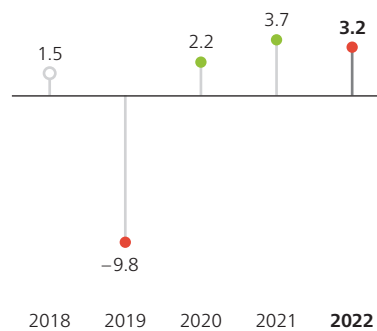
Cost-income ratio

2018 to 2022
Percent



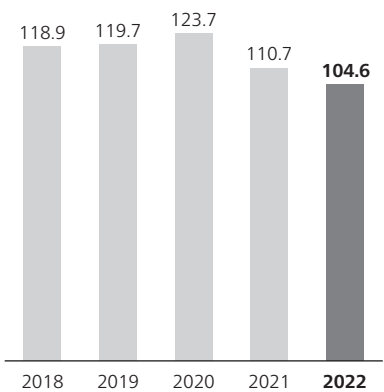
Return on equity

2018 to 2022
Percent



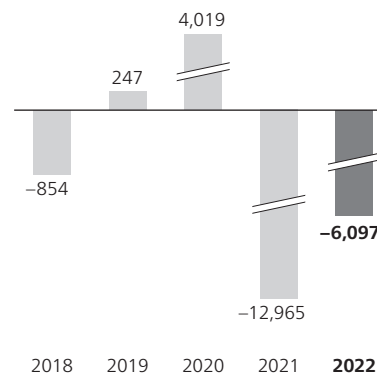
Average customer assets (monthly avg.)

2018 to 2022
CHF billion



Growth in customer assets

2018 to 2022
CHF million



Commentary on business performance

Key figures

PostFinance recorded a profit under the accounting rules for banks (ARB) of 190 million francs for the 2022 financial year, which represents a decrease of 33 million francs year-on-year.

Despite the turnaround in interest rates, operating income fell by 70 million francs.

The interest differential business is the most important source of revenue for PostFinance. Overall net interest income was down 80 million francs year-on-year. However, rising capital market interest rates have the potential for a gradual normalization of interest margins, and for PostFinance to improve its profitability appreciably in the future.

In the result from commission business and services and trading portfolio assets, the trends are positive. Income from the use of credit cards again increased year-on-year. The coronavirus pandemic had continued to weigh on the result in the 2021 financial year. Fees from the banking packages for private customers introduced in 2021, expansion of the range of investment products and revenue from e-trading produced a slight rise in income. This is offset by an accelerated decline in inpayments at Swiss Post branches. The pandemic and the switch to the QR-bill appear to be changing customer behaviour over the long term – towards digital solutions. As a result, there is an appreciable decrease in income from recipient fees.

Operating expenses were down by around 36 million francs year-on-year. Personnel expenses fell by around 14 million. At the same time, general and administrative expenses were down by 22 million francs.

The decrease in earnings before tax is also reflected in the key figures. Return on equity fell to 3.2 percent and the cost-income ratio rose slightly, despite a consistent focus on costs. As in the previous year, these again generated no economic value added in 2022.

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 had forced PostFinance to continue with customer asset fees until September 2022. For private customers, the introduction of the new banking packages in 2021 also led, as expected, 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. As expected, this led to lower amounts due in respect of customer deposits in the balance sheet. There was an additional reduction in the size of the balance sheet as a result of lower activity in connection with securities financing transactions. Total assets fell by 7.3 billion francs year-on-year.

The prevailing economic uncertainties are leading to cautious investment behaviour among PostFinance's investment customers with regard to funds and securities investments, which, from April 2022, was reflected in lower net inflows as well as significantly reduced trading activity. As a result of geopolitical uncertainties and a significant adjustment of the interest rate structure, 2022 also saw negative market effects on non-interest-sensitive assets held by PostFinance's investment customers.

Customer assets decreased by 6.1 billion francs year-on-year.

PostFinance Ltd Key figures			
2022 with previous year for comparison		2021	2022
Balance sheet			
Total assets as per Accounting – banks	CHF million	121,667	114,380
Capital ratio as per guidelines for systemically important banks	%	20.3	21.3
Going concern leverage ratio	%	4.71	4.98
Gone concern leverage ratio	%	0.42	0.56
Income statement as per Accounting – banks			
Operating income	CHF million	1,311	1,240
Operating result	CHF million	223	192
Profit/loss	CHF million	223	190
Return on equity ¹	%	3.7	3.2
Cost-income ratio	%	75.7	77.0
Customer assets and loans			
Customer assets ²	CHF million monthly avg.	110,714	104,617
Funds, securities and life insurance ²	CHF million monthly avg.	18,219	15,853
Customer deposits	CHF million monthly avg.	92,495	88,764
Development of customer assets ³	CHF million	-12,965	-6,097
Managed assets as per provisions of Circ. 2020/1 ²	CHF million	38,389	35,669
Inflow of new money as managed assets ³	CHF million	-6,890	7
Mortgages ⁴	CHF million	6,262	6,192
Market and employee key figures			
Customers	In thousands	2,576	2,461
Private customers	In thousands	2,308	2,198
Business customers	In thousands	268	263
E-finance users	In thousands	1,928	1,939
Accounts – private customers	In thousands	3,732	3,624
Accounts – business customers	In thousands	305	294
Customer satisfaction – private customers	Index	80	79
Customer satisfaction – business customers	Index	77	76
Average headcount	Full-time equivalents	3,237	3,250
Employee satisfaction	Index	77	79
Transactions			
Payment transactions	In millions	1,265	1,320

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

2 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.

3 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.

4 Commission business in cooperation with financial partners.

Assets and customer transaction volumes

In the year under review, total assets declined by 7.3 billion francs to 114 billion francs. The reduction in the size of the balance sheet is due in particular to lower amounts due in respect of customer deposits and reduced activities in connection with securities financing transactions.

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 2022.

Customer assets decreased by 6.1 billion francs. For private customers, the fees introduced in 2021 for the new banking packages led to the consolidation of customer files into one primary banking relationship, and in some cases to terminations of customer relationships. In addition, the continuing negative interest rates on sight deposit balances at the SNB increased the pressure on PostFinance's interest operations, forcing it to pass on the negative market interest rates to its customers in the form of customer asset fees until September 2022.

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

Customer asset fees on private customer accounts with assets exceeding 100,000 francs also had to be continued until September 2022. From the second half of 2021, customer asset fees had to be levied on private customers with assets of more than 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. Digital investment solutions such as e-asset management, fund consulting basic, investment consulting plus and fund self-service were widely taken up. In addition, investments with a focus on sustainability are becoming increasingly popular. However, the net inflows of around 300 million francs did not offset the changes in fair value in 2022. The prevailing economic uncertainties led to cautious investment behaviour among PostFinance's investment customers with regard to funds and securities investments. From April 2022, this was reflected in lower net inflows on the one hand and significantly reduced trading activity on the other. As a result of geopolitical uncertainties and a significant adjustment of the interest rate structure, 2022 also saw negative market effects on non-interest-sensitive assets held by PostFinance's investment customers.

Customer assets in investment products stand at around 15.9 billion francs, representing a decline of 13 percent year-on-year.

PostFinance processed 1,320 million payment transactions, which amounts to an increase of 4.3 percent year-on-year. Overall, PostFinance customers carried out transactions representing a total volume of well over 2,000 billion francs. These figures illustrate the importance of PostFinance in the Swiss financial services market.

