

Financial Report 2014

Management report, corporate governance
and annual financial statements

About this Financial Report

■ Structure of reporting documents

The Swiss Post annual reporting documents for 2014 consist of:

- Swiss Post Annual Report
- Swiss Post Financial Report (management report, corporate governance, Group, Swiss Post Ltd and PostFinance Ltd annual financial statements)
- GRI report (in accordance with the Global Reporting Initiative guidelines)
- Table of figures (comprehensive set of key figures)

■ 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 create added value – Swiss Post.

Reliable, value-enhancing and sustainable.



8,457 million

Operating income was slightly below the previous year.



638 million

Group profit rose slightly year-on-year.



2,203.1 million

addressed letters were posted in Switzerland in 2014.



111.8 million

parcels were delivered in Switzerland by PostLogistics in 2014.



117.2 billion

francs represents the level of **average customer assets** held by PostFinance.



140.6 million

passengers were transported by PostBus in 2014.



80 points

Customer satisfaction remains high.



11%

In comparison with 2010, Swiss Post achieved an increase in **CO₂ efficiency** of 11 percent by the end of 2014.



44,681

Headcount rose slightly year-on-year.



82 points

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

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Management report

Swiss Post operates in the communication, logistics, financial services 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. 85 percent of sales are generated in Switzerland.

Comprehensive coverage of customer requirements

Business activities

Markets, solutions, services and innovation

Swiss Post operates in the communication, logistics, financial services and passenger transport markets. In each market, it offers solutions, products and services that meet the fundamental needs of business and private customers.

Swiss Post generates around 86 percent of its sales in competition. The remaining 14 percent is accounted for by the monopoly on letters weighing less than 50 grams, where Swiss Post is in competition with electronic services.

Services provided for private customers include letters, parcels, courier and express deliveries, financial services (payments, savings, investments, retirement planning and financing) and passenger transport services. Swiss Post also offers a customer-focused range of third-party products across 1,562 post offices.

The services offered to business customers are structured partly as solutions along the e-commerce value chain and partly as specific products and services in the four markets.

Communication market

Letters

Various shipping 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 options 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 solutions

Operation of internal post offices and processing centers for incoming mail, as well as call and printing centers. Complete processing of incoming mail such as requests, orders, invoices, complaints, loss reports and payment transaction documents. Secure electronic delivery of business mail.

Logistics market

Parcels (national/international)

Customized logistics solutions for sending parcels within Switzerland and abroad. Combination of physical logistics with integrated IT solutions and recipient services. International document and goods shipments in around 200 countries with value-added services such as customs clearance and Track & Trace for consignment tracking.

Freight and warehousing

National and international freight and contract logistics from a single source with value-added services such as cross-docking and combined road and rail transport. Central warehousing locations and storage systems for all kinds of items.

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E-commerce

Complete portfolio of services covering the full e-commerce value chain from online shops and ordering through to delivery. The YellowCube logistics solution covers the entire logistics system, from storage, assembly and packing parcels, through to dispatch and returns management.

Innight/Express/Courier

As a leading supplier of overnight logistics, Swiss Post transports tens of thousands of consignments, night after night and delivers them before the working day begins directly to where they are needed, for example a technician's vehicle, mechanic's workshop, shop or operating theatre. The service is also offered for consignments from abroad. With Courier and Express, urgent consignments reach their recipient in the shortest possible time by the most direct route.

Financial services market

PostFinance is one of Switzerland's leading financial service providers. Payment transactions and savings represent its core business. In payment transactions, it offers its private and business customers products and services for physical and electronic transactions at both national and international level. It provides comprehensive savings models. PostFinance also has a range of simple services for investments, retirement planning and financing.

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. 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.

Development & Innovation

"Development & Innovation" is the name of the new unit Swiss Post has established to combine and expand its innovation activities. Its task is to support innovation in the core markets as well as to identify new business ideas and develop them into a business area. The unit draws on the innovative capacity of around 63,000 employees, connects units within Swiss Post and drives forward Group-wide projects.

