Financial Report 2013

Management report, corporate governance and annual financial statements

SWISS POST

About this Financial Report

Structure of reporting documents

The Swiss Post annual reporting documents for 2013 consist of:
- Swiss Post Annual Report
- Swiss Post Financial Report (management report, corporate governance, annual financial statements for the Group, Swiss Post Ltd and PostFinance Ltd)
- Table of figures (comprehensive set of key figures)
- GRI index (content in accordance with the Global Reporting Initiative requirements) including confirmation of Global Reporting Initiative Application Level

True-to-scale representation of figures in charts

All charts are shown to scale to present a true and fair view.
20 mm is equivalent to one billion francs.
Percentages in charts are standardized as follows:
Horizontal: 75 mm is equivalent to 100 percent.
Vertical: 40 mm is equivalent to 100 percent.

Key for charts and tables

- Current year
- Previous year
- Positive effect on result
- Negative effect on result

Languages

The Financial Report is available in English, German, French and Italian.
The German version is authoritative.

Ordering

Electronic versions of these documents are available at www.swisspost.ch/annualreport.
The Annual Report and Financial Report are also available in printed form.

Forward-looking statements

This report contains forward-looking statements. They are based on current management estimates and projections, and on the information currently available to management. Forward-looking statements are not intended as guarantees of future performance and results, which remain dependent on many different factors; they are subject to a variety of risks and uncertainties, and are based on assumptions that may not prove accurate.

We move people, goods, money and information

in a reliable, value-enhancing and sustainable way.

8,575 million

Operating income [1] was slightly below the previous year.

626 million

Group profit [1] fell by around 19 percent year-on-year.

2,245 million

addressed letters were posted in Switzerland in 2013.

106.5 billion

francs in **average customer deposits** are held by PostFinance.

114 million

parcels were delivered by PostLogistics in Switzerland in 2013.

139 million

passengers were transported by PostBus in 2013.

80 points

Customer satisfaction remains high.

18,500 tonnes

With the **CO_2 emissions saved** up to 2013, Swiss Post exceeded its target by 3,500 tonnes.

44,105

Headcount fell slightly year-on-year.

82 points

The index figure for **employee commitment** is a testament to motivated and committed employees.

1 Normalized figure. For an explanation, see the “One-off items” section on page 30.

Financial Report 2013

Management report

Swiss Post operates in the communication, logistics, retail financial and passenger transport markets. It generates around 86 percent of its sales in competition. The remaining 14 percent is generated by the monopoly on letters weighing less than 50 grams. Here, Swiss Post faces direct competition from electronic services. 88 percent of sales are generated in Switzerland.

Business activities

Markets

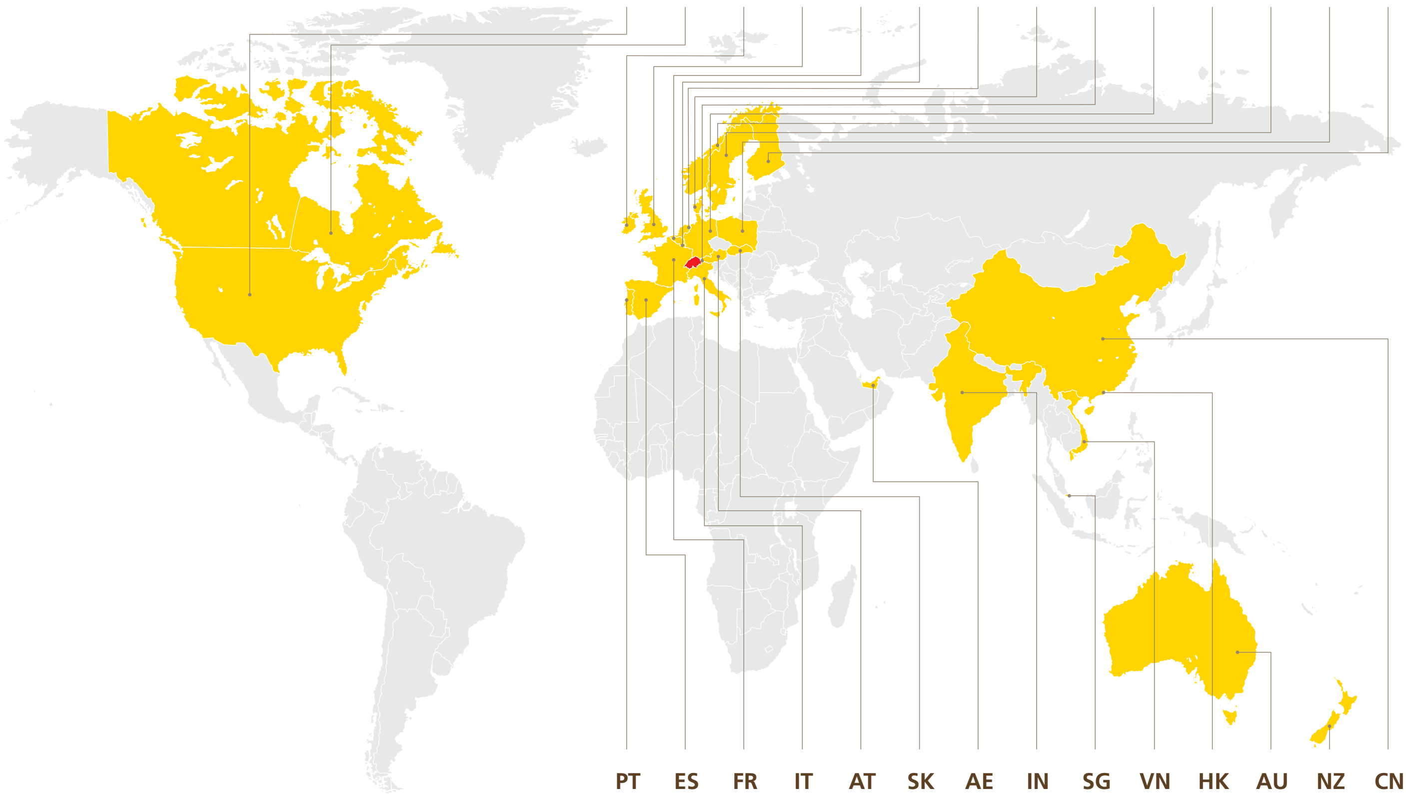
Swiss Post operates in four different markets:

- Communication market
  Letters, newspapers, promotional mailings, document and postal-related business process outsourcing solutions in Switzerland and internationally
- Logistics market
  Parcel and express services and logistics solutions within Switzerland and abroad
- Retail financial market
  Payments, savings, investments, retirement planning and financing in Switzerland as well as international payment transactions
- Passenger transport market
  Regional, municipal and urban transport, plus system services in Switzerland and in selected countries abroad

Swiss Post abroad

2013

	US	CA	IE	UK	BE	LU	NL	DK	FL	DE	NO	SE	PL	FI
International letters	■[2]			■[2]	■[2]		■[2]	■[2]		■[2]	■[2]	■[2]		■[2]
Passenger transport									■					
Document solutions	■	■	■	■	■	■	■	■[1]	■	■		■[1]	■[1]	
BPO solutions				■						■				



	PT	ES	FR	IT	AT	SK	AE	IN	SG	VN	HK	AU	NZ	CN
International letters		■[2]	■	■[2]	■[2]			■	■[2]		■[2]			■
Passenger transport			■											
Document solutions	■[1]	■	■	■	■	■	■[1]		■	■	■	■[1]	■[1]	
BPO solutions			■											

1 Partners
2 Countries in which joint venture Asendia companies operate

Swiss Post operates in 28 countries. In Europe, North America and Asia, it is represented by subsidiaries, franchise or cooperation partners and sales agents, depending on local requirements (see figure on page opposite). Through cooperation with partners abroad, it also has access to a global logistics network. PostBus operates several bus networks in France with around a dozen subsidiaries, as well as the entire regional transport network in Liechtenstein.

Swiss Post generates around 86 percent of its sales in competition. The remaining 14 percent is accounted for by the monopoly on letters of up to 50 grams, where Swiss Post is in competition with electronic services. Domestic business accounts for 88 percent of sales, with 12 percent generated abroad.

Network

Swiss sales

Unique sales network with customer-centred access points

Swiss Post's diversified sales network covers the communication, logistics and retail financial markets. Swiss Post offers its customers a uniquely powerful and extensive network with 1,662 post offices, 569 agencies and 1,269 home delivery services.

There is also a network of 45 PostFinance branches, 57 consulting offices and 967 Postomats. 168 PostFinance employees advise small and medium-sized business customers directly at their premises.

With PickPost, customers can choose to collect parcels and letters at over 700 post offices, petrol stations and train stations, sometimes well after normal post office opening hours. In addition, Swiss Post is building up a network of parcel terminals where customers can collect and drop off parcels at any time. Customers can also access over 15,002 letter boxes throughout Switzerland, while over 46 acceptance points are available for business customers.

Swiss Post is continuing to develop its sales network to meet the changing needs of its customers. It serves each customer through the access points and sales channels that best match their usage behaviour. Swiss Post can be found at attractive locations with agencies that have extended opening hours. Meanwhile, the company's home delivery service allows the public to carry out postal transactions on their doorstep. In areas with many companies, Swiss Post now offers needs-based business customer solutions for posting parcels and letters. In larger municipalities, Swiss Post concentrates on individual, customer-focused solutions such as traditional and redesigned post offices and/or agencies.

Beyond that, private and business customers can access the world of Swiss Post online (at www.swisspost.ch, www.postshop.ch and www.postfinance.ch) and via mobile applications (PostApp, PostFinance App and PostBus App). Many customers also take advantage of social networks to communicate with Swiss Post.

For more information on developments in the network and universal service, see page 19 of the Annual Report.

PostBus

In the passenger transport market, PostBus offers 848 PostBus routes in Switzerland, covering 11,548 kilometres and 14,481 stops in the public transport network, as well as tourist routes and ScolaCar school buses. It also operates the PubliBike bike sharing service, providing more than 1,000 bikes at over 100 stations.

Customers

Swiss Post's communication and logistics customer base comprises several million individuals and around 130,000 companies ranging from small businesses to large multinationals.

Most of Swiss Post's logistics income stems from its business customers. Its 147 key accounts are particularly important, generating around 52 percent of business customer income. The Group's business customers also include 850 business accounts with annual sales of between 250,000 and 2 million francs, 7,323 retail accounts (annual sales of 25,000–250,000 francs) and 28,942 small and medium-sized enterprises (SMEs, annual sales of 3,000–25,000 francs). The remaining 90,000 or so communication and logistics business customers are micro-enterprises with sales of up to 3,000 francs.

Key accounts generate 52 percent of logistics income

Communication and logistics market | Income with business customers
2013, Customer structure and contribution to income

Customer sales CHF per annum	**Customer category**	**Customers** Number	**Contribution to income** Percent
Over 2,000,000	Strategic accounts and key accounts	147	52%
250,000 to 2,000,000	Business accounts	850	
25,000 to 250,000	Retail accounts	7,323	46%
3,000 to 25,000	Small and medium-sized enterprises	28,942	
Up to 3,000	Other	around 90,000	2%

PostFinance's customer base in the retail financial market is similar. At year-end, 2,581,822 private customers and 305,484 business customers (including 708 banks) maintained a business relationship with PostFinance.

Solutions, products, services and brands

Services provided for private customers and SMEs include letters, courier, express and parcel deliveries, financial services (payments, savings, investments, retirement planning and financing) and passenger transport services. Swiss Post also offers customers a broad range of third-party products across 1,662 post offices such as motorway tax stickers, stationery, mobile phones and computers.

The services offered to business customers are structured partly as solutions along the e-commerce value chain and partly as specific products in the communication, logistics, retail financial and passenger transport markets.

Communication market

Letters
Various mailing options for individual letters and bulk mail in Switzerland and abroad (urgent items, priority items, non time-critical items, and letters with Track & Trace), collections and deliveries, automated franking solutions, address management and online tools, as well as hybrid services combining physical and electronic features for receipt and delivery.

Direct marketing
Addressed and unaddressed promotional mailings in Switzerland and abroad, customized direct marketing solutions and additional solutions, address management and response management.

Print media
National and international distribution of subscription newspapers and magazines, daily newspapers, monthly magazines and periodicals, and local and regional newspapers. Early-morning and special deliveries, publishing logistics, subscription management, lettershop tasks and newsstand distribution.

Document and postal-related BPO solutions (business process outsourcing)
Operation of internal post offices and processing centres for incoming mail, as well as call and printing centres. Complete processing of incoming mail such as requests, orders, invoices, complaints, loss reports and payment transaction documents. Secure electronic delivery of business mail. Introduction and operation of all-round solutions for document management, payment transactions, invoicing, accounts receivable management and customer retention.

Logistics market

National and international goods, freight and warehouse logistics (courier, express, parcels, small consignments and overnight deliveries), international shipments (up to 500 kilograms) to around 200 countries with value-added services such as customs clearance, security logistics (ATM replenishment, transporting cash and valuables) and the combination of physical logistics with integrated IT solutions and recipient services.

Retail financial market

Financial services for small, medium-sized and large companies, public entities and associations include business accounts, physical and electronic services for national and international payment transactions, savings and e-savings accounts as well as solutions for custom financing of liquidity and current assets in cooperation with Valiant Bank. PostFinance is continually developing the range of products in its core business. It aims to offer customers new services to help them with working capital management. Debtors Service Ltd, a subsidiary, provides additional solutions for accounts receivable management and factoring. Also worth noting are payment transaction solutions for banks and other financial institutions in Switzerland and Liechtenstein.

Passenger transport market

PostBus Switzerland Ltd is the market leader in public bus transport in Switzerland. PostBus is expanding its presence in Swiss cities and conurbations and increasingly positioning itself as a provider of sustainable and combined mobility services (e.g. with PubliBike, the largest bike sharing service provider in Switzerland). It intends to set itself apart more and more by offering ground-breaking system management and other management services in conjunction with the rollout of operational control systems and passenger information systems as well as sales systems, including the entire IT infrastructure.

Sustainability

Sustainability contributes to economic value added for Swiss Post.

Swiss Post creates added value on all four markets through sustainable management of the company and provides its services in the most environmentally friendly way possible. It achieves this with energy-efficient buildings and vehicles, optimized logistics processes, innovative alternative technologies and the use of renewable energy. Swiss Post also enables its customers to act sustainably by offering products such as the carbon-neutral "pro clima" – Shipment service.

Brands

Swiss Post is one of the best-known brands in Switzerland. It pursues a core brand strategy. The core brand Swiss Post and the flagship brand PostBus are managed in four languages. PostFinance, the second flagship brand, is language-neutral. The branding strategy stems from the Group's strategy and is based on its vision. Swiss Post's brands provide guidance, inspire confidence and strengthen its long-term reputation. In addition to these values, the symbiosis of tradition and innovation is a growing priority for the Swiss Post brand.

Brands and markets

	Core brand	
	SWISS POST	
Flagship brand		Flagship brand
PostBus	SWISS POST	PostFinance
Passenger transport market	Communication and logistics markets	Retail financial market

It owes its popularity to the consistent image portrayed throughout its physical and electronic contact points.

Its brand personality, defined by the slogan "We get things moving" and its core values – "reliable", "value-enhancing" and "sustainable" – are the traditional pillars of the Swiss Post brand. It is important to safeguard these characteristics in the future. Ultimately, they form the basis for the "innovative", "dynamic" and "flexible" brand positioning it is aiming for.

Swiss Post is constantly developing its brands and supplementing them with innovative new services. This includes focusing on innovation within communication in order to convey the desired characteristics, anchor them in people's minds and achieve brand positioning.

The yellow brand colour forms the visual basis for rapid brand recognition. The corporate design is continually monitored and updated as necessary for each different type of media. Design principles have been devised for print media, electronic media, social media, trade fairs and events, labelling, objects and premises, clothing, gifts and vehicles.

In 2013, Swiss Post cultivated brand presence through its attendance of numerous public exhibitions and trade fairs throughout Switzerland, its participation in various customer events, and its sponsoring commitments to running, the Swiss film industry and the "2 × Christmas" campaign.

A cross-unit campaign is being prepared for 2014 to highlight the variety of well-known and less well-known digital, as well as physical services provided.

The brands and the yellow brand colour are protected as registered trademarks in Switzerland and selected countries abroad. Compliance with trademark regulations is monitored on an ongoing basis. Image and reputation studies are conducted annually to assess the brands and analyse their development.

Organization

Swiss Post is divided into six Group units: PostMail, Swiss Post Solutions and Post Offices & Sales operate in the communication market. Meanwhile, PostLogistics focuses on the logistics market, PostFinance on the retail financial market, and PostBus on the passenger transport market. They are presented in the annual financial statements as individual segments.

Management and service units (Finance, Human Resources, Communication, Legal & Staff Service, Information Technology and Real Estate) support the provision of services by the product-carrying units. In the annual financial statements, the results for these units are included in the Other segment.

The legal structure comprises the holding company Swiss Post Ltd and its subsidiaries PostBus Switzerland Ltd, Post CH Ltd and PostFinance Ltd, which in turn have subsidiaries of their own.

Organization chart

31.12.2013

Swiss Post Ltd

Chairman of the Board of Directors Peter Hasler

Group Audit Martina Zehnder

CEO Susanne Ruoff[1]

Legal & Staff Service Peter Nobs[2]

Finance Pascal Koradi[1]

Human Resources Yves-André Jeandupeux[1]

Communication Marco Imboden[2]

Information Technology Dieter Bambauer[1]

Real Estate Franz Huber[1]

PostBus Switzerland Ltd Daniel Landolf[1]

Post CH Ltd
- **PostMail** Ulrich Hurni[1]
- **Swiss Post Solutions** Frank Marthaler[1]
- **Post Offices & Sales** Franz Huber[1]
- **PostLogistics** Dieter Bambauer[1]

PostFinance Ltd Hansruedi Köng

1 Member of Executive Management
2 Member of Extended Executive Management

The new Group Development Programmes unit was formed on 1 January 2014 to strengthen business development and promote innovation. It reports directly to the CEO.

More information on the Board of Directors and Executive Management can be found on pages 49 to 51 and 54 to 56.

Group strategy

Swiss Post creates added value for Switzerland, its customers, the owner and employees.

Swiss Post's vision, together with its core values and strategy, are derived from postal legislation and the directives of its owner. These directives are set out in the strategic objectives of the Federal Council, which are revised every four years. Swiss Post's six strategic objectives are, in turn, derived from the Federal Council's objectives. Swiss Post seeks to create added value for Switzerland, for its customers, its employees and its owner by safeguarding the quality of the universal service, operating in a sustainable manner, increasing customer satisfaction and employee commitment, and meeting its owner's objectives by achieving a stable market position. It aims to ensure these objectives are met by means of five strategic thrusts.

Group | Strategy

2011 – 2013

Statutory mandate and strategic objectives set by the Federal Council

Vision and core values
We move people, goods, money and information

"reliable" | "value-enhancing" | "sustainable"

Strategic objectives
Create added value for

Switzerland	Our customers	Our employees	The owner
Universal service regulatory audit certification **Sustainability** – 15,000 t CO_2 emissions/year by the end of 2013	**Customer satisfaction** at least 75 points (scale of 0 – 100)	**Employee commitment** at least 80 points (scale of 0 – 100)	**Finance** EBIT of CHF 700 – 800 million **Market position** leading market position in Switzerland

Strategic thrusts

Exploit regulatory conditions	Offer high quality services	Offer competitive prices	Generate sustainable, profitable growth	Implement socially responsible cost efficiency

Strategic measures

The 2014 – 2016 strategy was approved by the Board of Directors in December 2013 for implementation as of 1 January 2014. Measures included establishing a new corridor of 700 to 900 million francs for the financial objective in terms of EBIT.

Guidelines

Statutory framework

The Swiss Parliament adopted the new postal legislation in December 2010. It came into force in October 2012. The revision aimed to harmonize effective competition and a high-quality universal service. The Postal Services Act aims to guarantee a sufficient, inexpensive universal service for the entire Swiss population in every part of the country. Swiss Post has a universal service obligation to provide postal services and payment transaction services. In the new postal regulation, the Federal Council differentiates between the two mandates more clearly than in the past, paving the way for a customer-oriented, financially viable service tailored to meet market requirements.

The universal postal service obligation sets out guidelines concerning the range of services, prices and quality to be provided. The first objective is to meet the needs of customers sending letters and parcels. The second objective of the universal service is to take into account the needs of customers receiving post. High demands are placed on Swiss Post for home delivery (delivery method and nationwide availability). A and B Mail are still regarded as universal service products and are subject to much stricter requirements regarding delivery times than in other countries (97 percent of letters and 95 percent of parcels must be delivered on time). Individual consignments that form part of the universal service are offered in post offices and postal agencies. Access points should be accessible to 90 percent of the population within 20 minutes on foot or by public transport. In areas where Swiss Post offers a home delivery service, they must be less than 30 minutes away. In addition to the universal service, Swiss Post is also permitted to offer additional services not covered by the universal service.

The universal service for payment transactions will continue to include opening an account and making transfers, deposits and withdrawals. Payment transaction services should be accessible to 90 percent of the population within 30 minutes on foot or by public transport. Unlike the universal postal service, the payment transaction service is formulated without reference to specific technologies, thereby facilitating the introduction of modern, more customer-friendly services.

Group | Classification of services

2013

	Monopoly services	Services open to competition
Universal services	addressed letters up to 50 g	e.g. letters over 50 g, parcels up to 20 kg, payment transactions
Services excluding universal services		e.g. unaddressed items, express and courier consignments, savings accounts

Federal Council’s strategic targets

Innovative, customer-focused, and profitable in competition

As the owner of Swiss Post, the Federal Council makes further stipulations in the form of its strategic objectives. For the strategy period 2013 – 2016, the Federal Council expects Swiss Post to offer a high-quality universal service throughout Switzerland and according to the same principles.

Swiss Post should also offer a high standard of marketable, innovative products and services in its core business in the communication, logistics, retail financial and passenger transport markets. The aim is to generate profitable growth and to increase the company’s earning power as a result of efficiency improvements. Swiss Post can enter into partnerships (shareholdings, alliances, founding of companies or other types of cooperation) in Switzerland and abroad as far as its finances and human resources capacities allow. Swiss Post and its subsidiaries must be managed in a uniform manner.

In financial terms, the Federal Council expects Swiss Post to maintain and increase the company’s value in the long term, and to achieve industry-standard returns in all business areas. The profits it makes should be used to fund the equity required by PostFinance Ltd under banking law, and to pay dividends to the Confederation. Net debt must not exceed operating profit (EBITDA).

Swiss Post will continue to pursue a progressive and socially responsible human resources policy to justify the confidence of its employees. It must also offer attractive, competitive employment conditions, help employees to balance work and family commitments and encourage fair representation of gender and language regions.

Vision

Swiss Post’s actions are guided by its vision and its core values:

We move people, goods, money and information – in a reliable, value-enhancing and sustainable way.

Developments

Trends

Deregulation in the spotlight

Legal and political: deregulation
The European Union completed the full deregulation of the postal sector at the end of 2013. Previous experience in the EU has shown that competition only develops gradually, even in fully deregulated letter markets. In contrast, competition in the parcels and express markets is working well. So far, Switzerland has decided against opening up the entire letters market immediately. The Federal Council has a maximum of three years from the implementation of the revised Postal Services Act on 1 October 2012 to submit an evaluation report to Parliament on the way forward as regards opening up the market. Swiss Post generates its turnover in an environment marked by technological and social change, in which customer requirements have shifted. In the monopoly segment (domestic letters up to 50 grams) it is in competition with electronic forms of communication. In a deregulated market, the challenge for lawmakers and postal companies is to create conditions that ensure a high-quality and economically viable universal service can continue to be provided in Switzerland. Complete market deregulation would require a debate about regulatory conditions and the scope of the universal service, in order that this can still be provided in an economically viable manner in the long term.

Merging physical and digital solutions

Social: change in consumer culture
The everyday lives of many people have been taken over by the use of modern devices such as smartphones and tablets and the variety of communication options offered by the Internet (social networks, communities, forums, blogs, chats etc.), leading to fundamental changes in consumer habits and lifestyles. The ability to exchange information simultaneously is speeding up the pace of our living and working environments. Customers expect products and services to be individually tailored to their needs. Online shopping is becoming the norm for more and more consumers (regardless of age, income or domicile). The challenge for Swiss Post is to try and keep pace with the rising expectations of its customers for flexibly designed, transparent and reliable processes.

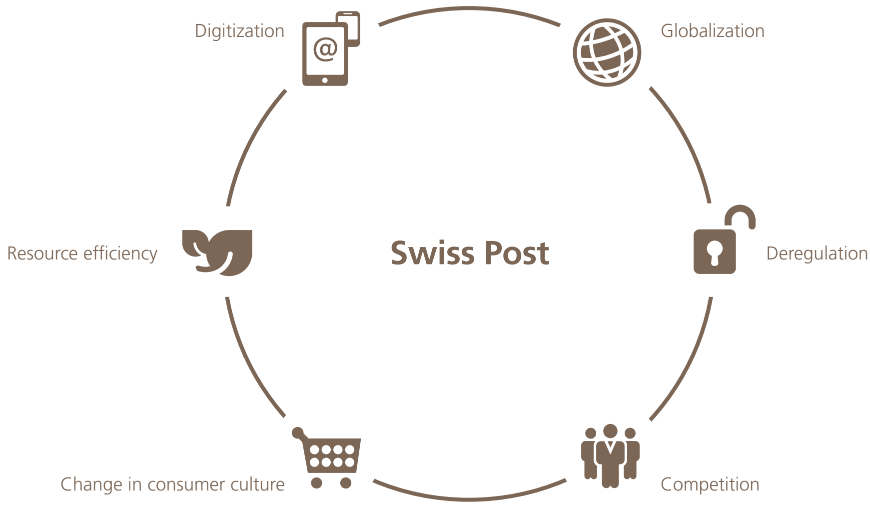
Technological: digitization
There is a constant need to adapt to keep up with today's rapidly evolving digital lifestyle. Companies have both online and offline concepts and are combining e-commerce with mobile and social commerce, resulting in rapid growth of data volume. Only companies that know how to save and file data and exploit the knowledge contained in it to fulfil their purpose will succeed in securing significant competitive advantages. Radical changes are set to take place in industrial production, in the form of 3D printing for example. Digitization is resulting in the creation of a variety of new business models and skills. Swiss Post is rising to meet the associated challenges and opportunities flexibly and promptly.

Economic: globalization and competition
Dynamic economic development and the globalization of competition are forcing companies to use their resources efficiently, increasing the pressure on Swiss Post to exploit comparative locational advantages in order to optimize costs. Meanwhile, disadvantages resulting from size or geographical coverage can be countered by joint initiatives.

Environmental: resource efficiency
The scarcity of natural resources is raising awareness about environmental sustainability among customers, investors and legislators. Demand for sustainable products is on the rise. An optimum mix of energy efficiency and renewable energy is becoming a critical factor for companies seeking to combat escalating costs or, in certain cases, gain new competitive advantages.

Group | Trends in the environment

2013



Market trends

Potential in promotional mailings and document processing

Communication market

In the letters market, Swiss Post provides Switzerland's universal postal service. It fulfils this mandate with a residual monopoly on letters up to 50 grams. Around 70 percent of all mail is already deregulated. This includes newspapers, unaddressed mail and addressed mail over 50 grams. However, the primary challenge for PostMail and Post Offices & Sales remains competition from electronic media. The growing number of customers switching to electronic channels continues to produce a drop in letter volumes and falling demand for conventional post office services. Competition is becoming more intense and pressure on margins is rising, increasing the need for cost and price flexibility within the industry and a targeted development of the postal network. Meanwhile, the market for promotional mailings offers growth opportunities. The international letters market remains fiercely competitive. Further mergers and partnerships can be expected in order to secure market positions. Driven by what is technologically possible, major corporations are increasingly outsourcing their paper-based business processes since these do not necessarily form part of their core business. There is still substantial growth potential in this area, which Swiss Post Solutions is gradually tapping into with innovative, sector-specific customer solutions.

Growth in e-commerce the driving force behind logistics

Logistics market

Competition in the logistics market continues to grow. It is characterized by a rising level of internationally targeted, more aggressive competition and growing pressure on prices. This is spreading to parcels and express deliveries. Customers, particularly business customers, are sensitive to prices, but continue to expect high quality. Hence, substantial rises in staff expenses cannot be offset by pricing measures. Overall, the logistics market has the potential for growth, driven by the rapid rise in cross-border e-commerce business. The challenge for logistics is to convert customers' global procurement requirements into new, profitable business models. At the same time, the boundaries between parcel logistics and goods logistics continue to blur, because business customers increasingly expect a single solution provider for all their logistical needs. With digitization and the increased transparency of business processes, customers want electronic data links along the entire transport chain, right into companies, to accompany the actual transportation of goods. In goods logistics, Switzerland is becoming bound by the increasingly international network structures. The introduction of environmental and incentive taxes such as CO_2 taxes and the heavy goods vehicle tax are having a direct impact on the logistics margins that can be achieved.

Mobile and electronic business take centre stage

Retail financial market
Despite a slight recovery, interest rates on the capital market remain low, which is having a significant effect on earnings. The need to comply with increasing regulatory requirements is a further challenge that is leading to a rise in the cost of business processes. Digitization is shaping the development of the financial services market from the customer's point of view. Innovative non and near-banks are creating additional competition and provoking traditional market stakeholders with their approach.

Combined, sustainable mobility

Passenger transport market
Today's mobility behaviour calls for more flexible, versatile and combinable mobility services that will shape public transport. For instance, the shared use of bicycles and e-bikes in urban areas is becoming recognized as an ideal supplement to private and public transport. At the same time, environmental change is leading to growing demand for environmentally friendly mobility. The industry is undergoing major technological advances and is becoming more investment-intensive as a result.

As purchasers of regional public transport services, the Confederation and cantons will be less able to pay compensation to transport companies owing to scarcer financial resources as a result of the economic crisis. But public transport mobility requirements are constantly increasing, so a reduction in services is out of the question, and services will have to be provided at lower cost and with less public-sector compensation. An increase in tenders for services can also be expected. The Swiss market is not particularly attractive to foreign companies, since growth is quite small and the larger urban networks today are largely a protected market. Competitors in the international market are becoming significantly larger, not least due to company mergers. PostBus will have to maintain its position on an increasingly competitive national and international stage.

Framework

Swiss Post's guidelines and its overall understanding of key strategic issues are embedded in its strategic framework. Within these guidelines, its operating units are able to respond promptly to current market requirements.

In particular, the strategic framework contains statements on understanding customers, the core business, market positions, competitive strategies, geographic focus, profitability, sustainability, innovation, management style and information technology focus.

Objectives

Swiss Post sets its priorities in the form of six strategic objectives, and determines how it intends to meet the challenges of its operating environment and achieve its top-level directives.

Added value for the owner:
– In accordance with the strategy approved by the Board of Directors in December 2013 for implementation as of 1 January 2014, Swiss Post's new goal is to achieve an annual EBIT of 700 to 900 million francs (see page 26).
– In Switzerland, it aims to attain leading market positions with its business activities (see page 23).

Added value for customers:
– Swiss Post attains a consistently high customer satisfaction rate of 75 points (on a scale of 0 to 100) (see page 37).

Added value for employees:
– Employee commitment remains high at 80 points (on a scale of 0 to 100) (see page 37).

Added value for Switzerland:
– Swiss Post provides a high-quality universal service (see page 39).
– It reduced its annual CO_2 emissions by 15,000 tonnes by the end of 2013 (see page 38).

Strategic thrusts

In order to achieve its objectives, Swiss Post is pursuing five strategic thrusts:

- Offer high-quality services
  Swiss Post offers its private and business customers consistently high-quality services, from product development through to daily contact with customers across all channels. In doing so, it ensures a high level of customer focus, continuous improvement of services and processes, new innovative products, and top-class quality control and quality assurance.

- Charge competitive prices
  In the future as in the past, Swiss Post is dependent on its ability to charge competitive prices in order to provide high-quality services. By doing so, it seeks to fund a well-functioning universal service.

- Secure long-term profitable growth
  Swiss Post aims to ensure its growth is sustainable and profitable. In Switzerland and abroad, it consistently follows a growth plan that takes the long view and proceeds step by step. This enables it to manage and safeguard the profitability of its growth.

- Ensure socially responsible cost efficiency
  In an increasingly dynamic marketplace, it is imperative that Swiss Post secures and improves efficiency. In the communication market in particular, it is facing far-reaching changes. It intends to meet these challenges in future with balanced, socially responsible solutions.

- Optimally exploit regulatory conditions
  To enable Swiss Post to continue to develop strongly in the long term, it is crucial to make optimal use of the new regulatory conditions, particularly with a view to focusing even more closely on customer requirements and boosting competitiveness.

Markets

The strategic objectives and thrusts are ensured by the following solutions and market strategies:

Anyone who thinks about e-commerce should think of Swiss Post.

E-commerce is a central connecting element between the services offered in the communication, logistics and retail financial markets. By progressively combining modular services from individual markets to form an integral range, and consistently gearing its product portfolio and services to meet the needs of senders and recipients, Swiss Post can position itself as a key service provider along the e-commerce value chain. In doing so, Swiss Post can promote sustainable and profitable customer relationships in the long term.

Communication

PostMail
PostMail's core business is the acceptance, sorting and delivery of letters, newspapers and promotional mailings for all customers in Switzerland. Through ongoing optimization of its logistics and information technology, PostMail is streamlining its processes and keeping costs under control. By deploying the latest technology, PostMail strives to attain maximum reliability and quality with excellent value for money. Letters are specifically positioned as a means of communication that will stand out from other competing media due to their stronger impact, by increasing the level of recognition of a company and improving the image of the sender for example. These marketing advantages are reflected in higher numbers of visitors and sales rates in e-commerce and other areas. PostMail will continue to invest in the letters business and optimize its infrastructure. It will develop existing services to meet the needs of customers and will specifically encourage growth in direct marketing. Synergies from the Mail International merger will be achieved in the import and export business in Switzerland. New growth opportunities can be found abroad in Asendia, the 50 percent joint venture with France's La Poste, in the international B2C business, and in the development of innovative solutions and products at the interface between the physical and the electronic world.

Swiss Post Solutions
Swiss Post Solutions (SPS) is a leading provider of comprehensive document processing services and solutions for outsourcing paper-based business processes. The 7,500 or so employees at SPS serve business customers in the insurance, banking, telecommunications, media, retail, energy and travel and transportation sectors. SPS operates in all the major economic areas around the globe and generates around 70 percent of its sales abroad. Its core markets are Switzerland, Germany, the UK and the USA.

Post Offices & Sales
Post Offices & Sales is seeking to make its services both customer-friendly and cost-effective. To do so, the unit is constantly developing its sales network. The range of logistics products for private customers will be further simplified and made available for new uses.

Logistics

PostLogistics
PostLogistics has positioned itself as the quality and cost leader in the CEP submarkets (courier, express, parcels) nationally and internationally, small consignments and warehousing, international transport, overnight logistics and e-commerce/e-fulfilment. Its core business lies in the domestic CEP segment. It intends to develop its position through consistent cost management, increased automation and the expansion of value-added services for sending and receiving customers. In the international CEP segment, PostLogistics positions itself as a market leader in cross-border logistics and customs clearance. In small consignment and warehousing logistics, as well as in overnight logistics, PostLogistics offers add-on services. Within international transport, PostLogistics plans to strengthen its presence and safeguard its connections to cross-border networks. Swiss Post and PostLogistics are looking to share in the strong growth in e-commerce, by combining various individual services along the value chain into an end-to-end offer, with logistics and the core parcels business at PostLogistics as the focal point.

Retail finance

PostFinance

PostFinance focuses consistently on its core business and aims to be the first choice for Swiss private and business customers who want to manage their finances independently. Customers appreciate the straightforward, functional relationship with PostFinance via its open access channels and the most user-friendly, yet attractively priced services on the market. PostFinance offers private customers and small and medium-sized enterprises a clearly structured range of products that are user-friendly and easy to understand. When it comes to major business customers and banks, PostFinance ensures that product solutions are ideally suited to customer processes.