Switzerland's financial center introduced the QR-bill on 30 June 2020. With the changeover to the ISO standard 20022 and the new QR-bill, the domestic inpayment slips were permanently discontinued following a transition period that ended on 30 September 2022.

The pandemic and the switch to the QR-bill appear to be changing customer behaviour over the long term – towards online banking. In 2022, this again caused a sharp drop in revenues from over-the-counter transactions at Swiss Post branches. Cash withdrawals at Swiss Post branches and Postomats also continued to decline. This is because, as digitization continues to progress, more and more customers are using payment options other than cash. In particular, card payments and mobile payment solutions such as TWINT have become increasingly popular since the coronavirus pandemic.

PostFinance's prepaid cards and credit cards are again seeing widespread use after the years marked by the coronavirus pandemic. On the one hand, there is record growth in transactions and revenues abroad. On the other, the cards are also being used more than ever in Switzerland. Among the reasons for the overall increase in use are a growing desire to travel following the removal of coronavirus restrictions, the substitution of cash, the ongoing development of payment infrastructure, and also the fact that the cards are also increasingly being used for smaller amounts.

Investments

In 2022, PostFinance invested in the maintenance of the core banking system. Some of the server platforms for virtualized application servers and databases were replaced at the end of their life cycle, improving performance in the process. In addition, data storage and data backup platforms had to be expanded to cope with the general growth in data.

At the end of 2022, the real estate portfolio of 20 properties had a market value of 1.27 billion francs. PostFinance invested around 25 million francs in developing and preserving the value of its own portfolio in 2022. The focus was also on improving environmental sustainability. Building analyses were carried out in all properties, and measures to improve sustainability were either implemented or planned.

The renovation work on the Genève Mont-Blanc property, built in 1892, required investments of 5 million francs in the year under review. 1,400 square metres of office space with a high standard of fittings and furnishings were occupied by a new tenant with a long-term lease.

The Genève Montbrillant property, situated next to the railway station, is being 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 3.5 million francs in 2022.

Following negotiations with the city of Geneva, work on the new Genève Rive building has begun. The cost of this property development in the year under review was 2 million francs. The newly constructed building will house the Genève 3 Swiss Post branch, as well as office space and flats.

Space rented by Swiss Post units was returned on the ground floor of the property on Avenue de Tivoli in Fribourg, allowing for the provision of more than 1,800 square metres of retail space. A retailer has entered into a long-term rental agreement and will open for business in the first quarter of 2023. PostFinance invested a total of 4 million francs in Fribourg in optimizing the space on the ground floor and other construction projects that are already underway.

The Zurich-Oerlikon property development was completed at the end of 2022. In the year under review, PostFinance's investments amounted to 3 million francs. The SpeedUp Space Oerlikon was opened in June 2022. Situated near the railway station, it offers PostFinance staff 540 square metres of workplaces, meeting rooms and workshop areas.

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

Despite the turnaround in interest rates, operating income fell by 71 million francs.

The interest differential business is the most important source of revenue for PostFinance. Overall net interest income was down 80 million francs year-on-year, driven by the lifting of the negative interest regime.

The international financial markets continued to be shaped by the development of inflation and the expectations regarding monetary policy that accompany it. The rapid shift by the SNB towards positive policy rates had a direct and appreciable impact on PostFinance's net interest income.

As a result of the SNB's historic decision to return to positive policy rates after around eight years, PostFinance cancelled its customer asset fees for private and business customers with effect from 1 October 2022. At the same time, PostFinance also suffered a loss of income from negative interest rates on the interbank money market.

This was offset by new income from interest on credit balances at the SNB and positive returns from new investment tranches. Long-term interest rates on the capital market rose significantly last year, making it possible to achieve higher returns on financial investments. At PostFinance, new investments are made on a continuous basis within a long-term portfolio and along the annual maturities. This means that the increased long-term interest rates will only be reflected in the form of higher income from financial investments in the medium term. Interest income in the financial investment portfolio also declined in 2022. Portfolio value adjustments led to impairments in 2022, while the previous year saw reversals of impairment.

However, the gradual normalization of interest margins has the potential to improve PostFinance's profitability appreciably in the future.

Commission business and services posted an increase of around 7 million francs overall.

Fees from the banking packages for private customers introduced in 2021, an expansion in the range of investment products and revenue from e-trading produced a slight rise in income.

Income from the use of credit cards again increased year-on-year. PostFinance customers again did significantly more travelling in 2022. The coronavirus pandemic had continued to weigh on the result in the 2021 financial year.

This is offset by an accelerated decline in inpayments and lower capacity utilization at Swiss Post branches. The pandemic and the switch to the QR-bill appear to be changing customer behaviour over the long term – towards digital solutions. As a result, there is an appreciable decrease in income from recipient fees.

Volumes in foreign exchange transactions have developed positively. Net trading income as per "Accounting – banks" grew by a total of around 9 million.

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.

Other ordinary income fell by 6 million francs in 2022. The reason for the higher income in the previous year was the sale of financial investments.

Operating expenses

Operating expenses were down by around 36 million francs year-on-year.

Personnel expenses fell by around 14 million francs compared to the prior year, which is mainly attributable to the change in the contributions to employee benefits schemes. 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.

Headcount increased by 13 full-time equivalent positions to an average of 3,250. 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 Data Driven Company units.

Growth at the IT unit was driven by the internalization of external specialists. The number of employees declined in the Sales and Operations units. In Sales, this was due to two factors. Firstly, the working capital management service was discontinued, and, secondly, it was not yet possible to completely fill the gap caused by natural staff turnover with new specialists, due to the current labour market situation.

At the same time, lower project costs and efficiency improvements as a result of implementation of the strategy led to a fall of around 22 million francs in general and administrative expenses.

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 190 million francs for the 2022 financial year, which represents a decrease of 33 million francs year-on-year.

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	2021	2022
Operating result (EBIT) PostFinance, normalized before fees and net cost compensation	272	229
Normalization ¹	9	0
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	281	229
Management/licence fees/net cost compensation	-11	-6
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	270	223
Net income from associates and joint ventures	-3	-8
Net financial income	-36	-38
PostFinance segment earnings before tax (EBT)	231	177
Income tax	-36	-28
PostFinance segment profit	195	149
Consolidation effects from associates and joint ventures	4	7
PostFinance Ltd profit before reconciliation	199	156
Valuation differences for financial assets	9	19
Reversal of impairment/impairment on financial assets and receivables, incl. taxes	0	0
Realized gains from (earlier than scheduled) repayments	2	-18
Valuation differences between IAS 19 and Swiss GAAP ARR 16	-12	10
Valuation differences, IFRS 16 Leases	0	0
Depreciation of revalued real estate	-3	-3
Individual value adjustment due to lower market value (fixed assets)	-4	-1
Valuation differences for investments	-2	-2
Realized gains from investments	-2	0
Adjustment of current and deferred tax effects as per IFRS	36	29
PostFinance Ltd profit as per Accounting – banks	223	190

¹ By annulling the regulation on issuing staff vouchers to pensioners 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.

Digital products and services and interest rate measures are proving popular.

Non-financial results of a material nature

Customer satisfaction

Satisfaction in 2022 stood at 79 points for PostFinance's private customers and 76 points for retail business customers on a scale of 0 to 100. Both values are one point below the previous year's figures. Despite the slight decline, almost 90 percent of private customers and 83 percent of business customers still indicated they are essentially satisfied with PostFinance. Customers giving a neutral or negative rating most often cite fees being excessively high or interest rates being excessively low as their reason for doing so.