Geographical segmentation

Present in Switzerland and selected countries abroad

Swiss Post operates in 27 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). Cooperation with partners abroad gives it access to their global logistics networks. PostBus operates several bus networks in France through around a dozen subsidiaries, as well as the entire regional transport network in Liechtenstein. Domestic business accounts for 85 percent of sales, with 15 percent generated abroad.

Swiss Post abroad

2014

	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	

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

1 Partners
2 Countries in which joint venture Asendia companies operate

Unique sales network with customer-centered access points

Customer access points in Switzerland

The distribution network in Switzerland is one of the most efficient, dense and diversified networks in the world. It covers the communication, logistics, financial services and passenger transport markets.

Swiss Post offers its customers a large number of access options with personal contact across Switzerland with 1,562 post offices, 660 agencies and 1,278 home delivery services. There is also a network of 43 PostFinance branches and 58 consulting offices where customers can speak to staff in person about financial services. 168 PostFinance employees advise small and medium-sized business customers directly at their premises. In the passenger transport market, PostBus passengers are looked after personally by drivers in around 2,200 vehicles.

Customers can access 985 Postomats, almost 15,000 letter boxes and around 231,400 P.O. Boxes throughout Switzerland around the clock. In addition, Swiss Post is building up a network of parcel terminals where customers can collect and drop off parcels at any time. With PickPost, recipients can choose to collect parcels and registered letters at over 700 post offices, petrol stations and train stations well after normal post office opening hours. More than 46 acceptance points with a direct link to letter or parcel processing and 375 suitably equipped post office counters are available to meet the specific requirements of business customers.

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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. With pick@home, private customers can manage individual collection options for returns. In areas with many companies, Swiss Post now offers needs-based business customer solutions for mailing parcels and letters. In larger municipalities, Swiss Post concentrates on needs-based 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, www.postfinance.ch and www.postbus.ch) and via mobile applications (Post-App, 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 pages 24–25 of the Annual Report.

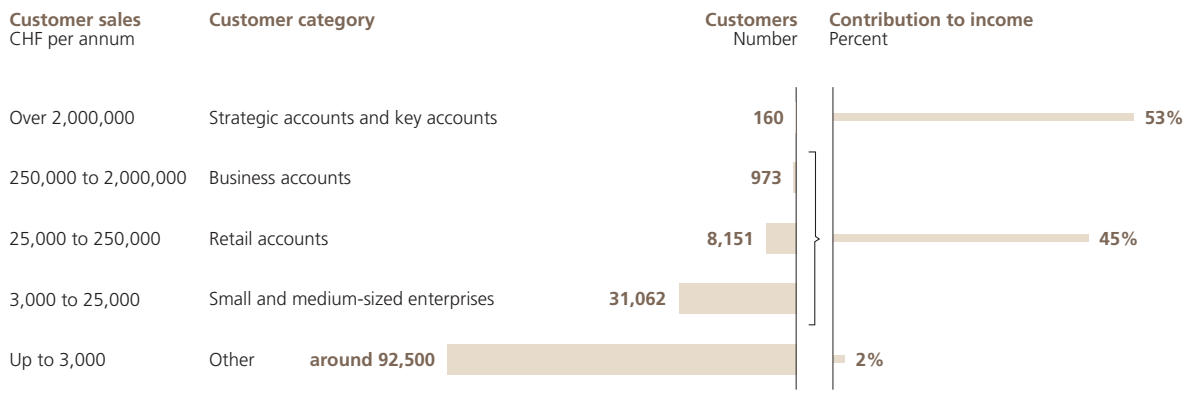
In the passenger transport market, PostBus offers 869 PostBus routes in Switzerland, covering 11,869 kilometres and 11,368 stops in the public transport network, as well as tourist routes and ScolaCar school buses. It also operates the PubliBike bike sharing service, providing 1,100 bikes at 122 stations.

Customers

Swiss Post's communication and logistics customer base comprises several million individuals and around 133,000 companies ranging from small businesses to large multinationals. Most of Swiss Post's logistics income stems from its business customers. Its 160 key accounts are particularly important, generating around 53 percent of business customer income. The Group's business customers also include 973 business accounts with annual sales of between 250,000 and 2 million francs, 8,151 retail accounts (annual sales of 25,000–250,000 francs) and 31,062 small and medium-sized enterprises (SMEs, annual sales of 3,000–25,000 francs). The remaining 92,500 or so business customers in the communication and logistics market are micro-enterprises with sales of up to 3,000 francs.