PostFinance wants to defend its market share and remain the number one in payment transactions. With this in mind, it is modernizing its core banking system and expanding its product range. It is adopting a new look in digital contact points and extending the personal finance management area (e-cockpit) for private customers. It is consistently developing mobile payment solutions. The aim is to tap into new sources of revenue by achieving growth along the value chain.

A new value proposition is being established for major business customers in connection with working capital management. The emphasis is on offering integral advice in all areas of working capital management. The aim is to expand and integrate current services to create solutions that are optimally tailored to the process chain and to customer requirements together with comprehensive advice.

Passenger transport

PostBus

PostBus intends to build on its leading position in bus transport, differentiate itself from the competition with the best value for money, and increasingly position itself as a provider of sustainable and combined mobility services. In its core business, PostBus aims to remain the number one in regional transport in Switzerland, to strengthen its market position in cities, conurbations and system and mobility solutions (for instance, with PubliBike, the largest bike sharing provider in Switzerland), and to seek further targeted growth abroad.

Financial controlling

Maintain the company's value in the long term.

The aim of financial controlling at Swiss Post Group is to achieve the financial objectives of the Federal Council. In accordance with its owner's objectives, Swiss Post must maintain, and if possible increase the company's value. Value added is created when adjusted operating profit exceeds the cost of average invested capital. In addition to the income statement, this approach also factors in the risks and the capital employed. The Federal Council also expects Swiss Post to be able to finance its investments from the generated cash flow.

In order for the above objectives to be achieved, financial controlling within Swiss Post Group generally operates with target agreements and accountability for results. All business units are responsible for achieving the agreed objectives. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration (please also see "Determination of remuneration" in the Annual Report), operating profit (before management, licence fee and net cost compensation) is an important financial objective. The units have a large degree of freedom within the framework of strategic planning and the budget. For individual plans such as investments, projects or acquisitions of shareholdings with a considerable financial impact or for plans with strategic importance, Swiss Post's Executive Management or Board of Directors decides according to the funds required and the type of business.

Swiss Post is considered from two different standpoints: the management structure and the legal structure. These different structures are taken into account in the reporting, which, in turn, is based on two main instruments: management reporting and the consolidated financial statements. The management reporting shows the contribution of the Group units and markets to the result. It indicates the financial success of the strategic market areas and product groups and provides information on the attainment of the annual objectives as well as the implementation of the strategic measures. The management reporting, first and foremost, serves the management of the units and the Group. It is based on the same set of basic values as the consolidated financial statements.

The consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) set out the business performance of the legal units of Swiss Post. Hence, it is used primarily for reporting on the overall company and the segments. Segment reporting is divided into Group units and national/international or by region in accordance with IFRS 8.

Swiss Post and the units are managed based on the following instruments:

- Income statement, balance sheet and statement of cash flows
  These form the basis of financial management at unit and Group level. The reporting on the income statement takes place monthly, that on the balance sheet and statement of cash flows quarterly.

- Annual targets
  The annual targets are to help achieve the quantitative and qualitative objectives formulated in the strategies. They cover the following areas: market, service provision, resources, management and organization. The success in meeting the annual targets is measured quarterly.

- Key figures
  The key figures are divided up into finance, customers, employees, strategic measures and processes. They reflect the business and financial performance of the units and the Group, and also form the basis for target agreements between the CEO and the unit heads. The development of the key figures is reported as part of monthly reporting.

– Identification of strategic market fields and product group accounting
  The identification of the strategic market areas and product groups as well as the strategic measures is used as a financial management tool for the Group units. Reporting takes place semi-annually.

– Commentary
  The comments are an integral component of the reporting on all levels. They are designed to provide insight into the main developments, plans as well as problems and measures in respect of the corresponding unit as well as the assessment of the reporting. Comments are made on the achievability of the forecasts as well as on prior-year and budget variance. The periodicity of the commentary depends on the key figure on which it is based and the variance.

Business performance

Key figures

Group profit affected by liability for taxation

Swiss Post successfully completed the transition to its new legal form and remains on track in the first year following its conversion to a public limited company. In 2013, it achieved Group profit normalized to take account of one-off items of 626 million francs (previous year: 772 million francs). The decline of 146 million francs is due to the Group result being fully subject to taxation for the first time following the conversion to the new legal form. Adjusted operating profit (EBIT) rose to 911 million francs (previous year: 860 million francs). This increase of 51 million francs was achieved thanks to solid income on the financial and investment markets and good cost management. All four markets contributed to this result.

Group | Key figures
2013 with previous year for comparison

		2013	2012
Results			
Operating income [1]	CHF million	8,575	8,576
Generated abroad	CHF million [2]	1,031	1,025
	% of operating income	12.0	12.0
Reserved services	CHF million [3]	1,237	1,360
	% of operating income	14.4	15.9
Operating profit [1]	CHF million	911	860
As a share of operating income	%	10.6	10.0
Generated abroad	CHF million [2]	47	35
	% of operating profit	5.2	4.1
Group profit [1]	CHF million	626	772
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44,105	44,605
Abroad	Full-time equivalents	6,779	6,621
Financing			
Total assets	CHF million	120,383	120,069
Customer deposits (PostFinance)	CHF million	109,086	110,531
Equity	CHF million	5,637	3,145
Investments			
Investments	CHF million	453	443
Other property, plant and equipment, intangible assets	CHF million	364	228
Operating property	CHF million	–	162
Investment property	CHF million	48	19
Investments	CHF million	41	34
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities	CHF million	–367	13,424
Value added	CHF million [4]	5,688	5,314
Economic value added	CHF million	135	269

1 Normalized figures
2 Definition of "abroad" in accordance with secondary segmentation in the Financial Report
3 Letters up to 50 g
4 Value added = operating profit + staff costs + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and investments

Additional key figures and explanatory notes can be found in the table of figures (for reference source, see page 174).

One-off items

Swiss Post's financial result (Group) includes three one-off items in 2013. These did not lead to any adjustment of the previous year's figures. The one-off items and their financial impact are explained in detail on page 30. The non-consideration (normalization) of the three one-off items allows comparison with the previous year and provides an accurate representation of the current operating business performance.

Drivers

The economy

According to the Swiss National Bank (SNB), growth in the global economy in 2013 was modest by historical standards, despite far calmer global financial markets. Economic growth in the second half of the year was driven mainly by the United States, the United Kingdom and China. Development was much weaker in the euro zone and in many emerging economies. The economic situation in Switzerland remained favourable in the second half of the year, which was reflected in correspondingly robust growth levels. According to initial estimates, growth continued at the same rate as in the first half of the year. It was broadly based across different sectors. The ongoing positive economic situation on the domestic market helped boost activity. Economic growth in Switzerland, Swiss Post's most important market, nonetheless remained below its long-term average.

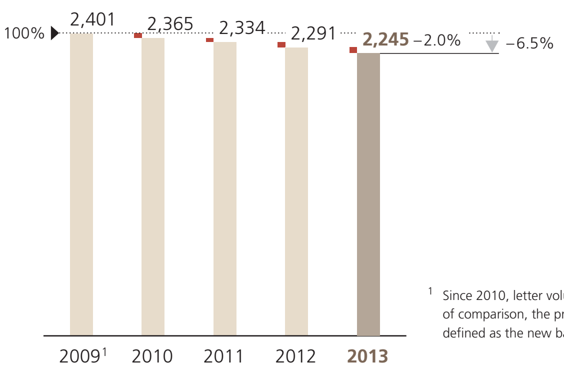
Communication market

Varying volume trends in the communication market

Performance between products in the communication market varied widely. The number of addressed letters handled by PostMail and Post Offices & Sales in 2013 was 2 percent lower year-on-year. Unaddressed mail increased by around 1.7 percent year-on year as a result of acquisitions. On the other hand, newspaper delivery volumes saw negative performance (– 3.2 percent) due to changes in customer behaviour. Post Offices & Sales recorded a downturn in volumes of the logistics products letters and parcels. Import and export volumes (mail) fell 6.2 percent year-on-year. At Swiss Post Solutions, income from services provided remained largely unchanged.

Decline in addressed letters

Communication market | Addressed letters
2009 to 2013 showing change from prior year / over four years
2009 = 100%[1], figures expressed in millions



[1] Since 2010, letter volumes have been calculated using a new method. For the purposes of comparison, the prior-year figure was adjusted accordingly and the figure for 2009 was defined as the new base value.

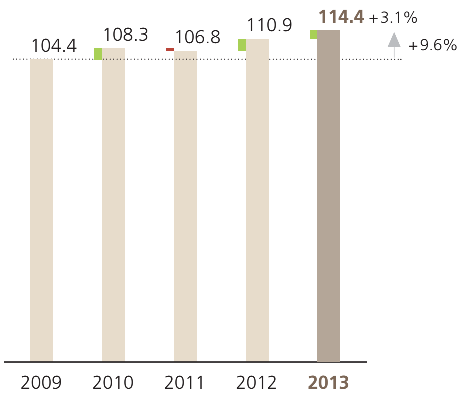
Logistics market

Ongoing positive trend in parcel volumes

The logistics sector continues to be characterized by increasing competition and price pressure, both nationally and internationally. Customers are price-sensitive and have high expectations as regards quality. As a result of deregulation and changing customer needs, there is increasing overlap between the courier, express and parcels segments and traditional dispatch. Parcel volumes increased year-on-year, both domestically (+ 3.1 percent) and in terms of imports and exports (+ 12.5 percent). This is due to a rise in online trade and the integration of the import / export activities of Swiss Post International.

Ongoing positive trend in parcel volumes

Logistics market | Parcels
2009 to 2013 showing change from prior year / over five years
2009 = 100%, figures expressed in millions



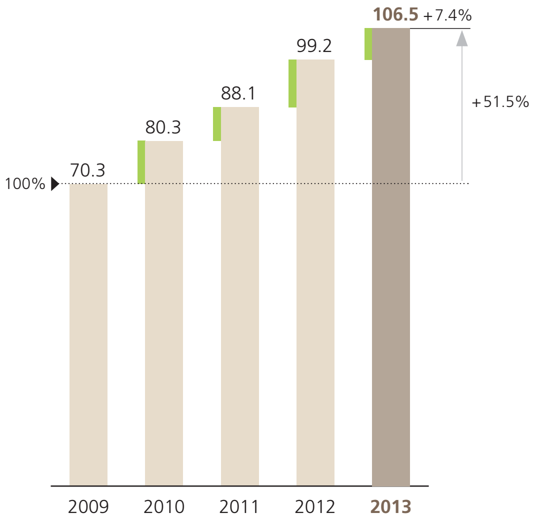
Retail financial market

Continued rise in customer deposits

PostFinance recorded a further increase in average customer deposits year-on-year. Swiss Post’s financial arm continues to enjoy the trust of customers who manage their own finances and who appreciate a simple and inexpensive range of services. Average customer deposits in 2013 totalled 106,542 million francs. This represents an increase of around 7 percent year-on-year.

Steady increase in average customer deposits

Retail financial market | Average customer deposits (PostFinance)
2009 to 2013 showing change from prior year / over five years
2009 = 100%, CHF billion



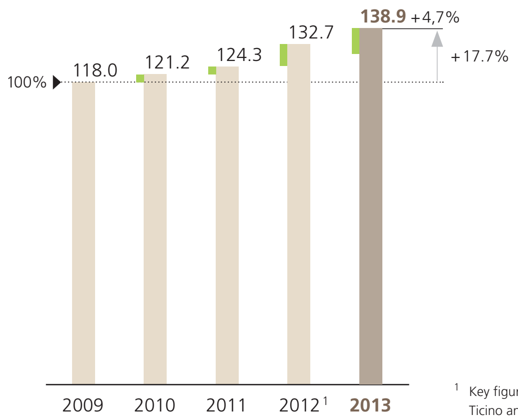
Passenger transport market

Marked increase in passenger numbers

The national passenger transport market is growing steadily. As the budgets of public sector organizations which act as contracting bodies for transport services are squeezed once again, the pressure on prices is set to increase even more, slowing the further expansion of the public transport network. PostBus has been operating urban bus networks and bus routes in France for a number of years. In 2013, PostBus increased the number of kilometres covered by 4 percent, recording a total of 134 million kilometres. Special transport in Switzerland contributed to this figure, as did the expansion of services in France. In Switzerland, PostBus carried around 139 million passengers in 2013. This represents an increase of 4.7 percent over the previous year.

Marked increase in passenger numbers

Passenger transport market | Number of passengers (Switzerland)
2009 to 2013 showing change from prior year / over five years
2009 = 100%, passengers in millions



1 Key figures adjusted due to the switch to system-based surveys in the regions of Ticino and Valais

Profit situation

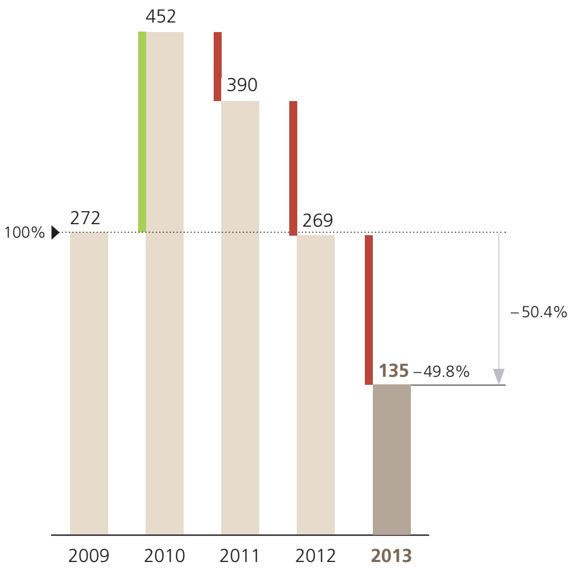
Economic value added

Tax burden reduces economic value added

In line with the Federal Council's financial targets, Swiss Post is expected to maintain and increase economic value added. Economic value added is created when adjusted operating profit exceeds the cost of average invested capital. In addition to the income statement, this approach also factors in the risks and the capital employed. In order to meet the stated financial target, economic value added is included as a key figure in the calculation of the variable performance component of management remuneration, (please also see "Determination of remuneration" on page 57).

Tax burden reduces economic value added

Group | Normalized economic value added
2009 to 2013 showing change from prior year / over five years
2009 = 100%, CHF million

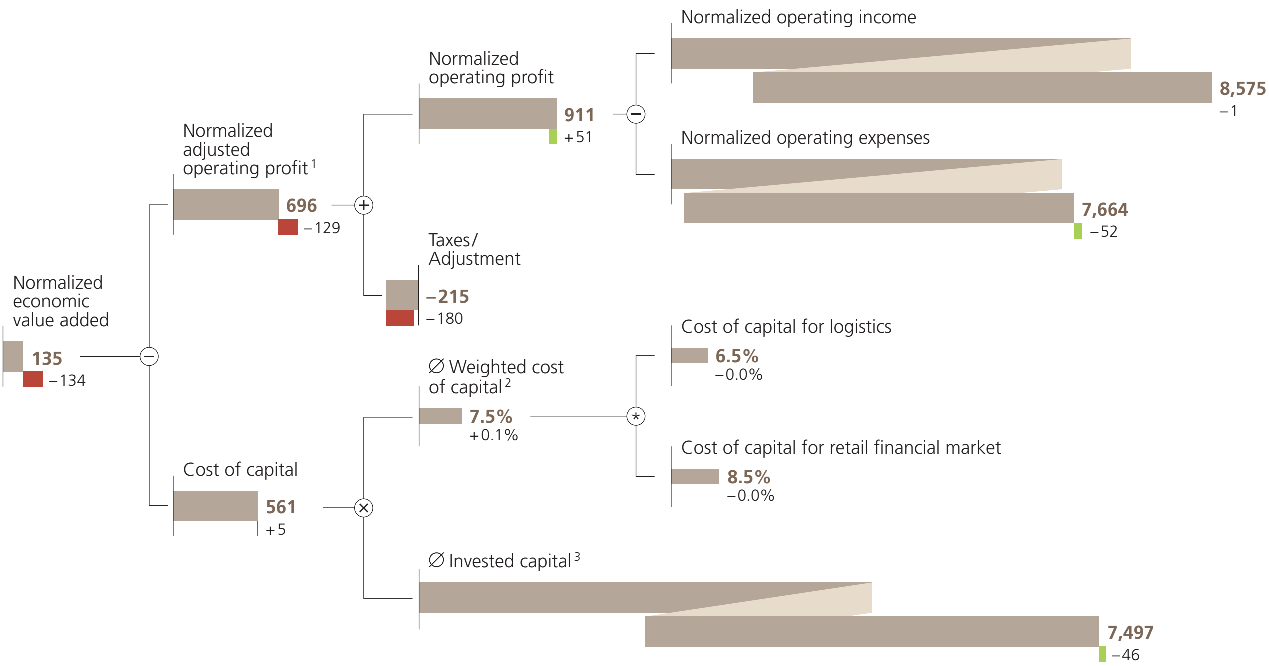


Economic value added in the Logistics unit is calculated from adjusted operating profit (NOPAT) minus capital costs (cost of capital for Logistics times average invested capital, or NOA). In the retail financial market, it is calculated from earnings before tax (EBT) in accordance with IFRS minus capital costs (cost of capital in the retail financial market times relevant average capital).

As at 31 December 2013, Swiss Post met the financial expectations of the Federal Council and generated normalized economic value added of 135 million francs. This is around 50 percent less than in the previous year (269 million francs). The decrease is mainly due to Swiss Post being fully subject to taxation for the first time.

Tax burden holds back growth in economic value added

Group| Normalized economic value added
2013 showing change from prior year
CHF million, percentage points



⊙ Weighted with the average invested capital in logistics and in the retail financial market (PostFinance).
1 Net operating profit after tax (NOPAT).
2 Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity capital for the retail financial market (PostFinance).
3 At PostFinance corresponds to ∅ average equity in accordance with Basel II (CHF 3,917 million) and in logistics units to the ∅ average net operating assets (NOA) of CHF 3,580 million.

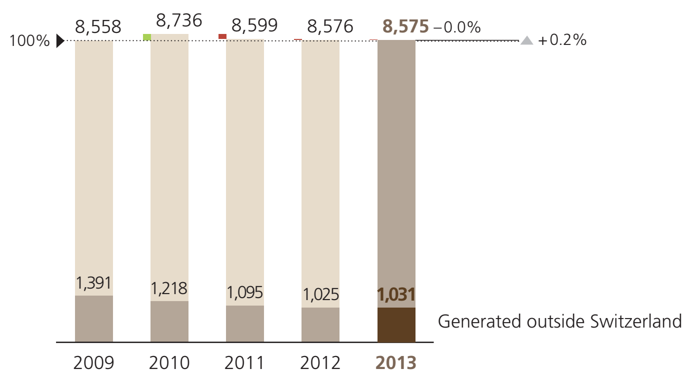
Income statement

Stable profit situation

Operating income
Normalized operating income stood at 8,575 million francs in 2013 (previous year: 8,576 million francs).

Normalized operating income on a par with previous year

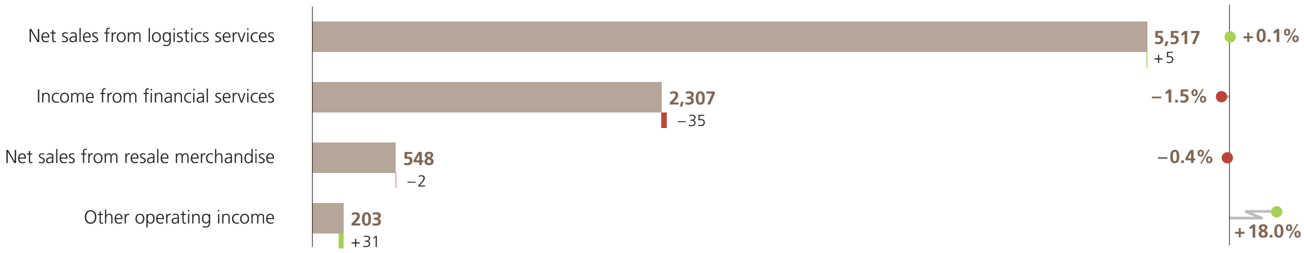
Group | Normalized operating income
2009 to 2013 showing change from prior year / over five years
2009 = 100%, CHF million



Normalized net sales from logistics services increased by 5 million francs to 5,517 million francs year-on-year. Net sales from resale merchandise were stable. In income from financial services, lower interest income due to market conditions could only be partially offset by higher income from the disposal of financial assets and the rise in commission and service income. Other operating income increased by 31 million francs year-on-year following sales of property, plant and equipment.

Stable operating income from various services

Group | Normalized operating income
2013 showing change from prior year
CHF million, percent

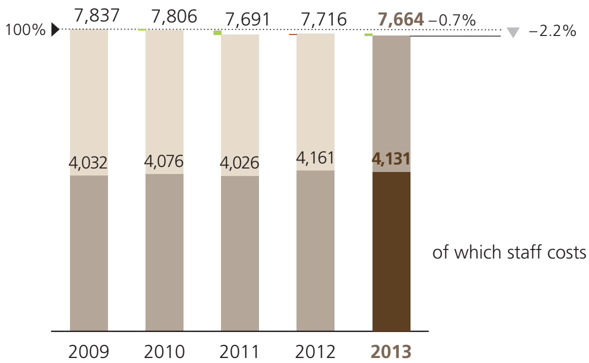


Considerably less expenses for financial services

Operating expenses
Normalized operating expenses fell by 52 million francs to 7,664 million francs year-on-year (previous year: 7,716 million francs). The share of normalized staff costs in total normalized operating expenses remained stable and stood at about 54 percent in 2013.

Stable operating expenses

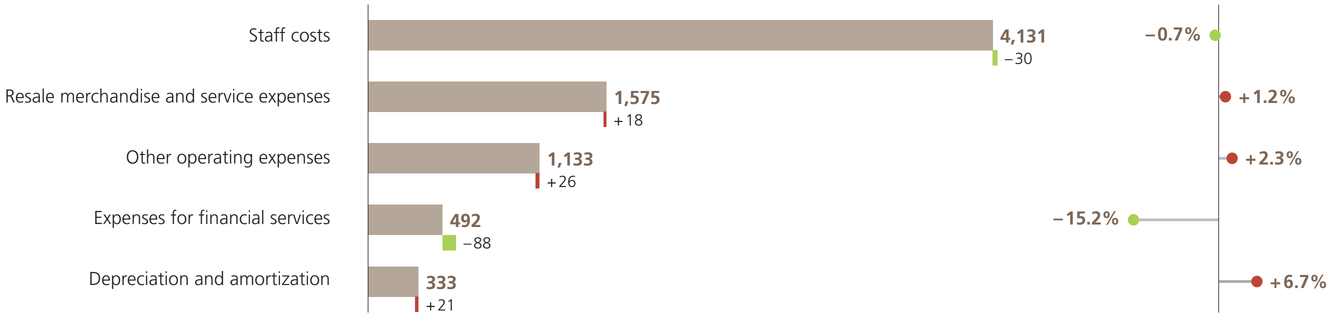
Group | Normalized operating expenses
2009 to 2013 showing change from prior year / over five years
2009 = 100%, CHF million



The decrease in normalized staff costs was primarily due to the lower average headcount. Resale merchandise and service expenses remained at the previous year’s level. Expenses for financial services fell significantly by 88 million francs to 492 million francs due to lower interest expense (previous year: 580 million francs). Other operating expenses remained stable in 2013. Depreciation and amortization costs increased slightly.

Stable operating expenses

Group | Normalized operating expenses
2013 showing change from prior year
CHF million, percent

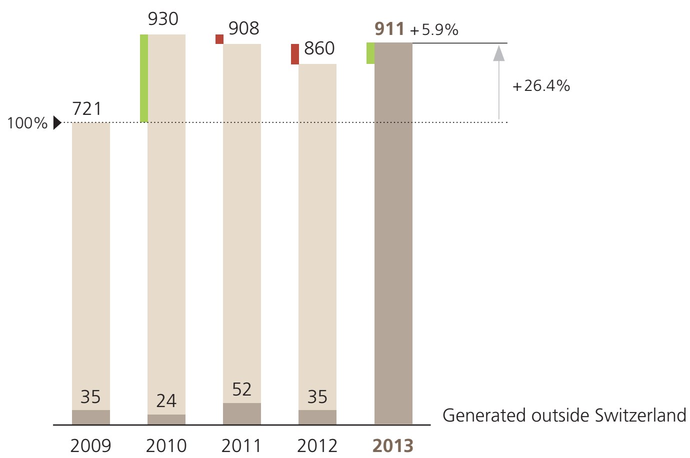


Operating profit

The year-on-year increase in normalized operating profit is attributable primarily to lower expenses. The aforementioned expense and income trends led to an improvement of 51 million to 911 million francs in normalized operating profit.

Significant increase in profitability

Group | Normalized operating profit
2009 to 2013 showing change from prior year / over five years
2009 = 100%, CHF million



Liability for taxation reduces Group profit

Group profit

Income from associates and joint ventures stood at 7 million francs, down from 10 million francs the previous year. Financial income fell by 8 million francs year-on-year. Financial expenses rose by 11 million francs over the previous year, partly as a result of loan amortization. Normalized income tax expense increased by 175 million francs to 213 million francs. This rise was partly due to the fact that Swiss Post subsidiaries became liable for tax on earnings for the first time, which resulted in a normalized Group profit of 626 million francs. Excluding the one-off items noted at the beginning of this report, Group profit stands at 1,751 million francs.

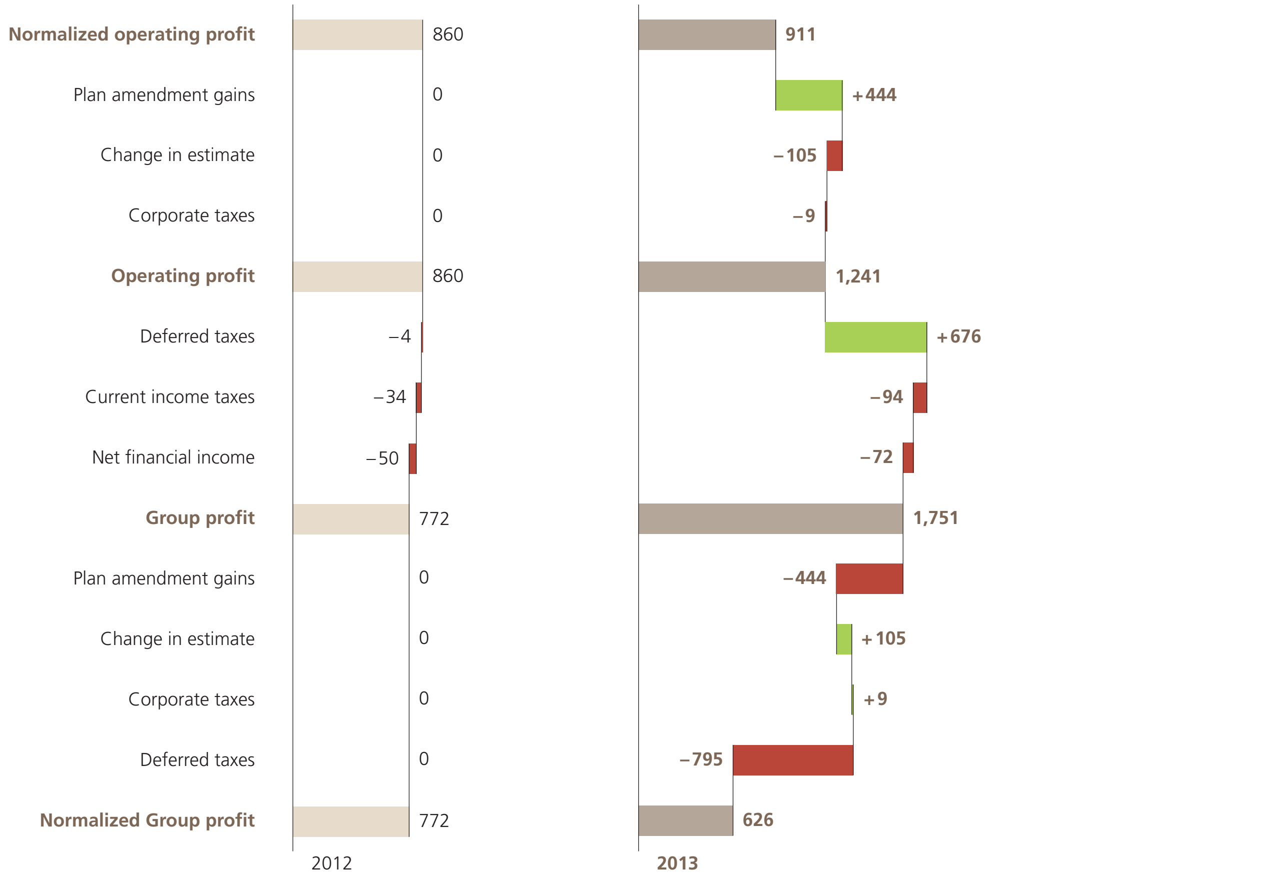
One-off items

As mentioned in the introduction, Swiss Post's financial result includes the following one-off items in 2013 (normalization):

- Income tax income due to the initial recognition of deferred taxes arising from full liability for taxation with effect from 1 January 2013, as well as recognition of other corporate taxes.
- A plan amendment gain associated with the restructuring plan for the Swiss Post pension fund led to a reduction in employee benefit expenses.
- In the light of new information with regard to the level of Swiss Post's performance obligation from stamp sales before 2012, a change in estimates led to a provision that negatively impacted results.

Group profit and operating profit affected by significant one-off items

Group | Normalized Group profit
2012 and 2013
CHF million



Segment results

Overview

All the markets contributed to operating profit.

Group | Segment results 1.1. to 31.12.2013 with prior-year period CHF million, percent	Operating income [1]		Operating profit [1,2]		Margin [3]	
	2013 [7]	2012	2013 [7]	2012	2013 [7]	2012
Communication market	4,891	4,780	238	42	4.9	0.9
PostMail	2,959	3,102	324	346	10.9	11.2
Swiss Post Solutions	616	549	5	3	0.8	0.5
Post Offices & Sales	1,697	1,509	–91	–307		
Logistics market						
PostLogistics	1,581	1,535	133	149	8.4	9.7
Retail financial market						
PostFinance [4]	2,377	2,356	537	623		
Passenger transport market						
PostBus [5]	812	778	28	35	3.4	4.5
Other [6]	897	938	–25	7		
Consolidation	–2,364	–2,191	–	4		
	8,575	**8,576**	**911**	**860**		

1 Operating income and operating profit by segment are now reported before management, licence fee and net cost compensation. Prior-year figures have been adjusted.
2 Operating profit corresponds to earnings before net non-operating financial income/expenses and taxes (EBIT).
3 The retail financial market (PostFinance) uses the indicator return on equity; no margin is calculated for "Other"; negative margins are not reported.
4 PostFinance is regulated by the Swiss Financial Market Supervisory Authority (FINMA) and therefore subject to its Bank Accounting Guidelines (BAG). There are differences between BAG and IFRS.
5 In the field of regional public transport, PostBus is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between RKV and IFRS.
6 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
7 Normalized figures.

The normalization mentioned in the introduction had an impact on operating expenses and hence on operating profit in all the segments. However, operating income was only affected by normalization in the Post Offices & Sales segment.

Communication market

PostMail

PostMail: result down slightly year-on-year

In 2013, PostMail registered normalized operating profit of 324 million francs (before normalization: 491 million francs), some 22 million francs less than the previous year, primarily as a result of higher employee benefit expenses and a rise in payments for internal services.

Operating income decreased by 143 million francs year-on-year and stood at 2,959 million francs. International business was hit hardest by the decline, which is a result of the outsourcing of international letter business to Asendia, a joint venture established in collaboration with France's La Poste. As with volume trends, sales from addressed mail and newspapers also registered a downturn.

Normalized operating expenses were reduced by 121 million francs year-on-year to 2,635 million francs. Again, this was primarily due to the outsourcing of international business to the joint venture Asendia and the associated reduction in staff and service expenses.

Headcount declined by 700 full-time equivalents year-on-year. This reduction was due to foreign subsidiaries joining the Asendia joint venture on the one hand, and to efficiency improvements on the other.

Swiss Post Solutions: operating profit on a par with previous year

Swiss Post Solutions

Swiss Post Solutions posted normalized operating profit of 5 million francs (before normalization: 15 million francs), which was 2 million francs higher than the previous year's level. Significantly higher earnings were recorded in Italy, in France as a result of non-recurring restructuring costs, and for the ePost Product House. In contrast, income fell in Germany due to the poor performance of the Cards unit and the loss of revenues from first shipment of electronic health cards. The decrease in the UK can be explained by the non-recurring one-off effect from the previous year and the acquisition costs for Pitney Bowes. The loss of Barclays, a major customer, led to a slight reduction in the US. Swiss Post Solutions carried out two acquisitions in 2013. Scalaris AG has belonged to the Swiss Post Solutions unit since the end of February, and Pitney Bowes Management Services in the UK was taken over at the beginning of September. In the course of the financial year, both acquisitions had a net impact of 2 million francs on operating profit.

At 616 million francs, operating income was 67 million francs up on the previous year. Of this, 42 million francs were generated by the newly acquired entities. Solid growth was achieved in the Document Output unit, in Italy and in France/the Benelux countries in particular. The ePost Product House increased operating income by around 6 million francs. This increase more than offset the loss of revenues from first shipment of electronic health cards in Germany, the discontinuation of the consulting business and lower sales from Cards. Business in Switzerland slowed slightly due to high competitive pressure. The loss of major customer Barclays in the US could not be fully offset. Activities were sold off to allow a greater focus of the business model on document solutions. This generated 20 million francs of extraordinary income, offset by extraordinary expenses on a similar scale.

Normalized operating expenses rose by 65 million francs year-on-year. Of this, 40 million francs were generated by acquisitions. Operating expenses grew in line with operating income, as margin expansion in growth areas was undone by margin erosion in the Cards business.

Average headcount rose from 6,502 to 6,798 full-time equivalents year-on-year. The increase represents an average of 296 extra full-time equivalents, due primarily to the addition of employees from newly acquired companies and a slight rise in headcount in various countries as a result of new business. In contrast, a reduction in personnel was recorded in the consulting business in Germany.

Post Offices & Sales: improvement in operating profit

Post Offices & Sales

In 2013, Post Offices & Sales recorded normalized operating profit of – 91 million francs (before normalization: – 110 million francs) and improved operating profit by 216 million francs year-on-year. The fall in sales of logistics products was offset by savings on the expense side.

Normalized operating income was up by 188 million francs year-on-year to 1,697 million francs. The decline in volumes of the logistics products letters and parcels led to a fall in sales of 7 million francs. Income from resale merchandise increased slightly by 2 million to 513 million francs thanks to philately-related products. Higher internal payments for services led to a 194 million franc increase in revenue from financial products and business customers, despite lower volume trends.

Normalized operating expenses were cut by 28 million francs year-on-year to 1,788 million francs. Volume trends for postal products led to a fall in expenses of around 4 million francs. The remaining expenses were reduced by a further 23 million francs, primarily due to consistent cost management and positive effects from the development of the post office network in terms of staff costs and rental expenses.

Headcount totalled 6,591 full-time equivalents, 133 fewer than the previous year as a result of developments in the post office network.

Logistics market

PostLogistics

PostLogistics: solid operating profit achieved

PostLogistics achieved normalized operating profit of 133 million francs (before normalization: 189 million francs), representing a fall of 16 million francs year-on-year. This decline in the normalized result was due to the payment of full costs to Post Offices & Sales.

Operating income totalled 1,581 million francs, exceeding the previous year's total by 46 million francs. This was mainly attributable to the integration of Swiss Post International products as of 1 January 2013, and to an increase in parcel volumes of around 3 percent (private customers and business customers in Switzerland), due to online retail and other areas.