The ratings for different PostFinance products and services vary: e-finance, the PostFinance App and TWINT are very popular with the private customers surveyed, with e-finance receiving an overall score of 83 out of a possible 100 points, the PostFinance App scoring 84 points and TWINT scoring 89. The rating for card use saw another slight decline at the end of the first quarter of 2022. However, the introduction of the PostFinance Debit Mastercard®, with its higher level of acceptance, is likely to have a significant effect on satisfaction with the PostFinance Card in 2023.

PostFinance's reaction to the various interest rate hikes by the Swiss National Bank led to a large number of positive responses from major and institutional business customers in the summer of 2022, and is also expected to have a positive impact on retail customer satisfaction in 2023.

Staff motivation

In the 2022 employee survey, the figures from the annual core survey increased consistently at a high level. At 83 percent, the rate of staff participation achieved in the employee survey was again high.

The results for the "Work" section were up by two points. The rating for the "Commitment" section was actually three points higher. These figures are positive, particularly after the pandemic and after changes due to a reorganization.

The great majority of employees have what they need for their work and see the purpose of their work (increase of two points year-on-year). In the "Work" section, the item for assessing whether there is enough time for the tasks assigned saw the biggest increase, five points up over the previous year.

In the "Commitment" section, all items were rated three points higher in 2022 than in the previous year. These include ratings for "Enjoy my work", "Proud to work at Swiss Post" and "Recommend as an employer". "Recommend as an employer" now achieves a high positive rating, while the other two ratings remain at a medium positive level.

As in the previous year, employees in management roles tend to rate the questions higher overall. Further demographic differences are barely identifiable.

Risk assessment

Due to the lending prohibition and associated investment activity on the money and capital markets, PostFinance is effectively fully exposed to market interest rates when making new investments. Despite this restriction, PostFinance continues to pursue a cautious investment policy, which is reflected in a portfolio of very good credit quality and exceptional liquidity. The term structure of the investment portfolio is coordinated with the refinancing structure, resulting in balanced interest rate risk positioning. In the negative interest rate environment that prevailed until mid-2022, PostFinance was able to continuously improve the implementation of negative interest rates for customer products in line with the market, which meant its interest margin was supported. The strategy for the transition to positive interest rates, which was defined in advance, was implemented smoothly in the second half of 2022 without the need for any significant changes in customer structure.

Essentially, the biggest risks faced by PostFinance arise from unexpected losses in the investment portfolio, which is why, in addition to credit quality, risk diversification within the portfolio is regularly measured and assessed. Interest rate risks entered into as a result of maturity transformation can lead to fluctuating net interest income over time. These risks are analysed and assessed on an ongoing basis using multi-period dynamic revenue analyses. Since PostFinance's large fixed-income portfolio is not affected by increased market volatility, the market risks taken are of secondary importance. The liquidity situation remains very stable at a high level. 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.

2022 milestones

Innovation

The innovation and venturing teams and PostFinance's related initiatives operate under the name VNTR | Innovation & Venturing. They anticipate what will create value for PostFinance in the future.

In 2022, the foresight process for "Anticipating the future" was revised and relaunched. It is used to analyse and evaluate signals, trends and technologies and derive potential new fields of innovation from them. The innovation process was professionalized even further, and cooperation with startups – for example as part of the Swiss "Kickstart Innovation" startup programme – was intensified by means of concrete feasibility studies.

VNTR also provided support with sustainability issues from an innovation perspective, developing a CO₂ calculator on the basis of an idea put forward by a PostFinance employee. The calculator and associated website allow all e-finance customers to use the data from their TWINT, PostFinance and credit card payments to develop a sense of the impact of their own consumption behaviour on their CO₂ emissions. It also gives users the opportunity to reduce their carbon footprint with various off-setting methods.

In 2022, the first version of the "TokenMarketCap" innovation project was developed – Switzerland's first overview page for asset tokens, the digital shares of tomorrow. At present, investors who are interested in digital company shares have to visit various different platforms to get an overview. TokenMarketCap solves this problem, providing a neutral overview of the Swiss asset token market.

tilbago, the innovation participation with its digital debt collection platform for business customers, has continued to grow and is now also part of Swiss Post Group's Dialog AG software for municipalities. In one of this year's highlights, tilbago, together with PostFinance, became the first company in Switzerland to roll out the integration of digital invoices into the debt collection process, which means that since 2022, all debt collection offices in Switzerland have been connected to PostFinance's e-bill solution.

Along with the best digital innovation units in the German-speaking world, PostFinance's innovation and venturing activities were recognized in a 2022 study carried out by business magazine Capital and ranked among the top 15 "Best innovation labs" and among the top 10 "Best startup programmes".

Development of products and services

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 actively used by almost one million customers. This makes PostFinance the ideal partner for everyone who wants to manage their own finances as easily as possible.

Yuh, the joint venture between PostFinance and Swissquote, is developing successfully

In May 2022, the Yuh app turned one year old – and celebrated its birthday with 60,000 "Yuhers". The digital financial product, jointly developed by Swissquote and PostFinance, brings together the most important banking functions in a single innovative app. Yuh is an exciting development for people who prefer to take care of everything digitally using apps on their smartphone. The special thing about Yuh: not only does it support savings plans and payments, it is a neobank that also makes it easy to get into trading in securities and cryptocurrencies. At the end of 2022, the app registered more than 100,000 customers for the first time.

Successful launch of the QR-bill

Under the leadership of SIX Interbank Clearing Ltd, Swiss payment transactions have been undergoing comprehensive harmonization for many years. To this end, the payment methods used by banks, which had previously differed, were standardized on the basis of the ISO 20022 standard. On 30 June 2020, domestic slips (inpayment slips/inpayment slips with reference number) were superseded by the digitally readable QR-bill. During a transition period lasting until 30 September 2022, the red and orange inpayment slips (IS/ISR) remained valid alongside the QR-bill.

On 1 October 2022, the red (IS) and orange (ISR) inpayment slips were definitively replaced by the QR-bill throughout Switzerland. This move demonstrates PostFinance's support for digitized accounting and for the replacement products, QR-bill and eBill.

Working together with the Swiss financial center last year, PostFinance ensured that the process of transitioning to the QR-bill ran smoothly, picking up points, as initial surveys have shown, for its customer friendliness. In autumn, only PostFinance customers could use the QR-bill to pay their bills with either their smartphone or computer, while, for many banks, payment was still possible only with a smartphone.

In the interests of ensuring a balanced public service, customers still have the choice as to whether they want to take care of their payments digitally or prefer face-to-face contact over the counter or, alternatively, to send their payments by post.

E-asset management proves very popular

PostFinance e-asset management has grown. In 2022, assets under management exceeded the one billion franc threshold. The service is now used by over 20,000 customers, many of them starting with what in the investment business are considered relatively small amounts, in the knowledge that they can rely on PostFinance's investment experts to invest their money optimally in accordance with their individual investment strategy. A newly introduced feature also allows customers to use a savings plan to invest in e-asset management to benefit from the cost averaging effect.