Key accounts generate 53 percent of logistics income

Communication and logistics markets | Income with business customers
2014, Customer structure and contribution to income



PostFinance's customer base in the financial services market is similar. At year-end, 2.6 million private customers and 309,000 business customers (including 669 banks) maintained a business relationship with PostFinance.

Brands

As one of the best-known brands in Switzerland, Swiss Post is very popular with customers. Thanks to the postal business, its core values “reliable”, “value-enhancing” and “sustainable” are firmly established with the Swiss population and business customers.

Confidence in Swiss Post is maintained at a persistently high level by continually enhancing brand strategy, which guarantees a consistent corporate image for the core brand and the two flagship brands PostFinance and PostBus. Synergy effects are achieved and the brands are brought to life across all the distribution channels by means of closely coordinated interplay between the different communication tools in terms of content, form and timing.

Brands and markets



Swiss Post has succeeded in strengthening its brand by building on its established core values to add the characteristics “innovative”, “dynamic” and “flexible”. It presented the company in all its diverse fields of activity during the “That’s Swiss Post too.” integrated positioning campaign with an emphasis on business customers. TV ads, advertisements, billboards and online formats feature objects depicted in yellow to show that Swiss Post is a professional partner in the most unexpected areas. The campaign was successfully launched in January 2014.

A test carried out after the initial wave of the campaign confirmed that the set targets were being met. The campaign is attracting considerable interest, has an emotional appeal and conveys the key messages in a convincing manner. As a result of its national positioning campaign, in 2014 Swiss Post laid an important basis for communication on which to build in years to come. This also provides a new focus for other Group communication tools such as the sponsoring commitment of the core brand and appearances at trade fairs nationwide.

The new claim “Yellow in motion” was introduced at core-brand level in 2014 to accompany the positioning campaign. This claim highlights Swiss Post’s desire to achieve something for its stakeholders and to create genuine added value for the Swiss population and economy by providing innovative services. Swiss Post wants to make it easier for customers to operate in today’s complex environment, giving them greater scope to succeed.

The characteristics innovation, dynamism and flexibility require further active positioning in order to achieve the desired brand positioning consistent with the strategic thrusts and the new vision of Swiss Post. The most recent reputation measurement shows that Swiss Post remains the market leader in its core business, achieving a recognition value of 95 percent. Its scores in terms of “affinity”, “friendliness” and “professionalism” are also at a persistently high level. The Swiss population and companies nonetheless associate Swiss Post primarily with letter and parcel services and the characteristic “reliability”, and only to a lesser extent with the values “innovative”, “dynamic” and “flexible”. Around 80 percent of those questioned are still unfamiliar with the new skills and services offered to connect the physical and digital worlds and therefore do not credit Swiss Post with sufficient professionalism in these areas.

The people surveyed who are already familiar or very familiar with these new skills and products perceive Swiss Post as a dynamic, flexible and innovative company and award Swiss Post significantly higher marks in a number of key areas than the users of the traditional core business. This result high-

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lights the strategic importance of the new, physical-digital services from a business perspective and illustrates their potential to strengthen the core brand and market position of Swiss Post.

Swiss Post is setting new standards in its target markets thanks to the physical-digital interplay of the services offered. It aims to specifically integrate the underlying expertise at the interface between the physical and digital worlds into future brand communication and strengthen the perception of Swiss Post as a leading product and systems provider. This will enable Swiss Post to expand its role as the backbone of the universal service and to position itself more and more as a “problem solver” that understands the needs of the state and of business and private customers whilst generating extensive customer benefit by providing easily accessible, user-friendly services both on and offline.

Sustainability

Sustainability contributes to economic value added for Swiss Post.

Swiss Post creates added value in 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.

Swiss Post is aware of its social responsibility as the third-largest employer in Switzerland, and takes its role as a progressive employer seriously. It encourages its employees to participate in basic and advanced training and helps its staff remain healthy. It constantly offers around 800 apprentices the chance to start a career. It also does its bit for society by proposing jobs in rural areas and taking responsibility for its supply chain.