Normalized operating expenses increased year-on-year by a total of 62 million francs to 1,448 million francs. Normalized staff costs were down 13 million francs on the previous year, largely due to lower headcount and the lower related costs for wages and salaries. Trading and service expenses rose by a total of 60 million francs year-on-year in relation to the payment of full costs to Post Offices & Sales and greater reliance on third-party transporters. Other operating expenses increased by 14 million francs year-on-year to a total of 337 million francs on account of a number of new IT projects and a reduction in charges allocated to the Group.

Average headcount fell by 94 to 5,426 full-time equivalents. The main reasons for this decline were optimization measures in the transport unit and the liquidation of IT ServiceHouse AG.

Retail financial market

PostFinance

PostFinance: lower normalized operating profit

In 2013, PostFinance recorded normalized operating profit of 537 million francs (before normalization: 588 million francs), representing a decrease of 86 million francs year-on-year.

Net interest income fell by 24 million francs year-on-year. Given the difficult market environment and the associated less profitable investment opportunities, customer interest rates had to be adjusted to market conditions. Higher reversals of impairment on financial assets were recorded compared to the prior-year period (59 million francs, previous year: 26 million francs). PostFinance recorded net commission and service income of 166 million francs (– 137 million francs or – 45 percent year-on-year). Compared to the prior-year period, commission and services expenses, in particular, rose sharply due to changes in internal payments for services (585 million francs, previous year: 413 million francs). Commission and service income increased slightly year-on-year (751 million francs, previous year: 717 million francs). Overall, normalized operating income remained high at 1,491 million francs.

At 954 million francs, normalized operating expenses including depreciation and amortization were higher than the previous year (+ 44 million francs). Non-staff costs stood at 451 million francs, which represents an increase of 25 million francs year-on-year. With a slight decrease in headcount and lower other staff costs, normalized staff costs (over 474 million francs) were lower than the previous year (– 3 million francs).

Passenger transport market

PostBus

PostBus: solid result achieved

PostBus achieved normalized operating profit of 28 million francs (before normalization: 65 million francs), 7 million francs below the previous year's level.

The operating income of 812 million francs exceeded the previous year's figure by 34 million francs, due primarily to the expansion of services in Switzerland and France. Other influential factors in Switzerland included mandates for additional journeys, tariff measures and the adjustment of cost apportionment for transport revenue. A shift can be seen from individual travel to fare network and all-inclusive ticket travel.

Normalized operating expenses were up by 42 million francs year-on-year to 784 million francs. This was mainly due to an increase in the number of kilometres covered, a rise in the number of employees, and to project expenses. Growth in operating expenses in France was primarily the result of market entry in the Menton transport network and the expansion of interurban services. Additional project costs of 4 million francs to boost future competitiveness combined with a rise in normalized employee benefit expenses were the main causes of the increase in costs in Switzerland.

Headcount increased by 180 full-time equivalents compared to the prior-year period. The highest growth was experienced in France.

Management and service units: lower operating profit recorded

Management and service units:
In 2013, the "Other" segment recorded normalized operating profit of –25 million francs (before normalization: 3 million francs). The normalization includes plan amendment gains of around 38 million francs and expenses for additional corporate taxes of around 9 million francs. The result for the prior-year period was 7 million francs.

Operating income of 897 million francs fell by 41 million francs year-on-year.

Normalized operating expenses decreased by 9 million francs to 922 million francs. The income and expense trends were mainly influenced by the transfer of real estate to PostFinance Ltd (with effect from January 2013). This transfer of real estate was undertaken as part of the conversion of Swiss Post from a public-law institution to a public limited company with special legal status.

At 2,152 headcount remained roughly at the previous year's level.

Acquisitions

Switzerland
On 28 February 2013, Swiss Post Solutions Ltd acquired Scalaris AG, a company headquartered in Opfikon, Switzerland. This acquisition allows Swiss Post Solutions to strengthen its horizontal business process outsourcing activities with forward-looking IT-based solutions. Scalaris AG operates in Switzerland and Germany and employs 90 staff. It was merged with Swiss Post Solutions Ltd, based in Zurich, on 3 July 2013 with retroactive effect to 1 April 2013.

On 25 September 2013, Direct Mail Company AG acquired Prisma Medienservice AG, a company headquartered in St. Gallen, thereby expanding its direct marketing activities. Prisma Medienservice AG operates in eastern Switzerland, neighbouring Graubünden, the Principality of Liechtenstein and the Lucerne region. The company employs around 1,100 people.

United Kingdom
On 1 September 2013, Swiss Post Solutions Ltd, based in Richmond, acquired services in the areas of Mailroom and document solutions from Pitney Bowes Limited in the United Kingdom and Pitney Bowes Ireland Limited in the Irish Republic. Swiss Post Solutions can strengthen its international market presence as a result of this acquisition. The takeover includes a high-quality customer base, several investments and all the company's employees.

Overall, the effects of the acquisitions mentioned on the consolidated accounts are not material.

For detailed information on the changes in the consolidated Group, see page 130.

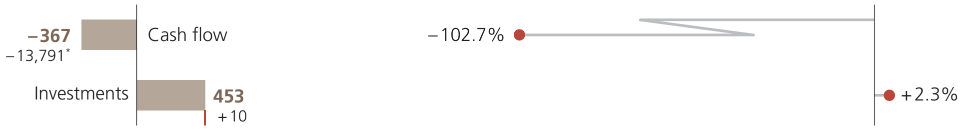
Assets and financial situation

Cash flow and investments

Cash flow declined by 13,791 million francs to –367 million francs year-on-year. Cash flow reporting now includes the changes in items from financial services (PostFinance), which is reflected in the negative cash flow change in the period under review. For more information on changes in the consolidated statement of cash flows, see page 66 or refer to Note 2, Basis of accounting, Accounting changes, in the Notes to the consolidated annual financial statements on page 68.

Change in customer deposits entails operative cash drain

Group | Internal financing
2013 showing change from prior year
CHF million, percent



* Difference cannot be shown

Overall, effective investments in property, plant and equipment (315 million francs), investment property (48 million francs), intangible assets (49 million francs) and investments (41 million francs) were up 10 million francs on the previous year. Excluding the positions from financial services, cash flow was sufficient for the company to finance its own investments. In the coming year, Swiss Post will continue to take steps to automate its processes in order to improve efficiency, which will be reflected in higher investments in comparison with the previous financial year. Investments will be carried out primarily in Switzerland.

Net debt

For the indicator net debt/EBITDA (operating profit before depreciation and amortization) Swiss Post has set a maximum figure of 1 as its target. Customer deposits and financial assets of PostFinance Ltd are not included in the calculation of this indicator. Values above the target are possible in the short term. Values below the target indicate financial leeway. The target was met as at 31 December 2013.

Consolidated balance sheet

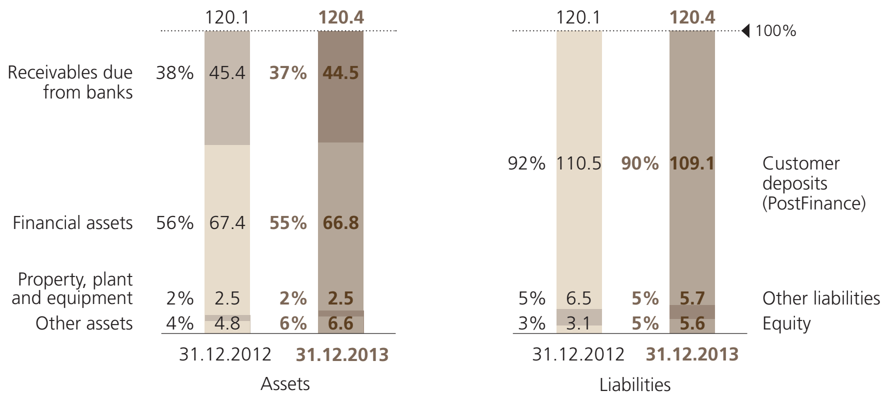
Receivables due from banks
In comparison with 31 December 2012, receivables due from banks decreased by around 0.8 billion francs.

Financial assets
In comparison with the end of 2012, financial assets fell by around 0.5 billion francs.

Property, plant and equipment
The carrying amount of property, plant and equipment rose by 9 million francs compared with 31 December 2012. In 2013, depreciation and amortization increased by 21 million francs, reaching around 333 million francs.

Slight increase in total assets compared to 31.12.2012

Group | Balance sheet structure
As at 31.12.2012 and 31.12.2013
CHF billion



Customer deposits
Since 31 December 2012, customer deposits at PostFinance declined by around 1.4 billion francs to just over 109 billion francs. As at 31 December 2013, customer deposits accounted for around 90 percent of the Group's total assets.

Other liabilities (provisions)
Provisions (including employee benefit obligations) fell by 940 million francs. This was essentially due to a 956 million franc reduction in employee benefit obligations. Accounting changes are explained on page 68. All other provisions changed only marginally in comparison.

Equity
Effective consolidated equity as at 31 December 2013 (5,637 million francs) was calculated net of the appropriation of profit for 2012. The conversion of Swiss Post into a public limited company with special legal status and PostFinance into a public limited company regulated by FINMA became effective on 26 June 2013. The subsidiaries mentioned were equipped with sufficient equity.

Appropriation of profit

The appropriation of profit is determined by legal provisions and by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. Any profit remaining after transfers to reserves is handed over to the owner.

The proposed appropriation of profit of Swiss Post Ltd can be found on page 142.

Non-financial results of a material nature

In addition to the financial target (EBIT of between 700 and 800 million francs) and the aim of holding "the leading market position in Switzerland", Swiss Post has set itself the following strategic objectives (see pages 12 and 16):

– Customer satisfaction: at least 75 points on a scale of 0–100
– Employee commitment: at least 80 points on a scale of 0–100
– Sustainability: –15,000 t CO_2 emissions per year until the end of 2013
– Universal service: unrestricted regulatory audit certificate

Customer satisfaction

Customers have been very satisfied with Swiss Post for years.

The 2013 customer survey gave the high value of 80 points on a scale of 0 – 100 points for the entire Group, beating the previous year's result by one point. Figures above 80 are considered to reflect very high levels of satisfaction, whereas figures below 65 are seen as critical.

Private customers
With regard to individual Group units, the scores remained stable among private customers. The Post Offices & Sales unit was able to maintain its high score of 86 points achieved in the previous year. Last year's scores were borne out for service packages by PostFinance (85 points) and PostBus services among leisure travellers (83 points) and commuters (74 points). In the past two years, satisfaction with alternative services offered by postal agencies and the home delivery service has also improved significantly.

The recipient customer index on the delivery quality of letter mail again confirms the previous year's result with 92 points. This is the seventh time in a row that the score is higher than 90 points. Customers are particularly satisfied with the specialist competency and appearance of delivery staff, and their friendliness received the top mark of 96 points.

The customer satisfaction index and recipient customer index were produced using different criteria, which means they are not directly comparable to one another.

Business customers
On average, business customers were more satisfied than the previous year, in particular where customer communication is concerned. They rated the six business units at between 78 and 83 out of a maximum of 100 points. Cross-border solutions by PostMail International (79 points) and the services by Post Offices & Sales (82 points) received better scores, whereas Swiss Post Solutions was given a slightly lower score than the previous year with 79 points.

Employee commitment

Committed and satisfied employees at Swiss Post

Swiss Post employees are satisfied with their employer and are committed to their work and the success of the company, as shown by the results of the 2013 employee satisfaction survey. The response rate of 77 percent was the highest so far. Questionnaires was distributed to just under 49,000 members of staff.

Many employees regard Swiss Post as an attractive employer. High identification and motivation levels prove that the members of staff surveyed are proud to work for the company. They support the products and service offered by Swiss Post and are committed to making them a success. This is also reflected by the high score of 82 out of 100 points (previous year: 83 points) for the commitment index. This is the central element of the survey and is made up of questions on motivation, identification and staff turnover.

Taking the Group as a whole, the picture that emerged was similar to last year. Employee satisfaction again scored 75 points, while the rating for customer focus reached 79. Teamwork and collaboration with managers were generally judged to be positive. Mutual support and the perceived ability to contribute to the success of the company received particularly good scores. The overall work situation (work content, processes, workload and working conditions) was rated just as highly as in previous years, at 75 points.

As in previous years, the questions concerning strategy scored an average positive value of 68 points (previous year: 67 points). Questions included whether Swiss Post has changed for the better and whether employees have confidence in Swiss Post management. Despite falling to 70 points, one statistically significant point lower than last year's level (71 points), management's rating remained relatively high. All the other questions related to unit fitness scored similar average positive values: strategy, communication, innovation and development.

Further information on employees can be found in the Annual Report on page 37.

Sustainability

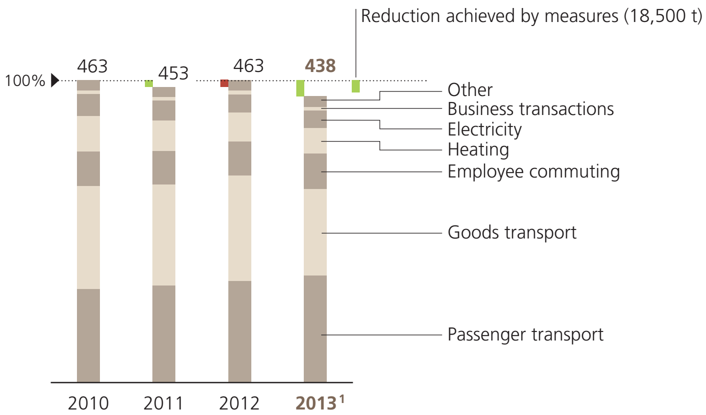
CO_2 reduction target exceeded

With its dual focus on climate protection and energy, Swiss Post continued to implement its 2011–2013 sustainability strategy in the past year. The target was to implement measures to reduce CO_2 emissions by 15,000 tonnes per year by the end of 2013. With a reduction of more than 18,500 tonnes, this target has been surpassed. Swiss Post has implemented a comprehensive package of measures. This includes expanding emission-free letter delivery by using electric scooters, covering all its electricity consumption with "naturemade basic" certified renewable energy sources within Switzerland, introducing measures for better vehicle utilization and optimizing routes. Energy savings potential in building services and Swiss Post buildings were also identified, and steps taken towards optimization.

Swiss Post's greenhouse gas emissions remain stable, despite an increase in parcel volumes and business growth at PostBus. If measures had not been taken as part of the sustainability strategy, CO_2 emissions would have been 18,500 tonnes higher. Heat requirements were continually reduced.

Swiss Post's greenhouse gas performance is stable

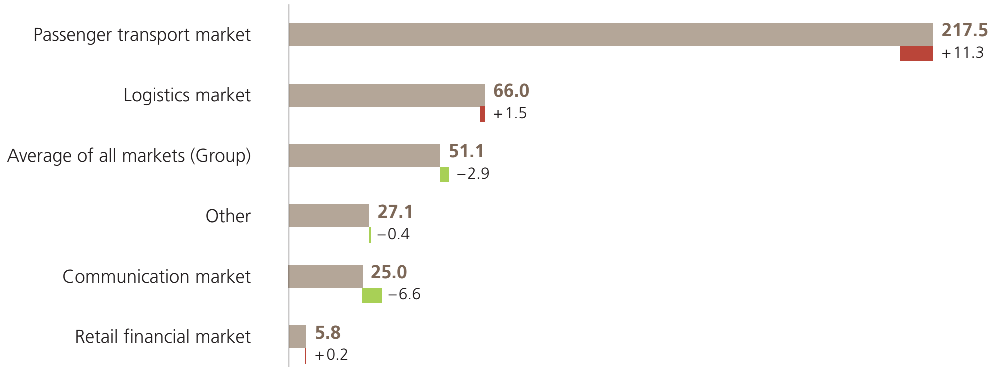
Group | Direct and indirect greenhouse gas emissions by process
2010 to 2013
2010 = 100%, 1000 t CO_2 equivalent



1 Reduction in goods transport by air following outsourcing of air freight to Asendia

Relative greenhouse gas emissions in average of all markets improved

Group| Direct and indirect greenhouse gas emissions by market
2013 showing change from previous year
Relative, t CO_2 equivalent per million CHF operating income



With its sustainability strategy for 2014–2016, Swiss Post is aiming to achieve a CO_2 efficiency improvement of at least 10 percent by the end of 2016 (base year 2010). This Group target has been redefined in relation to the core services of the units: Swiss Post is looking to further reduce greenhouse gas emissions for every consignment transported, every passenger carried, every transaction, and every heated square metre in its buildings. Social issues such as education, health and procurement are being integrated into the strategy and related measures are being developed.

Further information on sustainability can be found in the Annual Report on page 43.

Universal service

Swiss Post considers its statutory mandate as a minimum target.

The universal service as laid down by the Postal Services Act encompasses services for the acceptance, transport and delivery of letters (up to one kilogram), parcels (up to 20 kilograms), newspapers and magazines in permanently inhabited areas on at least five working days a week, as well as payment transaction services (see also Statutory framework on page 12).

Universal services are tailored to customers' current needs, are reasonably priced and are provided on the same basis for everyone through a nationwide network of access points. Swiss Post aims to fulfil its statutory mandate by focusing on its customers and providing them with consistent high quality.

External auditors are commissioned each year by PostCom to ensure compliance with the legal requirements for financing the universal service. The most recent audit certificate from March 2013 refers to the financial year 2012 and the postal legislation valid at the time.

Swiss Post regards the mandate to provide the universal service and the Federal Council's strategic objectives as an opportunity to prove that the trust placed in it is justified. It considers the statutory universal service obligation as a minimum target. Swiss Post exceeds the requirements, both in terms of the quality and the scope of services it provides, and finances the universal service from its own funds. At the same time, it takes account of complex political, regulatory and commercial specifications. The only way for Swiss Post to meet its universal service obligation in the long term without having to drastically modify its services is by paying equal attention to all these requirements.

Risk report

Risk management principles

Today's business environment is constantly changing. The success of a company greatly depends on the early recognition and control of opportunities and threats (risk awareness), and taking account of capital and yield considerations (risk appetite and risk-bearing capacity). Risk management can thereby make an important contribution to the quality of decisions and help increase the company's value.

Risk management system

The Board of Directors sets out the primary guidelines and principles for the risk management system and defines risk policy at Swiss Post Ltd. Risk management at Group level is in charge of the risk management process and ensures that risks are identified and recorded in the reporting system twice a year. Executive Management carries out a risk analysis on the basis of this overview. The results are presented to the Board of Directors' Audit, Risk & Compliance Committee and the Board of Directors.

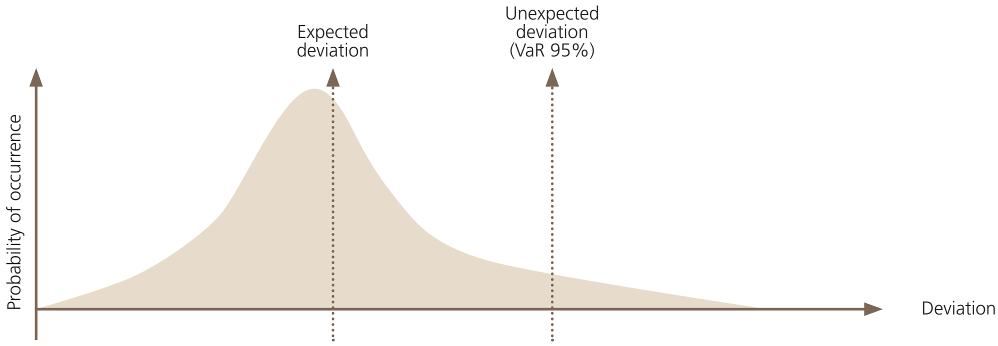
Risk simulation

The risk management method underwent further development in 2013. Monte Carlo simulation techniques are now used in risk management to calculate risk indicators that are aggregated on the basis of correlations. The extent of loss or profit that could result from each risk is identified by means of risk simulation. Risks are assessed according to scenario analyses or historic event data. Further progress in risk management involved implementing an integrated IT application.

Risk indicators

A picture of the risk situation of a company or of individual units is obtained by simulating individual risks and groups of risks to obtain risk indicators. Expected value and value-at-risk (VaR) are also calculated. Expected value shows the expected deviation for the next twelve months, while value-at-risk (95 percent) is used for unexpected deviations.

Risk indicators



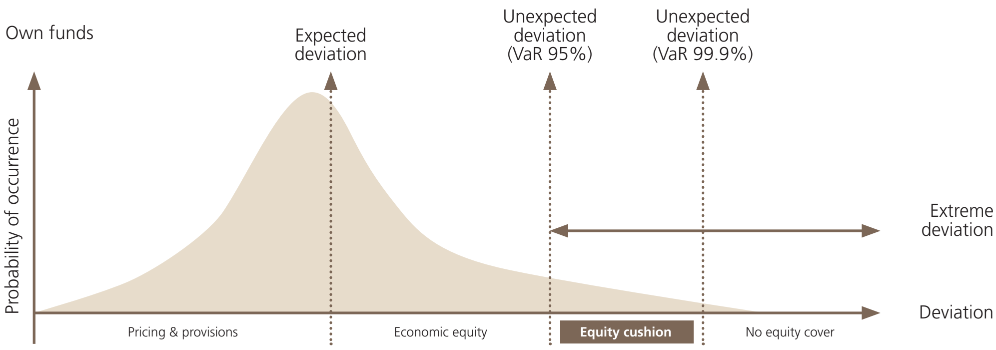
Aggregation levels

Expected value and value-at-risk (95 percent) risk indicators are identified for the Group, its strategic subsidiaries and their units.

Risk appetite and risk-bearing capacity

Risk appetite and risk-bearing capacity are illustrated and checked using these indicators across all three aggregation levels. Risk appetite corresponds to the expected value obtained from the risk simulation, and represents the deviation that is to be expected. Risk appetite should not exceed envisaged operating income. Risk-bearing capacity is achieved if unexpected deviations are covered by economic equity.

Risk appetite and risk-bearing capacity



The expected deviation obtained from the simulation should for instance be absorbed when setting prices or by means of provisions factored into the planning. While unexpected deviations (VaR 95 percent) are covered by the allocation of economic equity, an equity cushion should be made available to cover extreme deviations. This equity cushion is sufficient to represent a comfort zone and has an impact on the Group's rating. An extreme deviation has an extremely low probability of occurrence, but could entail very high potential losses. Covering extreme events with equity is uneconomical and therefore only partially possible.

Risk management process

The risk management process at Swiss Post comprises the following five stages:

Risk management process

– Risk identification
Risks and opportunities are defined as potential deviations from planned earnings before tax. Group strategy and a company-wide basic catalogue of risks form the basis for risk identification.

– Risk assessment
Every six months, managers and technical specialists measure the risks that have been identified. Risks are assessed either on the basis of scenario analyses (best, realistic and worst case scenarios) or by means of event data. Risk indicators for individual risks are measured via Monte Carlo simulation techniques.

- Definition of measures
  As part of the risk management process, the Group units define appropriate measures in order to take advantage of opportunities whilst avoiding, reducing, or passing on risks to third parties. At Group level, Group risks are controlled mainly by means of strategic measures that are often combined with further precautions individually tailored to specific risks.

- Control of measures
  Comprehensive checks are carried out to ensure that risks are being controlled efficiently by the measures in place. Additional measures are defined if necessary.

- Reporting
  Reports are submitted to the Management Board, Executive Board, Executive Management, Board of Directors' Audit, Risk & Compliance Committee and Board of Directors.

Networking of risk management

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

Risk situation

An analysis of the risk situation at Swiss Post at the end of 2013 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In most Group units, expected losses do not exceed envisaged operating profit. Risk appetite is therefore covered to a large extent.

Based on the latest measurements (Monte Carlo simulation), the Group can expect potential losses of around 60 million francs in the next twelve months. An unexpected potential loss (VaR 95 percent) of 445 million francs was also calculated. The Group's risk situation is divided between PostFinance (12 percent), PostBus (4 percent) and the remaining Group units (84 percent). In the case of PostFinance, reported risks only concern profit risk or the risk of the Group having to make additional payments, measured according to the profit risk approach. The risk situation from PostFinance's standpoint, measured according to the value at risk approach, is described in the "Risk management at PostFinance" section on page 120.

Risks

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

Exogenous risks
The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation, price regulation and falling volumes in the letters market and in the post office network.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. The lack of flexibility in setting prices is a further risk for Swiss Post Group. Technological changes resulting in an increased use of digital services are aggravating the downward trend in the letters business and in some post office services.

Endogenous risks

Possible material damage and liability insurance losses, default risks in important letter and logistics centres and risks related to growth strategies were the largest internal risks.

Opportunities

Swiss Post's business area is affected by a range of external factors that offer potential opportunities as well as risks. Trends in the field of e-commerce and the demand for digital postal and financial services are opportunities for the Group. Further market opportunities pursued by various Swiss Post business units are described in the "Group Strategy" section on page 12.

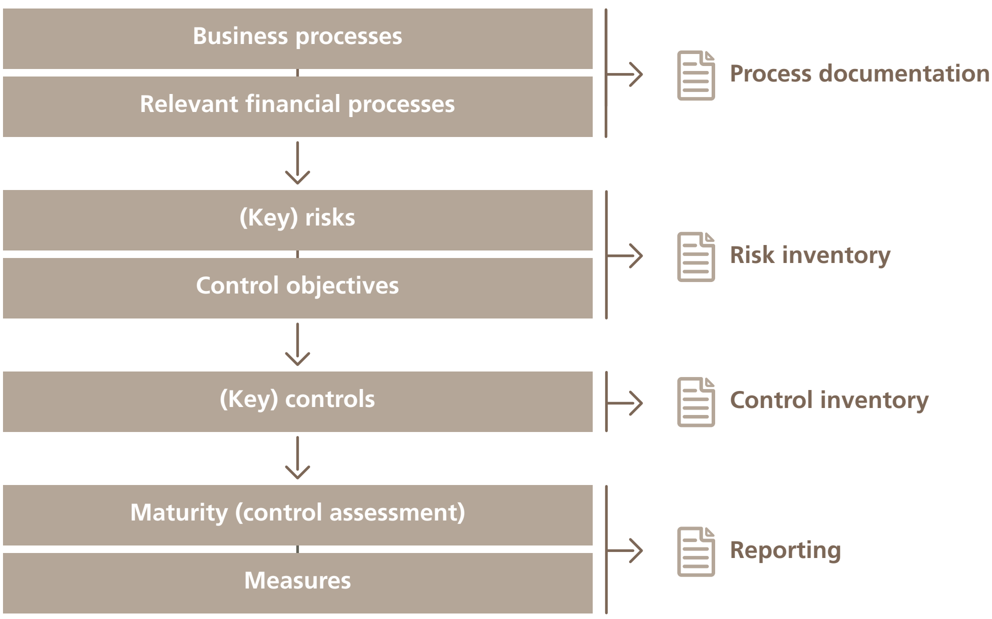
For more information on risk management at Swiss Post, see page 119.

Internal control system (ICS)

The Finance Internal Control System (ICS) at Swiss Post Ltd encompasses the procedures and measures that ensure proper bookkeeping and rendering of accounts, and accordingly forms the basis of all financial reporting. In accordance with Article 728a, section 1 (3) of the Swiss Code of Obligations, the external auditors check that an ICS is in place in conducting their regular audit.

The Internal Control System at Swiss Post is based on the COSO method. Executive Management and the Board of Directors approve the principles each year with the ICS Finance Regulation. ICS-relevant processes are identified each year by means of scoping before being documented in a comprehensible and straightforward manner for third party experts.

Internal control system (ICS)



For each activity, the potential risks are determined from the process documentation, evaluated, and assigned financial control objectives. High-level risks are given priority treatment by the ICS. Further risks are also included in ICS documentation as required. This approach ensures that the number of ICS-relevant risks and hence the number of checks to be made are limited early on in the process.

Controls can be concepts, procedures, practices and organizational structures that create a degree of certainty that the control targets can be met and that unwanted events can be prevented or detected and corrected. The control inventory lists the controls required for the risks identified in the risk inventory. ICS-relevant IT systems are covered at financial process, application and IT infrastructure level.

ICS controls and processes are evaluated each year by means of a set questionnaire (maturity assessment). The ICS maturity level is determined on a scale of 1 to 5. Swiss Post Ltd has set itself the objective of achieving a maturity level of at least 3 – standardized. Following the assessment, measures are taken to improve the ICS maturity level. ICS reporting documents drawn up on the basis of the assessment results are submitted to Executive Management and the Board of Directors of Swiss Post Ltd.

In the financial year 2013, all the units and hence the Group as a whole were able to achieve at least the desired maturity level. A total of 211 processes were documented as ICS-relevant and assessed as such. Around 31 percent of the processes assessed reached maturity level 4 – integrated. 37 percent, i.e. 296 of the 798 risks identified are regarded as high-level risks. In the course of 2013, 633 key controls were documented in accordance with the ICS Finance Regulation and their maturity assessed by means of pre-set questionnaires. Around 51 percent of the controls assessed reached maturity level 4 – integrated. Three of the 633 controls assessed did not reach the desired maturity level of 3, and are being reviewed.

Outlook

According to the Swiss National Bank (SNB), global GDP growth is expected to strengthen gradually in the coming quarters. In the United States, the slow but steady recovery in the labour market and rising property prices are supporting consumer spending. The particularly expansive economic policy in Japan is boosting activity. Given far calmer international financial markets and growing international trade, the euro zone should gradually emerge from recession. In addition, the fiscal burden will ease in most member states next year. The revival in world trade will also boost the emerging economies. However, given that some of these countries are trying to curb strong credit growth and dampen inflation expectations, economic growth is unlikely to reach the peaks of the recent past.

The prospects for growth in Switzerland have not changed significantly since the SNB's last assessment. After a temporary recovery, the SNB expects a perceptible slowdown in growth in the short term. Some positive impetus can be expected from sectors focusing on the domestic market, which are benefiting from a comparatively robust labour market, immigration and favourable credit conditions. By contrast, subdued economic growth abroad, particularly in the euro zone, has weighed on sentiment somewhat among Swiss exporters. The SNB expects the Swiss economy to gradually pick up in line with the general recovery in the world economy. For the most part however, most risks facing the global economy, and, in turn, Switzerland, remain in place.

Given the economic prospects as well as increased competition, the sustained substitution effects, the optimization of business customer shipping operations and the need to maintain the equity base, Swiss Post is convinced that it should continue to pursue the defined strategy.

Corporate governance

Swiss Post attaches great importance to corporate governance. For years, it has based its actions on the Swiss Code of Best Practice for Corporate Governance drawn up by economiesuisse. Swiss Post structures its reporting in line with the SWX Directive for listed companies.

Group structure and shareholders

Legal form and ownership

Swiss Post has been structured as a holding company since 26 June 2013. As the ultimate holding company, Swiss Post Ltd remains an autonomous organization under public law solely owned by the Confederation. However, it now takes the form of a public limited company with special legal status rather than an institution. Since the transaction, postal services have been provided by Post CH Ltd and banking services by PostFinance Ltd. The organization chart on page 11 shows the Group's organizational units. The "Consolidated Group" section on page 128 of the Financial Report outlines the shareholdings.

Management by the Confederation

The Confederation continues to control Swiss Post in its new legal form and structure by setting strategic goals and checking that these are being met, using for this purpose annual reporting to the owner and a report on staff (Public Officials Act / Ordinance on Executive Pay). See also the information policy section on page 59.

Regulatory accounting

In accordance with Art. 19, section 2 of the Postal Services Act of 17 December 2010, Swiss Post must structure its accounting to ensure that costs and revenue can be shown for the individual services. These requirements are specified in greater detail in the Postal Ordinance of 29 August 2012, which regulates the charging of net costs to meet the universal service obligation.

The net costs result from a comparison of a hypothetical result recorded by Swiss Post excluding the universal service obligation with the actual result achieved. They represent the difference between the avoided costs and lost revenue. Following approval of the net costs for 2013 by the regulator PostCom in the second quarter of 2014, they will be published as a supplement to the Financial Report at www.swisspost.ch/annualreport.

Swiss Post can offset the net costs from the previous year between different segments and Swiss Post subsidiaries (net cost compensation; NCC). Net cost compensation enables Swiss Post to spread the universal service burden over the services and segments that are best able to support it. Net cost compensation does not influence the Group's financial result in any way, but does influence the segment results for PostFinance, PostLogistics, PostMail and Post Offices & Sales.

On behalf of PostCom, the auditor KPMG Ltd annually reviews the calculation of the net costs, net cost compensation, the regulatory accounting and compliance with the ban on cross subsidies.

Capital structure

Swiss Post has Group equity comprising 1.3 billion francs of fully paid-in capital plus capital reserves and retained earnings of 4.3 billion francs. External debt amounted to around 1.7 billion francs on the reference date.

From the profit for the 2012 financial year, 100 million francs of profit were paid into the pension fund (2012: 100 million francs) and 200 million francs were paid to the Confederation as a dividend (2012: 200 million francs) in 2013. The remainder is retained for the purpose of accumulating equity; on the reference date this equity stood at 5.6 billion (previous year: 3.1 billion) francs.

Board of Directors

Composition

The Federal Council elects Swiss Post Ltd's Board of Directors every two years. On the reference date (31 December 2013), it had nine members. The Board of Directors is responsible for implementing the strategic objectives, for submitting reports to the Federal Council on their attainment and for providing the latter with the information it needs for verification purposes. The Board of Directors is also governed by the rights and duties set out in the provisions of the Swiss Code of Obligations on the subject of corporate law.

Members do not have any business relationships with Swiss Post or its subsidiaries, nor have they been involved in an executive capacity for Swiss Post or any affiliates in the past four years. In accordance with the Postal Organization Act, employees have the right to appropriate representation on the Board of Directors. In 2013, this representation was once again provided by Susanne Blank and Michel Gobet.

Peter Hasler

Chairman of the Board of Directors, 1946, Switzerland, member since 2010, Dr. jur.
Committees: Organization, Nomination & Remuneration; Audit, Risk & Compliance; Investment, Mergers & Acquisitions
Professional background: Directorships and foundation mandates; Member of various federal commissions; Vice-Chairman of the Swiss National Accident Insurance Fund (Suva); Director of the Swiss Employers Union; Director of Association of Swiss Engineering Employers ASM; Secretary of ASM; Corporate lawyer and Assistant to the Chairman of the Board of Flug- und Fahrzeugwerke Altenrhein AG (FFA); Assistant at the Zurich Guardianship Authority
Key posts: Zurich University Hospital (Chairman of the Board); Reka Swiss Travel Fund (Chairman of the Cooperative Society); SIZ AG, Schweizerisches Informatikzertifikat (Vice-Chairman of the Board of Directors)

Dominique Freymond

Vice-Chairman of the Board of Directors, 1954, Switzerland, member since 2002, lic. ès sciences naturelles
Committees: Organization, Nomination & Remuneration (Chair)
Professional background: mas management & advisory services ltd (co-owner and partner); Groupe TKS-Teknosoft SA (CEO); Unisys Central Europe (Vice-President and Country Manager Switzerland); Canton Vaud (State Chancellor); Unisys Switzerland and Austria (Member of the Executive Board, Head of Customer Service); IBM Switzerland and IBM Europe (positions in sales, marketing and management)
Key posts: Corti AG (Member of the Board of Directors); mas ltd and mas investments ltd (Member of the Board of Directors); SolvAxis SA (Chairman of the Board of Directors); Reliva AG (Member of the Board of Directors); Swiss Institute for Board Members sivg (Vice-President)

Andreas Schläpfer | Nicola Thibaudeau | Philippe Milliet | Marco Durrer | Susanne Blank | Dominique Freymond | Adriano P. Vassalli | Peter Hasler | Kerstin Büchel | Michel Gobet

Andreas Schläpfer

Vice-Chairman of the Board of Directors, 1947, Switzerland, member since 2009, lic. oec. Univ. of St. Gallen

Committees: Investment, Mergers & Acquisitions (Chair)

Professional background: Nestlé (General Manager in France, Russia, Thailand/Indochina, Zimbabwe, and Global Business Head/Senior Vice-President for Children's Food); International Trade Centre UNCTAD/GATT (Marketing Consultant)

Key posts: None

Nicola Thibaudeau

Member of the Board of Directors, 1960, Switzerland/Canada, member since 2006, Dipl. Ing. Mech. École Polytechnique de Montréal

Committees: Investment, Mergers & Acquisitions

Professional background: MPS Micro Precision Systems AG (CEO, Delegate of the Board of Directors); Independent consultant; Mecanex SA (owner, CEO); Cicorel SA (business manager); IBM Canada (research assistant)

Key posts: CSS Kranken-Versicherung AG (Member of the Board of Directors); CSS Personalstiftung (member); MPS Micro Precision Systems Ltd (Delegate of the Board of Directors); MPS Décolletage SA, Court (Chair of the Board of Directors); SLS-TT AG, Paul Scherrer Institute Würenlingen (member); MPS Precimed Ltd, Corgémont (Chair of the Board of Directors); Board of the University of Neuchâtel (member)

Susanne Blank

Member of the Board of Directors, Human Resources representative, 1972, Switzerland, member since 2008, lic. rer. pol.