Launch of ESG funds

Demand among customers for sustainable savings products is growing, and PostFinance has continued to develop its services accordingly. Since May, the four PostFinance Pension retirement funds have been strategically geared towards sustainability in accordance with environmental, social and corporate governance (ESG) criteria, with PostFinance adopting the “best in class” approach. This means that investments are made in companies delivering the best sustainability performance within their industry. For each of the investment funds, adhering to these sustainability criteria achieves a better ESG value and lower CO₂ emissions.

PostFinance Card combined with Debit Mastercard becomes much more attractive

PostFinance is working continuously to make the PostFinance Card more attractive by providing additional services for retailers and cardholders. In April 2022, for example, PostFinance launched a combined PostFinance Card with Debit Mastercard® for private and business customers. The new co-badge card can be used at even more points of sale in Switzerland, both in-store and online, and now also for payment abroad.

Its combination with Debit Mastercard means that the PostFinance Card can be used to make payments in all stores, restaurants and online shops that accept Mastercard – in addition to the existing payment options available in Switzerland and abroad. Cash withdrawals abroad can also be made at ATMs displaying the Mastercard logo. As before, withdrawals made using the new PostFinance Card are debited directly from the account linked to it. The card is included in the banking package for private customers, while business customers will continue to pay an annual fee of 30 francs per card. The attractive conditions for retailers remain unchanged. Retailers also benefit from the ability of PostFinance customers to make payments practically anywhere.

The new PostFinance Card has a fresh new design with a matt surface and is available in both Swiss francs and euros. It also has two new features for the visually impaired: a groove that distinguishes it from other cards and an embossed impression of the letter “P” (for PostFinance) in Braille printing. The limit for contactless payments without PIN entry is still 100 francs for transactions via PostFinance and 80 francs via Mastercard. To use Debit Mastercard to make purchases in online shops, customers have to register once for 3-D Secure via the PostFinance App, e-finance or postfinance.ch.

Corporate venturing

Since 2016, PostFinance has been investing via participations in startup companies. At the end of 2022, the portfolio comprised 18 participations in innovative young companies. The 2022 reporting period has again shown how investment in startups enhances PostFinance’s innovative strength. For example, investments made in startups often serve as a starting point for business units to get to grips with new business models and identify points of contact and opportunities for collaboration. The year under review again saw the initiation of a number of iterative development processes with portfolio startups, which, in addition to enabling a transfer of knowledge, may also give rise to innovative new products in the medium term.

Outlook

Global growth momentum has continued to slow down. At the same time, inflation in many countries is markedly above central banks' targets. Accordingly, numerous central banks have further tightened their monetary policy. The international financial markets will continue to be shaped by the development of inflation and the expectations regarding monetary policy that accompany it.

The turnaround in interest rates will again have an impact on interest income in 2023.

As a result of the SNB's historic decision of the SNB to take rapid steps to return to positive policy rates after around eight years, PostFinance was able to cancel its customer asset fees for private and business customers with effect from 1 October 2022. At the same time, PostFinance suffered a loss of income from negative interest rates on the interbank money market.

This is offset by new income from interest on credit balances at the SNB and positive returns from new investment tranches. Long-term interest rates on the capital market rose significantly last year, making it possible to achieve higher returns on financial investments. At PostFinance, new investments are made on a continuous basis within a long-term portfolio and along the annual maturities. This means that the increased long-term interest rates will be reflected in the form of higher income from financial investments in the medium term.

The gradual normalization of the overall interest margin – combined with stronger revenue from non-interest-sensitive business – will provide PostFinance with the potential to significantly improve profitability. Nevertheless, the economic and regulatory environment remains challenging for PostFinance. Despite the positive interest rate environment, the competitive disadvantage that it faces in not being able to issue loans and mortgages independently remains unchanged.

PostFinance continues to focus consistently on customer needs

PostFinance is the ideal partner for everyone who wants to manage their own finances as easily as possible.

PostFinance wants to continue offering its customers fresh solutions and smart innovations for their finances. To do so, it relies on future-oriented tools and technologies it has specially developed or adapted for the Swiss market. It is currently examining and moving ahead with various projects in this area.

For example, the voice bot concierge allows customers to communicate their concerns in multiple languages, which are then forwarded to the appropriate staff to be dealt with.

Next generation cash management gives PostFinance business customers a central overview of all accounts, including accounts with third-party banks.

Introduction of the personal loan offer

PostFinance will in future offer private customers brokerage of personal loans that take all regulatory requirements into account. This is designed to give customers the ability to obtain a personal loan regardless of whether or not they currently have a customer relationship with PostFinance. It will also mean that private customers of third-party banks can access personal loans from PostFinance outside their primary banking relationship. PostFinance is examining a partnership with an established and regulated financial company for the administration of the personal loan contract concluded by PostFinance (“white labelling” by working with a cooperation partner).

Growing need for a trustworthy and regulated provider of crypto transactions

Blockchain technology will continue to be a relevant driver of new innovations in the future. PostFinance has therefore identified the topic of “digital assets” as a strategically important growth area and decided to offer its customers trading and safekeeping of cryptocurrencies with an independent market service.

PostFinance has analysed the investment needs of its customers and found that there is strong demand for digital investment services and that customers are looking for trustworthy access to this market through their principal bank.

For this reason, PostFinance is working with partners to develop a range of services tailored to the security needs of its customers.

Payment in online shops is becoming easier thanks to PostFinance Pay

The two payment methods PostFinance Card and e-finance are being developed and merged into one: PostFinance Pay. There are many advantages to this – both for shoppers and for operators of online shops.

The modern interface is designed to make paying in online shops much easier in the future. At its heart is the PostFinance App – with every single transaction going through it. Getting out your yellow card and looking for the yellow card reader will no longer be necessary in the future. Customers keep track of the retailers their data is passed on to, and can cancel their registration at any time.

Many retailers, large and small, and many payment service providers are involved in the switch to PostFinance Pay. PostFinance is currently planning a gradual introduction starting in summer 2023.

Invest more easily in the 3a pension plan

Opening a 3a retirement savings account in e-finance is to be made easier. With this in mind, the customer journey for the 3a retirement savings products will be overhauled. Customers will in future be guided through the process digitally, with the option of subscribing to retirement funds. When opening a 3a retirement savings account, the retirement savings fund solutions and the 3a account opening are presented in the same way, allowing customers to choose the right product for their needs. At the same time, there are options to set up a standing order from the private account to the 3a account and a standing order from the 3a account to the retirement fund. An additional simplification is in dynamic adjustment of the standing order to the statutory maximum amount.

Universal service of the future

With the failure of the revision of the Postal Services Organization Act in parliament, any privatization of PostFinance is now off the table, and the prohibition on PostFinance issuing loans and mortgages remains in place. During the parliamentary debate, it became clear that politicians do not want a solution for PostFinance that fails to take account of the fundamental question of the structure of the universal postal service after 2030. A majority of politicians do recognize that there is a fundamental need for action, and the political debate about the future of the universal service will therefore continue. In its decision of 22 June 2022, the Federal Council instructed DETEC to examine possible adjustments to universal postal and payment transaction services by the summer of 2023, and to look into the need for a digital public service. PostFinance welcomes this approach and is supporting the ongoing work by providing decision-makers in politics and the administration with information as a basis for their deliberations. A political decision is required at the end of this process, and that decision is likely to be critical in terms of shaping the future of PostFinance.

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 2022, the statutory financial statements indicate profit after tax of 190 million francs.

Total assets amount to 114 billion francs.