Organization

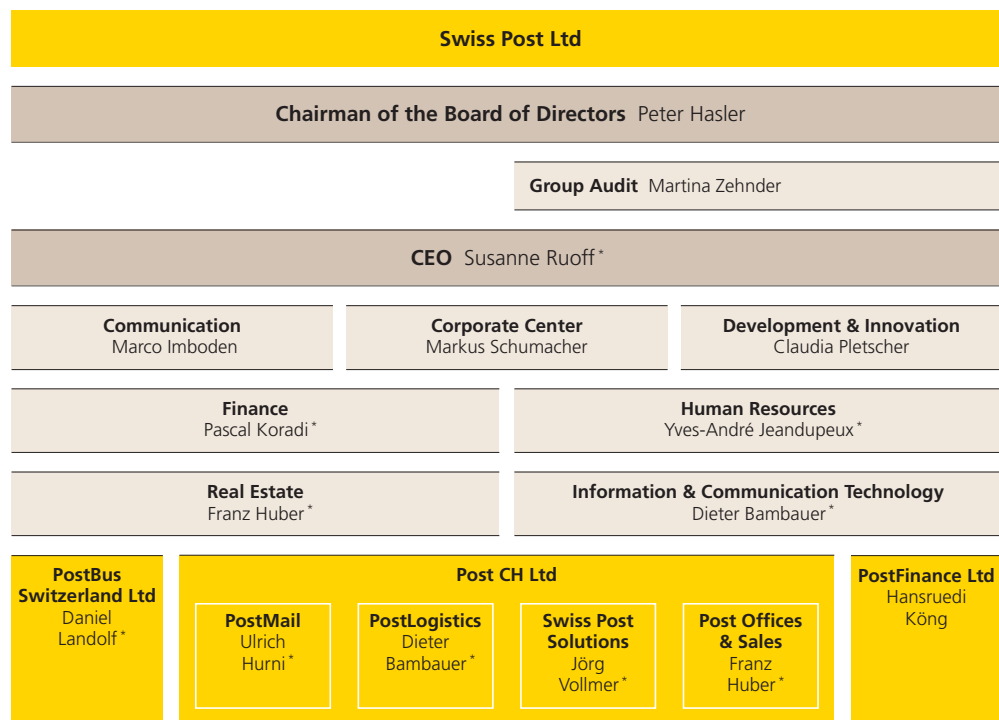
Swiss Post is divided into six executive Group units: PostMail, Swiss Post Solutions and Post Offices & Sales operate in the communication market, PostLogistics focuses on the logistics market, PostFinance on the financial services market and PostBus on the passenger transport market. They are presented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

Management and service units (Finance, Human Resources, Communication, Corporate Center, Development & Innovation, Information & Communication Technology and Real Estate) support the management of the Group and 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 strategic subsidiaries PostBus Switzerland Ltd, Post CH Ltd and PostFinance Ltd, which in turn have subsidiaries of their own.

Organization chart

1.1.2015



* Member of Executive Management

The Swiss Post Solutions Group unit was headed by Thomas Pieper on an interim basis until the end of 2014. Jörg Vollmer took over as Head of Swiss Post Solutions on 1 January 2015.

A three-pillar model was installed in IT as of 1 January 2015. An Informatics organizational unit led by the CIO (Chief Information Officer) has been set up alongside the Information & Communication Technology service unit and the decentralized IT units.

More information on the Board of Directors and Executive Management can be found on pages 53–56 and 58–60.

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Developments

Trends

Legal and political: deregulation

Deregulation put to the test

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 letters 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 changed accordingly. 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 financially viable universal service can continue to be provided in Switzerland. Swiss Post's monopoly on domestic letters up to 50 grams contributes to financing the universal service. Complete market deregulation would require a debate about regulatory conditions and the scope of the universal service.