Committees: Audit, Risk & Compliance

Professional background: seco, State Secretariat for Economic Affairs, Chief Editor for "Die Volkswirtschaft"; Travail.Suisse umbrella organization for employees (Head of Economic Policy and Member of the Executive Board); Federal Statistical Office (Audits of Swiss Consumer Price Index)

Key posts: Swiss National Accident Insurance Fund – Suva (Member of the Board of Directors); ewb, Energie Wasser Bern (Member of the Board of Directors)

Marco Durrer

Member of the Board of Directors, 1952, Switzerland, member since 2009, Dr. ès sc. pol. (Relations internationales), MALD, The Fletcher School, Tufts University, USA

Committees: Organization, Nomination & Remuneration

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

Key posts: PostFinance Ltd (Vice-Chairman of the Board of Directors); Picard Angst Asset Management Ltd (Vice-Chairman of the Board of Directors); Piguet Galland & Cie SA (Member of the Board of Directors); DGM Immobilien AG (Chairman of the Board of Directors); COMUNUS SICAV, Montreux (Vice-Chairman of the Board of Directors)

Adriano P. Vassalli

Member of the Board of Directors, 1954, Switzerland, member since 2010, federal diploma in auditing

Committees: Audit, Risk & Compliance (Chair)

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

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

Philippe Milliet

Member of the Board of Directors, 1963, Switzerland, member since 2010, degree in pharmacy, University of Lausanne; MBA, Faculty of Business and Economics, University of Lausanne

Committees: Investment, Mergers & Acquisitions

Professional background: Bobst Group (Member of Group Executive Committee, Head of Business Unit Sheet-Fed); Galenica Ltd (Head of Health Division, Member of the Corporate Executive Committee); Unicible (CEO); Galenica Ltd (responsible for distribution centres, responsible for operations and CEO of Galexis Ltd); Pharmatic Ltd (analyst/programmer and project manager); McKinsey (associate, project manager); Galenica Holding AG (analyst/programmer and Assistant to the Chairman of the Corporate Executive Committee)

Key posts: None

Michel Gobet

Member of the Board of Directors, Human Resources representative, 1954, Switzerland, member since 2010, lic. phil. hist.

Committees: Organization, Nomination & Remuneration

Professional background: Swiss communication workers union (Central Secretary); PTT-Union (Central Secretary and Vice-Secretary General); Archaeological Service of the Canton of Fribourg (Head of Archaeological Sites)

Key posts: Swisscom (Switzerland) Ltd (Member of the Board of Directors); UNI Global Union (Treasurer, Member of World Executive Committee, Member of European ICTS Steering Committee); gdz (Member of the Board of Directors)

After the Chairman and Deputy Chairman of the Board of Directors, the members are listed in chronological order according to when they took office.

Kerstin Büchel

General Secretary, 1970, Switzerland/Germany/Sweden, member since 2009, lic. rer. pol.

Professional background: Valiant Privatbank AG (Head of Market Development and Sales Services); UBS AG Switzerland, Basel and Zurich, and UBS AG Italy, Rome (Junior Key People, product management, client advisory services, events, business development and strategic marketing, asset and liability management, international client reporting)

Key posts: None

Changes in the year under review

Nicola Thibaudeau, who had been a member of the Board of Directors since June 2006, left the Board at the end of the year for professional reasons.

Uniform management

The Board of Directors has a responsibility to the Federal Council to guarantee the uniform management of Swiss Post and its subsidiaries. The holding company represents the entire Group to the owner and is responsible for fulfilling the universal service obligation. It is entitled to enlist the help of subsidiaries to do so.

Role and functioning of the Board of Directors

As part of the Federal Council's strategic goals, the Board of Directors is responsible for the overall management and supervision of the persons entrusted with management. It defines company and business policy, medium and long-term group objectives, and the means required to achieve those objectives. It approves the basic structure of the Group and mandates the members of the Board of Directors for the PostFinance Group. It also authorizes the pricing system with respect to the Federal Council, accounting standards, the budget, reports to the owner and to OFCOM and PostCom, as well as large and strategic projects. In addition, the Board of Directors appoints the members of Executive Management and approves the collective employment contracts and remuneration for the members of Executive Management. In the year under review, the Board of Directors met a total of eleven times. The CEO and Head of Finance attend Board meetings in an advisory capacity.

All members of the Board are subject to an age limit of 70 years. There is also a twelve-year limit for terms of office. There are three standing committees, which have an advisory and, to a limited extent, a decision-making role. The Board of Directors appoints the members of these committees. In addition, the Board of Directors may appoint non-standing committees for an individual transaction at any time. There is no reciprocal occupation of seats on boards between Swiss Post and any other commercial company.

The Chairman maintains good relations with the owner and coordinates matters of major importance, particularly with regard to exchanges with the Chairman of the Board of PostFinance. The Chairman chairs the meetings of the Board of Directors and represents the body externally.

Audit, Risk & Compliance Committee

The three-member committee assists the Board in, among other things, the supervision of the accounts, financial reporting operations and risk management. It is responsible for the creation and development of appropriate internal supervisory structures and ensures compliance with legal provisions. As well as assessing Swiss Post’s risk control at regular intervals, it now also approves the interim report. The committee checks the findings and recommendations of Group Audit and the external auditors and submits corresponding proposals to the Board as appropriate. Eight meetings were held during the last financial year. The CEO, the Head of Finance and the Head of Group Audit attend the meetings. In addition to the above items, the following main topics were covered by the committee in 2013: BDO’s extremely positive report on the independent assessment of Group Audit at Swiss Post, qualitative and quantitative group risks, the rating process and the Swiss Post pension fund.

Organization, Nomination & Remuneration Committee

The committee met seven times during the last financial year. It has a pre-advisory role vis-à-vis the Board of Directors as a whole with regard to the appointment and removal of the members of Executive Management and deciding their salaries. It also submits a recommendation for setting the negotiating mandate for the annual round of pay negotiations with the employee associations. In addition to the above items, the following main topics were covered by the committee in 2013: the new collective employment contract, how to deal with potential conflicts of interest, talent management and succession planning, management and culture at Swiss Post Group, optimization of the annual objective system, organization regulations under the new legal status, succession planning within Executive Management and the Board of Directors and the Swiss Post pension fund.

Investment, Mergers & Acquisitions Committee

This committee deals with M&A strategy and individual strategic alliances. It identifies and assesses opportunities for shareholdings, mergers & acquisitions, investments and alliances. In addition, it oversees the formation, liquidation and sale of subsidiaries, associates and shareholdings. The committee met five times during the year under review. In 2013, the committee addressed various innovative, long-term projects on forward-looking topics within the above framework, including the digital prospects for Swiss Post.

PostFinance Committee

On 27 November 2012, the Board of Directors decided to delegate PostFinance-related business to the PostFinance Audit and/or Risk Committees. The PostFinance committee was formally dissolved on 30 June 2013. No meetings of the working group in its previous form took place in 2013.

Since the conversion of Swiss Post, the Board of Directors of PostFinance Ltd has operated independently as an official body within the statutory regulatory framework and in accordance with the directives issued by its owner.

Information and supervisory tools

Reporting

The Board of Directors receives monthly reports from Controlling setting out the financial situation of the Group and its individual operating units as compared with the previous year. Budgeted and expected figures are provided, as is key data relating to markets, human resources and innovation.

The Board of Directors also receives quarterly financial and project controlling reports, and is informed by the Audit, Risk & Compliance Committee about budget compliance, strategic financial planning and the Federal Council's strategic objectives. In addition, it receives Executive Management meeting minutes and interim reports from Risk Management (see page 119), Treasury, Communication and Group Audit. At each meeting of the Board of Directors, the CEO and the Head of Finance provide information on the company's current business situation.

Internal control system for financial processes

Swiss Post has an internal control system (ICS) which uses appropriate key controls to promptly identify and evaluate the financial processes and bookkeeping and accounting risks. The Board of Directors and Executive Management receive a report on the progress of the ICS once a year.

Group Audit

Group Audit submits ongoing reports to the Audit, Risk & Compliance Committee and an annual report to the whole Board of Directors. The members of the Audit, Risk & Compliance Committee and the external auditors receive a copy of all audit reports. Group Audit works in accordance with international standards and, in particular, adheres to principles relating to integrity, objectivity, confidentiality, technical expertise and quality assurance. Group Audit reports to the Chairman of the Board of Directors and is thus independent of operational Executive Management.

Executive Management

Composition

The seven members of Executive Management and the CEO are elected by the Board of Directors. Each is responsible for the operational management of the organizational unit assigned to them. The CEO represents Executive Management to the Board of Directors.

The CEO of PostFinance Ltd takes part in Executive Management meetings for the coordination of common topics.

There are no management contracts with companies or individuals outside the Group.

Franz Huber · Yves-André Jeandupeux · Pascal Koradi · Frank Marthaler · Susanne Ruoff · Daniel Landolf · Ulrich Hurni · Hansruedi Köng · Dieter Bambauer

Susanne Ruoff

CEO, 1958, Switzerland, member since 2012, Master's Degree in Economics from the University of Fribourg, Executive MBA

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

Key posts: PostFinance Ltd (Member of the Board of Directors)

Ulrich Hurni

Head of PostMail, Deputy CEO, 1958, Switzerland, member since 2009,
commercial employee and business secretary at Swiss Post, EMBA University of Zurich

Professional background: Swiss Post (PostMail Deputy Head and Head; Swiss Post International: Managing Director; Telecom: Unit/project controller; PostFinance: IT systems development)

Key posts: Asendia Holding Ltd (Chairman of the Board of Directors); TNT SwissPost AG (Member of the Board of Directors); search.ch Ltd (Member of the Board of Directors)

Daniel Landolf

Head of PostBus, 1959, Switzerland, member since 2001,
Bachelor of Science (B.Sc.), business administration

Professional background: Swiss Post (management assistant for automobile services, Head of Business Development at PostBus, Deputy Manager of PostBus, Manager of PostBus, Head of PostBus/PostBus Switzerland Ltd); PTT General Management (Business Administration, Central Marketing/Strategies & Analyses Department); Credit Suisse AG (foreign exchange trader, international payment transactions)

Key posts: PostBus Switzerland Ltd (Chairman of the Board of Directors); Reka Swiss Travel Fund (Administrative member of the Cooperative Society); Association of Public Transport (Board and committee member); LITRA public transport information service (Board and committee member); Sensetalbahn AG (Vice-Chairman of the Board of Directors)

Yves-André Jeandupeux

Head of Human Resources, 1958, Switzerland, member since 2005,
lic. sc. soc. et pol., ment. psychology, University of Lausanne

Professional background: Swiss Post (Head of Human Resources); SKYGUIDE (Head of Human Resources); CC&T SA, management consultants (associate partner, responsible for competency management); Canton Neuchâtel (Head of Human Resources); Posalux SA, machine tools factory (Head of Human Resources); GastroSuisse, Lausanne (Head of office for western Switzerland); Careers Advisory Service for Canton Jura (careers advisor)

Key posts: Swiss Post pension fund (Vice-Chairman of Foundation Board); Pensimo Management AG (Member of the Board of Directors)

Frank Marthaler

Head of Swiss Post Solutions, 1964, Switzerland, since 2007,
lic. oec. University of St. Gallen, business administration

Professional background: Swiss Post (Head of Strategic Account Management, Head of Strategic Customers & Solutions); EDS (Sales & Marketing Director); IBM (Sales Executive, Key Account Manager)

Key posts: MEILLERGHP GmbH (member of shareholders' committee); Asendia Holding Ltd (Member of the Board of Directors)

Dieter Bambauer

Head of PostLogistics, 1958, Switzerland/Germany, member since 2009, Dr. oec. WWU, JLU

Professional background: Swiss Post (Head of PostLogistics); Hangartner AG (CEO); Schenker Switzerland Ltd (CEO); Deutsche Bahn AG (EVP freight logistics); Kühne + Nagel Management AG (Member of the Executive Board); MD Papier (Member of the Executive Board, logistics, IT); AGRAVIS (Head of Logistics Unit); Dr. Waldmann & Partner (management consulting)

Key posts: Asendia Holding Ltd (Member of the Board of Directors); TNT SwissPost AG (Chairman of the Board of Directors); Member of the Management Committee of the Chair for Logistics Management at the University of St Gallen (HSG)

Pascal Koradi

Head of Finance, 1972, Switzerland, member since 1 March 2012,
lic. oec. publ. University of Zurich, CFA (Chartered Financial Analyst)

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

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

Franz Huber

Head of Post Offices & Sales, 1951, Switzerland, member since 6 July 2013, business secretary and federal diploma in commercial management, sales management course at the University of St. Gallen

Professional background: Swiss Post (Head of Post Offices & Sales, Head of Sales, Head of Structure and Network Development, Head of Corporate Development, Ymago Project Manager, Head of North-East Region in Zurich, Head of Private Customers East/South in Zurich, Head of Wil Sales Region at Post Offices & Sales, Head of HR for Regional Postal Directorate St. Gallen, Head of Railway Post Office St. Gallen)

Key posts: None

After the CEO and the Deputy CEO, the members are listed in chronological order according to when they took office.

Changes in the year under review

Patrick Salamin, Head of Post Offices & Sales, left Swiss Post in July. He was replaced by Franz Huber. The CEO of PostFinance Ltd takes part in Executive Management meetings for the coordination of common topics.

Remuneration

Policy

Corporate risk, scope of responsibility and the Ordinance on Executive Pay are taken into account by the Board of Directors when setting the remuneration due to members of Executive Management. The Federal Council determines the level of remuneration for members of the Board of Directors.

Determination

Remuneration for members of Executive Management is comprised of a fixed base salary plus a performance-related component. This may be a maximum of 45 percent of the gross annual base salary (55 percent in the case of the CEO). The variable component is determined on the basis of 20 percent for individual performance and 40 percent each for various benchmarks within the Group and the Group unit respectively. A penalty may apply depending on target attainment. At Group level, the variable component is calculated at 28 percent from economic value added and 12 percent from the proportion of very satisfied customers. At Group unit level, qualitative benchmarks and financial ratios such as EBIT (each with 20 percent weightings) form the basis for calculation. For PostFinance Ltd, return on equity is applied instead of EBIT. The payment of a third of the variable remuneration will be deferred over a three-year period.

Members of Executive Management also receive a first-class GA travelcard, a company car, a mobile phone and a monthly expense account. Swiss Post pays the insurance premiums for a risk insurance policy. Individual bonuses may be paid to reward special personal contributions.

Neither the members of Executive Management nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year.

The base salary and the performance component are insured for members of Executive Management up to a maximum of 336,960 francs in the Swiss Post pension fund (defined contribution plan). Income in excess of this amount is covered by a management insurance scheme (defined contribution plan). The employer contributes disproportionally to the contributions for employee benefits. Employment contracts are based on the Swiss Code of Obligations. Since 1 July 2010, the notice period for members of Executive Management has been six months. For members appointed before that date, the previous notice period of 12 months applies. No agreements on severance payments are in place.

Level of remuneration

Members of the Board of Directors

The Federal Council determines the level of remuneration for members of the Board of Directors. In 2013, the nine members of the Board received remuneration (fees and fringe benefits) totalling 1,045,800 francs. The fringe benefits totalling 260,800 francs are shown in the total remuneration. In 2013, the Chairman of the Board's fee totalled 225,000 francs. The fringe benefits amounted to 27,000 francs.

Executive Management

In 2013, the seven members of Executive Management and the CEO received remuneration (base salaries, fringe benefits, performance-based components and severance packages) totalling 4,261,701 francs. The fringe benefits totalling 309,709 francs are shown in the total remuneration. The performance-related component effectively payable to members of Executive Management in 2014, which is based on attainment of targets in 2012 and 2013, amounts to 921,992 francs.

The base salary of the CEO totalled 530,000 francs, the additional performance-related component amounted to 189,475 francs.

Remuneration
2013, CHF

	Total	Average
Chairman of the Board of Directors		
Fees	225,000	
Fringe benefits		
Expenses and representation allowances	22,500	
First-class GA travelcard	4,500	
Total remuneration	**252,000**	
Other members of the Board of Directors (8)		
Fees	560,000	70,000
Fringe benefits		
Expenses and representation allowances	60,100	7,513
Additional fringe benefits	173,700	21,713
Total remuneration	**793,800**	**99,226**
Entire Board of Directors (9)		
Fees	785,000	
Fringe benefits	260,800	
Total remuneration	**1,045,800**	
CEO		
Fixed base salary	530,000	
Performance-related component (payable 2014)	189,475	
Fringe benefits		
Expenses and representation allowances	30,000	
Additional fringe benefits [1]	17,257	
Additional payments [2]	0	
Total remuneration	**766,732**	
Other members of Executive Management (7)		
Fixed base salary	2,500,000	357,143
Performance-related component (payable 2014)	732,517	104,645
Fringe benefits		
Expenses and representation allowances	126,400	18,057
Additional fringe benefits [1]	136,052	19,436
Additional payments [2]	0	0
Total remuneration	**3,494,969**	**499,281**
All members of Executive Management (8)		
Fixed base salary and performance-related component	3,951,992	
Fringe benefits	309,709	
Total remuneration	**4,261,701**	

1 Other fringe benefits include: first-class GA travelcard, company car, mobile phone and premiums for risk insurance policies.
2 No agreements exist regarding possible severance payments.

Auditor

Since 1998, KPMG Ltd have been the auditors appointed by the Federal Council for Swiss Post. They also act as Group auditors, with Head Auditor Orlando Lanfranchi in charge of the work for the fourth year running. The fee agreed upon for the 2013 audit and the fees for services provided during the 2013 financial year amount to a total of 3.9 million francs.

Information policy

Each year, the owner receives the report concerning the strategic objectives and the report on staff (see page 48). In addition, PostCom receives a regulatory report on the universal service for postal services, as does OFCOM for the universal service for payment transactions. Finally, Swiss Post submits its Annual Report to the owner for approval. Ongoing discussions on key areas of business are held during regular Postrapport meetings between Confederation representatives and Swiss Post bodies.

Group annual financial statements

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

Consolidated income statement

Group | Income statement

CHF million	Notes	2013	2012[1]
Net sales from logistics services		5,412	5,512
Net sales from resale merchandise		548	550
Income from financial services	6	2,307	2,342
Other operating income	7	203	172
Total operating income	5	**8,470**	**8,576**
Staff costs	8, 9	–3,701	–4,161
Resale merchandise and service expenses	10	–1,561	–1,556
Expenses for financial services	6	–492	–580
Depreciation and impairment	26–28	–333	–312
Other operating expenses	11	–1,142	–1,107
Total operating expenses		**–7,229**	**–7,716**
Operating profit	5	**1,241**	**860**
Financial income	12	14	22
Financial expenses	13	–93	–82
Net income from associates and joint ventures	25	7	10
Group profit before tax		**1,169**	**810**
Income tax	14	582	–38
Group profit		**1,751**	**772**
Group profit attributable to			
Swiss Confederation (owner)		1,751	772
Non-controlling interests		0	0

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

Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2013	2012 [1]
Group profit		**1,751**	**772**
Other comprehensive income			
Revaluation of employee benefit obligations		416	–455
Change in directly recognized equity valuation		–1	0
Change in deferred income taxes		–107	10
Items not reclassifiable in the income statement, after tax	31	**308**	**–445**
Change in currency translation reserves		1	8
Change in directly recognized equity valuation		0	0
Change in fair value reserves from available-for-sale financial assets		138	108
(Gains) / losses transferred to income statement from available-for-sale financial assets		–20	–21
Change in hedging reserves from cash flow hedges		–37	–54
(Gains) / losses transferred to income statement from cash flow hedges		35	48
Change in deferred income taxes		–23	–1
Reclassifiable items in income statement, after tax	31	**94**	**88**
Total other comprehensive income		**402**	**–357**
Total comprehensive income		**2,153**	**415**
Total comprehensive income attributable to			
Swiss Confederation (owner)		2,153	415
Non-controlling interests		0	0

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

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2013	31.12.2012[1]	1.1.2012[1]
Assets				
Cash		2,058	2,146	2,067
Receivables due from banks	15	44,528	45,358	31,534
Interest-bearing amounts due from customers	15	542	93	81
Trade accounts receivable	15	1,032	1,045	927
Other receivables	15	943	956	1,071
Inventories	17	85	87	77
Non-current assets held for sale	38	0	1	1
Financial assets	18–23	66,847	67,357	69,629
Investments in associates and joint ventures	25	97	99	53
Property, plant and equipment	26	2,470	2,461	2,421
Investment property	27	116	68	49
Intangible assets	28	351	300	296
Current income tax assets		1	–	–
Deferred income tax assets	14	1,313	98	89
Total assets		**120,383**	**120,069**	**108,295**
Liabilities				
Customer deposits (PostFinance)	29	109,086	110,531	100,707
Other financial liabilities	29	1,340	1,372	22
Trade accounts payable		776	725	651
Other liabilities		897	828	874
Provisions	30	472	456	425
Employee benefit obligations	9	2,042	2,998	2,673
Current income tax liabilities		3	1	2
Deferred income tax liabilities	14	130	13	8
Total liabilities		**114,746**	**116,924**	**105,362**
Share and endowment capital		1,300	1,300	1,300
Capital reserves		2,419	2,332	2,231
Retained earnings		1,922	–81	–548
Profits and losses recorded directly in other comprehensive income		–5	–407	–50
Equity attributable to the owner		**5,636**	**3,144**	**2,933**
Non-controlling interests		1	1	0
Total equity		**5,637**	**3,145**	**2,933**
Total equity and liabilities		**120,383**	**120,069**	**108,295**

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

Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Share and endowment capital	Capital reserves	Retained earnings [1]	Profits and losses recorded directly in other comprehensive income	Equity attributable to the owner [1]	Non-controlling interests	**Total** [1]
Balance as at 1.1.2012		**1,300**	**2,231**	**1,398**	**–50**	**4,879**	**0**	**4,879**
Accounting changes	2			–1,946		–1,946		–1,946
Balance as at 1.1.2012, adjusted		**1,300**	**2,231**	**–548**	**–50**	**2,933**	**0**	**2,933**
Group profit, adjusted				772		772	0	772
Other comprehensive income, adjusted	31				–357	–357	0	–357
Comprehensive income, adjusted				**772**	**–357**	**415**	**0**	**415**
Appropriation of profit	31			–300		–300	0	–300
Capital contribution	9		100			100		100
Change in non-controlling interests	37		1	–3	0	–2	1	–1
Other effects				–2		–2		–2
Balance as at 31.12.2012, adjusted		**1,300**	**2,332**	**–81**	**–407**	**3,144**	**1**	**3,145**
Balance as at 1.1.2013, adjusted		**1,300**	**2,332**	**–81**	**–407**	**3,144**	**1**	**3,145**
Group profit				1,751		1,751	0	1,751
Other comprehensive income	31				402	402	0	402
Total comprehensive income				**1,751**	**402**	**2,153**	**0**	**2,153**
Appropriation of profit	31			–300		–300	0	–300
Capital contribution	9		100			100		100
Stamp duty from conversion into public limited company			–13			–13		–13
Total transactions with the owner			**87**	**– 300**		**–213**	**0**	**– 213**
Initial recognition of deferred taxes on employee benefit obligations				552		552		552
Balance as at 31.12.2013		**1,300**	**2,419**	**1,922**	**–5**	**5,636**	**1**	**5,637**

1 Prior-year figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

Consolidated statement of cash flows

Group | Statement of cash flows

CHF million	Notes	2013	2012 [1]
Group profit before tax		1,169	810
Interest expense/(income) (including dividends)		–1,007	–1,048
Depreciation and impairment	26–28	342	324
Net income from associates and joint ventures		–7	–9
Net gain on disposal of property, plant and equipment	7, 11	–47	–19
Net (decrease) in provisions		–412	–33
Other non-cash expenses/(income)		–8	28
Change in net current assets:			
(Increase) in receivables, inventories and other assets		–3	–115
Increase/(decrease) in accounts payable and other liabilities		–11	83
Change in items from financial services:			
(Increase)/decrease in receivables due from banks (term of three months or more)		–72	119
Decrease in financial assets		446	2,172
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		–1,894	9,812
Change in other receivables/liabilities from financial services		–31	65
Interest and dividends received (PostFinance)		1,423	1,572
Interest paid (PostFinance)		–224	–326
Income taxes paid		–31	–11
Cash flow from operating activities		**–367**	**13,424**
Purchases of property, plant and equipment	26	–315	–353
Acquisition of investment property	27	–48	–19
Purchases of intangible assets (excl. goodwill)	28	–49	–37
Purchases of subsidiaries, net of cash and cash equivalents acquired	37	–41	–25
Payments to acquire associates and joint ventures	25, 37	–	–9
Proceeds from disposal of property, plant and equipment	26	55	55
Disposal of subsidiaries, net of cash proceeds	37	–	–27
Net proceeds from sale of/(payments to acquire) other financial assets		68	4
Interest received and dividends (excl. financial services)		21	28
Cash flow from investing activities		**–309**	**–383**
Increase in financial liabilities		–	1,288
Increase/(decrease) in other financial liabilities		0	–6
Interest received/(paid)		–13	1
Payments to acquire non-controlling interests	37	–	–2
Transfer from profit available for appropriation to Swiss Post pension fund	9	–100	–100
Dividends paid to the owner		–200	–200
Cash flow from financing activities		**–313**	**981**
Foreign exchange gains/(losses) on cash and cash equivalents		0	0
Change in cash and cash equivalents		**–989**	**14,022**
Cash and cash equivalents at 1 January		47,461	33,439
Cash and cash equivalents at 31 December		**46,472**	**47,461**
Cash and cash equivalents include:			
Cash		2,058	2,146
Receivables due from banks with an original term of less than three months	15	44,414	45,315

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

Notes

1 | Business activities

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

2 | Basis of accounting

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

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

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

Revised and new International Financial Reporting Standards (IFRSs)

Since 1 January 2013, Swiss Post has applied various amendments to existing and new IFRSs:

Standard	Title	Valid as of
IFRS 10	Consolidated Financial Statements	1.1.2013
IFRS 11	Joint Arrangements	1.1.2013
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013
IFRS 13	Fair Value Measurement	1.1.2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1.1.2013
Amendments to IFRS 10	Consolidated Financial Statements	1.1.2013
Amendments to IFRS 11	Joint Arrangements	1.1.2013
Amendments to IFRS 12	Disclosure of Interests in Other Entities	1.1.2013
Amendments to IAS 1	Presentation of Financial Statements	1.1.2013
Amendments to IAS 19	Employee Benefits	1.1.2013
Amendments to IAS 27	Separate Financial Statements	1.1.2013
Amendments to IAS 28	Investments in Associates and Joint Ventures	1.1.2013
Amendments to IAS 36	Impairment of Assets	1.1.2013
Amendments to IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1.1.2013
Miscellaneous	IFRS amendments 2009 – 2011	

With the exception of IAS 19, the changes have no major influence on the result or financial situation of the Group. The impact of amendments to IAS 19 is explained under Accounting changes.

Certain new IFRSs or supplements thereto enter into force on or after 1 January 2014:

Standard	Title	Valid as of
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1.7.2014
Amendments to IAS 27	Separate Financial Statements: Investment Entities	1.1.2014
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.	1.1.2014
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	1.1.2014
IFRIC 21	Levies	1.1.2014
IFRS 9	Financial Instruments: Classification and Measurement; Hedge Accounting	Initial date of application to be determined
Amendments to IFRS 10	Consolidated Financial Statements: Investment Entities	1.1.2014
Amendments to IFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1.1.2014
Miscellaneous	IFRS amendments 2010–2012	1.7.2014
Miscellaneous	IFRS amendments 2011–2013	1.7.2014

Swiss Post will not be applying the specified standards ahead of schedule. Hence, this consolidated financial reporting does not contain any further effects resulting from these changes. No significant financial effects are expected from the supplements and revisions planned for 1 January 2014. The impact of IFRS 9 cannot be determined until completion of the overall project.

Accounting changes

Employee benefit obligations
With effect from 1 January 2013, the applicable accounting standard is IAS 19 revised. Prior-year figures have been adjusted accordingly.

– IAS 19 revised eliminates the corridor method previously applied by Swiss Post Ltd. All changes to the present value of defined employee benefit obligations and the fair value of plan assets are recognized immediately in the period in which they occur. Revaluation gains from employee benefit obligations are recognized immediately in “Other comprehensive income (OCI)”. The balance of accrued unrecognized actuarial losses, plan amendment gains and risk sharing of 1,987 million francs up to 31 December 2011 has been recognized (restated) in the balance sheet under equity (retained earnings) as part of the retroactive application of IAS 19 revised.

– The previously used interest expense on the present value of employee benefit obligations and the expected return on plan assets are replaced by net interest expense under IAS 19 revised. This is calculated on the basis of the discount rate and net employee benefit obligation or net plan assets. Net interest expense is now disclosed in the financial result (2012: 59 million francs).

The effects of the retroactive changes on the consolidated balance sheet as at 1 January 2012 and 31 December 2012 and the 2012 consolidated income statement are as follows:

Balance sheet as at 1 January 2012 CHF million	Reported	Adjustment	Adjusted
Employee benefit obligations	686	1,987	2,673
Deferred income tax assets	48	41	89
Equity	4,879	–1,946	2,933

Balance sheet as at 31 December 2012 CHF million	Reported	Adjustment	Adjusted
Employee benefit obligations	465	2,533	2,998
Deferred income tax assets	45	53	98
Equity	5,625	–2,480	3,145

Full year income statement 2012 CHF million	Reported	Adjustment	Adjusted
Operating income	8,576	–	8,576
Operating expenses	–7,686	–30	–7,716
Operating profit (EBIT)	890	–30	860
Group profit before tax	899	–89	810
Group profit	859	–87	772
Total comprehensive income	947	–534	413

Adjusted employee benefit expenses for 2012 increased by 89 million francs. Of this, operating expenses accounted for 30 million francs and the financial result for 59 million francs. As Post CH Ltd first became fully liable for taxation with effect from 1 January 2013, the impact in terms of tax is comparatively minor.

Deferred taxes

With its conversion from an institution under public law into a public limited company with special legal status, Swiss Post became fully subject to taxation from 1 January 2013. This means that profits in the monopoly sector that were previously tax exempt are now taxable. This necessitated an initial recognition of deferred tax assets and liabilities in units of Swiss Post as a public institution that were previously tax-exempt. As a result of the first full taxation of Swiss Post, current income taxes for the year increased to 94 million francs (previous year: 34 million francs).

The initial recognition of deferred taxes as at 1 January 2013 for the most part resulted in deferred tax assets and, consequently, deferred income tax income which was reflected in Group profit. With the exception of provisions for other long-term employee benefits, the increase in deferred tax assets is due to the following upward revaluations, which were undertaken in the course of the conversion to the commercial balance sheet:

Initial deferred taxes			1 January 2013
CHF million	Temporary difference from revaluations	Deferred tax assets	Effect of initial recognition of deferred taxes on income statement
Property, plant and equipment (real estate)	1,300	286	286
Intangible assets (brands and goodwill)	3,000	520	520
Financial assets (“held to maturity”)	300	66	66
Provisions for other long-term employee benefits due	n.a.	64	64
Deferred taxes arising from temporary differences from revaluations			**936**

It was also necessary to show deferred tax assets arising from previously tax-exempt temporary differences in employee benefit obligations. These were mostly recorded in equity.

Other
The following standards and amendments only affect the information in the notes and have no major influence on the result or financial situation of Swiss Post:

– IFRS 13: Fair Value Measurement
– Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
– Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
– IFRS 12: Disclosure of Interests in Other Entities

Realized losses on payment transactions are now shown as a deduction in income from financial services. They were previously reported under expenses from financial services.

Swiss Post now reports its segments based on operating profit before management, licence fee and net cost compensation. For this reason, the previous year's figures have been adjusted in accordance with IFRS 8.

As at 1 January 2013, the statement of comprehensive income was divided into two parts in accordance with the "two statement approach".

Currency translation differences are now recorded directly in other comprehensive income in the balance sheet and statement of changes in equity.

The presentation of the consolidated statement of cash flows, including prior-year figures, was adjusted as at 1 January 2013. Reclassifications were undertaken to improve clarity.

3 | Consolidation methods and accounting policies

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

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

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

Companies acquired during the reporting period are included in the consolidated annual financial statements from the date on which Swiss Post assumed control. Companies that are sold are included until the date on which control is lost, which is usually the date of sale.

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

Currency translation

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

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

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

Recognition of income

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

Income from logistics services is recognized after sales deductions at the time the service is provided. Income from the sale of products is recognized in the income statement if the risks and rewards incidental to ownership of the products have been transferred to the purchaser. Swiss Post receives compensation from the Swiss Confederation for public passenger transport services and the uncovered costs of newspaper transport, which is recognized in profit or loss on an accrual basis.

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

Cash

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

Financial receivables

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

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognized at amortized cost, which usually corresponds to the face value, minus an impairment charge for doubtful receivables. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges are also recognized based on statistical analyses of previous credit risk.

Inventories

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

Financial assets

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

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

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

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

Swiss Post checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is calculated. The recoverable amount of interest-bearing assets and loans is the present value of expected future cash flows from interest payments and repayments. The present value of held-to-maturity assets and loans is calculated on the basis of the original effective rate of interest of the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is recognized in profit or loss as an impairment. If an impairment is recognized on an available-for-sale financial asset, the cumulative net loss on this asset recognized directly in equity is reclassified from equity to profit or loss. If the fair value of an interest-bearing asset such as a bond is less than the carrying amount solely due to a change in market interest rates, no impairment charge is recognized provided the issuer's credit standing is considered to be good. In this case, the change in the fair value of financial assets classified as available for sale is recognized directly in equity. Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified. No reversals of impairment losses are recognized in profit or loss until the assets' disposal; in this case, positive changes in value are recognized directly in equity. Individual impairment charges on held-to-maturity financial assets and loans are charged to a separate allowance account. The financial asset is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges are also recognized for held-to-maturity assets and loans based on statistical analyses of previous credit risk.

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

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

Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged item are recognized in profit and loss 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 recognized in other comprehensive income, while changes in value to the extent a hedge is ineffective are recognized in profit or loss.

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

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

Fair value

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

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

Repurchase, reverse repurchase and securities lending transactions

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

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

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

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

Investment property

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Leases

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

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

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

Intangible assets

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

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

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

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

Customer deposits (PostFinance)

Customer deposits held with PostFinance in postal, savings and investment accounts and medium-term notes are measured at amortized cost, which usually corresponds to the face value.

Other financial liabilities

Other financial liabilities comprise amounts due to banks (which are measured at amortized cost), derivatives measured at fair value, finance lease obligations and repurchase transactions.

Provisions

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

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

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

Employee benefits

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

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

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

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

Income taxes

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

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

Non-current assets held for sale

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

4 | Estimation uncertainty and management's judgement

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

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

Estimation uncertainty in applying accounting policies

Useful lives of items of property, plant and equipment
The useful lives of items of property, plant and equipment (carrying amount as at 31 December 2013: 2,470 million francs) are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

Employee benefit obligations
Employee benefit expenses and obligations (carrying amount as at 31 December 2013: 2,042 million francs) are calculated annually using the projected unit credit method. The calculations are based on various actuarial assumptions such as expected salary and pension trends or the discount rate for benefit obligations.