PostFinance Ltd | Off-balance sheet transactions

CHF million	Notes	31.12.2021	31.12.2022
Contingent liabilities	7, 26	86	63
Irrevocable commitments		990	822
Obligations to pay up shares and make further contributions		–	–
Credit commitments		–	–

Income statement

PostFinance Ltd | Income statement as per Accounting – banks

CHF million	Notes	2021	2022
Interest and discount income	29	114	177
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		221	210
Interest expense	29	217	120
Gross result from interest operations		552	507
Changes in value adjustments for default risks and losses from interest operations		12	–23
Net result from interest operations		564	484
Commission income from securities trading and investment activities		96	91
Commission income from lending activities		21	21
Commission income from other services		645	635
Commission expense		–364	–342
Result from commission business and services		398	405
Result from trading activities and the fair value option	28	212	221
Result from the disposal of financial investments		8	–
Income from participations		5	5
Result from real estate		65	62
Other ordinary income		59	63
Other ordinary expenses		–	–
Other result from ordinary activities		137	130
Operating income		1,311	1,240
Personnel expenses	30	–468	–454
General and administrative expenses	31	–524	–502
Operating expenses		–992	–956
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–86	–81
Changes to provisions and other value adjustments, and losses		–10	–11
Operating result		223	192
Extraordinary income	32	4	2
Extraordinary expenses		–	–
Changes in reserves for general banking risks		–	–
Taxes	33	–4	–4
Profit		223	190

Appropriation of profit/loss

PostFinance Ltd | Distributable profit/accumulated loss

CHF million	31.12.2021	31.12.2022
Profit for the year	223	190
Loss carried forward	-452	-229
Total accumulated loss	-229	-39

At its meeting on 24 February 2023, the PostFinance Ltd Board of Directors will propose the following appropriation of profit/loss for the attention of the Annual General Meeting on 6 April 2023: offsetting of ARB profit of 189,652,338.85 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	31.12.2021	31.12.2022
Dividend distributions	–	–
Loss carried forward to new account	-229	-39
Total accumulated loss	-229	-39

PostFinance Ltd | Other distributions

CHF million	31.12.2021	31.12.2022
Distributions from the capital reserve	-223	-190
Total distributions from the capital reserve	-223	-190

Cash flow statement

PostFinance Ltd | Cash flow statement as per Accounting – banks

CHF million	Cash inflow 2021	Cash outflow 2021	Cash inflow 2022	Cash outflow 2022
Cash flow from operating activities (internal financing)				
Profit for the year	223	–	190	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	82	–	80	–
Provisions and other value adjustments	–	8	–	3
Change in value adjustments for default risks and losses	–	12	–	4
Accrued income and prepaid expenses	14	–	5	–
Accrued expenses and deferred income	–	16	–	15
Other items	–	–	–	–
Previous year's dividend	–	–	–	–
Subtotal	283		253	
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	129	–	223
Subtotal	–	129		223
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	1	24	0	5
Real estate	7	37	–	25
Other tangible fixed assets	–	12	–	6
Intangible assets	–	8	–	–
Subtotal		73		36
Cash flow from banking operations				
Medium and long-term business (>1 year):				
Amounts due to banks	–	19	–	317
Amounts due in respect of customer deposits	–	1	50	–
Cash bonds	–	5	3	–
Other liabilities	–	8	551	–
Amounts due from banks	34	–	74	–
Amounts due from customers	167	–	184	–
Mortgage loans	0	–	0	–
Financial investments	2,308	–	–	2,042
Other accounts receivable	213	–	182	–
Short-term business:				
Amounts due to banks	–	192	787	–
Liabilities from securities financing transactions	19,571	–	–	3,967
Amounts due in respect of customer deposits	–	14,715	–	4,260
Negative replacement values of derivative financial instruments	–	225	–	82
Amounts due from banks	148	–	–	13
Amounts due from securities financing transactions	–	–	–	10
Amounts due from customers	545	–	170	–
Positive replacement values of derivative financial instruments	–	219	–	728
Financial investments	–	–	–	–
Subtotal	7,602			9,418
Liquidity				
Liquid assets	–	7,683	9,424	–
Subtotal		7,683	9,424	
Total	7,885	7,885	9,677	9,677

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 1.1.2022	2,000	4,553	–	–	– 229	–	6,324
Dividends and other distributions	–	– 223	–	–	–	–	– 223
Profit	–	–	–	–	–	190	190
Equity as at 31.12.2022	2,000	4,330	–	–	– 229	190	6,291

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. 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	31.12.2021	31.12.2022
EUR	1.0347	0.9841
USD	0.9144	0.9241
GBP	1.2348	1.1129
JPY	0.0079	0.0070

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 in financial investments are recognized on the trade date. Participations are recognized at the settlement 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 and credit market trends. 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 value adjustments 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

With the exception of interest rate swaps, PostFinance had already reviewed all contracts, systems and models affected by the replacement of LIBOR with alternative reference interest rates in 2021. For interest rate swaps, PostFinance applies the ISDA standards. For cross-currency interest rate swaps, the base spread interest rate used as the basis for calculation was converted to SARON. At the same time, the option to transfer the cost of hedging reserve over time will be applied on a prospective basis from 1 January 2022. Expenses from the base spread interest rate in the financial year amount to 12 million francs (previous year: 2 million francs).

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. This is carried out regularly through quantitative analysis based on the dollar-offset method. The absolute changes in value of the hedged item and hedging instrument are then compared for the period.

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 2022 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 model”. 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 three lines model (line), 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 line 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 line and ensure that their risks and controls are complete and up-to-date in the risk and control inventory. Within the 1st line, 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 risk and income-oriented control measures. It also monitors and reports their effectiveness to decision-makers on a regular basis. The Compliance Services unit ensures compliance with legal provisions and guidelines in business operations and at the customer interface in accordance with the directives of the 2nd line. The management of security risks at the operational level is the responsibility of the Security unit.

The units in the 2nd line independently monitor risk management in the 1st line, ensuring that all risks are appropriately identified, measured, managed, monitored and reported across the Group. They also issue directives on the assurance of compliance with internal and external provisions and define methods and procedures for risk management.

At PostFinance, the Governance, Compliance and Risk Control units are the control entities responsible for the 2nd line function. The independence of the 2nd line units from the 1st line units is ensured in organizational terms by the fact that these units are located in the business unit of the CRO.

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 line, 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 line, it ensures that the 1st line 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 independently monitors compliance by staff with the rules of governance as a whole and with the Code of Conduct.

As independent control entities, the 2nd line units monitor the risk profile of PostFinance with suitable instruments, provide a central overview of its development and report it to the Executive Board and the Board of Directors jointly on a quarterly basis at least. In addition, matters of major importance are reported to the Board of Directors by the units in the 2nd line promptly and on an ad-hoc basis. Risk Control coordinates the reporting activities of all 2nd line functions.

As part of the 3rd line, Internal Auditing is responsible for risk monitoring and for overseeing both the 1st and 2nd lines. 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
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 resulting from 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 overall 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 investments 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. PostFinance publishes the climate-related financial risks in a separate disclosure. 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.

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.

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 PostFinance. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of 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. A certain quota of short-term investments are 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.

Absolute change in the present value of equity

CHF million	31.12.2021	31.12.2022
Short up shock	–	–242
Flattener shock as per FINMA Circular 2019/2 ¹	–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 January 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.