Social: change in consumer culture

The physical and digital worlds are merging

The everyday lives of many people have been taken over by the use of modern devices such as smartphones and tablets and the wide 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. And online shopping is becoming the norm for more and more consumers (regardless of age, income and 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 are combining both online and offline concepts as well as online, 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 in the digital age. 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

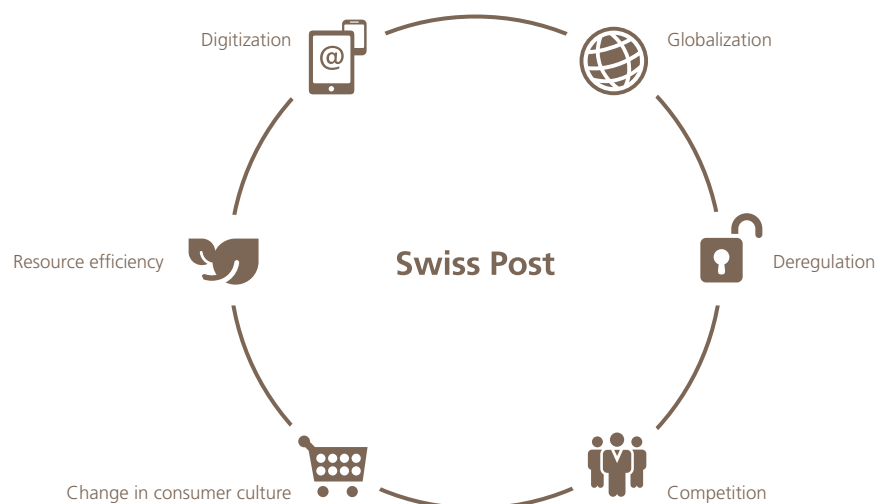
Dynamic economic development and the globalization of competition are forcing companies to use their resources efficiently, increasing the pressure on Swiss Post to exploit comparative locational advantages in order to optimize costs. Meanwhile, disadvantages resulting from size or geographical coverage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

2014

**Market trends****Communication market**

In the letters market, Swiss Post provides Switzerland's universal postal service. It fulfils this mandate with a statutory 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 substitution by 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. At the same time, 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.

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 and margins. This is spreading to parcels and express deliveries. Customers, particularly business customers, are sensitive to prices, but expect high quality at the same time. There is a demand for flexible recipient services and all-in solutions including cross-border services such as customs clearance and international networks. The need for faster processing times in the CEP segment (Courier, Express, Parcels) will

Potential in promotional mailings and document processing

Growth: e-commerce is the driving force behind logistics

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increase further. This will result in more priority parcels. 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 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. PostLogistics intends to build on its position as lead logistics provider (lean logistics processes, optimized logistics networks and continuous improvement and cost reduction) and strengthen its presence in city logistics. 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 flow of goods. In goods logistics, Switzerland is becoming bound by the increasingly international network structures. The introduction of environmental and incentive taxes such as CO₂ taxes and the performance-related heavy goods vehicle tax are having a direct impact on the logistics margins that can be achieved.

Financial services market

The persistently low interest rates on the money and capital markets are having a significant effect on earnings. Digitization is shaping the development of the financial services market from the customer's standpoint. Innovative new players (startups or international groups) are creating additional competition and challenging traditional market players with their approach. In payment transactions in particular, this is leading to the emergence of new solutions that have an impact on PostFinance's customer interface. In order to safeguard and develop the current market position, PostFinance is keeping up with market developments and launching new customer solutions such as TWINT, the integrated payment and shopping app.

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. 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 bus 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 not currently put out to tender. 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.

Pressure on margins and increasing digitization

Combined, sustainable mobility

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

Group strategy

Swiss Post's vision and strategy are derived from postal legislation and the directives of its owner. These directives are set out in the strategic goals of the Federal Council, which are revised every four years. Swiss Post's six strategic goals are, in turn, derived from the Federal Council's goals. Swiss Post seeks to create added value for Switzerland, for customers, employees and its owner by safeguarding the quality of its universal service, operating in a sustainable manner, increasing customer satisfaction and employee commitment, and meeting its owner's financial goals by achieving stable market positions. Swiss Post plans to ensure these goals are met by means of five strategic thrusts. Swiss Post is considering growth options that could be achieved through new business models in various development areas.