Fair values of financial instruments

Fair values of financial assets (carrying amount as at 31 December 2013: 66,847 million francs) that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observable market information. The discounted cash flow method is used to determine the fair value of some unlisted available-for-sale financial assets. The discounted cash flows are calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account.

Goodwill

The discounted cash flow method is used annually to determine the recoverable amount of goodwill items (carrying amount as at 31 December 2013: 225 million francs). The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next three years and a residual value. This does not include any growth component.

Management's judgement used in applying accounting policies

Financial assets held to maturity

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

Impairment of available-for-sale and held-to-maturity financial assets and loans

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

5 | Segment information

Principles

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

Note 36 (Consolidated Group) shows the segments to which the accounting units of Post CH Ltd and the subsidiaries have been assigned.

Segmentation

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

Geographical information

Geographical information is disclosed as follows. Information is presented, firstly, according to the location of the revenue-generating subsidiary (Europe, Americas, Asia) and, secondly, according to the location at which the revenue was generated, which is either Switzerland or "International and cross-border" (see pages 80–81). The "International and cross-border" segment includes revenue from all foreign subsidiaries.

Statutory mandates

Statutory mandates require Swiss Post to provide a universal service to handle postal services and payment transactions. Pricing is not at Swiss Post's discretion. The Federal Council determines the upper price limit for reserved services (monopoly). The price regulator can also check the prices of most services within and outside the universal service at any time, owing to Swiss Post's dominant position in the market. The reserved service (monopoly) includes addressed domestic letters and incoming letters from abroad up to 50 grams, and is provided by the PostMail and Post Offices & Sales segments.

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

State compensation

For providing legally required services Swiss Post receives the following compensation from the Swiss Confederation, which is disclosed under Net sales from logistics services:

– PostBus segment: 175 million francs (previous year: 169 million francs) for public passenger transport services provided.

– PostMail segment: Press subsidies from the Confederation of around 50 million francs ceased to be credited to Swiss Post's newspaper account on 1 January 2013, and are now passed on in full to the eligible titles through a price reduction per copy. In the PostMail segment, a transitory account is kept on the balance sheet from which press subsidies are continually debited in order to be credited to the publishers concerned as a price reduction on their Swiss Post invoice. Last year, net sales from logistics services included 50 million francs of compensation in the PostMail segment for the uncovered costs of newspaper transport.

Composition of segment assets and liabilities

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

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

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

Unallocated assets and liabilities comprise those (primarily loans, e.g. to PostBus operators) that are essentially financial and therefore not assigned to segment assets or segment liabilities.

Changes in segment assets and liabilities

As part of the conversion of Swiss Post from an institution under public law into a public limited company with special legal status and PostFinance into a public limited company regulated by FINMA, assets and liabilities were moved from the Other segment to the PostFinance segment.

Further information

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

Results by business segment and region

Result by business segment 2013 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	PostLogistics	PostFinance [2]	PostBus [3]	Other [4]	Consolidation	Group
Operating income										
from customers		2,557	538	945	1,176	2,336	807	111		8,470
from other segments		402	78	647	405	41	5	786	–2,364	–
Total operating income [1]		**2,959**	**616**	**1,592**	**1,581**	**2,377**	**812**	**897**	**–2,364**	**8,470**
Operating profit [1]		**491**	**15**	**–110**	**189**	**588**	**65**	**3**		**1,241**
Net financial income	12, 13									–79
Result of associates and joint ventures	25	1	–2	–	5	6	0	–3		7
Income taxes	14									582
Group profit										**1,751**
Segment assets		692	384	536	557	114,607	435	2,365	–754	118,822
Associates and joint ventures		55	0	–	12	26	2	2		97
Unallocated assets [5]										1,464
Total assets										**120,383**
Segment liabilities		678	146	528	508	110,120	301	1,794	–754	113,321
Unallocated liabilities [5]										1,425
Total liabilities										**114,746**
Investment in property, plant and equipment, intangible assets and investment property	26–28	19	16	11	112	112	50	92		412
Depreciation and amortization	26–28	47	21	13	64	30	39	103		317
Impairment	18, 26–28	4	23	–	5	6	–	–		38
Reversal of impairment	18, 26–28	–	–	–	–	64	–	–		64
Other non-cash (expenses)/income		1	–17	–3	4	–5	1	–63		–82
Headcount [6]		17,212	6,798	6,591	5,426	3,439	2,487	2,152		44,105

1 Operating income and operating profit by segment are now reported before management, licence fee and net cost compensation. Prior-year figures have been adjusted.
2 From 1.1.2013, PostFinance Ltd also applies the Swiss Financial Market Supervisory Authority's Bank Accounting Guidelines (BAG). There are differences between the BAG and the IFRS results.
3 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.
4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are now eliminated in intra-Group transactions. Prior-year figures have been adjusted.
6 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region 2013 CHF million	Notes	Europe	Americas	Asia	Consolidation	Group	Switzerland	International and cross-border	Consolidation	Group
Operating income from customers		8,403	66	1	–	8,470	7,439	1,031	–	8,470
Operating profit [1]		1,238	2	1	–	1,241	1,194	47	–	1,241
Segment assets		118,777	45	3	–3	118,822	118,106	742	–26	118,822
Investment in property, plant and equipment, intangible assets and investment property	26–28	412	0	0	–	412	383	29	–	412

1 Operating income and operating profit by segment are now reported before management, licence fee and net cost compensation. Prior-year figures have been adjusted.

Result by business segment

2012 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post-Logistics	Post-Finance	PostBus[3]	Other[4]	Consoli-dation	Group
Operating income										
from customers		2,715	483	1,053	1,098	2,345	774	108		8,576
from other segments		387	66	456	437	11	4	829	–2,190	–
Total operating income[1]		**3,102**	**549**	**1,509**	**1,535**	**2,356**	**778**	**937**	**–2,190**	**8,576**
Operating profit[1,2]		**346**	**3**	**–307**	**149**	**623**	**35**	**7**	**4**	**860**
Net financial income[2]	12, 13									–60
Result of associates and joint ventures	25	–1	–3	–	8	5	0	1		10
Income taxes[2]	14									–38
Group profit[2]										**772**
Segment assets[2]		782	311	490	546	114,712	379	5,836	–3,406	119,650
Associates and joint ventures		53	2	–	15	22	2	5		99
Unallocated assets[2, 5]										320
Total assets[2]										**120,069**
Segment liabilities[2]		832	138	629	500	113,532	356	3,040	–3,406	115,621
Unallocated liabilities[2, 5]										1,303
Total liabilities[2]										**116,924**
Investment in property, plant and equipment, intangible assets and investment property	26–28	45	18	10	78	22	42	194		409
Depreciation and amortization	26–28	50	18	9	63	8	38	121		307
Impairment	18, 26–28	6	–	–	5	7	–	–		18
Reversal of impairment	18, 26–28	–	–	–	–	33	–	–		33
Other non-cash (expenses)/income		–25	–7	–1	–18	0	–24	–271		–346
Headcount[6]		17,912	6,502	6,724	5,520	3,479	2,307	2,161		44,605

1 Operating income and operating profit by segment are now reported before management, licence fee and net cost compensation. Figures have been adjusted.
2 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
3 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.
4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).
5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities have been eliminated in intra-Group transactions. Figures have been adjusted.
6 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region

2012 CHF million	Notes	Europe	Americas	Asia	Consoli-dation	Group	Switzer-land	Inter-national and cross-border	Consoli-dation	Group
Operating income from customers		8,476	81	19	–	8,576	7,551	1,025	–	8,576
Operating profit[1,2]		855	3	2	–	860	825	35	–	860
Segment assets[2]		119,604	46	3	–3	119,650	118,951	767	–68	119,650
Investment in property, plant and equipment, intangible assets and investment property	26–28	408	1	0	–	409	378	31	–	409

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

6 | Net income from financial services

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

Net income from financial services CHF million	2013	2012
Interest income		
Interest income on amounts due from banks	0	1
Interest income on securities lending and reverse repurchase transactions	3	11
Interest income on interest-bearing amounts due from customers	9	9
Interest income on financial assets	1,273	1,406
Dividend income on financial assets	17	8
Interest expense		
Interest expense for customer deposits (PostFinance)	–292	–398
Interest expense for amounts due to banks	0	0
Interest expense on repurchase transactions	0	0
Net interest income	**1,010**	**1,037**
Reversal of impairment on financial assets	59	25
Net interest income, net of reversal of impairment	**1,069**	**1,062**
Commission income on lending business	89	87
Commission income on securities and investment business	35	29
Commission income on other services	63	53
Commission expenses	–130	–117
Net income from services	506	493
Net services and commission income	**563**	**545**
Net trading income	160	147
Net income from FVTPL[1]: designated	2	0
Net income from the disposal of available-for-sale financial assets	24	23
Losses on payment transactions	–7	–6
Other net financial income/finance costs	4	–9
Net income from financial services	**1,815**	**1,762**
Shown in the consolidated income statement under:		
Income from financial services	2,307	2,342
Expenses for financial services	–492	–580

1 FVTPL: fair value through profit or loss (designated).

7 | Other operating income

Other operating income CHF million	2013	2012
Rental income	70	68
Profits on the sale of property, plant and equipment	38	21
Other income	95	83
Total other operating income	**203**	**172**

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

8 | Staff costs

Composition

Breakdown of staff costs

CHF million	Notes	2013	2012
Wages and salaries		3,298	3,347
Social security benefits		352	361
Employee benefit expenses/(income)	9	–44	335[1]
Other staff costs		95	118
Total staff costs		**3,701**	**4,161**

1 The figure has been adjusted (see Note 2, Basis of accounting, Accounting changes).

Headcount

Headcount

Number of employees[1]	2013	2012
Employees at Swiss Post Group (excluding trainees)	44,105	44,605
Trainees at Swiss Post Group	2,058	2,056

1 Average expressed in terms of full-time equivalents

9 | Staff pension plan

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

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

When determining benefits, the minimum legal requirements regarding the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG) and its regulations of execution must be taken into account. The BVG establishes the minimum salary to be insured as well as minimum retirement assets. The minimum interest rate to be applied to the minimum retirement assets is set by the Federal Council at least once every two years. In 2014, the rate was 1.75 percent (previous year: 1.5 percent).

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

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

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

Actuarial assumptions

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

Actuarial assumptions made in calculating annual employee benefit expenses Percent	2013	2012
Discount rate	2.00	2.50

Actuarial assumptions at 31 December Percent	2013	2012
Discount rate	2.25	2.00
Expected change in salaries	2.00	2.00
Pension indexation	0.00	0.00
Staff turnover	3.87	3.87
Current average life expectancy for a man/woman aged 65	23 years	19 years

Long-term employee benefits are shown and described under Note 30, Provisions.

Employee benefit expenses

Employee benefit expenses CHF million	2013	2012[1]
Current service cost	597	517
Service cost to be recognized	–445	–1
(Gains) / losses from plan settlements	–8	0
Employee contributions	–206	–188
Administrative costs	11	11
Pension payments by the employer	0	0
Other plans, reclassifications	7	–4
Total employee benefit expenses / (income) recognized in staff costs	**–44**	**335**
Interest expense arising from employee benefit obligations	350	402
Interest income on assets	–291	–344
Net interest income on the effect of asset ceiling regulation	0	0
Other plans, reclassifications	–2	1
Total net interest expense recognized in financial expenses	**57**	**59**
Total employee benefit expenses recognized in the income statement	**13**	**394**

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

New assessment elements entered in the statement of comprehensive income CHF million	2013	2012[1]
Actuarial losses		
due to the adjustment of demographic assumptions	727	116
due to the adjustment of economic assumptions	–637	1,037
due to experience adjustments	37	–176
Income from plan assets (excluding interest income)	–545	–521
Changes in effect of asset ceiling regulation (excluding net interest income)	0	–
Other	2	0
Total revaluation gains recorded in other comprehensive income (OCI)	**–416**	**456**
Total employee benefit expenses	**–403**	**850**

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

A range of amendments to the Swiss Post employee benefits plan were approved in 2013. One of the most important of these was the reduction in the conversion rate from August 2013, which led to a reduction of 445 million francs in employee benefit obligations. In accordance with IAS 19 revised, applicable since 1 January 2013, this positive effect was immediately recognized in full in profit or loss as a plan amendment gain.

For the year 2013, the employee benefit expenses relevant to operating profit amounted to 44 million francs. This low figure is primarily due to the effects associated with the aforementioned plan amendment for 2013.

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

Cover status

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

Summary of cover status CHF million	31.12.2013	31.12.2012[1]
Present value of employee benefit obligations including assets set aside	17,347	17,578
Benefit plan assets at fair value	–15,315	–14,587
Shortfall	**2,032**	**2,991**
Employee benefit obligations excluding assets set aside	7	7
Present value of employee restructuring contributions	0	–12
Effect of asset ceiling regulation	0	–
Total recognized employee benefit obligations arising from defined benefit plans	**2,039**	**2,986**
Employee benefit obligations arising from other benefit plans	3	12
Total recognized employee benefit obligations	**2,042**	**2,998**

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

Performance of recognized benefit obligations from defined benefit plans

Performance of recognized benefit obligations from defined benefit plans (excluding other plans) CHF million	2013	2012 [1]
Balance at 1 January	**2,986**	**2,672**
Employee benefit expenses arising from defined benefit plans	9	397
Revaluation gains recognized in other comprehensive income	– 416	456
Employer contributions	–445 [2]	–439 [2]
Appropriation of profit [3]	– 100	– 100
Pension payments by the employer	0	– 1
Translation differences	0	0
Company acquisitions, disposals or transfers	5	1
Balance at 31 December	**2,039**	**2,986**
of which:		
current, i.e. payments falling due within the next twelve months	316	270
non-current	1,723	2,716

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund (2012: 150 million francs).
3 In accordance with a decision by the Swiss Federal Council, a further 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012 (previous year: 100 million francs). As a result of this appropriation of profit, capital reserves increased by the same amount.

Change in employee benefit obligations

Change in employee benefit obligations CHF million	2013	2012 [1]
Balance at 1 January	**17,585**	**16,485**
Current service cost	597	517
Interest expense arising from employee benefit obligations	350	402
Actuarial (gains) / losses	127	977
Plan settlements	–21	–1
Company acquisitions, disposals or transfers	16	2
Restructuring	0	–1
Benefits paid from plan assets	–855	–794
Pension payments by the employer	0	–1
Plan amendments [2]	–445	– 1
Translation differences	0	0
Balance at 31 December	**17,354**	**17,585**
Employee benefit obligations including assets set aside	17,347	17,578
Employee benefit obligations excluding assets set aside	7	7
Total employee benefit obligations	**17,354**	**17,585**

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 Plan amendment costs incurred in 2013 (see employee benefit expenses).

Change in plan assets

Change in fair value of plan assets CHF million	2013	2012 [1]
Balance at 1 January	**14,587**	**13,780**
Interest income on assets	291	344
Income from plan assets (excluding interest income)	545	521
Employee contributions	206	188
Employer contributions	545 [2]	539 [2]
Plan settlements	–13	–2
Benefits paid from plan assets	–855	–794
Administrative costs	–11	–11
Company acquisitions, disposals or transfers	10	1
Employee restructuring contributions	10	21
Translation differences	0	–0
Balance at 31 December	**15,315**	**14,587**

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund (2012: 150 million francs). In accordance with a decision by the Swiss Federal Council, a further 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012 (previous year: 100 million francs). As a result of this appropriation of profit, capital reserves increased by the same amount.

Asset classes

Asset allocation	31 December 2013			31 December 2012		
CHF million	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds	4,563	0	4,563	4,180	0	4,180
Shares	5,619	1,585	7,204	5,771	1,628	7,399
Real estate	0	1,396	1,396	0	1,263	1,263
Alternative investments	268	899	1,167	307	989	1,296
Qualified insurance paper	0	28	28	0	9	9
Other financial assets	0	13	13	0	10	10
Cash and cash equivalents	0	944	944	0	430	430
Total	**10,450**	**4,865**	**15,315**	**10,258**	**4,329**	**14,587**

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

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

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

Sensitivity

The effect of a 0.25 percentage point rise or fall in the underlying material actuarial assumptions on the present value of pension obligations as at 31 December 2013:

Sensitivity of pension obligations to changes in actuarial assumptions As at 31 December 2013, CHF million	Deviation	Resulting change in present value	Deviation	Resulting change in present value
Discount rate	+0.25 percentage point	–542	–0.25 percentage point	580
Expected change in wages	+0.25 percentage point	49	–0.25 percentage point	–48
Interest on retirement assets	+0.25 percentage point	83	–0.25 percentage point	–80
Pension indexation	+0.25 percentage point	457	–0.25 percentage point	–15
Life expectancy at age 65	+1 year	476	–1 year	–485

Maturity profile of the defined employee benefit obligation

The weighted average term of the defined employee benefit obligation is 15 years as at 31 December 2013 (previous year: 16.2 years).

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

Maturity of the defined employee benefit obligation CHF million	Nominal payment of benefits
Contributions	
2014 (estimated)	277
Expected future benefits	
2014	977
2015	915
2016	899
2017	885
2018	870
2019–2023	4,081

10 | Resale merchandise and service expenses

Resale merchandise and service expenses CHF million	2013	2012
Working materials, semi-finished and finished goods	39	31
Resale merchandise expenses	459	463
Service expenses	147	128
Compensation paid to PostBus operators	306	312
Compensation paid to forwarding companies	337	338
Compensation paid for international postal traffic	158	179
Temporary employees	115	105
Total resale merchandise and service expenses	**1,561**	**1,556**

11 | Other operating expenses

Other operating expenses CHF million	2013	2012
Premises	220	232
Maintenance and repairs of property, plant and equipment	206	227
Energy and fuel	66	69
Operating materials	81	61
Office and administrative expenses	184	203
Marketing and communications	92	94
Loss on disposal of property, plant and equipment	2	2
Other expenses	291	219
Total other operating expenses	**1,142**	**1,107**

12 | Financial income

Financial income CHF million	Notes	2013	2012
Interest income on other loans		11	10
Gains on the sale of financial assets	25	–	9
Foreign currency gains		1	1
Other financial income		2	2
Total financial income		**14**	**22**

Income from PostFinance’s financial services business is posted as “Income from financial services”.

13 | Financial expenses

Financial expenses CHF million	Notes	2013	2012
Interest expense on other financial liabilities		12	0
Losses on the sale of financial assets		0	13
Present value adjustments to provisions		0	0
Interest expense for employee benefit obligations	9	57	59 [1]
Interest charges on finance leases	29	1	0
Foreign currency losses		2	2
Other financial expenses		21	8
Total financial expenses		**93**	**82**

1 The figure has been adjusted (see Note 2, Basis of accounting, Accounting changes).

Losses from selling financial assets in 2012 were mainly caused by the deconsolidation of the Group companies brought into the Asendia joint venture as well as from disposals of associates (Direct Mail Company AG, Direct Mail Logistik AG).

Expenses arising from PostFinance’s financial services business are posted as “Expenses for financial services”.

14 | Income taxes

Income taxes CHF million	2013	2012
Income (expense) for current income taxes	– 94	– 34
Income (expense) for deferred income taxes	676	– 4 [1]
Total income (expense) for income taxes recorded in the income statement	**582**	**– 38**

1 The figure has been adjusted (see Note 2, Basis of accounting, Accounting changes).

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

Income taxes CHF million	2013	2012
Actuarial gains and losses	– 107	10
Fair value reserves	– 24	–
Hedging reserves	0	–
Other profits and losses recorded directly in equity	1	– 1
Total income taxes recognized in other comprehensive income	**– 130**	**9**

With its conversion from an institution under public law into a public limited company with special legal status, Swiss Post became fully subject to taxation from 1 January 2013. This means that profits in the monopoly sector that were previously tax exempt are now taxable. This necessitated an initial recognition of deferred tax assets and liabilities in units of Swiss Post as a public institution that were previously tax-exempt. As a result of the first full taxation of Swiss Post, current income taxes for the year increased to 94 million francs (previous year: 34 million francs).

Deferred taxes relating to balance sheet items

Deferred taxes relating to balance sheet items	31 December 2013			31 December 2012 [1]		
CHF million	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
Financial assets	47	–28	19	0	0	0
Investments in associates, subsidiaries and joint ventures	1	–82	–81	0	0	0
Property, plant and equipment	273	–2	271	0	–2	–2
Intangible assets	485	–4	481	8	–4	4
Other financial liabilities	1	–	1	1	0	1
Other liabilities	0	–2	–2	0	–2	–2
Provisions	0	–11	–11	0	–3	–3
Employee benefit obligations	490	–1	489	75	0	75
Other balance sheet items	1	0	1	1	–2	–1
Deferred taxes arising from temporary differences	**1,298**	**–130**	**1,168**	**85**	**–13**	**72**
Tax assets recognized for loss carryforwards	15		15	13		13
Deferred tax assets / liabilities, gross	**1,313**	**–130**	**1,183**	**98**	**–13**	**85**
Deferred tax assets/liabilities, prior year	–98	13	–85	–89	8	–81
Changes in the composition of the Group	1	–1	0	–3	4	1
Deferred taxes taken to other comprehensive income	107	23	130	–10	1	–9
Deferred taxes recognized in retained earnings	–552	–	–552	–	–	–
Translation differences	0	0	0	0	0	0
Deferred taxes recognized in the income statement	**771**	**–95**	**676**	**–4**	**0**	**–4**

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

Deferred tax assets of 1,313 million francs (previous year: 98 million francs) are comprised mainly of temporary differences on financial assets, property, plant and equipment and intangible assets, employee benefit provisions in accordance with IAS 19 that are not accepted for tax purposes as well as tax loss carryforwards. Deferred tax assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 130 million francs (previous year: 13 million francs) are mainly the result of temporary differences between the carrying amounts of Group assets and tax base of financial assets and investments as well as temporary differences arising on provisions.

Unused loss carryforwards

Unused loss carryforwards	31 December 2013			31 December 2012		
CHF million	Recognized	Not recognized	Total	Recognized	Not recognized	Total
1 year	6	0	6	2	5	7
2 to 6 years	27	7	34	31	23	54
In more than 6 years	45	0	45	15	6	21
Total unused loss carryforwards	**78**	**7**	**85**	**48**	**34**	**82**

Tax loss carryforwards of 7 million francs (previous year: 34 million francs) were not recognized as assets at Swiss Post Group, as it seems uncertain that they will be utilized in the future.

Analysis of the expense for income taxes

The following breakdown shows the reconciliation from taxable profit to the provision for income taxes accounted for. The weighted average tax rate to be applied is 16.5 percent (previous year: 16.9 percent). The decrease in the Group tax rate amounts to 0.4 percent. This slight decline is mainly due to the changes to the structure of Swiss Post in 2013.

Reconciliation from taxable profit to provision for income taxes accounted for CHF million	2013	2012 [1]
Profit before tax	1,169	810
Profits of the parent exempt from tax on earnings until 31 December 2012	–	606
Taxable profit	**1,169**	**204**
Weighted average tax rate	16.5%	16.9%
Provision for income taxes at average weighted tax rate	**193**	**34**
Reconciliation with expenses for income taxes accounted for:		
Effect of change in tax status	–984	–
Effect of impairment of goodwill / temporary differences on investments	230 [2]	1
Effect of back taxes and tax refunds from previous years	–2	–1
Effect of change in impairment for deferred income tax assets	1	–2
Effect of fiscally non-relevant income / expenses	–2	–
Effect of loss carryforwards	–8	–14
Other effects	–10 [3]	20 [3]
Expenses (income) for income taxes accounted for	**–582**	**38**

1 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 Predominantly adjustment of investment value due to intra-Group dividends leading to a reduction in temporary differences.
3 Predominantly changes in temporary differences.

15 | Receivables

Receivables by type	31 December 2013			31 December 2012		
CHF million	Gross	Impairment	Net	Gross	Impairment	Net
Receivables due from banks [1]	44,625	97	44,528	45,455	97	45,358
Interest-bearing amounts due from customers [1]	544	2	542	96	3	93
Trade accounts receivable	1,044	12	1,032	1,055	10	1,045
Other receivables	944	1	943	958	2	956
Total receivables	**47,157**	**112**	**47,045**	**47,564**	**112**	**47,452**
[1] of which receivables from reverse repurchase transaction			7,150			1,611
and covered by securities with a market value of			7,150			1,611

Receivables due from banks comprise current account balances, money market instruments and reverse repurchase transactions. The current accounts mainly relate to Swiss Post's international payment transactions. The money market instruments and reverse repurchase transactions arise from the management of customer deposits. Securities cover for reverse repurchase transactions is recognized on a daily basis at current fair values. In receivables due from banks, cash reserves remain high, and are mostly held at the Swiss National Bank.

Interest-bearing amounts due from customers comprise technical overdrafts on postal accounts and receivables from reverse repo transactions with insurance companies (31 December 2013: 300 million francs; previous year: none).

A receivable is entered during a reverse repurchase transaction. This reflects the right of Swiss Post to retain the cash deposit. Securities received as part of reverse repurchase transactions are recognized in the balance sheet only if risks and opportunities are entered. The fair values of the securities received are monitored to provide or reclaim additional collateral, where required. See also Note 16, Transfer of financial assets.

Furthermore, no assets have been pledged (as collateral) for receivables.

Due dates of receivables

Receivables by due date	31 December 2013			31 December 2012		
CHF million	Total	Due in up to 3 months	Due in over 3 months	Total	Due in up to 3 months	Due in over 3 months
Receivables due from banks	44,528	44,414	114	45,358	45,315	43
Interest-bearing amounts due from customers	542	542	–	93	93	–
Trade accounts receivable	1,032	847	185	1,045	683	362
Other receivables	943	553	390	956	111	845
Total receivables	**47,045**	**46,356**	**689**	**47,452**	**46,202**	**1,250**

In the reporting period, interest income calculated in accordance with the effective interest method amounted to under one million francs on receivables due from banks (previous year: one million francs) and 9 million francs on interest-bearing amounts due from customers (previous year: 9 million francs).

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

Overdue receivables for which individual impairment charges are not recognized

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

Overdue receivables for which individual impairment charges are not recognized	31 December 2013				31 December 2012			
CHF million	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
Receivables due from banks	1	–	–	–	6	–	–	–
Interest-bearing amounts due from customers	229	4	6	4	84	4	4	4
Trade accounts receivable	93	62	3	95	72	12	7	7
Other receivables	1	0	0	1	3	0	1	7
Total receivables	**324**	**66**	**9**	**100**	**165**	**16**	**12**	**18**

Receivables for which impairment charges are recognized

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

Items that are not written down individually are subject to a portfolio impairment charge based on statistical analyses from previous years.

Receivables for which impairment charges are recognized	31 December 2013			31 December 2012		
CHF million	Gross	Impairment charges	Net	Gross	Impairment charges	Net
Individual impairment charges						
Receivables due from banks	100	–97	3	101	–97	4
Interest-bearing amounts due from customers	0	0	0	–	–	–
Trade accounts receivable	11	–7	4	19	–6	13
Other receivables	1	–1	0	4	–2	2
Total receivables for which individual impairment charges are recognized	**112**	**–105**	**7**	**124**	**–105**	**19**
Portfolio impairment charges						
Interest-bearing amounts due from customers	2	–2	0	97	–3	94
Trade accounts receivable	64	–5	59	934	–4	930
Other receivables	2	0	2	1	0	1
Total receivables for which portfolio impairment charges are recognized	**68**	**–7**	**61**	**1,032**	**–7**	**1,025**

Change in impairment of receivables

Change in impairment of receivables	Receivables due from banks		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
CHF million	Individual impairment charges	Portfolio impairment charges	Individual impairment charges	Portfolio impairment charges	Individual impairment charges	Portfolio impairment charges	Individual impairment charges	Portfolio impairment charges
As at 1 January 2013	**97**	**–**	**–**	**3**	**6**	**4**	**2**	**0**
Impairment	0	–	0	–	1	1	0	–
Reversal of impairment	–	–	–	–1	0	–	–1	0
Reclassifications	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	0	–	–	–
Translation differences	–	–	–	–	0	0	–	–
As at 31 December 2013	**97**	**–**	**0**	**2**	**7**	**5**	**1**	**0**
As at 1 January 2012	**97**	**–**	**0**	**3**	**7**	**4**	**2**	**0**
Impairment	–	–	–	0	1	2	–	–
Reversal of impairment	0	–	0	–	0	0	0	0
Reclassifications	–	–	–	–	1	–1	–	–
Disposals	–	–	–	–	–3	–1	0	–
Translation differences	–	–	–	–	0	0	0	–
As at 31 December 2012	**97**	**–**	**–**	**3**	**6**	**4**	**2**	**0**

16 | Transfers of financial assets

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

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

Reverse repurchase transactions and securities lending and repurchase transactions CHF million	Notes	31.12.2013	31.12.2012
Receivables			
Receivables from cash collateral in reverse repurchase transactions	15	7,150	1,611
of which recognized in receivables due from banks	15	6,850	1,611
of which recognized in interest-bearing amounts due from customers	15	300	–
Commitments			
Commitments from cash collateral in securities lending transactions		–	0
of which recognized in financial liabilities – other financial liabilities		–	0
Commitments from cash collateral in repurchase transactions	29	–	30
of which recognized in financial liabilities – other financial liabilities	29	–	30
Securities cover			
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	18	–	8,513
of which securities for which an unrestricted right to dispose of or pledge was granted		–	8,513
of which recognized in financial assets – held to maturity		–	7,783
of which recognized in financial assets – available for sale		–	730
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions		–	0
of which repledged or sold securities		–	0

17 | Inventories

Inventories CHF million	31.12.2013	31.12.2012
Resale merchandise	52	55
Fuel and operating materials	21	23
Production materials	8	8
Work in progress and finished goods	4	2
Impairment charge for inventories which are not easily marketable	0	–1
Total inventories	**85**	**87**

18 | Financial assets

Financial assets CHF million	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
Notes	20	21	22	23	
As at 1 January 2013	**52,367**	**3,313**	**94**	**11,583**	**67,357**
Additions	5,163	797	–	38,008	43,968
Change in value recognized in profit and loss	–63	–20	–	–43	–126
Change in value recognized directly in equity	–	99	–	–	99
Change in value of derivatives	–	–	1	–	1
Impairment/reversal of impairment, net	64	–1	–	–21	42
Disposals	–7,133	–309	–	–37,052	–44,494
As at 31 December 2013	**50,398**	**3,879**	**95**	**12,475**	**66,847**
As at 1 January 2012	**56,234**	**1,115**	**127**	**12,153**	**69,629**
Additions	2,397	2,609	–	2,649	7,655
Change in value recognized in profit and loss	–148	8	–	21	–119
Change in value recognized directly in equity	–	70	–	–	70
Change in value of derivatives	–	–	–33	–	–33
Impairment/reversal of impairment, net	33	–6	–	–7	20
Disposals	–6,149	–483	–	–3,233	–9,865
As at 31 December 2012	**52,367**	**3,313**	**94**	**11,583**	**67,357**

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

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

The difference between the carrying amounts presented and the fair values calculated for held-to-maturity items using the same method as for available-for-sale assets is disclosed under Note 20, Financial assets held to maturity.

90 million francs (previous year: 80 million francs) were posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 22, Derivative financial instruments).

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

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

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

The impairment charges (net) recognized on financial assets in 2013 totalled 42 million francs (previous year: 20 million francs). In the case of fixed rate assets of the held-to-maturity category, individual impairment charges totalling 8 million francs (previous year: none) and portfolio impairment changes of 56 million francs were recognized for bonds (previous year: 33 million francs). This reversal is mainly due to lower credit spreads. Due to negative trends in share prices, impairment charges of one million francs on equity holdings were formed (previous year: 6 million francs). For loans to public entities in Switzerland, portfolio impairment charges of 5 million francs were formed (previous year: one million francs). 16 million francs (previous year: 6 million francs) of individual impairment charges were recognized on other loans (excluding PostFinance).

19 | Fair value measurement of financial assets

Financial instruments measured at fair value are assigned to one of three levels in the fair value hierarchy at the end of the year. The level to which they are assigned depends on the lowest level parameter, which is used for determining the fair value of the financial instrument.

Level 1 Fair value is determined on the basis of quoted prices in the active market for the specifi c financial instrument. The market price at the balance sheet date is mandatory and may not be adjusted.

Level 2 Positions that are not traded on an active market are classifi ed on the second level of the hierarchy. This method should always use recognized valuation techniques and a maximum of market data as model parameters. The valuations should also be reviewed regularly (back testing). Examples of fair values at the second level are market transactions for identical positions that have taken place recently or comparison values for similar positions under normal market conditions. Fair values calculated using the discounted cash flow method or option pricing models with model inputs based on market data (observable inputs) are also classified as level 2. For level 2 positions, the fair value must be adjusted if the market conditions have changed significantly since the last transaction. The net inventory value of bond funds is determined on the basis of indicative prices. Fair values of loans are established using high-risk yield curves.

Level 3 Fair value is determined using valuation techniques and signifi cant inputs specific to the company that are not observable in the market.

Fair values are determined as follows:

Fair value of financial assets	31 December 2013				31 December 2012			
CHF million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Positive fair values	95	–	95	–	94	–	94	–
Held to maturity [1]	52,647	41,391	11,256	–	55,578	42,405	13,173	–
Available for sale								
Bonds	2,980	501	2,479	–	2,527	363	2,164	–
Shares	654	654	–	–	542	540	1	1
Funds	245	47	198	–	244	53	191	–
Loans [2]	12,733	–	12,733	–	12,110	–	12,110	–
Negative fair values	20	–	20	–	42	–	42	–

1 Financial assets held to maturity are recognized at amortized cost using the effective interest method.
2 Loans are measured at amortized cost. The fair value shown refers to loans to state-owned enterprises, cantons, cities and municipalities, banks and other entities (469 million francs). In the case of the loans to PostBus companies and other companies (12 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

Five Swiss Post investments of a non-material nature that together amount to about one million francs are measured at cost in available-for-sale financial assets. As at 31 December 2013, these instruments are no longer assigned to a level (31 December 2012: level 3).

In 2013, available-for-sale financial assets of 14 million francs were reclassified from level 1 to level 2. For an asset to be classified as level 1, it must have an end-of-month price paid. The aforementioned reclassification was undertaken because this requirement was not satisfied with regard to the financial assets in question. No financial assets were moved between the two levels in the prior-year period.

Please see Note 27 regarding the fair value of investment property, and Note 38 regarding the fair value of non-current assets held for sale.

20 | Financial assets held to maturity

Financial assets held to maturity		Term to maturity		
CHF million	Total	Up to 1 year	1 – 5 years	Over 5 years
31 December 2013				
Bonds	50,398	6,836	28,809	14,753
Total held to maturity	**50,398**	**6,836**	**28,809**	**14,753**
Measured at fair value	52,647			
31 December 2012				
Bonds	52,367	6,393	27,718	18,256
Total held to maturity	**52,367**	**6,393**	**27,718**	**18,256**
Measured at fair value	55,578			

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 1,056 million francs (previous year: 1,155 million francs).

Overdue held-to-maturity financial assets for which individual impairment charges are not recognized

There were no overdue held-to-maturity financial assets for which individual impairment charges were not recognized as at either 31 December 2013 or 31 December 2012.

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

In particular, fair value changes and downgrades of existing investments are given consideration as indications of possible impairment. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual financial instrument is impaired, assets are assessed for impairment on a portfolio basis. Financial instruments with similar credit risks are grouped together and become subject to a portfolio impairment charge based on statistical analyses.