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 regulations 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 2016/1¹

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 2022. 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 risks¹

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. The adoption of the ordinance on climate disclosures by the Federal Council, which enters into force on 1 January 2024, lays down reporting requirements and extends them to other companies.

Since 2021, PostFinance has published the climate-related financial risks with a separate disclosure. The specified document is published at → postfinance.ch/reporting.

This report, drawn up in accordance with the internationally recognized Task Force on Climate-related Financial Disclosures (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.

¹ Sections 4 and 5 on the capital adequacy disclosure in accordance with FINMA Circular 2016-1 and the disclosure on climate-related financial risks are not part of the audit conducted by EY.

Information on the balance sheet

6 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)		
CHF million	31.12.2021	31.12.2022
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	–	10
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	19,593	15,626
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	22,628	17,535
with unrestricted right to resell or pledge	22,628	17,535
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	3,532	1,768
of which, repledged securities	–	–
of which, resold securities	–	–

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

Presentation of collateral for loans/receivables		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
31.12.2022 CHF million					
Loans (before netting with value adjustments)					
Amounts due from customers		–	1,424	10,061	11,485
Mortgage loans		0	–	–	0
Residential property		0	–	–	0
Total loans (before netting with value adjustments) 31.12.2022		0	1,424	10,061	11,485
31.12.2021		0	1,721	10,117	11,838
Total loans (after netting with value adjustments) 31.12.2022		0	1,424	10,040	11,464
31.12.2021		0	1,721	10,096	11,817

Presentation of collateral for off-balance-sheet transactions		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
31.12.2022 CHF million					
Off-balance sheet					
Contingent liabilities		–	62	1	63
Irrevocable commitments		–	208	614	822
Total off-balance sheet 31.12.2022		–	270	615	885
31.12.2021		–	402	674	1,076

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.

Impaired loans / receivables	CHF million	
	31.12.2021	31.12.2022
Gross debt amount	64	64
Estimated liquidation value of collateral	–	–
Net debt amount	64	64
Individual value adjustments	61	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
31.12.2022 CHF million							
Interest rate instruments							
Forward contracts including FRAs		–	–	–	0	0	18
Swaps		–	–	–	439	1	2,941
Foreign exchange / precious metals							
Forward contracts		3	4	648	81	18	6,594
Cross-currency interest rate swaps		–	–	–	656	–	7,095
Equity securities / indices							
Options (exchange-traded)		–	–	–	–	–	–
Total before netting agreements as at	31.12.2022	3	4	648	1,176	19	16,648
of which, determined using a valuation model		3	4		1,176	19	
	31.12.2021	2	4	526	449	101	17,489
of which, determined using a valuation model		2	4		449	101	
Total after netting agreements as at	31.12.2022	3	4	648	1,176	19	16,648
	31.12.2021	2	4	526	449	101	17,489

Breakdown by counterparty

31.12.2022 CHF million	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	1,177	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
31.12.2021					
Currency risk					
Cross-currency interest rate swaps	7,619	145	1,020	5,290	1,164
Other					
Completed non-settled transactions	3	3	–	–	–
31.12.2022					
Currency risk					
Cross-currency interest rate swaps	7,095	275	1,232	4,287	1,301
Other					
Completed non-settled transactions	18	18	–	–	–

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	317	4	291	291	–	–217
Other						
Completed non-settled transactions	0	–	0	0	–	–
31.12.2022						
Currency risk						
Cross-currency interest rate swaps	657	–	373	373	–	–181
Other						
Completed non-settled transactions	0	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		
31.12.2021		
Currency risk		
Debt securities intended to be held to maturity	-291	-114
31.12.2022		
Currency risk		
Debt securities intended to be held to maturity	-373	78

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

Hedging reserves in other assets/liabilities	2021	2022
CHF million	Hedging reserves – unrealized gains/losses from cash flow hedge	Hedging reserves – unrealized gains/losses from cash flow hedge
Balance at 1.1	-187	-113
Change in fair value of hedging instrument		
Currency risk	291	373
Other	0	0
Net amount reclassified from cash flow hedging reserves to income statement		
Currency risk	-217	-181
of which arising from discontinued hedging relationships	4	0
of which from changes in foreign currency basis spreads	-3	12
Balance at 31.12	-113	79

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
31.12.2021				
Cash inflows	6	27	67	9
Cash outflows	-27	-86	-243	-27
31.12.2022				
Cash inflows	6	31	93	20
Cash outflows	-25	-86	-233	-37

Fair value hedges

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

CHF million	Contract volumes for fair value hedges				
	Total	0–3 months	3 months–1 year	1–5 years	Term to maturity Over 5 years
31.12.2021					
Interest rate risk					
Interest rate swaps	3,552	40	200	290	3,022
31.12.2022					
Interest rate risk					
Interest rate swaps	2,941	50	135	–	2,756

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

CHF million	Change in fair value hedges			
	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
31.12.2021				
Interest rate risk				
Interest rate swaps	44	94	125	–
31.12.2022				
Interest rate risk				
Interest rate swaps	439	1	480	–

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):

CHF million	Effects of hedged items from fair value hedging			
	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
31.12.2021				
Interest rate risk				
Debt securities intended to be held to maturity	2,949	15	–101	0
Amounts due from customers and banks	664	24	–24	–
31.12.2022				
Interest rate risk				
Debt securities intended to be held to maturity	2,241	–416	–431	5
Amounts due from customers and banks	275	–25	–49	–

9 | Financial investments

Breakdown of financial investments	Book value		Fair value	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
CHF million				
Debt securities	58,069	60,111	58,792	56,176
of which, intended to be held to maturity	58,069	60,111	58,792	56,176
Equity securities ¹	110	111	123	122
Total	58,179	60,222	58,915	56,298
of which, securities eligible for repo transactions in accordance with liquidity requirements ²	23,775	26,360	24,066	24,606

¹ There are no qualified participations.

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

Breakdown of counterparties by rating¹

31.12.2022 CHF million	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	40,571	13,565	5,603	30	-	342

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 31.12.2021	2022						Book value 31.12.2022	Market value 31.12.2022
				Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals			
Participations											
with market value	45	-	45	-	-	0	-	-	45	152	
without market value	150	-66	84	-	5	-	-5	2	86	-	
Total participations	195	-66	129	-	5	-	-5	2	131	152	

11 | Significant participations

CHF or EUR, percent	Business activities	Currency	Company capital	Share of capital and of votes ¹	
				31.12.2021	31.12.2022
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%	50.00%
Ormera AG, Bern, Switzerland ²	Automated energy billing	CHF	464,016	34.90%	46.83%
TONI Digital Insurance Solutions AG, Schlieren, Switzerland	Insurance service provider	CHF	2,536,043	28.89%	25.45%
moneymeets community GmbH, Cologne, Germany	Online financial services	EUR	112,568	27.38%	27.38%
moneymeets GmbH, Cologne, Germany	Infrastructure for online financial services	EUR	112,568	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 discontinued its services in 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 29 million francs (previous year: 16 million francs) and to decrease profit for the year by 12 million francs (previous year: 9 million francs).