Group | Strategy

2014–2016

Statutory mandate and strategic goals set by the Federal Council

Vision and core values Simple yet systematic – Swiss Post				
"reliable"		"value-enhancing"		"sustainable"
Strategic objectives Create added value for				
Switzerland	Our customers		Our employees	The owner
Universal service regulatory audit certification Sustainability improve CO ₂ efficiency by 10 percent by the end of 2016	Customer satisfaction at least 78 points (scale of 0–100)		Employee commitment at least 80 points (scale of 0–100)	Finance EBIT of CHF 700–900 million Market position leading market positions in Switzerland and in e-commerce
Strategic thrusts				
Exploiting and helping shape regulatory conditions	Defending and developing core business	Business performance and growth in selected markets	Optimizing costs and improving efficiency	Competitive prices
Strategic measures				

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 Postal Ordinance, 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. Swiss Post's monopoly on domestic letters up to 50 grams is an important pillar for financing the universal service.

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 sender customers. The second objective of the universal service is to take into account the needs of recipient customers. High demands are placed on Swiss Post for home delivery (delivery method and nationwide availability). A and B Mail are regarded as universal service products for which much stricter guidelines regarding delivery times

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must be met 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 includes opening an account and making transfers, inpayments and outpayments. 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

2014	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 goals

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 goals. 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, financial services 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. To do so, it must offer attractive, competitive employment conditions, help employees to balance work and family commitments and encourage fair representation of gender and language region.

Simple yet systematic – Swiss Post.

Vision

In 2014, Swiss Post set itself a new, Group-wide reference point for its future development.

Simple yet systematic – Swiss Post.

We connect the physical and digital worlds, setting new standards with our products and integrated solutions. We make it easier for our customers to operate in today's complex environment, giving them greater scope to succeed.

Changing customer requirements are the basis for Swiss Post's actions. Based on its capacities in communication, logistics, financial services and passenger transport, Swiss Post increasingly represents integrated solutions and continues to offer individual products and services in modular form. Swiss Post understands the world as a network and builds bridges between physical and digital channels. It wants to win over customers by offering them products that are both easy to access and easy to use, while creating a consistent customer experience across all its points of contact. This will enable Swiss Post to develop and maintain a high-quality universal service.

In order to implement its vision, Swiss Post's actions are guided by its core values: reliable, value-enhancing and sustainable.

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.

Goals

Swiss Post sets its priorities in the form of six strategic goals, 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 2014 for implementation as of 1 January 2015, Swiss Post's goal is to achieve an annual EBIT of 700 to 900 million francs (see page 28)
- In Switzerland and in e-commerce, it aims to attain leading market positions with its business activities (see page 25)

Added value for customers:

- Swiss Post attains a consistently high customer satisfaction rate of at least 78 points (on a scale of 0 to 100) (see page 39)

Added value for employees:

- Employee commitment remains high, being awarded at least 80 points (on a scale of 0 to 100) (see page 40)

Added value for Switzerland:

- Swiss Post fulfils its mandate to provide a high-quality universal service (see page 43)
- It intends to increase its CO₂ efficiency by 10 percent by the end of 2016 (base year 2010, see page 42)

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Strategic thrusts

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

- Exploiting and helping shape regulatory conditions
To enable Swiss Post to continue to develop sustainably 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.
- Defending and developing core business
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.
- Business performance and growth in selected markets
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.
- Optimizing costs and improving 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.
- 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.

Development areas

To ensure the fulfilment of its strategic goals, Swiss Post concentrates its resources on driving forward specific development areas determined for Swiss Post as a whole, and creates new business models within each development area.

E-commerce

Within this development area, Swiss Post systematically combines e-commerce-specific processes from the communication, logistics and financial services markets. By combining modular services from individual markets to form integrated solutions, and consistently gearing its product portfolio and services to meet the needs of sender and recipient customers, Swiss Post can position itself as a key service provider along the e-commerce value chain. As the systems leader in Switzerland, Swiss Post offers a complete portfolio of services covering the entire e-commerce value chain. Since the middle of 2014, Swiss Post has handled all aspects of logistics for online sellers with YellowCube, a highly automated storage and picking facility.