Held-to-maturity financial assets for which impairment charges are recognized CHF million	31 December 2013			31 December 2012		
	Gross	Impairments	Net	Gross	Impairments	Net
Individual impairment charges						
Bonds	–	–	–	16	–8	8
Total held-to-maturity financial assets for which individual impairment charges are recognized	**–**	**–**	**–**	**16**	**–8**	**8**
Portfolio impairment charges						
Bonds	50,473	–75	50,398	52,490	–131	52,359
Total held-to-maturity financial assets for which portfolio impairment charges are recognized	**50,473**	**–75**	**50,398**	**52,490**	**–131**	**52,359**
Total held-to-maturity financial assets	**50,473**	**–75**	**50,398**	**52,506**	**–139**	**52,367**

Changes in impairment of held-to-maturity financial assets

Changes in impairment of held-to-maturity financial assets CHF million	Individual impairment charges	Portfolio impairment charges	Total
As at 1 January 2013	**8**	**131**	**139**
Reversal of impairment	–8	–56	–64
As at 31 December 2013	**–**	**75**	**75**
As at 1 January 2012	**8**	**164**	**172**
Reversal of impairment	–	–33	–33
As at 31 December 2012	**8**	**131**	**139**

Interest earned on held-to-maturity financial assets including impairment charges amounted to 0.2 million francs in 2013 (previous year: 0.3 million francs).

21 | Financial assets available for sale

Financial assets available for sale CHF million	Total	Term to maturity Up to 1 year	1–5 years	Over 5 years	None
31 December 2013					
Bonds	2,980	127	2,192	661	–
Shares	654	–	–	–	654
Other	245	0	0	0	245
Total available for sale	**3,879**	**127**	**2,192**	**661**	**899**
31 December 2012					
Bonds	2,527	146	1,627	754	–
Shares	542	–	–	–	542
Other	244	0	0	–	244
Total available for sale	**3,313**	**146**	**1,627**	**754**	**786**

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net income from the disposal of available-for-sale financial assets (income from financial services). In the reporting period, they amounted to a gain of 24 million francs (previous year: 23 million francs). See also Note 6, Net income from financial services.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 8 million francs (previous year: 13 million francs). Dividend income stood at 17 million francs (previous year: 8 million francs).

Overdue available-for-sale financial assets for which individual impairment charges are not recognized

There were no overdue available-for-sale financial assets for which individual impairment charges were not recognized as at either 31 December 2013 or 31 December 2012.

Available-for-sale financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of the possible impairment of fixed-rate assets. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified.

In the event of impairment, the cumulative losses recognized directly in equity under "Fair value reserves" are reclassified to the income statement.

22 | Derivative financial instruments

Derivative financial instruments	31 December 2013				31 December 2012			
CHF million	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	18		29		18		29	
Cash flow hedges								
Currency	31	145	–	–	69	241	–	–
Interest rates	0	64	–	–	0	168	–	–
Fair value hedges								
Currency	11	400	0	51	3	196	0	21
Interest rates	48	2,862	16	995	8	766	40	2,099
Other								
Currency	5	455	4	332	14	521	2	240
Interest rates	–	–	–	–	–	–	0	5
Total derivative financial instruments	**95**	**3,926**	**20**	**1,378**	**94**	**1,892**	**42**	**2,365**

Gains and losses affecting net income from sales and from the measurement at fair value of derivative financial assets are stated in net trading income. In the reporting period, they amounted to a net gain of 2 million francs (previous year: net gain of less than one million francs).

Derivatives due dates

Due dates of derivative financial instruments	31 December 2013				31 December 2012			
CHF million	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	18		29		18		29	
Cash flow hedges								
Less than 1 year	31	209	–	–	36	292	–	–
1 to 5 years	–	–	–	–	33	117	–	–
Over 5 years	–	–	–	–	–	–	–	–
Fair value hedges								
Less than 1 year	11	400	0	51	3	196	2	71
1 to 5 years	17	1,536	15	795	8	716	26	920
Over 5 years	31	1,326	1	200	0	50	12	1,129
Other								
Less than 1 year	5	455	4	332	14	511	2	230
1 to 5 years	–	–	–	–	0	10	0	15
Over 5 years	–	–	–	–	–	–	–	–
Total derivative financial instruments	**95**	**3,926**	**20**	**1,378**	**94**	**1,892**	**42**	**2,365**

Fair value

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

Contract volume

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

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

Cash flow hedges

Swiss Post is exposed both to currency fluctuations and interest rate changes. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations of the future interest cash flows on financial assets are hedged by interest rate swaps with various maturities. The hedging reserve is reconciled to the income statement at the time when the underlying transaction takes place.

On 31 December 2013, the hedging reserve stood at around one million francs (previous year: 3 million francs). The overall fair value changes of the hedging instruments are included in the hedging reserves directly in equity. Subsequently, the net interest accrued and paid/received (less than one million francs; previous year: one million francs) and the foreign currency share (35 million francs; previous year: 47 million francs) are transferred to the income statement (recycled in net trading income, see also Note 6, Net income from financial services). Thus the residual fair value change of the hedging instruments remains in the cash flow hedge reserve.

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

Cash flows (not discounted)		Term to maturity	
CHF million	Up to 1 year	1–5 years	Over 5 years
31 December 2013			
Inflows of funds	4,784	–	–
Outflows of funds	–1,962	–	–
31 December 2012			
Inflows of funds	9,210	4,784	–
Outflows of funds	–6,097	–1,978	–

Fair value hedges

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

See also Note 35, Risk management, Risk management at PostFinance, types of financial risk and their evaluation.

23 | Loans

Loans CHF million	Total	Term to maturity Up to 1 year	1–5 years	Over 5 years	None
31 December 2013					
State-owned enterprises	635	35	400	200	–
Cantons, cities and municipalities [1]	8,198	2,039	3,067	3,092	–
Banks	3,025	71	1,514	1,440	–
PostBus operators	136	24	75	37	–
Other [2]	481	24	181	276	0
Total loans	**12,475**	**2,193**	**5,237**	**5,045**	**0**
31 December 2012					
Cantons, cities and municipalities [1]	7,801	1,971	3,621	2,209	–
Banks	2,960	744	1,491	725	–
PostBus operators	184	30	96	58	–
Other [2]	638	146	313	179	0
Total loans	**11,583**	**2,891**	**5,521**	**3,171**	**0**

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

In the reporting period, interest income calculated in accordance with the effective interest method stood at 210 million francs (previous year: 239 million francs).

Overdue loans for which individual impairment charges are not recognized

Swiss Post writes down loans if it expects a loss in respect of those loans because the borrower will probably be unable to fulfil its contractual obligations.

There were no overdue loans for which individual impairment charges were not recognized as at either 31 December 2013 or 31 December 2012.

Loans for which impairment charges are recognized

Impairment charges on loans to cantons, cities, municipalities, banks and other entities CHF million	31 December 2013 Gross	Impairment charges	Net	31 December 2012 Gross	Impairment charges	Net
Individual impairment charges						
Loans to others	12	–12	–	14	–7	7
Total loans for which individual impairment charges are recognized	**12**	**–12**	**–**	**14**	**–7**	**7**
Portfolio impairment charges						
Loans to cantons, cities, municipalities, banks and other entities	8,211	–14	8,197	10,769	–9	10,760
Total loans for which portfolio impairment charges are recognized	**8,211**	**–14**	**8,197**	**10,769**	**–9**	**10,760**

Individual impairment charges are recognized if a borrower is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual loan is impaired, loans are assessed for impairment on a portfolio or collective basis. Loans with similar credit risks are grouped together and become subject to a portfolio impairment charge based on statistical analyses.

Change in impairment of loans

Change in impairment of loans to cantons, cities, municipalities, banks and other entities CHF million	Individual impairment charges	Portfolio impairment charges	Total
As at 1 January 2013	**7**	**9**	**16**
Impairment	16	5	21
Disposals	–11	–	–11
As at 31 December 2013	**12**	**14**	**26**
As at 1 January 2012	**1**	**8**	**9**
Impairment	6	1	7
Reversal of impairment	0	–	0
As at 31 December 2012	**7**	**9**	**16**

24 | Potential offsetting of financial assets and financial liabilities

No offsetting took place. The following financial assets and financial liabilities were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2013:

Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2013, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		Financial assets after consideration of offsetting options
	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	
Item in the balance sheet						
Positive fair values	95	–	95	–28	–	67
Reverse repurchase transactions	7,150	–	7,150	–	–7,150	–

Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2013, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		Financial liabilities after consideration of offsetting options
	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	
Item in the balance sheet						
Negative fair values	20	–	20	–5	–	15

No offsetting took place. The following financial assets and financial liabilities were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2012:

Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2012, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		Financial assets after consideration of offsetting options
	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	
Item in the balance sheet						
Positive fair values	94	–	94	–6	–	88
Reverse repurchase transactions	1,611	–	1,611	–	–1,611	–

Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2012, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		Financial liabilities after consideration of offsetting options
	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	
Item in the balance sheet						
Negative fair values	42	–	42	–33	–	9
Repurchase transactions	30	–	30	–	–30	–
Securities lending and similar agreements	8,513	–	8,513	–	–8,513	–

25 | Investments in associates and joint ventures

No substantial participation in associated companies or joint ventures exists. In addition, there were no material transactions between the Group and any associated companies and joint ventures (see also Note 34, Related companies and parties). Further details on associates and joint ventures can be found in Note 37, Changes in the consolidated Group.

Investments in associates and joint ventures CHF million	2013	2012
Balance at 1 January	**99**	**53**
Additions of associates and joint ventures	–	53
Disposals of associates and joint ventures	0	–2
Dividends received	–9	–15
Share of net profit (after taxes) recognized in the income statement	7	10
Share of net profit (after taxes) recognized in other comprehensive income	–1	0
Currency translation differences	1	0
Balance at 31 December	**97**	**99**

Comprehensive income from associates and joint ventures

Net income from associates and joint ventures CHF million	2013	2012
Share of net profit (after taxes) recognized in the income statement	7	10
Total net income from associates and joint ventures recognized in the income statement	**7**	**10**
Share of net profit (after taxes) recognized in other comprehensive income	–1	0
Total net income from associates and joint ventures recognized in other comprehensive income	**–1**	**0**
Comprehensive income from associates and joint ventures	**6**	**10**

Changes in associates and joint ventures

2013

On 4 June 2013, a share capital increase of 10 million euros was undertaken at Swiss Euro Clearing Bank GmbH (Swiss Post share: 25 percent).

Shares in Société des Auto-transports du Pied du Jura Vaudois S.A.P.J.V. were sold on 16 December 2013.

2012

On 6 January 2012, Swiss Post, the parent, acquired 100 percent of Direct Mail Company AG and Direct Mail Logistik AG. Up until this point, Swiss Post had held a 50 percent share of these companies. With the acquisition of all shares in Intermail AG, which in turn holds the remaining 50 percent of both companies, Swiss Post became the sole shareholder of Direct Mail Company AG and Direct Mail Logistik AG. Both companies have been fully consolidated since January 2012 and are no longer measured at equity. Revaluation of existing investments at fair value in a takeover produced a profit of 9 million francs, which is entered in the statement of comprehensive income under "Financial income".

Since 6 July 2012, France's La Poste and Swiss Post, two of the main European postal service providers, have merged their respective cross-border activities in the mail sector in order to expand and further develop their international mail business. The joint venture, Asendia, is equally owned by La Poste and Swiss Post, and is one of the most important players in this sector. Asendia Holding Ltd has subsidiaries and sales agents in more than 25 locations in Europe, Asia and North America. To begin with, around 1,000 Asendia employees in 15 countries will generate an annual turnover of around 400 million euros. A joint customer-focused range of products and services was gradually introduced in 2013. For Swiss Post this means that the 23 companies it brought into the venture will no longer be fully consolidated as of July 2012, but will be reported in the consolidated financial statements in the context of the joint venture, Asendia, using the equity method.

For further information, please see Note 37, Changes in the consolidated Group.

26 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 78 million francs (previous year: 39 million francs).

As at 31 December 2013, as in the previous year, no items of property, plant and equipment had been pledged in relation to mortgages.

No borrowing costs were capitalized in 2013 (previous year: 3 million francs).

Property, plant and equipment 2013 CHF million	Operating property	Assets under construction: operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: other asset classes	Total
Acquisition cost						
As at 1.1.2013	**5,186**	**146**	**1,047**	**726**	**7**	**7,112**
Additions to the consolidated Group	0	–	5	1	–	6
Additions	1	114	49	114	38	316
Disposals	–97	–7	–45	–24	0	–173
Reclassifications	162	–158	10	3	–19	–2
Disposals arising from reclassifications (IFRS 5)	–	–	0	–52	–	–52
Currency translation differences	0	–	1	0	0	1
As at 31.12.2013	**5,252**	**95**	**1,067**	**768**	**26**	**7,208**
Cumulative amortization						
As at 1.1.2013	**3,737**	**–**	**558**	**356**	**–**	**4,651**
Depreciation	106	–	95	82	–	283
Impairment	3	–	–	–	0	3
Disposals	–93	–	–40	–22	–	–155
Reclassifications	3	–	–5	0	–	–2
Disposals arising from reclassifications (IFRS 5)	–	–	0	–42	–	–42
Currency translation differences	0	–	0	0	0	0
As at 31.12.2013	**3,756**	**–**	**608**	**374**	**0**	**4,738**
Carrying amount as at 1.1.2013	**1,449**	**146**	**489**	**370**	**7**	**2,461**
Carrying amount as at 31.12.2013	**1,496**	**95**	**459**	**394**	**26**	**2,470**
of which assets in leasing	0	0	0	0	0	0

Property, plant and equipment 2012 CHF million	Operating property	Assets under construction: operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: other asset classes	Total
Acquisition cost						
As at 1.1.2012	**5,108**	**159**	**1,015**	**680**	**27**	**6,989**
Additions to the consolidated Group	5	–	3	10	–	18
Additions	2	160	68	88	28	346
Disposals	–88	–11	–72	–31	0	–202
Reclassifications	162	–162	33	14	–48	–1
Disposals arising from reclassifications (IFRS 5)	–3	–	–	–35	–	–38
Currency translation differences	0	0	0	0	0	0
As at 31.12.2012	**5,186**	**146**	**1,047**	**726**	**7**	**7,112**
Cumulative amortization						
As at 1.1.2012	**3,716**	**–**	**524**	**328**	**–**	**4,568**
Depreciation	103	–	92	80	–	275
Impairment	–	–	–	–	–	–
Disposals	–80	–	–58	–22	–	–160
Reclassifications	0	–	0	0	–	0
Disposals arising from reclassifications (IFRS 5)	–2	–	–	–30	–	–32
Currency translation differences	0	–	0	0	–	0
As at 31.12.2012	**3,737**	**–**	**558**	**356**	**–**	**4,651**
Carrying amount as at 1.1.2012	**1,392**	**159**	**491**	**352**	**27**	**2,421**
Carrying amount as at 31.12.2012	**1,449**	**146**	**489**	**370**	**7**	**2,461**
of which assets in leasing	0	0	0	0	0	0

27 | Investment property

Investment property			2013			2012
CHF million	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
Acquisition cost						
Balance at 1 January	**8**	**60**	**68**	**8**	**41**	**49**
Additions	–	48	48	–	19	19
Disposals	0	0	0	–	0	0
Reclassifications	0	0	0	–	–	–
Balance at 31 December	**8**	**108**	**116**	**8**	**60**	**68**
Cumulative amortization						
Balance at 1 January	**0**	**–**	**0**	**0**	**–**	**0**
Depreciation	0	–	0	0	–	0
Disposals	0	–	0	–	–	–
Reclassifications	0	–	0	–	–	–
Balance at 31 December	**0**	**–**	**0**	**0**	**–**	**0**
Carrying amount as at 1 January	**8**	**60**	**68**	**8**	**41**	**49**
Carrying amount as at 31 December	**8**	**108**	**116**	**8**	**60**	**68**

There are investment commitments for investment property of 198 million francs (previous year: 209 million francs).

The fair value expert assessments of the investment properties on 31 December 2013 and 31 December 2012 were formed exclusively by independent experts, who have the necessary expertise. The fair value expert assessments of the investment properties will, in future, be carried out at regular intervals.

– Measurement: investment property under construction (PostParc)
  As at 31 December 2013, the property is measured using the capitalized earnings method based on a discounted cash flow approach. The fair value of the property on the due evaluation date is calculated in accordance with the measurement standard from the sum of the anticipated cash flows (including future investments) discounted on the due date and not taking into account any change of ownership, profit from sale of land, value added tax or other costs or commissions arising if selling the property.

  The following assumptions were made for the fair value expert opinion:

  – Letting of the property at market terms
  – The operating and maintenance costs considered during the valuation are guided by benchmarks from the database of the evaluator
  – The discounting is based on a risk-compliant real interest rate of 4.7 percent, also taken from the database of the evaluator

– Measurement: investment property (Bellinzona Autorimessa)
  The valuation as at 31 December 2013 is based on the discounted cash flow method. A capitalization rate was applied to capitalize effective rental income. The earnings were discounted. In the capitalization rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the net income value calculated.

  The following assumptions were made for the fair value expert opinion:

  – Letting of the property at sustainable tenancy terms
  – Average capitalization rate: 7.23 percent

On 31 December 2013, the fair value of the asset under construction (PostParc) was around 142 million francs and that of the investment property most recently valued (Bellinzona Autorimessa) on 31 December 2013 around 8 million francs.

Determining fair value of investment property	31 December 2013				31 December 2012			
CHF million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Investment property	8	–	8	–	8	–	8	–
Investment property under construction	142	–	142	–	107	–	107	–

Level 1 Fair value is determined on the basis of directly observed prices in the active market for identical property.

Level 2 Fair value is determined on the basis of the market prices of similar property or using valuation techniques based on inputs observable in the market.

Level 3 Fair value is determined using valuation techniques and significant inputs that are not observable in the market.

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

– Rental income: 0.5 million francs (previous year: 1.2 million francs)
– Operating expenses (incl. depreciation): 1.9 million francs (previous year: 1.5 million francs)

On 31 December 2013, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale. Leasehold contracts with monthly credit balances of 30,000 francs existed for the asset under construction. There were no other contractual obligations.

28 | Intangible assets and goodwill

Intangible assets and goodwill	2013				2012			
CHF million	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total
Acquisition cost								
Balance at 1 January	**230**	**189**	**23**	**442**	**260**	**164**	**4**	**428**
Additions to the consolidated Group	28	21	–	49	18	19	–	37
Disposals from the consolidated Group	–	–	–	–	–49	–11	–	–60
Additions	–	11	37	48	–	14	30	44
Disposals	–5	–16	–	–21	–	–8	0	–8
Subsequent adjustment of acquisition costs	–	–	–	–	0	0	–	0
Reclassifications	–	23	–17	6	–	11	–11	0
Currency translation differences	0	1	0	1	1	0	0	1
Balance at 31 December	**253**	**229**	**43**	**525**	**230**	**189**	**23**	**442**
Cumulative amortization								
Balance at 1 January	**26**	**116**	**–**	**142**	**32**	**100**	**–**	**132**
Depreciation	–	34	–	34	–	32	–	32
Badwill reversal	–	–	–	–	0	–	–	0
Impairment	7 [2]	6	–	13	5	–	–	5
Disposals	–5	–15	–	–20	–	–7	–	–7
Disposals from the consolidated Group	–	–	–	–	–11	–9	–	–20
Reclassifications	–	5	–	5	–	–	–	–
Currency translation differences	0	0	–	0	0	0	–	0
Balance at 31 December	**28**	**146**	**–**	**174**	**26**	**116**	**–**	**142**
Carrying amount as at 1 January	**204**	**73**	**23**	**300**	**228**	**64**	**4**	**296**
Carrying amount as at 31 December	**225**	**83**	**43**	**351**	**204**	**73**	**23**	**300**

1 Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of these equity interests (see Note 25, Investments in associates and joint ventures).
2 See information below under "Reviewing the recoverable amount of goodwill".

Other intangible assets mainly comprise purchased standard software.

Investment commitments for intangible assets amount to 10 million francs (previous year: 10 million francs).

Reviewing the recoverable amount of goodwill

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

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

The goodwill refers to the following segments or subsidiaries:

Goodwill by segment	31 December 2013					31 December 2012				
CHF million	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus
SPS Group	34	–	–	34	–	33	–	–	33	–
Swiss Post Solutions AG [1]	29	–	–	29	–	9	–	–	9	–
Swiss Post Solutions Inc.	32	–	–	32	–	33	–	–	33	–
Swiss Post Solutions Ltd	25	–	–	25	–	25	–	–	25	–
Swiss Post Solutions SAS Group	1	–	–	1	–	1	–	–	1	–
Swiss Post Solutions Ireland Limited [2]	–	–	–	–	–	2	–	–	2	–
Presto Presse-Vertriebs AG	41	41	–	–	–	41	41	–	–	–
Direct Mail Company AG	16	16	–	–	–	16	16	–	–	–
Prisma Medienservice AG	8	8	–	–	–	–	–	–	–	–
PostLogistics Ltd [2]	27	–	27	–	–	28	–	28	–	–
Swiss Post International Logistics Ltd [2]	–	–	–	–	–	4	–	4	–	–
Swiss Post SAT Holding SA	9	–	9	–	–	9	–	9	–	–
Other	3	–	1	–	2	3	–	1	–	2
Total	**225**	**65**	**37**	**121**	**2**	**204**	**57**	**42**	**103**	**2**

1 Goodwill resulting from the acquisition of Scalaris AG and its subsequent merger with Swiss Post Solutions Ltd.
2 Goodwill of around 7 million francs was impaired.

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2013 based on the discounted cash flow method, the following parameters were set per country. In addition, a market risk premium of approx. 5 percent (Switzerland and abroad) and depending on the risks a small cap premium of between 0 and 4 percent as well as a debt premium of 2 to 6 percent were applied for the calculation.

Parameters for the determination of the recoverable amount of goodwill by country	2013			2012
Percent	Interest rate [1]	Tax rate [2]	WACC [3]	WACC [3]
Switzerland	1.0	20.3–25.0	5.0–13.0	3.3–6.0
United Kingdom	2.7	23.0	6.7	5.2
Germany	1.8	29.0	5.7	4.9
US	2.7	45.0	7.7	5.9
France	2.3	32.8–33.9	5.9–9.4	6.3–7.0
Ireland	4.2	12.5	8.2	8.4

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

29 | Financial liabilities

Financial liabilities CHF million	On demand	Callable [1]	Up to 1 year	1–5 years	Over 5 years	Total
31 December 2013						
Postal accounts	66,338	–	–	–	–	66,338
Deposito and investment accounts	–	42,585	–	–	–	42,585
Medium-term notes for customers	–	–	65	74	21	160
Money market investments for customers	–	–	3	–	–	3
Total customer deposits (PostFinance)	**66,338**	**42,585**	**68**	**74**	**21**	**109,086**
Due to banks	29	–	1	–	–	30
Derivative financial instruments	–	–	4	15	1	20
Other financial liabilities						
Finance leases	1	–	0	0	2	3
Repurchase transactions	–	–	–	–	–	–
Other	4	–	1	1	1,281	1,287
Total other financial liabilities	**34**	**–**	**6**	**16**	**1,284**	**1,340**
Total financial liabilities	**66,372**	**42,585**	**74**	**90**	**1,305**	**110,426**
31 December 2012						
Postal accounts	73,501	–	–	–	–	73,501
Deposito and investment accounts	–	36,834	–	–	–	36,834
Medium-term notes for customers	–	–	40	127	28	195
Money market investments for customers	–	0	1	–	–	1
Total customer deposits (PostFinance)	**73,501**	**36,834**	**41**	**127**	**28**	**110,531**
Due to banks	5	0	5	0	–	10
Derivative financial instruments	–	–	3	27	12	42
Other financial liabilities						
Finance leases	–	–	2	2	0	4
Repurchase transactions	–	–	30	–	–	30
Other	1	–	0	1	1,284	1,286
Total other financial liabilities	**6**	**0**	**40**	**30**	**1,296**	**1,372**
Total financial liabilities	**73,507**	**36,834**	**81**	**157**	**1,324**	**111,903**

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

The fourth quarter of 2012 saw the borrowing of funds by means of a private placement as long-term funds of 1,280 million francs were raised on the capital market from major domestic private and institutional investors. Several tranches were issued with an average duration of around eleven years. The average interest rate applicable to this private placement is 0.83 percent.

The portfolio of repurchase transactions is exposed to volatility. If demand for funds is relatively high, short-term refinancing requirements are covered through repurchase transactions. As a rule, collateral is provided for the full amount of the repurchase transactions.

In accordance with hedge accounting requirements, 16 million francs (previous year: 40 million francs) were posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 292 million francs in the reporting period (previous year: 398 million francs).

Cash value of the commitments from finance leases

Cash value of the commitments from finance leases	31 December 2013			31 December 2012		
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	2	–1	1	2	0	2
Due within 1 to 5 years	2	0	2	2	0	2
Due date longer than 5 years	0	0	0	0	–	0
Total	**4**	**–1**	**3**	**4**	**0**	**4**

30 | Provisions

Provisions CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks [1]	Other	Total
As at 1 January 2013	**348**	**16**	**36**	**10**	**46**	**456**
Additions to the consolidated Group	0	–	–	–	5	5
Recognition	22	5	12	12	58	109
Present value adjustment	6	0	–	–	–	6
Use	–24	–13	–8	–4	–4	–53
Reversal	–2	–1	–6	–6	–12	–27
Subsequent adjustment of acquisition costs	–	–	–	–	–5	–5
Reclassifications	0	–	–	–	–19	–19
Currency translation differences	0	0	–	0	0	0
As at 31 December 2013	**350**	**7**	**34**	**12**	**69**	**472**
of which short term	26	4	1	0	20	32
As at 1 January 2012	**335**	**5**	**37**	**20**	**28**	**425**
Additions to the consolidated Group	1	–	–	–	0	1
Recognition	31	15	11	3	36	96
Present value adjustment	7	–	–	1	0	8
Use	–26	–3	–8	–2	–16	–55
Reversal	–	–1	–4	–12	–2	–19
Subsequent adjustment of acquisition costs	–	–	–	–	0	0
Reclassifications	–	–	–	0	0	0
Currency translation differences	0	0	–	0	0	0
As at 31 December 2012	**348**	**16**	**36**	**10**	**46**	**456**
of which short term	26	13	8	1	40	73

1 Including a provision of 2.5 million francs (PostFinance) for procedural costs in relation to the US programme.

No provisions were recognized for potential losses arising from the US tax programme. This decision is primarily due to the written proviso submitted to the US judicial authorities asking to switch from category two to category three at a later date.

Other long-term employee benefits

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

The following parameters were applied:

Assumptions for the calculation as at	Loyalty bonuses 31.12.2013	Loyalty bonuses 31.12.2012	Staff vouchers 31.12.2013	Staff vouchers 31.12.2012
Discount rate	2.00%	1.75%	2.25%	2.00%
Annual change in salaries	2.00%	2.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	95.00%
Leave share	55.80%	55.80%	–	–
Voluntary turnover	8.16%	7.46%	3.93%	3.93%
Average remaining service in years	9.14	9.33	10.47	10.35

Change in other long-term employee benefits

Other long-term employee benefits CHF million	Loyalty bonuses 2013	Loyalty bonuses 2012	Staff vouchers 2013	Staff vouchers 2012
Balance at 1 January	**223**	**220**	**125**	**115**
Accrued claims	13	12	3	3
Benefits paid	–20	–21	–6	–5
Interest on employee benefit obligations	4	5	2	3
Expenses arising from plan amendments	0	1	0	0
(Gains)/losses resulting from changes in assumptions	0	7	4	9
Actuarial (gains)	–3	–1	–1	0
Balance at 31 December	**217**	**223**	**127**	**125**

In addition to loyalty bonuses, sabbaticals and staff vouchers, other benefits amounting to 6 million francs are also included in provisions for other long-term employee benefits.

Expenses booked under staff costs

Expenses booked under staff costs CHF million	Loyalty bonuses 2013	Loyalty bonuses 2012	Staff vouchers 2013	Staff vouchers 2012
Accrued claims	13	12	3	3
Interest on employee benefit obligations	4	5	2	3
Expenses arising from plan amendments	0	1	0	0
Actuarial (gains)/losses	–3	6	3	9
Total expenses for other long-term employee benefits	**14**	**24**	**8**	**15**

31 | Equity

Share capital

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

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

Profits and losses recorded directly in other comprehensive income

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

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

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

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

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

Appropriation of profit

In accordance with a decision by the Swiss Federal Council, a total of 300 million francs was distributed in appropriating profit for 2012. Of this amount, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund and 200 million francs were distributed to the owner.

Other comprehensive income includes the following:

Group | Profits and losses recorded directly in other comprehensive income CHF million	Notes	Revaluation of employee benefit obligations	Fair value reserves	Hedging reserves	Currency translation reserves	Other profits and losses recorded directly in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1 January 2013		**–445**	**80**	**3**	**–50**	**5**	**–407**	**0**	**–407**
Revaluation of employee benefit obligations	9	416	–	–	–	–	416	–	416
Change in directly recognized equity valuation	25	–	–	–	–	–1	–1	–	–1
Change in deferred income taxes	14	–107	–	–	–	–	–107	–	–107
Items not reclassifiable in the income statement, after tax		**309**	**–**	**–**	**–**	**–1**	**308**	**–**	**308**
Change in currency translation differences		–	–	–	1	–	1	0	1
Change in directly recognized equity valuation	25	–	–	–	–	0	0	–	0
Change in fair value reserves from available-for-sale financial assets	21	–	138	–	–	–	138	–	138
(Gains)/losses transferred to income statement from available-for-sale financial assets	21	–	–20	–	–	–	–20	–	–20
Change in hedging reserves from cash flow hedges	22	–	–	–37	–	–	–37	–	–37
(Gains)/losses transferred to income statement from cash flow hedges	22	–	–	35	–	–	35	–	35
Change in deferred income taxes	14	–	–24	0	–	1	–23	–	–23
Reclassifiable items in income statement, after tax		**–**	**94**	**–2**	**1**	**1**	**94**	**0**	**94**
Other comprehensive income		**309**	**94**	**–2**	**1**	**0**	**402**	**0**	**402**
Balance as at 31 December 2013		**–136**	**174**	**1**	**–49**	**5**	**–5**	**0**	**–5**
Balance as at 1 January 2012		**–**	**–7**	**9**	**–58**	**6**	**–50**	**0**	**–50**
Actuarial (gains)/losses	9	–455	–	–	–	–	–455	–	–455
Change in deferred income taxes	14	10	–	–	–	–	10	–	10
Items not reclassifiable in the income statement, after tax		**–445**	**–**	**–**	**–**	**–**	**–445**	**–**	**–445**
Change in currency translation differences		–	–	–	8	–	8	0	8
Change in directly recognized equity valuation	25	–	–	–	–	–	–	–	–
Change in fair value reserves from available-for-sale financial assets	21	–	108	–	–	–	108	–	108
(Gains)/losses transferred to income statement from available-for-sale financial assets	21	–	–21	–	–	–	–21	–	–21
Change in hedging reserves from cash flow hedges	22	–	–	–54	–	–	–54	–	–54
(Gains)/losses transferred to income statement from cash flow hedges	22	–	–	48	–	–	48	–	48
Change in deferred income taxes	14	–	–	–	–	–1	–1	–	–1
Reclassifiable items in income statement, after tax		**–**	**87**	**–6**	**8**	**–1**	**88**	**0**	**88**
Other comprehensive income		**–445**	**87**	**–6**	**8**	**–1**	**–357**	**0**	**–357**
Balance as at 31 December 2012		**–445**	**80**	**3**	**–50**	**5**	**–407**	**0**	**–407**

32 | Operating leases

Swiss Post as lessee

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

Commitments under operating leases CHF million	31.12.2013	31.12.2012
Future commitments under operating leases due in		
Less than 1 year	83	85
1 to 5 years	175	177
Over 5 years	54	60
Future payment commitments under operating leases	**312**	**322**
Minimum lease payments	91	144
Conditional lease payments	6	9
Lease expenses for the period	**97**	**153**
Income from sub-letting in the past financial year	2	20
Future income from sub-letting	1	31

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

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

Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 16 million francs in the reporting period (previous year: 44 million francs). As at the end of the reporting period, Swiss Post had not entered into any other significant lease agreements as lessor.

Income from lease agreements CHF million	31.12.2013	31.12.2012
Future minimum lease payments due under agreements in		
Less than 1 year	33	79
1 to 5 years	77	209
Over 5 years	27	62
Total	**137**	**350**

33 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2013:

Guarantees and guarantee obligations

There were no guarantees or guarantee obligations at the end of 2013 (previous year: 5 million francs).

Legal cases

As regards claims or legal cases for which provisions have not been recognized, Executive Management believes either that they can be refuted or that they will not have a major impact on the Group's financial position or operating profit. In the reporting period, the resulting contingent liabilities amounted to 8 million francs (previous year: 5 million francs).

For information regarding provisions associated with the US tax programme, please see the footnote to Note 30, "Provisions".

34 | Transactions with related companies and parties

Within the meaning of the IFRSs, Swiss Post Group has relationships with related companies or parties such as subsidiaries, associates and joint ventures. Likewise, as the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

All transactions between Swiss Post and the related companies and parties are carried out at market conditions. As the owner of Swiss Post, the Swiss Confederation paid compensation for passenger transport of 175 million francs (previous year: 169 million francs).

Transactions between Swiss Post and its subsidiaries were eliminated during the consolidation and are no longer included in these notes.

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

Transactions with related companies and parties	Sale of goods and services		Purchases of goods and services		Receivables and loans with related companies		Liabilities to related companies	
CHF million	2013	2012	2013	2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Companies with joint management or significant influence	**418**	**415**	**140**	**121**	**648**	**591**	**761**	**2,439**
Swiss Confederation	205	248	6	21	61	3	404	1,527
Swisscom	146	107	60	33	357	356	19	69
Swiss Federal Railways SBB	63	54	74	67	30	32	335	839
RUAG	1	2	0	0	0	0	3	4
SKYGUIDE	3	4	0	0	200	200	0	0
Transactions with minority shareholders of subsidiaries	**12**	**14**	**–**	**0**	**1**	**1**	**–**	**0**
Associates and joint ventures	**134**	**79**	**42**	**22**	**43**	**39**	**13**	**5**
Other related companies and parties	**1**	**1**	**2**	**4**	**0**	**0**	**143** [1]	**667** [1]

1 Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

Remuneration paid to members of the management

In the past financial year, remuneration including fringe benefits of 5.6 million francs (previous year: 6.8 million francs) and pension benefits of around 0.71 million francs (previous year: around 0.86 million francs) was paid to members of the management (Board of Directors and Executive Management). The performance-based component paid out to members of Executive Management in 2013 was based on target attainment in 2011 and 2012 and amounted to around 1.2 million francs (previous year: around 1.19 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

35 | Risk management

Risk management (corporate risk management)

Organization

Swiss Post operates a comprehensive risk management system, applicable to all units and subsidiaries. Risk policy is defined by Executive Management and the Board of Directors. Risk management is a line management responsibility.

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

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

The areas considered include strategy and environment, customers/market, pricing policy, service provision, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, communications/reputation and legal aspects.

Risk management works with the Controlling/Accounting, Strategy, Crisis Management/BCM and Group Audit units. The related processes and reporting documents are coordinated between the different units.

Risk situation

An analysis of the risk situation at Swiss Post at the end of 2013 showed that economic equity is sufficient to cover unexpected losses. The Group’s risk-bearing capacity is thereby guaranteed. In most Group units, expected losses do not exceed envisaged operating profit. Risk appetite is therefore covered to a large extent. Based on the latest measurements (Monte Carlo simulation), the Group can expect potential losses of around 60 million francs in the next twelve months. An unexpected potential loss (VaR 95 percent) of 445 million francs was also calculated. The Group’s risk situation is divided between PostFinance (12 percent), PostBus (4 percent) and the remaining Group units (84 percent). In the case of PostFinance, reported risks only concern profit risk or the risk of the Group having to make additional payments, measured according to the profit risk approach. The risk situation from PostFinance’s standpoint, measured according to the value risk approach, is described in the risk management section of the PostFinance Report.

Risks

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

Exogenous risks

The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation, price regulation and falling volumes in the letters market and in the post office network.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. The lack of flexibility in setting prices is a further risk for Swiss Post Group. Technological changes resulting in an increased use of digital services are aggravating the downward trend in the letters business and in some post office services.