12 | Tangible fixed assets

Presentation of tangible fixed assets

CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2021	2022					Book value 31.12.2022
				Reclassifications	Additions	Disposals	Depreciation	Reversals	
Bank buildings	234	-71	162	-	1	-	-9	-	154
Other real estate	1,049	-259	791	-	24	-	-34	-	781
Proprietary or separately acquired software	231	-127	104	-	-	-	-24	-	80
Other tangible fixed assets	66	-39	27	-	6	-	-10	-	23
Total tangible fixed assets	1,580	-496	1,084	-	31	-	-76	-	1,039

Future lease obligations under operating leases

CHF million	2023	2024	2025	2026	2027	2028	Total
Future lease payments	8	7	7	7	3	0	32
of which cancellable within a year	0	0	0	0	0	0	0

13 | Intangible assets

CHF million	Cost value	Accumulated amortization	Book value 31.12.2021	2022			
				Additions	Disposals	Amortization	Book value 31.12.2022
Other intangible assets	8	-1	7	-	-	-1	6
Total intangible assets	8	-1	7	-	-	-1	6

14 | Other assets and other liabilities

CHF million	31.12.2021		31.12.2022	
	Other assets	Other liabilities	Other assets	Other liabilities
Compensation account	144	-	-	529
Employer contribution reserves	29	-	32	-
Indirect taxes	59	6	18	5
Other assets and liabilities	3	57	3	81
Total other assets and other liabilities	235	63	53	615

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

CHF million	Total amount of assets pledged or assigned to secure own commitments and of assets under reservation of ownership ¹	
	31.12.2021	31.12.2022
Financial investments:		
Book value of assets pledged and assigned as collateral	98	97
Effective commitments	-	-
Amounts due from customers		
Book value of assets pledged and assigned as collateral	354	-
Effective commitments	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.

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 39,475 active insured persons and 30,962 pensioners (as at 31 October 2022), the Swiss Post pension fund had total assets of 16,388 million francs as at 31 December 2022 (previous year: 17,674 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at approximately 101.4 percent (previous year: 109.6 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: 350 million francs without a waiver of use). A technical interest rate of 1.5 percent (previous year: 1.5 percent) and the technical basis of OPA 2020 (previous year: OPA 2020) 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 2022. 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 (economic benefit/obligation) versus previous year	Contributions paid		Pension expenses in personnel expenses	
	31.12.2022	31.12.2021	31.12.2022	2022		2022	31.12.2021	31.12.2022	
	CHF million								
Swiss Post pension fund	37	0	0	0	38	37	38		
Staff vouchers	–	–	–	–	–	–	–		
Disability pensions	–1	–1	–1	0	0	–1	0		
Total ARR 16	36	–1	–1	0	38	29	38		

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	
CHF million								
Swiss Post pension fund	32	29	0	29	32	9	–3	
Total ARR 16	32	29	0	29	32	9	–3	

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 31.12.2021	Use in conformity with designated purpose ¹	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2022
Provisions for pension benefit obligations	1	–	–	–	–	–	0	1
Provisions for default risks	0	–	–	–	–	–	0	0
of which provisions as per Art. 28 para. 1 RelV-FINMA	0	–	–	–	–	–	0	0
of which provisions for expected losses	0	–	–	–	–	–	0	0
Provisions for restructuring	10	–2	–	–	–	1	–2	7
Other provisions	32	–2	–	–	–	3	–1	32
Total provisions	43	–4	–	–	–	4	–3	40
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default and country risks²	88	–	–	–	–	1	–4	85
of which, value adjustments for default risks in respect of impaired loans/receivables	61	–	–	–	–	1	–1	61
of which, value adjustments for expected losses	27	–	–	–	–	–	–3	24

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 2021 and 31 December 2022, 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	31.12.2021				31.12.2022			
	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	3,473	–	–	3,473	3,413	–	–	3,413
Value adjustments	0	–	–	0	0	–	–	0
Book value	3,473	–	–	3,473	3,413	–	–	3,413
Amounts due from securities financing transactions	–	–	–	–	10	–	–	10
Value adjustments	–	–	–	–	0	–	–	0
Book value	–	–	–	–	10	–	–	10
Amounts due from customers	11,817	4	18	11,839	11,464	3	18	11,485
Value adjustments	–5	–2	–15	–22	–5	–1	–15	–21
Book value	11,812	2	3	11,817	11,459	2	3	11,464
Debt securities held to maturity								
AAA to AA–	37,989	–	–	37,989	40,574	–	–	40,574
A+ to A–	13,199	–	–	13,199	13,571	–	–	13,571
BBB+ to BBB–	5,250	–	–	5,250	5,611	–	–	5,611
BB+ to B–	–	–	–	–	30	–	–	30
Unrated	1,651	–	46	1,697	342	–	46	388
Total	58,089	–	46	58,135	60,128	–	46	60,174
Value adjustments	–20	–	–46	–66	–18	–	–46	–64
Book value	58,069	–	0	58,069	60,110	–	0	60,110
Contingent liabilities	86	–	–	86	63	–	–	63
Provisions for expected losses	0	–	–	0	0	–	–	0
Total	86	–	–	86	63	–	–	63

The economic outlook may have an impact on the credit quality of bonds and receivables. The economic growth forecast at the start of 2022 was positive due to recovery from the pandemic. Due to the Ukraine conflict, the energy crisis and inflation, the forecasts were revised downwards in the second half of the year, but Switzerland is not expected to enter recession. There is still great uncertainty over the impact on the level of the expected losses of financial investments and receivables. Reclassifications within the three levels were immaterial in nature. An update of the model parameters for the expected losses on financial investments and receivables leads to a decrease in value adjustments required of 1.5 million francs in the current financial year.

18 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital CHF million, number in million	31.12.2021			31.12.2022		
	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	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Holders of qualified participations	674	639	602	689
Linked companies	88	22	314	181
Transactions with members of governing bodies	0	0	14	16

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	31.12.2021		31.12.2022	
	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)

31.12.2022 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	36,567	–	–	–	–	–	–	36,567
Amounts due from banks	61	–	275	420	1,992	665	–	3,413
Amounts due from securities financing transactions	–	–	–	10	–	–	–	10
Amounts due from customers	358	3	550	1,187	4,717	4,649	–	11,464
Mortgage loans	–	–	0	–	–	–	–	0
Positive replacement values of derivative financial instruments	–	–	108	148	382	541	–	1,179
Financial investments	111	–	2,401	8,537	28,878	20,295	–	60,222
Total	37,097	3	3,334	10,302	35,969	26,150	–	112,855
31.12.2021	46,610	1	2,050	7,330	36,913	27,007	–	119,911

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

31.12.2022 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	1,284	–	–	–	–	–	–	1,284
Liabilities from securities financing transactions	–	–	15,626	–	–	–	–	15,626
Amounts due in respect of customer deposits	63,932	25,437	1,006	38	–	–	–	90,413
Negative replacement values of derivative financial instruments	–	–	18	5	0	–	–	23
Cash bonds	–	–	1	2	8	0	–	11
Total	65,216	25,437	16,651	45	8	0	–	107,357
31.12.2021	68,002	27,421	19,615	5	20	81	–	115,144