Direct marketing

Direct marketing is one of the most effective marketing tools for customer acquisition and customer retention. Swiss Post provides business customers with a wide range of products and services for promotional letters. Further potential for growth is offered by the positioning in the advertising market, e.g. via the integration of direct marketing as a separate media category in the MA Strategy inter-media study (planning tool for advertisers) from WEMF AG for advertising media research or by the positioning of physical promotional mailings in online retail.

Successful customers thanks to integrated solutions from Swiss Post

Mobile banking

The shift of payment transactions to digital channels is being pushed ahead by technological developments. Swiss Post intends to continue to develop its pioneering role in mobile, digital payment transactions, placing particular emphasis on customers who manage their finances independently. In addition to e-finance as an entry portal, Swiss Post offers a wide range of new services such as mobile banking, e-bill and e-cockpit (customer-specific visualization of payment transactions). Swiss Post is also launching a novel, integrated payment and shopping app, TWINT, which is available to all private customers, regardless of their individual bank and telecom connections. It is designed to be used as a payment method mainly for purchases from retailers and e-commerce providers.

E-post

Swiss Post is focusing on e-post to pursue hybrid and digital growth initiatives in the postal sector. It is establishing hybrid systems such as E-Post Office, the intelligent online letter box. Recipients decide how they would like to receive their mail: on paper or in electronic form. Swiss Post is also transposing the high level of customer confidence it enjoys into the digital world by offering a digital postal ecosystem with a range of security products and services that inspire trust (such as secure e-mail with IncaMail). With the eHealth initiative, Swiss Post is expanding the industry focus in the healthcare sector.

Document solutions

Both nationally and internationally, Swiss Post is specifically capitalizing on the outsourcing of business processes driven by the industrialization of management processes. As a leading global supplier of document solutions and the management of document-based processes, it takes advantage of market growth using innovative business models with increased industry focus.

Mobility solutions

Personal mobility is in transition as individual means of transportation become more and more closely linked and transport users increasingly adopt the principle of sharing instead of feeling obliged to own a vehicle. Swiss Post aims to become a leading integrated provider in the mobility market by using its broad customer base from passenger transport and fleet management to develop new mobility solutions such as bike sharing and a car sharing network.

Markets

The various market strategies represent further key elements to ensure the fulfilment of Swiss Post's goals.

Communication

PostMail

By deploying the latest technology, PostMail is consolidating maximum reliability and quality with excellent value for money. Letters are specifically positioned as a means of communication that stand out from other competing media due to their stronger impact. Growth opportunities can be found in direct marketing, 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 expanding its leading position for comprehensive document processing services and solutions for outsourcing paper-based business processes. The 7,466 employees at SPS serve business customers in the insurance, banking, telecommunications, media, retail, energy and travel and transport sectors. SPS operates in all the major economic areas around the globe. Its core markets remain Switzerland, Germany, the UK and the USA.

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Post Offices & Sales

Post Offices & Sales strives to provide customer-friendly, efficient services in communication, logistics and payment transactions. The unit is continually developing its sales network and its range of third-party products. The range of logistics products for private customers is to be further simplified and made available for use via new channels.

Logistics

PostLogistics

PostLogistics has positioned itself as the quality and cost leader in the following market segments: national and international parcels, small consignments and warehousing, Innight, Express, Courier and e-commerce. Its core business lies in the domestic parcels segment. PostLogistics intends to develop its position through consistent cost management, increased automation and the expansion of value-added services for sender and recipient customers. In the international parcels segment, PostLogistics positions itself as a market leader in cross-border logistics and customs clearance. Small consignments, warehousing and Innight, Express and Courier complete the range. Within cross-border transport, PostLogistics plans to strengthen its presence and safeguard its connections to cross-border networks. PostLogistics offers a key service in e-commerce with its YellowCube logistics solution.

Financial services

PostFinance

PostFinance makes it extremely easy for its customers to manage their money. This means it is the first choice for all private and business customers who manage their own finances, anytime and anywhere. PostFinance provides its customers with solutions that make it easier for them to manage their financial affairs and offer added value. It provides a tailor-made service to individual customers that fits in perfectly with their value chain.

Passenger transport

PostBus

PostBus intends to build on its leading position in bus transport systems management, 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, in integrated and mobility solutions (for instance with PubliBike, the largest bike sharing provider in Switzerland), and to seek further targeted growth abroad.