Endogenous risks

Material damage and liability insurance losses, default risks in important letter and logistics centres and risks related to growth strategies are the largest internal risks.

Opportunities

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

Internal control system

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

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

Risk management at PostFinance

PostFinance's Board of Directors sets out the primary guidelines and principles on managing financial risks, approves the investment and risk policy, and sets limits which the operating units are required to observe in managing financial risks.

Organization

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

Independently of the operational side of the business, PostFinance Risk Management identifies, measures and controls risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. Where limits are exceeded, predefined measures are introduced immediately.

Financial risk measurement methods

The methods of recording and controlling risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Market risks are limited and monitored by means of a multi-level limit system.

The PostFinance Asset & Liability Management Committee (ALKO) is responsible for the active management and control of financial risks within the defined framework. Its duties and responsibilities include, among other things, management of the balance sheet structure, setting sublimits for market and credit risks based on operational risk management areas, and determining adequate replicating portfolios. The Asset & Liability Management Committee also ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms.

The key measures and limits for market risks at the portfolio level are value-at-risk (VaR) values. VaR is a statistical estimate of the potential loss on the existing portfolio as a result of adverse market movements and denotes the maximum loss expected under normal market conditions over a given time period (holding period) at a given probability (confidence level). In doing so, it represents different types of market price risk in a standard measure.

All instruments are freshly assessed on the basis of historical changes to the risk factors (interest rate movements, changes in credit margins by rating classes and foreign exchange rates). As such, the historic volatilities of the individual risk factors and the historically implemented correlations between the individual risk factors are directly included in the calculation.

The VaR model used by PostFinance assumes a holding period of ten days and a confidence level of 99 percent before the positions can be closed out and supposes that market movements during that holding period will show a similar pattern to the market movements simulated using the VaR model. Based on the statistical nature of VaR, there is a certain probability (one percent) that actual losses may exceed those estimated using VaR. To assess the risk, the simulated movements in the risk factors are applied directly to current positions.

Financial risk types and their measurement
The following financial risks are monitored at PostFinance on an ongoing basis:

– Market environment for interest rates
  PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but continue to be invested on the money and capital markets.

  PostFinance continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. The slight upturn in medium and long-term returns observed since summer 2013 is opening up new investment options, although pressure on interest margins remains high due to historically low interest rates.

  A large proportion of customer deposits remain invested as an interest-free credit balance at the Swiss National Bank (37 billion francs on the balance sheet date).

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

  PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of interest rate risk is considered a priority. The Asset & Liability Management Committee (ALKO) is responsible for the measurement and control of interest rate risk as well as for the tactical implementation of the strategic provisions determined by the Board of Directors. The ALKO is assisted by the Risk Management organizational unit for defining measurement methods and control parameters, and by the Risk Control organizational unit for measuring and monitoring interest rate risks. The Risk Control unit also provides the ALKO with a weekly report on interest rate risks that indicates the relevant risks and shows whether limits are being observed. Additional reports on interest rate risks are issued to the Executive Board each month and to the Board of Directors and the regulator each quarter.

The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. In August 2013, PostFinance suspended the measurement of interest rate risks on the basis of interest rate VaR and the related underlying customer deposit replication until 31 December 2013. This was due to the revision of the entire interest rate risk control process and the associated reassessment of customer deposit replication. As a result, there were no longer any methodological principles in place for determining the interest rate VaR of the banking book at the end of 2013. Consequently, some of the key figures available the previous year could not be indicated at the end of 2013. This applied to the banking book VaR, gap analysis and earnings-at-risk. On account of the transitory regulations, the economic effect of the interest rate risk at PostFinance at the end of 2013 could only be shown using the present value effect. Interest rate risk was instead controlled on the basis of a sensitivity measurement for the present value of equity. PostFinance is introducing the new concept for interest rate risk control on 1 January 2014.

The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance Ltd in the event of modifications to the spot curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula.

In the event of a parallel rise in interest rates of 100 basis points, the overall present value risk leads to a negative change in the present value of equity of 51 million francs (previous year: 323 million francs). In order to quantify the present value risk, an assumption agreed with the regulator for customer deposit replication was used for customer deposits with non-determined fixed interest or capital, which was also applied for the quarterly interest rate risk statement drawn up for the Swiss National Bank.

In addition to the basic interest scenario, the income effect is calculated for various interest rate scenarios. The income effect in a high interest rate scenario (assumption of 3.5 percent interest over five years) leads to an increase in the interest balance of 35 million francs the following year. This effect in a low interest rate scenario (assumption of 1 percent interest over five years) leads to an decline in the interest balance of 44 million francs the following year.

– Foreign currency risk

The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. The currency risks faced by Swiss Post result from financial assets and business operations.

The values from the following "Financial instruments by currency" table correspond to the balance sheet values. Currency risks that result from financial assets in foreign currency are immunized against exchange rate fluctuations by hedging the associated cash flows in foreign currency (coupons and par value repayment) with maturity-matching currency swaps as well as currency futures. Currency swaps and interest rate swaps as well as currency futures are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Market risks arising from currency transactions are measured and managed daily, at the level of both the individual portfolio and the overall balance sheet, using the value-at-risk method. Excluding the diversification effects of other risk factors, the currency VaR of PostFinance's banking book was 4.1 million francs on 31 December 2013 (previous year: 8.1 million francs).
The currency VaR in the banking book was not determined due to the aforementioned suspension of the banking book VaR by the PostFinance Board of Directors as at the end of 2013.

The prior-year figures in the following table are only comparable to a limited extent, as reporting became more detailed as of 2013.

Financial instruments by currency (Group)
As at 31 December 2013
CHF million

	Functional currency	Foreign currencies					
		CHF	EUR	USD	GBP	Other	Total
Assets							
Cash	1,931	0	127	0	0	0	2,058
Receivables due from banks	42,830	0	281	1,367	24	26	44,528
Interest-bearing amounts due from customers	541	–	1	0	0	0	542
Trade accounts receivable	753	0	191	2	9	77	1,032
Other receivables excluding prepaid expenses	147	–	3	0	1	1	152
Financial assets	63,608	–	2,386	316	373	164	66,847
Held for trading and derivatives	62	–	18	15	0	0	95
Held to maturity	48,171	–	2,109	118	–	–	50,398
Available for sale	2,954	–	205	183	373	164	3,879
Loans	12,421	–	54	–	–	–	12,475
Liabilities							
Customer deposits (PostFinance)	104,865	0	2,642	40	1,501	38	109,086
Other financial liabilities	1,337	–	0	1	1	1	1,340
Trade accounts payable	505	0	191	0	1	79	776
Other liabilities excluding deferred income	169	–	2	0	0	–	171

Financial instruments by currency (Group)
As at 31 December 2012
CHF million

	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	2,023	122	0	0	1	2,146
Receivables due from banks	44,856	66	365	33	38	45,358
Interest-bearing amounts due from customers	93	0	0	0	0	93
Trade accounts receivable	600	323	10	34	78	1,045
Other receivables	887	58	3	8	0	956
Financial assets	64,059	2,512	536	117	133	67,357
Held for trading and derivatives	24	50	19	1	0	94
Held to maturity	50,162	2,115	90	–	–	52,367
Available for sale	2,348	289	427	116	133	3,313
Loans	11,525	58	–	–	–	11,583
Liabilities						
Customer deposits (PostFinance)	107,601	2,408	454	32	36	110,531
Other financial liabilities	1,324	46	1	0	1	1,372
Trade accounts payable	354	283	2	5	81	725
Other liabilities	766	51	2	8	1	828

– Equity price risk
The equity price risk is understood to be the risk of loss resulting from value changes in equity indices or individual equities.

PostFinance has invested in equities since 2005 for the purposes of diversification, which means that it is exposed to the equity price risk. The equity price risk is monitored and limited with VaR measurement. Limits are monitored on a daily basis. The equity VaR in PostFinance's banking book was 40.7 million francs on 31 December 2013 (previous year: 53.4 million francs). No equities were held for trading in either financial year 2013 or 2012.

No value-at-risk was calculated for the entire banking book due to the aforementioned suspensions by the PostFinance Board of Directors as at the end of 2013. Across all risk factors, the VaR in the trading book was 4.1 million francs at the end of the reporting period (previous year: 8.1 million francs). Due to the suspension of the banking book VaR, no VaR could be calculated for the entire market risk in the banking and trading books as at 31 December 2013.

– Credit risk

The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties. The credit risks associated with PostFinance Treasury's investments in the money and capital markets are strictly limited through special investment regulations and prescribed limits. Among other things, limits apply at counterparty, portfolio and rating structure level and also to country risks. For example, investments are only permitted if the debtor has a first-class credit rating.

Credit risks are measured in accordance with the Basel II guidelines. The Basel II limit stipulates how high PostFinance's financial risks may be, expressed as its capital requirement under Basel II. PostFinance's maximum risk exposure is determined by the risk-bearing capacity of Swiss Post and the risk tolerance of the Board of Directors.

Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks.

Rating structure of fixed-rate financial assets [1]

Rating category in percent	31.12.2013	31.12.2012
AAA	75	77
AA	18	16
A	5	5
<A	2	2

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

Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties.

Breakdown of the largest counterparties [1]

CHF million	31.12.2013	31.12.2012
Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich	9,679	9,478
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	4,789	3,139
Swiss Confederation, Berne	2,842	2,366

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

The following financial commitments exist in the most affected EU countries (PIIGS):

Financial assets in the PIIGS states

Carrying amounts in CHF million	31.12.2013	31.12.2012
Spain	586	669
Ireland	222	276
Italy	44	43
Greece	–	8
Portugal	–	–

In 2013, repayments due on prescribed dates totalled 160 million francs, and were made within the prescribed time limit (previous year: 208 million francs).

Lending business

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

Liquidity risk

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. PostFinance uses traditional maturity transformation, systematically investing customer deposits on the asset side of the balance sheet based on replicating portfolios. Products with no maturity account for around 97 percent (previous year: 97 percent) of the liabilities side of PostFinance's balance sheet. Unlike other banks, PostFinance is not permitted to use the funds for traditional loans (e.g. mortgages, business loans) due to the legal framework, although investments may be made in the money and capital markets. PostFinance invests funds available over the long term (core deposits) in capital-market investments and funds available over the short term in the repo market and interbank trading. This results in a highly liquid assets side. Furthermore, the investments' excellent credit quality (BBB ratings and higher) means that the securities can be used as collateral at any time in order to obtain liquidity. See also Note 29, Financial liabilities.

The current assets and liabilities of PostFinance Ltd have the following terms to maturity:

Current assets by type and term to maturity CHF million, as at 31.12.2013 and 31.12.2012		On demand	Callable	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
Cash and cash equivalents		39,114	–	–	–	–	–	39,114
Receivables due from banks		47	–	6,747	174	1,525	1,440	9,933
Receivables due from customers		263	8	1,166	1,231	3,658	3,568	9,894
Mortgage receivables		–	–	–	1	–	–	1
Financial assets		793	–	2,084	5,088	31,067	15,422	54,454
Total current assets	**31.12.2013**	**40,217**	**8**	**9,997**	**6,494**	**36,250**	**20,430**	**113,396**
	31.12.2012	44,357	3	6,276	6,628	34,757	22,123	114,145
Derivative financial instruments	**31.12.2013**	–	–	24	23	17	31	95
	31.12.2012	–	–	44	9	41	0	94

Liabilities by type and term to maturity CHF million, as at 31.12.2013 and 31.12.2012		On demand	Callable	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
Amounts due to banks		2,380	–	–	–	–	–	2,380
Amounts due to customers as savings and investments		–	42,585	–	–	–	–	42,585
Other amounts due to customers		64,532	–	2	–	–	–	64,534
Medium-term notes		–	–	20	46	74	21	161
Total liabilities	**31.12.2013**	**66,912**	**42,585**	**22**	**46**	**74**	**21**	**109,660**
	31.12.2012	74,095	36,834	75	–	153	40	111,197
Derivative financial instruments	**31.12.2013**	–	–	3	1	15	1	20
	31.12.2012	–	–	3	0	27	12	42

Operational risk management at PostFinance

Definition

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

Organization

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

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

A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2013: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

Tools

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

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

Reporting

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

Capital management at PostFinance Ltd

In relation to the minimum capital requirements for banks (FINMA Circular 2008 / 22), PostFinance Ltd is disclosing the following regulatory equity as at 31 December 2013:

Capital adequacy disclosure

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

Capital management at Swiss Post

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

Net debt is measured in relation to EBITDA (operating profit before depreciation and amortization) and must not exceed the figure of 1 for long periods. With external debt in the form of outstanding private placements currently totalling 1,280 million francs, Swiss Post not only meets this objective, but remains well below the limit, thereby giving the company considerable financial leeway. Customer deposits and financial assets of PostFinance Ltd are not included in the calculation of this indicator.

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

The appropriation of profit is determined by legal provisions and by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. Any profit remaining after transfers to reserves is handed over to the owner, the aim being to achieve a sustainable dividend policy.

36 | Consolidated Group

Acctg. method	Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2013	Equity interest in percent as at 31.12.2012
Switzerland							
F	7	Swiss Post Ltd (previously Swiss Post (parent))	Berne	CHF	1,300,000		
F	1	Presto Presse-Vertriebs AG	Berne	CHF	100	100	100*
F	1	Epsilon SA	Lancy	CHF	100	100	100*
F	1	PostMail Ltd	Berne	CHF	100	100	100*
F	1	Direct Mail Company AG	Basel	CHF	420	100	100*
F	1	Direct Mail Logistik AG	Basel	CHF	100	100	100
F	1	IN-Media AG	Basel	CHF	100	100	100
F	1	Swiss Post International Holding Ltd	Berne	CHF	63,300	100	100*
F	1	Swiss Post International Management Ltd in liquidation	Berne	CHF	1,000	100	100
F	1	Prisma Medienservice AG [1]	St. Gallen	CHF	100	100	–
F	2	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100*
F	2	SwissSign AG	Opfikon	CHF	450	100	100*
F	2	Scalaris AG [2]	Opfikon	CHF	1,000	–	–
F	4	Mobility Solutions Ltd	Berne	CHF	100	100	100*
F	4	Mobility Solutions Management Ltd	Berne	CHF	100	85	85*
F	4	PostLogistics Ltd	Dintikon	CHF	20,000	100	100*
F	4	SecurePost Ltd	Oensingen	CHF	4,000	100	100*
F	4	Dispodrom Ltd	Schlieren	CHF	2,000	100	100*
F	4	IT ServiceHouse AG in liquidation [3]	Berne	CHF	100	100	100*
F	4	Swiss Post International Logistics Ltd	Basel	CHF	1,000	100	100*
F	4	Swiss Post SAT Holding Ltd	Berne	CHF	2,000	100	100*
F	5	PostFinance Ltd [4]	Berne	CHF	2,000,000	100*	100*
F	5	Debtors Service Ltd	Berne	CHF	1,000	100	100*
F	6	PostBus Switzerland Ltd	Berne	CHF	72,000	100*	100*
F	6	velopass SARL	Lausanne	CHF	21	100	100
F	7	InfraPost AG	Berne	CHF	1,000	100	100*
F	7	Swiss Post Real Estate Ltd [4]	Berne	CHF	100,000	100*	100*
F	1–7	Post CH Ltd [4]	Berne	CHF	500,000	100*	100*
E	1	AZ Vertriebs AG	Aarau	CHF	100	25	25
E	1	search.ch AG [5]	Zurich	CHF	100	25	25*
E	1	SCHAZO AG	Schaffhausen	CHF	300	50	50
E	1	SÜDOSTSCHWEIZ PRESSEVERTRIEB AG	Chur	CHF	100	35	35
E	1	DMB Direct Mail Biel-Bienne AG	Biel/Bienne	CHF	100	50	50
E	1	Asendia Holding Ltd	Berne	CHF	100	50	50
E	4	TNT Swiss Post AG	Buchs (AG)	CHF	1,000	50	50*
E	5	SIX Interbank Clearing AG	Zurich	CHF	1,000	25	25*
E	6	Sensetalbahn AG	Berne	CHF	2,890	34	34
E	6	Société des Auto-transports du Pied du Jura Vaudois S.A.P.J.V. [6]	L'Isle	CHF	1,200	–	35
Germany							
F	2	CF Card Factory GmbH	Hessisch-Lichtenau	EUR	500	51	51
F	2	Client Vela GmbH [7]	Munich	EUR	31	–	100
F	2	Fortuna Beteiligungs GmbH	Bamberg	EUR	50	100	100
F	2	Swiss Post Solutions GmbH [8]	Bamberg	EUR	5,000	38.3/60	38.3/60
F	2	Swiss Post Solutions Holding GmbH	Bamberg	EUR	25	100*	100*
F	2	Swiss Post Solutions GmbH (formerly systemform MediaCard GmbH)	Prien	EUR	1,050	100	100
F	2	Swiss Post Solutions GmbH	Pulsnitz	EUR	100	100*	100*
F	4	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
F	4	Zollagentur Imlig GmbH	Rheinfelden	EUR	25	100	100*
E	2	eSourceONE GmbH	Hallstadt	EUR	25	50	50
E	2	MEILLERGHP GmbH	Schwandorf	EUR	280	35	35
E	5	Swiss Euro Clearing Bank GmbH [9]	Frankfurt am Main	EUR	20,000	25	25*

Acctg. method	Segment	Company	Domicile	Share capital		Equity interest in percent	Equity interest in percent
				Currency	in 000s	as at 31.12.2013	as at 31.12.2012
France							
F	2	Swiss Post Solutions SAS (formerly Swiss Post Solutions Holding SAS) [10]	Paris	EUR	1,587	100	100*
F	4	Société d’Affrètement et de Transit S.A.T. SAS	Bartenheim	EUR	200	100	100
F	4	Société de Transports Internationaux S.T.I. SARL	Bartenheim	EUR	8	100	100
F	4	SCI S.A.T.	Bartenheim	EUR	1	100	100
F	6	CarPostal France SAS	Saint-Priest	EUR	200	100	100
F	6	CarPostal Bourg-en-Bresse SAS	Bourg-en-Bresse	EUR	190	100	100
F	6	CarPostal Haguenau SAS	Haguenau	EUR	464	100	100
F	6	CarPostal Obernai SAS	Obernai	EUR	50	100	100
F	6	CarPostal Interurbain SAS	Voreppe	EUR	250	100	100
F	6	CarPostal Mâcon SAS	Mâcon	EUR	300	100	100
F	6	CarPostal Dole SAS	Dole	EUR	300	100	100
F	6	CarPostal Foncière SCI	Saint-Priest	EUR	50	100	100
F	6	CarPostal Villefranche-sur-Saône SAS	Arnas	EUR	150	100	100
F	6	CarPostal Agde SAS	Agde	EUR	250	100	100
F	6	CarPostal Bourgogne Franche-Comté SAS	Mâcon	EUR	300	100	100
F	6	CarPostal Méditerranée SAS	Agde	EUR	420	100	100
F	6	CarPostal Pyrénées SAS	Saint-Priest	EUR	250	100	100
F	6	Holding Rochette Participations SAS	Montverdun	EUR	400	100	100
F	6	Archimbaud Frères SARL [11]	Juré	EUR	8	–	100
F	6	Rochette Nord SARL [11]	Montverdun	EUR	124	–	100
F	6	Caporin Voyages SARL [12]	Montverdun	EUR	1,680	100	100
F	6	CarPostal Riviera SAS [13]	Menton	EUR	200	100	–
F	6	CarPostal Salon de Provence SAS [14]	Salon-de-Provence	EUR	200	100	–
United Kingdom							
F	2	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100	100*
Italy							
F	2	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
Ireland							
F	2	Swiss Post Solutions Ireland Limited (formerly FMC Insights Limited)	Cork	EUR	0	100	100*
Liechtenstein							
F	6	PostAuto Liechtenstein Anstalt	Vaduz	CHF	1,000	100	100
F	7	Swiss Post Insurance AG	Vaduz	CHF	30,000	100*	100*
E	7	Liechtensteinische Post AG	Schaan	CHF	5,000	25	25*
Austria							
F	2	Swiss Post Solutions GmbH	Vienna	EUR	35	100	100*
Slovakia							
F	2	Swiss Post Solutions s.r.o.	Bratislava	EUR	15	100	100
USA							
F	2	Swiss Post Solutions Inc.	New York	USD	45	100	100
F	2	Swiss Post US Holding Inc.	New York	USD	10,100	100	100*
Vietnam							
F	2	Swiss Post Solutions Ltd (formerly GHP Far East Co. Ltd)	Ho Chi Minh City	VND	1,821,446	86	86

* Equity interest is held by Swiss Post Ltd (previous year: Swiss Post (parent).
1 Shares (100 percent) acquired on 25.9.2013.
2 Shares (100 percent) acquired on 28.2.2013. Merger with Swiss Post Solutions Ltd on 3.7.2013, retroactive to 1.4.2013.
3 New head office, previously Köniz.
4 As part of the conversion of Swiss Post from a federal institution under public law into a public limited company with special legal status, the following share capital increases were undertaken on 26 June 2013: PostFinance Ltd 1,999,900,000 francs, Post CH Ltd 499,900,000 francs, Swiss Post Real Estate Ltd 99,900,000 francs
5 New head office, previously Zug.
6 Shares sold on 16.12.2013.
7 Merger with Swiss Post Solutions GmbH, Bamberg as at 6.6.2013.
8 Swiss Post Solutions Holding GmbH holds 38.3 percent and Fortuna Beteiligungs GmbH a further 60 percent of the shares in Swiss Post Solutions GmbH (Bamberg). Swiss Post Solutions GmbH holds 1.7 percent of its own shares.
9 Share capital increase of 10,000,000 euros (Swiss Post share: 25 percent) as at 4.6.2013.
10 Share capital reduction of 32,125,600 euros as at 30.4.2013.
11 Merger with Caporin Voyages SARL as at 1.1.2013.
12 Share capital increase of 1,133,600 euros as at 1.1.2013.
13 Established on 29.5.2013.
14 Established on 13.12.2013.

Acctg. method
F = fully consolidated
E = accounted for under the equity method
Segment
1 = PostMail
2 = Swiss Post Solutions
3 = Post Offices & Sales
4 = PostLogistics
5 = PostFinance
6 = PostBus
7 = Other

37 | Changes in the consolidated Group

Year 2013

With effect from 1 January 2013, Archimbaud Frères SARL and Rochette Nord SARL were merged with Caporin Voyages SARL, based in Montverdun, France.

On 1 January 2013, a share capital increase of 1.1 million euros was undertaken at Caporin Voyages SARL, based in Montverdun, France.

On 28 February 2013, Swiss Post Solutions Ltd acquired Scalaris AG, a company headquartered in Opfikon, Switzerland. This acquisition allows Swiss Post Solutions to strengthen its horizontal business process outsourcing activities with forward-looking IT-based solutions. Scalaris AG operates in Switzerland and Germany and employs 90 staff. It was merged with Swiss Post Solutions Ltd, based in Zurich, on 3 July 2013 with retroactive effect to 1 April 2013.

On 30 April 2013, a share capital reduction of 32.1 million euros was undertaken at Swiss Post Solutions SAS, based in Paris.

With effect from 6 June 2013, Client Vela GmbH, based in Munich, was merged with Swiss Post Solutions GmbH, headquartered in Bamberg.

As part of the conversion of Swiss Post from a federal institution under public law into a public limited company with special legal status, the following share capital increases were undertaken on 26 June 2013 with retroactive effect to 1 January 2013:

PostFinance Ltd: around 2 billion francs
Post CH Ltd: around 500 million francs
Swiss Post Real Estate Ltd: around 100 million francs

On 1 September 2013, Swiss Post Solutions Ltd, based in Richmond, acquired services in the areas of Mailroom and document solutions from Pitney Bowes Limited in the United Kingdom and Pitney Bowes Ireland Limited in the Irish Republic. Swiss Post Solutions can strengthen its international market presence as a result of this acquisition. The takeover includes a high-quality customer base, several investments and all the company's employees.

On 25 September 2013, Direct Mail Company AG acquired Prisma Medienservice AG, a company headquartered in St. Gallen, thereby expanding its direct marketing activities. Prisma Medienservice AG operates in eastern Switzerland, neighbouring Graubünden, the Principality of Liechtenstein and the Lucerne region. The company employs around 1,100 people.

IT ServiceHouse AG and Swiss Post International Management Ltd have been in liquidation since 23 April and 23 July 2013 respectively.

Year 2012

On 6 January 2012, Swiss Post, the parent, acquired 100 percent of Direct Mail Company AG and Direct Mail Logistik AG. Up until this point, Swiss Post had held a 50 percent share of these companies. With the acquisition of all shares in Intermail AG, which in turn holds the remaining 50 percent of both companies, Swiss Post became the sole shareholder of Direct Mail Company AG and Direct Mail Logistik AG. Swiss Post also acquired all shares of IN-Media AG as well as 50 percent of DMB Direct Mail Biel-Bienne AG. The Direct Mail Company Group, whose headquarters are in Basel, provides products and services in direct marketing and the delivery of unaddressed items. Throughout Switzerland and at locations in Lausanne, Biel, Thun, Zurich, Domat/Ems and Niederbipp, the DMC Group employs 135 salaried employees and around 2,500 part-time staff.

GHP Immobilien Verwaltungs GmbH was accrued to Swiss Post Solutions GmbH, Bamberg on 19 January 2012 and GHP Immobilien GmbH & Co. KG was merged with Swiss Post Solutions GmbH, Bamberg on 23 January 2012.

On 9 February 2012, the remaining shares (20 percent) in Swiss Post Porta a Porta S.p.A. were acquired. This meant that Swiss Post held 100 percent of the share capital of Swiss Post Porta a Porta S.p.A. until the company's disposal in July 2012. The resulting difference from the sale of minority interests is reported directly in equity.

On 27 February 2012, CarPostal France SAS took over all the shares of the Rochette corporate group, a family business specializing in passenger transport in the Loire département in France. With this takeover, the company strengthened its presence in the local public transport sector in France. The Group, which is based in the Saint-Etienne area, constitutes the holding company Rochette Participations SAS and the four transport companies, Archimbaud Frères SARL, Rochette Plaine SARL, Rochette Nord SARL and Caporin Voyages SARL, which provide 90 percent of their services on scheduled routes. The Rochette Group employs around 140 staff.

As of 29 February 2012, Direct Mail Company AG took over the delivery operations of AWZ AG and its subsidiary, ADZ Agentur for Direktwerbung AG, which terminated its delivery operations as of this date. The company and its subsidiary provide products and services in direct marketing, operating in the Berne, Aargau/Solothurn, Zug and Ticino areas and employing around 1,500 staff.

Intermail AG was merged with Direct Mail Company AG on 3 April 2012 with retroactive effect as of 29 February 2012.

On 25 April 2012, PostBus Switzerland Ltd purchased all the shares in velopass SARL, which is headquartered in Lausanne. velopass SARL is currently the largest bike sharing provider in Switzerland and operates eleven self-hire networks in more than 20 cities in western Switzerland and Ticino. With this takeover, PostBus has become the new leader on the Swiss bike sharing market. velopass SARL has nine employees.

On 22 May 2012, R & M Routage & Mailing SA was merged with Edigroup SA with retroactive effect from 1 January 2012.

At PostBus Switzerland Ltd, headquartered in Berne, a capital increase of 47 million francs was conducted as at 25 June 2012.

Rochette Plaine SARL was merged with Caporin Voyages SARL on 1 August 2012 with retroactive effect to 1 January 2012.

Swiss Post Solutions GmbH, Munich and Swiss Post Solutions GmbH, Waltershausen were merged with Swiss Post Solutions GmbH, Bamberg, on 11 September 2012.

As at 1 November 2012, PostLogistics Ltd took over warehousing logistics and small goods transport of the transport company, GATRA AG, in Pfungen. The takeover gives PostLogistics a stronger position in the greater Zurich area and better access to the southern German market. The takeover includes customers as well as about 20 members of staff.

On 20 December 2012, capital was increased at PostBus Liechtenstein Anstalt, headquartered in Vaduz, by 0.97 million francs.

Swiss Post Solutions SAS Paris was merged with Swiss Post Solutions Holding SAS Paris on 31 December 2012.

Assets and liabilities arising from acquisitions

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

Assets and liabilities arising from acquisitions	2013	2012
CHF million	Total fair values [1]	Total fair values [2]
Cash and cash equivalents	2	2
Trade accounts receivable and other receivables	25	27
Inventories	2	0
Property, plant and equipment, intangible assets and investments	28	38
Other financial liabilities	–	–11
Trade accounts payable	–5	–13
Provisions and other liabilities	–27	–25
Fair value of net assets	**25**	**18**
Goodwill	28	18
Cash and cash equivalents acquired [3]	–2	–2
Fair value of existing investments [4]	–	–9
Purchase price payments falling due at a later date (earn-outs)	–10	0
Payment of liabilities from acquisitions in previous years	–	0
Net cash outflow for acquisitions	**41**	**25**

1 Composition: Scalaris AG, Prisma Medienservice AG, section of Pitney Bowes Ltd.
2 Composition: Direct Mail Company AG, Direct Mail Logistik AG, IN-Media AG, business unit AWZ-Gruppe, Holding Rochette Participations SAS, Archimbaud Frères SARL, Rochette Plaine SARL, Rochette Nord SARL, Caporin Voyages SARL, velopass SARL, business unit, GATRA AG.
3 Composition: cash and current receivables due from banks.
4 Shares already held in Direct Mail Company AG and Direct Mail Logistik AG were remeasured at fair value in 2012.

The acquisition costs for the companies acquired in 2013 and for parts of companies amount to a total of 53 million francs. The purchase price payments (earn-outs) due at a later date amount to 10 million francs. The remaining amount was settled in cash and cash equivalents.

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

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

Since the acquisition date, the acquired entities have contributed 49 million francs to operating income and 2 million francs to operating profit.

Overall, the effects on the consolidated financial statements of the above acquisitions are not material in nature.

Assets and liabilities arising from disposals

There were no disposals of subsidiaries in the year under review.

The following assets and liabilities were deconsolidated in connection with disposals of subsidiaries in 2012:

Assets and liabilities arising from disposals CHF million	2013 Total carrying amount	2012 Total carrying amount [1]
Cash and cash equivalents	–	27
Receivables	–	58
Inventories	–	0
Property, plant and equipment, intangible assets, investments and financial assets	–	62
Other financial liabilities	–	–9
Trade accounts payable	–	–34
Provisions and other liabilities	–	–51
Carrying amount of net assets disposed of	**–**	**53**
Proceeds from disposals	**–**	**53**
of which paid in cash and cash equivalents	–	–
Compensation payment	–	9
Loss from disposals [2]	–	9

1 Composition: EDS Export & Distribution Services AG, MDS Media Data Services AG, Edigroup SA, Swiss Post International Belgium BVBA, Edigroup Belgique SPRL, Swiss Post International Hong Kong Ltd, Swiss Post International Germany GmbH, Swiss Post International Operations GmbH & Co. KG, Swiss Post International Operations Verwaltungs-GmbH, PrimeMail GmbH, Swiss Post International (France) SAS, G.P.A. Gestion & Promotion d'Abonnements SARL, Swiss Post International (UK) Ltd, Swiss Post Porta a Porta S.p.A., Swiss Post International Malaysia Sdn Bhd, Swiss Post International Netherlands B.V., Swiss Post International Norway AS, Swiss Post International Austria GmbH, Swiss Post International Scandinavia AB, Swiss Post International Singapore Pte Ltd, Allied Business Company of Mail Servicios Postales Internacionales España S.L., Mail Partners Spain S.L., Priority Post Company Inc.
2 Losses from disposals were reported in financial expenses in the income statement.

The net outflow of cash and cash equivalents, arising from disposals, amounted to 36 million francs in 2012. The subsidiaries disposed of were sold in exchange for shares in the joint venture, Asendia. A compensation payment was also made.

The share of the individual items in the income statement, the statement of comprehensive income and the cash flow statement attributable to the subsidiaries disposed of was not material from a consolidated perspective.

Companies founded and renamed

Year 2013
On 1 March 2013, FMC Insights Limited was renamed Swiss Post Solutions Ireland Limited, and on 6 March 2013 Swiss Post Solutions Holding SAS was renamed Swiss Post Solutions SAS.

CarPostal Riviera SAS, based in Menton, France, was founded on 29 May 2013.

GHP Far East Co. Ltd was renamed Swiss Post Solutions Ltd on 25 November 2013.

CarPostal Salon de Provence SAS, based in Salon-de-Provence, France, was founded on 13 December 2013.

Year 2012
Post CH Ltd and Swiss Post Real Estate Ltd were founded on 8 July 2012.

systemform MediaCard GmbH, based in Prien, was renamed Swiss Post Solutions GmbH on 31 December 2012.

38 | Non-current assets held for sale

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

Non-current assets held for sale CHF million	Operating property	Other property, plant and equipment	Total
As at 1 January 2013	**1**	**0**	**1**
Additions arising from reclassifications in accordance with IFRS 5	0	10	10
Disposals	–1	–10	–11
As at 31 December 2013	**–**	**0**	**0**
As at 1 January 2012	**0**	**1**	**1**
Additions arising from reclassifications in accordance with IFRS 5	1	5	6
Disposals	0	–6	–6
As at 31 December 2012	**1**	**0**	**1**

39 | Key exchange rates

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

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2013	31.12.2012	31.12.2013	31.12.2012
1 euro	EUR	1.23	1.21	1.23	1.21
1 US dollar	USD	0.89	0.92	0.93	0.94
1 pound sterling	GBP	1.47	1.48	1.45	1.49

40 | Events after the reporting period

Adjusting events

Prior to the approval of the 2013 consolidated annual financial statements by Swiss Post's Board of Directors on 10 March 2014, no events came to light which either would have resulted in changes to the carrying amounts of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

Report of the Statutory Auditor to the General Meeting of Shareholders of Swiss Post Ltd, Berne

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post Ltd presented on pages 62 to 134 of the financial report, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Gümligen-Berne, 10 March 2014

Swiss Post Ltd annual financial statements

The annual financial statements issued by Swiss Post Ltd as the parent of Swiss Post Group meet the requirements of Swiss law → page 140.

Income statement

Swiss Post Ltd | Income statement

CHF million	2013
Income	
Trade income	22
Total operating income	**22**
Expenses	
Staff costs	– 4
Other operating expenses	– 39
Depreciation and amortization	– 67
Total operating expenses	**– 110**
Income from investments	204
Financial income	65
Financial expenses	– 137
Total net financial income	**132**
Earnings before tax	**44**
Current income taxes	– 4
Profit after tax	**40**

Balance sheet

Swiss Post Ltd | Balance sheet

CHF million	31.12.2013
Assets	
Current assets	
Cash and cash equivalents	508
Trade accounts receivable	
due from subsidiaries	1,386
Other receivables	
due from third parties	1
due from subsidiaries	41
Total current assets	**1,936**
Fixed assets	
Investments	7,898
Financial assets	
Loans to subsidiaries	843
Other financial assets	12
Intangible assets	933
Total fixed assets	**9,686**
Total assets	**11,622**
Equity and liabilities	
Liabilities	
Trade accounts payable	
due to third parties	4
due to subsidiaries	99
Deferred income	
due from third parties	3
Non-current financial liabilities	
due to third parties	1,280
due to subsidiaries	62
Provisions	9
Total liabilities	**1,457**
Equity	
Share capital	1,300
Statutory reserves	
General reserves from capital contributions	8,825
Net retained profit	
Profit for the year	40
Total equity	**10,165**
Total equity and liabilities	**11,622**

Notes

1 | Basis of accounting

The Swiss Post Ltd annual financial statements have been drawn up in accordance with the requirements of Swiss law, and the article on commercial bookkeeping and public limited companies in particular.

Swiss Post as an independent institution under public law was converted into a public limited company with special legal status on 26 June 2013 with retroactive effect to 1 January 2013. The new legal status is a consequence of the revised postal legislation adopted by the Swiss Parliament in 2010.