22 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle	31.12.2021		31.12.2022	
	Domestic	Foreign	Domestic	Foreign
CHF million				
Assets				
Liquid assets	45,991	–	36,567	–
Amounts due from banks	3,446	27	3,356	57
Amounts due from securities financing transactions	–	–	10	–
Amounts due from customers	11,806	11	11,461	3
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	156	295	475	704
Financial investments	29,950	28,229	32,951	27,271
Accrued income and prepaid expenses	206	95	199	97
Participations	109	20	109	22
Tangible fixed assets	1,084	–	1,039	–
Intangible assets	7	–	6	–
Other assets	235	–	53	–
Total assets	92,990	28,677	86,226	28,154
Liabilities				
Amounts due to banks	499	315	535	749
Liabilities from securities financing transactions	14,393	5,200	12,246	3,380
Amounts due in respect of customer deposits	91,020	3,604	86,731	3,682
Negative replacement values of derivative financial instruments	78	27	12	11
Cash bonds	8	0	11	0
Accrued expenses and deferred income	93	0	76	1
Other liabilities	60	3	611	4
Provisions	43	–	40	–
Bank's capital	2,000	–	2,000	–
Statutory capital reserve	4,553	–	4,330	–
Profit/loss carried forward	–452	–	–229	–
Profit/loss	223	–	190	–
Total liabilities	112,518	9,149	106,553	7,827

23 | Assets by country / group of countries

Breakdown of total assets by country or group of countries (domicile principle)	31.12.2021		31.12.2022	
	Absolute	Share as %	Absolute	Share as %
CHF million, percent				
Assets				
Switzerland	92,990	76.43	86,226	75.39
Europe	11,364	9.34	12,244	10.70
North America	9,324	7.66	8,787	7.68
Other countries	7,989	6.57	7,123	6.23
Total assets	121,667	100.00	114,380	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 31.12.2021		Foreign exposure 31.12.2022	
	Absolute	Share as %	Absolute	Share as %
CHF million, percent				
Rating (Moody's)				
Aaa	15,202	53.94	14,973	55.59
Aa	8,760	31.08	8,555	31.76
A	2,938	10.43	2,324	8.63
Baa	538	1.91	440	1.63
Ba	60	0.21	1	0.00
B	217	0.77	172	0.64
Caa	319	1.13	319	1.19
No rating	150	0.53	150	0.56
Total	28,184	100.00	26,934	100.00

25 | Assets and liabilities by currency

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

31.12.2022

CHF million

	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	36,477	90	–	–	–	–	36,567
Amounts due from banks	3,361	35	4	0	9	4	3,413
Amounts due from securities financing transactions	–	10	–	–	–	–	10
Amounts due from customers	11,462	2	0	0	0	0	11,464
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	1,179	–	–	–	–	–	1,179
Financial investments	44,966	10,162	4,503	–	–	591	60,222
Accrued income and prepaid expenses	213	50	30	–	–	3	296
Participations	108	2	19	2	–	0	131
Tangible fixed assets	1,039	–	–	–	–	–	1,039
Intangible assets	6	–	–	–	–	–	6
Other assets	52	1	0	–	0	0	53
Total assets shown in balance sheet	98,863	10,352	4,556	2	9	598	114,380
Delivery entitlements from spot exchange, forward forex and forex options transactions	13,764	239	249	48	–	37	14,337
Total assets	112,627	10,591	4,805	50	9	635	128,717
Liabilities							
Amounts due to banks	1,272	9	3	0	0	–	1,284
Liabilities from securities financing transactions	15,626	–	–	–	–	–	15,626
Amounts due in respect of customer deposits	87,567	2,196	555	48	9	38	90,413
Negative replacement values of derivative financial instruments	23	–	–	–	–	–	23
Cash bonds	10	1	–	–	–	–	11
Accrued expenses and deferred income	77	0	0	0	–	0	77
Other liabilities	599	12	3	0	–	1	615
Provisions	40	–	–	–	–	–	40
Bank's capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,330	–	–	–	–	–	4,330
Profit/loss carried forward	–229	–	–	–	–	–	–229
Profit	190	–	–	–	–	–	190
Total liabilities shown in the balance sheet	111,505	2,218	561	48	9	39	114,380
Delivery obligations from spot exchange, forward forex and forex options transactions	572	8,330	4,212	0	0	593	13,707
Total liabilities	112,077	10,548	4,773	48	9	632	128,087
Net position per currency 31.12.2022	550	43	32	2	0	3	630
Net position per currency 31.12.2021	462	19	22	2	0	3	508

Information on off-balance sheet transactions

26 | Contingent assets and liabilities

Breakdown of contingent liabilities and contingent assets		
CHF million	31.12.2021	31.12.2022
Guarantees to secure credits and similar	84	62
Other contingent liabilities	1	1
Total contingent liabilities	85	63
Contingent assets arising from tax losses carried forward	42	8
Total contingent assets	42	8

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 0.5 billion francs (previous year: 1.5 billion francs) in favour of PostFinance Ltd as at 31 December 2022.

27 | Managed assets

Breakdown of managed assets		
CHF million	31.12.2021	31.12.2022
Type of managed assets		
Assets under discretionary asset management agreements	881	1,062
Other managed assets	37,508	34,607
Total managed assets¹	38,389	35,669
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	31.12.2021	31.12.2022
Total managed assets (including double counting) at beginning	43,642	38,389
+/- net new money inflow or net new money outflow ¹	–6,890	7
+/- price gains / losses, interest, dividends and currency gains/losses	1,637	–2,727
+/- other effects	–	–
Total managed assets (including double counting) at end	38,389	35,669

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	2021	2022
Payment transactions and financial investments	205	245
Hedge accounting	-1	-14
Proprietary trading	8	-10
Total result from trading activities	212	221

Breakdown by risk and based on the use of the fair value option		
CHF million	2021	2022
Result from trading activities from:		
Interest rate instruments	-366	-519
Equity securities	1	0
Foreign currencies	577	740
Total result from trading activities¹	212	221

¹ PostFinance does not apply the fair value option.

29 | Material negative interest

PostFinance was affected by the SNB's measures and paid negative interest on part of its sight deposit balance at the SNB between 22 January 2015 and 22 September 2022. PostFinance 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 was subject to a customer asset fee. PostFinance also charged a customer asset fee for private customers' assets that exceeded a defined threshold value. No customer asset fees have been charged since 1 October 2022.

Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest		
CHF million	2021	2022
Negative interest on the lending business offset against interest and discount income	-1	-1
Negative interest on the borrowing business offset against interest expense	231	167

30 | Personnel expenses

Breakdown of personnel expenses		
CHF million	2021	2022
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	376	369
Social insurance benefits	75	68
Other personnel expenses	17	17
Total personnel expenses	468	454

31 | General and administrative expenses

Breakdown of general and administrative expenses		
CHF million	2021	2022
Office space expenses	33	30
Expenses for information and communications technology	232	219
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	17	16
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	–	–
Other operating expenses	240	235
Total general and administrative expenses	524	502

32 | Extraordinary expenses and income

Extraordinary income		
CHF million	2021	2022
Reversals of impairment	4	2
Gains from disposal of participations	0	0
Total extraordinary income	4	2

33 | Taxes

Current and deferred taxes		
CHF million	2021	2022
Expenses for current capital and income taxes	5	4
Total taxes	5	4

Owing to the loss carryforward, expenses for current capital taxes and income taxes in 2022 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.



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To the General Meeting of
PostFinance Ltd, Berne

Berne, 6 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of PostFinance Ltd (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 41 to 81) give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework for banks and comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements, which give a true and fair view in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed offsetting and carry forward of the accumulated losses and distribution from capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Philipp de Boer
Licensed audit expert
(Auditor in charge)

Arik Amiet
Licensed audit expert

Reporting

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Print versions of the Annual Report can be ordered online at
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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)
 - Business Report key figures
 - Global Reporting Initiative Index
- PostFinance Ltd Annual Report

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