2 | Risk management

Swiss Post Ltd is fully integrated into the risk assessment process in force at Swiss Post Group. This Group-wide risk assessment process takes into account the type and scope of the business activities carried out and of the specific risks faced by Swiss Post Ltd. Details can be found in Note 35, Risk management, in the consolidated annual financial statements.

In accordance with article 728a, paragraph 1, item 3 of the Swiss Code of Obligations, the external auditors check the existence of an ICS in conducting their regular audit.

3 | Notes

Bond issues

Swiss Post Ltd has several outstanding private placements totalling 1,280 million francs. With eleven tranches overall, expiring between 2018 and 2032, and with an average remaining maturity of approximately ten years, funds were raised on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to these private placements is 0.83 percent.

Transfers of assets

As part of the conversion and restructuring of Swiss Post, the Real Estate business unit was transferred to Swiss Post Real Estate Ltd, the PostFinance business unit to PostFinance Ltd and the postal services business unit to Post CH Ltd, each by means of a transfer of assets. The transferring company, Swiss Post Ltd, and the acquiring companies Swiss Post Real Estate Ltd, PostFinance Ltd and Post CH Ltd continue to exist after the transfers of assets.

1. Transfer of assets: Swiss Post Ltd – Swiss Post Real Estate Ltd

Swiss Post Real Estate Ltd took over the assets and liabilities of the Real Estate business unit of Swiss Post Ltd, i.e. part of the real estate portfolio, the contracts belonging to this unit and all registered shares held by Swiss Post Ltd in InfraPost AG, in accordance with the transfer agreement dated 26 June 2013. According to this contract, the Real Estate business unit of Swiss Post Ltd was demerged to Swiss Post Real Estate Ltd, in accordance with article 69 ff. and article 100, paragraph 2 of the Mergers Act, with economic effect from 1 January 2013. This transfer of assets did not include individual real estate properties and the associated assets and contractual relationships transferred to PostFinance Ltd or Post CH Ltd.

The following values were taken into account for the transfer:

Carrying amount of all assets: 1.457 billion francs
Carrying amount of all equity and liabilities (liabilities): 36 million francs
Surplus assets: 1.421 billion francs

The takeover price was determined according to the surplus assets. This price was paid by issuing 99,900 fully paid-in registered shares in Swiss Post Real Estate Ltd, each with a face value of 1,000 francs, representing a total face value of 99.9 million francs, to Swiss Post Ltd as the contributor. The remaining amount of the transfer of assets exceeding the total face value of the shares, i.e. 1.321 billion francs, was credited to the statutory reserves of Swiss Post Real Estate Ltd.

No employment contracts were transferred from Swiss Post Ltd to Swiss Post Real Estate Ltd as part of the transfer of assets.

2. Transfer of assets: Swiss Post Ltd – PostFinance Ltd

PostFinance Ltd took over the assets and liabilities of the PostFinance business unit of Swiss Post Ltd together with the contracts belonging to this unit, in accordance with the transfer agreement dated 26 June 2013. According to this contract, the PostFinance business unit of Swiss Post Ltd was demerged to PostFinance Ltd, in accordance with article 14 of the Postal Organization Act and, by analogy, with article 69 ff. in conjunction with article 100, paragraph 2 of the Mergers Act, with economic effect from 1 January 2013.

The following values were taken into account for the transfer:

Carrying amount of all assets: 118.273 billion francs
Carrying amount of all equity and liabilities (liabilities): 111.591 billion francs
Surplus assets: 6.682 billion francs

The takeover price was determined according to the surplus assets. This price was paid by issuing 1,999,900 fully paid-in registered shares in PostFinance Ltd, each with a face value of 1,000 francs, representing a total face value of around 2 billion francs, to Swiss Post Ltd as the contributor. The remaining amount of the transfer of assets exceeding the total face value of the shares, i.e. 4.682 billion francs, was credited to the statutory reserves of PostFinance Ltd.

All the employment contracts of members of staff employed in the PostFinance business unit were transferred from Swiss Post Ltd to PostFinance Ltd at the same time as the PostFinance business unit together with all the associated rights and obligations.

3. Transfer of assets: Swiss Post Ltd – Post CH Ltd

Post CH Ltd took over the assets and liabilities of the postal services business unit of Swiss Post Ltd together with the contracts belonging to this unit, in accordance with the transfer agreement dated 26 June 2013. According to this contract, the postal services business unit of Swiss Post Ltd was demerged to Post CH Ltd, in accordance with article 69 ff. in conjunction with article 100, paragraph 2 of the Mergers Act, with economic effect from 1 January 2013.

The following values were taken into account for the transfer:

Carrying amount of all assets: 4.647 billion francs
Carrying amount of all equity and liabilities (liabilities): 3.647 billion francs
Surplus assets: one billion francs

The takeover price was determined according to the surplus assets. This price was paid by issuing 499,900 fully paid-in registered shares in Post CH Ltd, each with a face value of 1,000 francs, representing a total face value of around 500 million francs, to Swiss Post Ltd as the contributor. The remaining amount of the transfer of assets exceeding the total face value of the shares, i.e. 500 million francs, was credited to the statutory reserves of Post CH Ltd.

With a few exceptions, the employment contracts of members of staff employed in the postal services business unit were transferred from Swiss Post Ltd to Post CH Ltd at the same time as the business unit together with all the associated rights and obligations.

Contingent liabilities

As at 31 December 2013, guarantees and guarantee obligations amounted to around 16 million francs.

Under the system of group taxation for value added tax, Swiss Post Ltd (tax group leader) is liable in respect of all companies subject to group taxation.

On 31 December 2013, Letters of Comfort to third parties existed, deposited by Swiss Post Ltd.

Investments

Please see Note 36, Consolidated Group, in the consolidated annual financial statements. Investments in subsidiaries held directly by Swiss Post Ltd are carried in the balance sheet at cost less any necessary impairment. Impairment charges are recognized under "Financial expenses".

Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund totalled approximately 50,000 francs at 31 December 2013. A provision of around 20,000 francs for the restructuring of the Swiss Post pension fund was also recognized at the end of the year under review.

Share capital and general reserves from capital contributions

The Swiss Confederation provided Swiss Post Ltd with share capital of 1,300 million francs. The general reserves from capital contributions are not currently approved by the Federal Tax Administration.

Proposal for the appropriation of profit

According to the proposal submitted by the Board of Directors of Swiss Post to the General Meeting held on 29 April 2014, 180 million francs will be distributed to the owner. In addition to the profit of 40 million francs generated by Swiss Post Ltd, 140 million francs will be taken from the reserves.

Report of the Statutory Auditor to the General Meeting of Swiss Post Ltd, Berne

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Post Ltd, presented on pages 138 to 142 of the financial report, which comprise the income statement, balance sheet and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Gümligen-Berne, 10 March 2014

PostFinance annual financial statements

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its annual financial statements pursuant to the Bank Accounting Guidelines (BAG) set out in articles 23-27 of the Banking Ordinance (FINMA Circular 2008/2 "Accounting – Banks").

Reconciliation

PostFinance Ltd reports to the Group in accordance with International Financial Reporting Standards (IFRS) and issues its annual financial statements pursuant to the Bank Accounting Guidelines (BAG) set out in articles 23-27 of the Banking Ordinance (FINMA Circular 2008/2 "Accounting – Banks"). The following table shows the differences between the two accounting standards and reconciles the profit for the year in accordance with IFRS with the BAG financial statements.

PostFinance Ltd | Reconciliation of profit
CHF million

		2013
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation		**588**
Management / licence fee / net cost compensation		129
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation		**717**
Net income from associates		–2
Operating profit from subsidiaries		–2
Net financial income		143
Earnings before tax (EBT)		**856**
Income tax		442
PostFinance Ltd profit for the year reported to the Group as per IFRS		**1,298**
Interest and discount income	Amortization of revalued held-to-maturity financial assets	–88
Various items of income	Lowest value principle for financial assets as per BAG	1
Net trading income	Realized gains from (earlier than scheduled) sales	–25
Staff costs	Valuation differences between IAS 19 and Swiss GAAP FER 16	–45
Depreciation of fixed assets	Revalued real estate	–4
	Individual impairment charges due to lower fair value	–11
	Goodwill	–200
Extraordinary income	Profit from the sale of Swiss Post Real Estate Ltd equity investment	–145
Taxes	Deferred tax income as per IFRS	–517
PostFinance Ltd profit for the year as per BAG		**265**

The main positions in the reconciliation of profit for the PostFinance segment in accordance with IFRS are as follows:

- The goodwill capitalized as part of the conversion is amortized by 200 million francs annually.
- The income taxes of 442 million francs include both deferred taxes (– 517 million francs) and current income tax expenses of 75 million francs.
- Swiss Post now reports its segments in accordance with IFRS based on operating profit before management, licence fee and net cost compensation. For this reason, the reconciliation of profit includes an offset of 129 million francs on the operating profit.

PostFinance Ltd statutory annual financial statements

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

PostFinance has been a public limited company under private law with a licence to operate as a bank and securities dealer and under FINMA supervision since 26 June 2013.

The accounting was adapted with retroactive effect to 1 January 2013. For comparison purposes, the balance sheet and notes tables give the figures from the opening balance sheet as at 1 January 2013. The prior-year figures are not disclosed accordingly.

Balance sheet

PostFinance Ltd | Balance sheet as per BAG

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

PostFinance Ltd | Off-balance sheet transactions

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

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

PostFinance Ltd | Shelf company balance sheet as per BAG

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

Income statement

PostFinance Ltd | Income statement as per BAG
CHF million

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

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

Statement of cash flows

PostFinance Ltd | Statement of cash flows as per BAG
CHF million

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

1 Straight-line depreciation of the revaluation of financial assets as per the opening balance sheet on 1 January 2013.
2 The equity base is already included in the opening balance sheet as at 1 January 2013; the equity payment process therefore does not appear in the statement of cash flows.

PostFinance Ltd | Liquidity statement
CHF million

Liquidity as at 1.1.2013	44,860
Liquidity as at 31.12.2013	39,114
Decline in liquidity	**5,746**

Appropriation of profit

PostFinance Ltd | Net retained profit

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

PostFinance Ltd | Appropriation of profit

CHF million	31.12.2013
Allocation to other reserves	–
Distribution of dividends	240
Profit carried forward to new account	25
Total net retained profit	**265**

Notes to the annual financial statements

1 | Notes on business activities and headcount

PostFinance is one of Switzerland's leading financial institutions. It has processed 965 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 4.3 billion francs of new money in 2013. PostFinance employed 3,931 staff on average in 2013. This corresponds to 3,432 full-time equivalents. At the end of the financial year, PostFinance had total assets of 117 billion francs and had generated profit for the year of 265 million francs (both figures are in accordance with BAG Bank Accounting Guidelines, articles 23-27 of the Banking Ordinance, FINMA Circular 2008/2).

Net interest income

The interest differential business is the most important source of income for PostFinance. Its main revenues come from the sub-markets of payments and savings. PostFinance generates a smaller proportion of its earnings from investment and retirement planning products.

Commission and service income

Within its commission and service income, PostFinance mainly reported income from payment transactions, account management and indemnities from partner companies. Additional income resulting from higher sales volumes and more intensive use of products offset the lower income from declining over-the-counter transactions in post offices. Under the Postal Services Act, PostFinance is not permitted to issue loans and mortgages. PostFinance works with partners in Switzerland and abroad to offer its customers a full range of products. The income from these partnerships is reported in net commission income. The default risks are borne by the partner banks.

Trading income

PostFinance generates most of its net trading income on behalf of customers. Income is obtained primarily from foreign exchange transactions. Trade for its own account is of secondary importance.

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

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

2 | Accounting and valuation principles

General principles

The bookkeeping, accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act and the related ordinance, statutory provisions and the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA). In accordance with the true and fair view principle, the combined individual financial statements give an accurate picture of the financial position, the results of operations and the cash flows of the company in accordance with the Bank Accounting Guidelines applicable to banks and securities dealers.

Foreign currency translation

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

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

Offsetting

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

Accounting according to the trade date or settlement date principle

In principle, securities transactions are recorded on the trade date. Completed foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized on the balance sheet as other assets or other liabilities at their fair value until their settlement date.

General valuation principles

In principle, the detailed positions of items in the balance sheet are valued separately (individual measurement).

Cash and cash equivalents, receivables from money market instruments, receivables due from banks

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Any premiums and discounts related to bank receivables are accrued over the term. Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets obtained from transactions as collateral are generally not recognized in the balance sheet. Interest income from reverse repurchase transactions is accounted for using the accrual-based accounting principle. In the case of receivables from money market instruments held to maturity, the discount not yet earned is accrued over the remaining term.

Loans (receivables due from customers and mortgage receivables)

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Loans are classed as doubtful at the latest when the contractually agreed payments of capital and/or interest are more than 90 days outstanding. Interest outstanding for more than 90 days is regarded as overdue.

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

Securities lending and borrowing transactions

Securities lending and borrowing transactions are recorded at the value of the cash deposits that have been received or made, including the accrued interest. Securities borrowed or received as collateral are only recognized in the balance sheet if PostFinance gains control over the contractual rights associated with these securities. Securities lent or provided as collateral are only taken off the balance sheet if PostFinance loses the contractual rights associated with these securities. The fair values of the securities borrowed or lent are monitored on a daily basis in order to provide or claim additional collateral where required. Securities cover for reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values. Fees received or paid in relation to securities lending and repurchase transactions are stated as net service and commission income.

Securities held for trading

Securities held for trading acquired primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are measured at fair value. Realized and unrealized profit and loss from these securities is recorded under net trading income. Interest and dividend income from securities held for trading is recognized as net interest income. If, in exceptional circumstances, no fair value is available, the lowest value principle is used for accounting and measurement purposes.

Financial assets

Investments with a fixed maturity that PostFinance intends and is able to hold to maturity are measured at amortized cost (accrual method). The effective interest method spreads the difference between the acquisition cost and the repayment amount (premium/discount) over the life of the asset in question using the present value method. The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (present value method, etc.). In the case of listed financial instruments, the fair values correspond to market prices provided that such prices have been set on a price-efficient and liquid market. Holdings in equity securities (shares) are valued according to the lowest value principle. Debt securities acquired without the intention of being held to maturity are valued according to the lowest value principle. PostFinance checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is calculated.

Derivative financial instruments

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

Investments

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

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Property, plant and equipment is depreciated using the straight-line method over its estimated useful life. Useful life is as follows:

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

Intangible assets associated with the purchase, installation and development of payment transaction software are capitalized if they are of measurable economic benefit. They have a useful life of 13 – 15 years.

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

Intangible assets

Goodwill arising from the initial measurement of a business acquisition is included in the balance sheet under "Intangible assets" and amortized over its useful life. Capitalized goodwill is amortized on a straight-line basis over a ten-year period. If an assessment on the balance sheet date shows that the capitalization of a proportion of goodwill is no longer justified, the proportion in question is additionally amortized on the relevant date. An assessment is carried out if there are any indications of impairment.

Prepaid expenses and deferred income

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

Amounts due to banks, other amounts due to customers and medium-term notes

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

Value adjustments and provisions

Value adjustments and provisions are made according to objective criteria for all risks detectable on the balance sheet date and presented under this item in the balance sheet. Impairment of doubtful receivables is recognized by individual impairment charges directly on the receivable. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. In addition to individual impairment charges, PostFinance calculates general impairment charges to cover losses incurred on the balance sheet date that cannot yet be identified separately. Bad debt provisions are made for the accounts of private and business customers that have been overdrawn for more than 60 days. Value adjustments that are no longer economically necessary are reclassified to profit or loss. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet.

Contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equity

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

Employee benefit obligations

The accounting treatment of employee benefit obligations at PostFinance is based on Swiss GAAP FER 16 in accordance with FINMA Circular 2008/2, margin no. 29j-1 ff. PostFinance employees are insured with the Swiss Post pension fund foundation under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG). Staff are thereby insured against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Expenses related to employee benefit obligations are recognized in staff costs. Employee benefit obligations represent the actuarial present value of benefits for the employee's eligible insurance period and take the future into account by including statistical probabilities such as death and disability.

Taxes

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

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

Outsourcing of business units

PostFinance has outsourced various services to Swiss Post Group companies. Significant outsourcing relationships exist with Post CH Ltd in payment transactions, financial services and IT services, and with Swiss Post Solutions Ltd for printing and sending account documents and for the e-bill solution. The corresponding contracts meet all FINMA requirements with regard to bank client confidentiality and data protection.

Accounting changes year-on-year

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

Events after the balance sheet date

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

3 | Risk management

PostFinance operates an appropriate financial and operational risk management system in accordance with banking regulation requirements. The specific business risks faced by PostFinance, namely market, credit and operational risks, are managed using industry-standard tools and methods. Modern software solutions are implemented. Monthly stress tests based on plausible multi-year macroeconomic scenarios are carried out to ensure risk tolerance. PostFinance was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but continue to be invested on the money and capital markets. PostFinance pursues a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. A large proportion of customer deposits remain invested as an interest-free credit balance at the Swiss National Bank.

Organization

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

Financial risk management

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

Interest rate risk and balance sheet structure risk
The term "interest rate risk" refers to the potential impact of a change in market interest rates on the fair value of assets and liabilities in the balance sheet, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the statement of comprehensive income. Interest-earning operations are a key source of revenue for PostFinance. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment model. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatil-

ity of each product. The ALKO notifies the Treasury department of the maturities of money and capital market investments on the basis of the investment method. The imbalance between the liability and asset interest rates corresponds to the maturity transformation. This is controlled by the ALKO from a present value and income perspective. The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks in specific maturities (key rates) on the other. In addition to sensitivity data, a value-at-risk index is used to check whether the investments made by the Treasury department meet the maturity requirements set by the ALKO. The historic simulation method is applied with a conservative confidence level. Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance's future net interest income. Interest rate swaps are used to a limited extent to hedge against interest rate risks. Individual positions are hedged rather than complete portfolios. The risk control department provides the ALKO with a weekly report on interest rate risks that indicates the relevant risks and shows whether limits are being observed. Additional reports on interest rate risks are issued to the Executive Board each month and to the Board of Directors each quarter.

Foreign currency risk

The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. The currency risks faced by PostFinance result from financial assets and business operations. Currency swaps and foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Market risks arising from foreign exchange transactions are measured and managed daily in the overall balance sheet using the value-at-risk method. The historic simulation method is applied with a conservative confidence level for foreign currency value-at-risk measurement in a similar way to interest rate value-at-risk measurement.

Equity price risk

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

Credit risk

The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties. The credit risks associated with PostFinance Treasury's investments in the money and capital markets are strictly limited through special investment regulations and prescribed limits. Among other things, limits apply at counterparty, portfolio and rating structure level. For example, investments are only permitted in debtors with very good ratings. Limits also apply for the appropriate limitation of country risks. Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with credit risk limits is measured daily and reported on.

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

Liquidity risk
Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. Financial cushions are defined for the settlement of unforeseen payments. Financial cushions should be available for use in stress situations in particular, when it may no longer be possible to turn to the unsecured interbank market for liquidity. To guarantee liquidity in the short term, financial cushions are limited by specifying a minimum amount to be observed. Outgoing payments on a one-day horizon are taken into account for this purpose. Compliance with limits is measured and reported on daily. To ensure liquidity in the medium and long term, liquidity stress scenarios lasting at least three months are defined that must not lead to insolvency. Stress test results are measured on a monthly basis and reports are sent to the Board of Directors at least once a year.

Collateral concentration risks
Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. High concentrations of collateral are monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral). Collateral concentration risks are measured and monitored on a monthly basis for individual days in the past month. Measures are introduced by the Executive Board if the concentration limit is exceeded. Quarterly reports are sent to the Board of Directors regarding the proximity of the concentration limit.

Operational risk management at PostFinance

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

Organization
PostFinance operates an operational risk management system that is professionally controlled from a central dedicated unit. It defines the risk management process for the entire bank and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Executive Board Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of operational risk management. Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses. A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2013: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

Tools

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

Reporting

The Executive Board Committee for Internal Control (GLA IK) receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. The Board of Directors is informed of the risk situation at PostFinance based on this information.

4 I Capital adequacy disclosure

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

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

Information on equity requirements is available at www.postfinance.ch.

Information regarding the balance sheet

5 | Overview of coverage of loans and off-balance sheet transactions

Coverage of loans and off-balance sheet transactions as per 31.12.2013 and 1.1.2013 CHF million		Type of coverage			
		Mortgage coverage	Other coverage	Without coverage	Total
Loans					
Receivables due from customers [1]		–	–	9,894	9,894
Mortgage receivables		1	–	–	1
Residential property		1	–	–	1
Total loans	**31.12.2013**	**1**	**–**	**9,894**	**9,895**
	1.1.2013	1	–	8,485	8,486
Off-balance sheet					
Irrevocable commitments		–	–	641	641
Total off-balance sheet	**31.12.2013**	**–**	**–**	**641**	**641**
	1.1.2013	–	–	–	–

Doubtful receivables CHF million	31.12.2013	1.1.2013
Gross debt	0	–
Estimated liquidation value of collateral [2]	–	–
Net debt	0	–
Individual impairment charges	0	–

1 Loans to municipalities, cities and cantons. These loans all have a rating, which have been given by a rating agency recognized by FINMA.
2 Credit or disposal value per customer, whichever is the lowest.

6 | Financial assets and investments

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

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

7 | Details of significant investments

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

Additional information on the combined individual financial statements in accordance with FINMA Circular 2008/2, margin no. 27a: The effect of a theoretical application of the equity method with regard to these investments would be to increase total assets by 7 million francs and profit for the year by 7 million francs.

8 | Statement of changes in fixed assets

Statement of changes in fixed assets CHF million	Acquisition cost	Previously accumulated depre-ciation and amortization	Carrying amount 1.1.2013	Reclassi-fications	Investments	Divestments	Depreciation and amortization	Appreciation	Carrying amount 31.12.2013
Investments									
Other investments	298	–	298	–	–	–284	–	–	14
Total investments	**298**	**–**	**298**	**–**	**–**	**–284**	**–**	**–**	**14**
Property, plant and equipment									
Real estate									
Bank buildings	141	–	141	–	–	–	–3	–	138
Other real estate	720	–51	669	–	52	–	–23	–	698
Other property, plant and equipment	257	–186	71	–	43	–	–19	–	95
Others (software)	9	–	9	–	14	–	–	–	23
Total property, plant and equipment	**1,127**	**–237**	**890**	**–**	**109**	**–**	**–45**	**–**	**954**
Intangible assets									
Goodwill	2,000	–	2,000	–	–	–	–200	–	1,800
Total intangible assets	**2,000**	**–**	**2,000**	**–**	**–**	**–**	**–200**	**–**	**1,800**
Fire insurance value									
Real estate									1,176
Other property, plant and equipment									83

Future lease commitments under operating leases CHF million	2014	2015	2016	2017	2018	2019
Future lease payments	18	17	2	1	0	0

9 I Other assets and liabilities

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

10 I Pledged or assigned assets and assets subject to retention of title

Total amount of assets pledged or assigned as collateral for own obligations and assets subject to retention of title[1] CHF million	31.12.2013
Carrying amount of assets pledged and assigned as collateral	1
Effective obligations	0

1 Excluding securities lending and repurchase transactions

Securities lending and repurchase transactions CHF million	31.12.2013	1.1.2013
Receivables from cash collateral in relation to securities borrowing and reverse repurchase transactions	–	–
Commitments from cash collateral in relation to securities lending and repurchase transactions	–	30
Own securities lent or provided as collateral as part of securities lending and borrowing transactions or transferred in repurchase transactions	–	8,513
of which securities for which an unrestricted right to dispose of or pledge was granted	–	8,513
Securities borrowed or received as collateral as part of securities lending and borrowing transactions or reverse repurchase transactions, for which an unrestricted right to dispose of or pledge was granted	7,150	10,125
repledged or resold securities	–	–

11 I Amounts due to own employee benefits institutions

Employee benefit obligations

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

Additional obligations due from supplementary invalidity insurance (IV) in the form of IV transitional pensions (IV supplementary pensions for men up to 65 years old and women up to 64 years old) and staff vouchers are taken into account in the annual financial statements.

Amounts due to own employee benefits institutions as per Swiss GAAP FER 16

All the compulsory ordinary employer contributions associated with the employee benefits plan are accounted for as staff costs using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP FER 16 to determine whether, in PostFinance's opinion, the employee benefits institutions generate an economic benefit or an economic obligation. The assessment is based on information from contracts, the financial statements of the employee benefits institutions and other calculations presenting their financial situation and current surpluses or shortfalls – in accordance with Swiss GAAP FER 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from a surplus to reduce employer contributions. Consequently, instead of capitalizing any future economic benefit, an economic obligation is recognized under liabilities. With 44,829 active insured people and 36,981 pensioners (as at 1 October 2013), the Swiss Post pension fund had total assets of 15,286 million francs as at 31 December 2013 (previous year: 14,009 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at 102.3 percent (previous year: 98.8 percent). Not taking into account employer contribution reserves with renounced use, the level of cover is 98.5 percent (previous year: 95.0 percent). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no surplus available. The Swiss Post pension fund has employer contribution reserves of 1,110 million francs, of which 550 million francs are with renounced use (previous year: 1,110 million francs, of which 550 million francs with renounced use). To calculate the pensions' actuarial reserve, a discount rate of 3 percent (previous year: 3.5 percent) and the actuarial basis of the Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG) 2010 (previous year: BVG 2010) are used. A detailed assessment did not reveal any financial impact on the bank; in the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP FER 26, there were no spare funds or shortfalls taking account of the employer contribution reserves with renounced use as at 31 December 2013. There are no company employee benefits institutions.

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

Economic benefits/ obligations, employee benefit expenses	Shortfall/ surplus	Financial share of assets / provision for PostFinance Ltd		Year-on-year change recorded in staff costs	Ordinary contributions	Extraordinary contributions	Total contributions	Employee benefit expenses
CHF million	31.12.2013	31.12.2013	1.1.2013	1.1.2013	2013	2013	2013	2013
Swiss Post pension fund	17	–	–6	–5	34	2	36	31
Staff vouchers	–4	–4	–3	1	0	–	0	1
Disability pensions	–1	–1	–1	0	–	–	–	0
Total FER 16	**12**	**–5**	**–10**	**–4**	**34**	**2**	**36**	**32**

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

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

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

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

1 There were no changes in purpose.
2 Incl. recognition of a provision for the costs of proceedings in the US programme of 2.5 million francs

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

13 | Share capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Share capital			31.12.2013			1.1.2013
CHF million, number in million	Total face value	Number	Capital entitled to dividend	Total face value	Number	Capital entitled to dividend
Share capital	2,000	2	2,000	2,000	2	2,000
Total share capital	**2,000**	**2**	**2,000**	**2,000**	**2**	**2,000**

Major shareholders and groups of shareholders bound by voting agreements			31.12.2013			1.1.2013
CHF million, number in million	Face value	Number	Share in %	Face value	Number	Share in %
Swiss Post Ltd	2,000	2	100	2,000	2	100

14 | Statement of equity

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

15 | Maturity structure of current assets and liabilities

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

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

16 | Receivables due from and amounts due to affiliates and credits to governing bodies

Affiliates and credits to governing bodies

Associated companies and subsidiaries that are under the direct or indirect management of associated companies are regarded as affiliates. All transactions between PostFinance and affiliates were carried out at standard market conditions.

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

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

PostFinance Ltd only issues loans and mortgages in cooperation with partners. These are not regarded as credits to governing bodies in the strict sense and are therefore not shown in the annual report.

Related parties

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

Industry-standard preferential conditions apply to the Executive Board and members of Senior Management.

17 | Domestic and international balance sheet

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

18 | Assets by country / group of countries

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

19 | Balance sheet by currency

Balance sheet by currency as per 31.12.2013 CHF million	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Cash and cash equivalents	38,971	143	–	–	–	–	39,114
Receivables due from banks	8,235	282	1,367	24	5	20	9,933
Receivables due from customers	9,881	13	0	0	0	0	9,894
Mortgage receivables	1	–	–	–	–	–	1
Financial assets	51,376	2,288	526	123	44	97	54,454
Investments	10	4	–	–	–	0	14
Property, plant and equipment	954	–	–	–	–	–	954
Intangible assets	1,800	–	–	–	–	–	1,800
Prepaid expenses and deferred income	683	36	1	0	–	0	720
Other assets	132	1	0	1	0	0	134
Total balance sheet assets	**112,043**	**2,767**	**1,894**	**148**	**49**	**117**	**117,018**
Delivery claims from foreign exchange transactions	1,113	233	55	18	2	26	1,447
Total assets	**113,156**	**3,000**	**1,949**	**166**	**51**	**143**	**118,465**
Equity and liabilities							
Amounts due to banks	2,109	217	52	1	0	1	2,380
Amounts due to customers as savings and investments	41,510	1,075	–	–	–	–	42,585
Other amounts due to customers	61,652	1,355	1,449	41	6	31	64,534
Medium-term notes	155	6	–	–	–	–	161
Prepaid expenses and deferred income	173	0	0	0	–	0	173
Other liabilities	137	–	0	–	–	–	137
Value adjustments and provisions	101	–	–	–	–	–	101
Share capital	2,000	–	–	–	–	–	2,000
General statutory reserves	4,682	–	–	–	–	–	4,682
Profit for the year	265	–	–	–	–	–	265
Total balance sheet equity and liabilities	**112,784**	**2,653**	**1,501**	**42**	**6**	**32**	**117,018**
Delivery obligations from foreign exchange transactions	357	349	388	56	45	95	1,290
Total equity and liabilities	**113,141**	**3,002**	**1,889**	**98**	**51**	**127**	**118,308**
Net position per currency	**15**	**–2**	**60**	**68**	**–**	**16**	**157**

Information regarding off-balance sheet transactions

20 I Open derivative financial instruments

Open derivative financial instruments as at 31.12.2013 CHF million		Trading instruments			Hedging instruments		
		Positive fair values	Negative fair values	Contract volume	Positive fair values	Negative fair values	Contract volume
Interest-bearing instruments							
Interest rate swaps (IRS)		–	–	–	48	16	3,857
Foreign currencies / precious metals							
Forward contracts		4	3	666	11	0	516
Cross currency interest rate swaps (CCIRS)		1	1	121	32	–	144
Total open derivative financial instruments							
before consideration of netting contracts	**31.12.2013**	5	4	787	91	16	4,517
	1.1.2013	14	2	761	80	40	3,492
after consideration of netting contracts	**31.12.2013**	5	4	787	91	16	4,517
	1.1.2013	14	2	761	80	40	3,492

Information regarding the income statement

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

21 | Net trading income

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

1 PostFinance Ltd does not trade in precious metals.

22 | Staff costs

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

23 | Non-staff costs

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

24 I Extraordinary income and extraordinary expenses

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

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

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

25 I Tax expenses

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

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

As statutory auditor, we have audited the financial statements of PostFinance AG, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 148 to 172) for the year ended 31 December 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

KPMG AG

Kurt Stoll
Licensed Audit Expert
Auditor in Charge

Jakub Pesek
Licensed Audit Expert

Berne, 28 February 2014

Reporting

Reporting structure

The Swiss Post annual reporting documents for 2013 include:

- Swiss Post Annual Report
- Swiss Post Financial Report (management report, corporate governance, annual financial statements for the Group, Swiss Post Ltd and PostFinance Ltd)
- PostFinance Ltd Annual Report
- PostBus Switzerland Ltd performance report
- Table of figures (comprehensive set of key figures)
- GRI index (content in accordance with the Global Reporting Initiative requirements including confirmation of Global Reporting Initiative Application Level)

These documents are available in electronic form at www.swisspost.ch/annualreport. The Swiss Post Ltd Annual Report and Financial Report, the PostFinance Ltd Annual Report and the PostBus Switzerland Ltd performance report are also available in printed form.

Languages

The Swiss Post Annual Report and Financial Report are available in English, German, French and Italian. The German version is authoritative.

Ordering

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Five-year overview of key figures

		2013	2012	2011	2010	2009
Results						
Operating income	CHF million	8,575[1]	8,576[3]	8,599	8,736	8,558
generated in competition	% of operating income	85.6[1]	84.1[3]	84.0	83.2	80.8
generated abroad	% of operating income	12.0[1]	12.0[3]	12.7	13.9	16.3
Operating profit	CHF million	911[1]	860[3]	908	930	721
generated abroad	% of operating profit	5.2[1]	4.1[3]	5.7	2.6	4.9
Group profit	CHF million	626[1]	772[3]	904	910	728
Equity	CHF million	5,637	3,145[3]	4,879	4,224	3,534
Value generation						
Economic value added	CHF million	135[1]	269[3]	390	452	272
Added value generated	CHF million	5,688[1]	5,314[3]	5,187	5,268	4,983
to employees	CHF million	4,131[1]	4,161[3]	4,026	4,076	4,032
to creditors	CHF million	93	82[3]	14	20	14
to public sector	CHF million	94	34	13	12	9
to owner	CHF million	180	200	200	200	200
to company	CHF million	1,190	837[3]	934	960	728
Jobs						
Headcount (excluding trainees)	Full-time equivalents	44,105	44,605	44,348	45,129	44,803
abroad	%	15.4	14.8	15.0	16.1	15.6
Trainees in Switzerland	Persons	2,024	2,015	1,942	1,824	1,690
Jobs in Switzerland	Swiss Post employees per 100 employees	1.35	1.37	1.31	1.34	1.33
Jobs in peripheral regions	Persons	19,494	20,172	20,418	20,603	20,776
Turnover rate (voluntary departures)	As % of average headcount	3.6	3.7	3.9	3.5	3.1
Notice given by employer for economic reasons	Persons	180	315	95	116	99
Employment conditions, salaries and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	62.8	62.7	64.3	65.4	66.5
Swiss Post CEC minimum salary	CHF per annum	45,047	45,047	44,823	44,379	44,071
Average salary for employees	CHF per annum	82,695	82,554	81,293	81,082	80,361
Average remuneration paid to members of Executive Management	CHF per annum	499,281	515,441	504,986	495,590	491,200
Salary bandwidth[2]	Factor	6.0	6.2	6.2	6.1	6.1
Health management						
Occupational accidents	Number per 100 FTEs	6.6	7.2	6.9	7.5	6.5
Days lost to illness and accidents	Days per employee	11.6	11.0	10.8	10.5	10.4
Diversity						
Men	%	51.5	51.6	52.3	52.1	51.5
Women	%	48.5	48.4	47.7	47.9	48.5
Nationalities represented	Number	144	140	140	133	117
Women on Board of Directors	%	22.2	22.2	22.2	22.2	25.0
Women in Executive Management	%	12.5	11.1	0.0	0.0	0.0
Women in senior management	%	9.3	8.0	7.6	8.2	8.7
Women in lower and middle management	%	23.7	23.0	23.2	22.6	21.5
Demographics						
Average age of workforce	Years	44.8	44.7	44.4	44.2	43.4
Resource consumption						
Energy requirements	Gigajoules	3,129,091	3,193,258	3,130,465	3,217,915	3,126,170
Direct energy requirements	Gigajoules	2,625,034	2,632,423	2,559,964	2,586,296	2,492,492
Renewable share	%	0.84	1.04	1.09	1.05	0.96
Indirect energy requirements	Gigajoules	504,057	560,835	570,501	631,619	633,677
Renewable share	%	94	94	94	93	96
Carbon footprint (scope 1 – 3)						
Carbon footprint	t CO_2 equivalent	438,223	463,384	452,522	462,908	450,501
CO_2 intensity of value added	t CO_2 equiv. per CHF million value added	77	87	87	88	90
CO_2 intensity of jobs	t CO_2 equiv. per full-time equivalent	9.5	9.9	9.8	9.8	9.7

1 Normalized figure. See "One-off items" section on page 30.
2 Factor = average remuneration paid to members of Executive Management vs. average employee salary
3 Figures have been adjusted (see Notes to the Group annual financial statements under Note 2, Basis of accounting, Accounting changes).

A comprehensive set of key figures and accompanying notes can be found in the table of figures in the Annual Report. See page 174 for the reference sources

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