Maintain the company's value in the long term

Financial controlling

The aim of financial controlling at Swiss Post Group is to achieve the financial goals of the Federal Council. In accordance with these goals, 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 goals 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 goals. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration (see "Determination of remuneration" in the Annual Report), operating profit (before management, licence fee and net cost compensation) is an important financial goal. The units have a large degree of freedom within the framework of strategic planning. 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's financial reporting 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 goals 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, they are 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 goals
The annual goals are to help achieve the quantitative and qualitative goals formulated in the strategies. They cover the following areas: market, service provision, resources, management and organization. The success in meeting the annual goals 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. They also form a basis for setting targets with the CEO. The development of the key figures is reported as part of monthly reporting.

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- 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 at all levels. They are designed to provide insight into the main developments, plans as well as problems and measures in the relevant 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 plan 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 up slightly

All four markets contributed to Swiss Post's positive result. In 2014, Swiss Post generated a Group profit of 638 million francs. Operating profit (EBIT) fell to 803 million francs (previous year normalized: 911 million francs). Non-recurring reversals of impairment from the prior-year period and the need for additional portfolio impairment charges in the reporting period resulted in a 108 million franc decline in operating profit.

Group | Key figures

2014 with previous year for comparison		2014	2013
Results			
Operating income	CHF million	8,457	8,575 ¹
Generated abroad ²	CHF million	1,233	1,132 ⁵
	% of operating income	14.6	13.2
Reserved services ³	CHF million	1,213	1,237
	% of operating income	14.3	14.4
Operating profit	CHF million	803	911 ¹
As a share of operating income	%	9.5	10.6
Generated abroad ²	CHF million	72	60 ⁵
	% of operating profit	9.0	6.6
Group profit	CHF million	638	626 ¹
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44,681	44,105
Abroad	Full-time equivalents	7,627	6,779
Financing			
Total assets	CHF million	124,671	120,383
Customer deposits (PostFinance)	CHF million	112,150	108,923 ⁵
Equity	CHF million	5,010	5,637
Investments			
Investments	CHF million	443	453
Other property, plant and equipment, intangible assets	CHF million	250	249
Operating property	CHF million	124	115
Investment property	CHF million	64	48
Investments	CHF million	5	41
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities	CHF million	-1,925	-367
Value added ⁴	CHF million	5,220	5,328
Economic value added	CHF million	207	125

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.

5 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes, in the Notes to the consolidated annual financial statements).

Additional key figures and explanatory notes can be found in the table of figures (for reference source, see page 182).

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Drivers

The economy

According to the Swiss National Bank, global economic developments continued to be mixed in 2014. The US, the UK and China posted strong growth, while economic performance remained weak in the eurozone. Switzerland saw moderate economic growth in 2014. According to initial estimates, real growth in gross domestic product stood at last year's level, with broad-based support across different sectors. Growth was generated above all in the third quarter due to a rise in goods exports. Economic growth in Switzerland, Swiss Post's most important market, nonetheless remained below its long-term average.

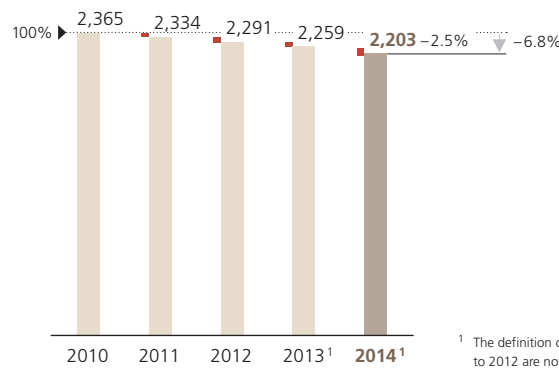
Communication market

Performance between products in the communication market varied widely. The number of addressed letters handled by PostMail and Post Offices & Sales in 2014 was 2.5 percent lower year-on-year, while unaddressed mail increased by about 2.6 percent year-on-year as a result of acquisitions. Meanwhile, newspaper delivery volumes saw negative performance (-2.6 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 3.5 percent year-on-year. At Swiss Post Solutions, income from services provided increased year-on-year.

Varying volume trends in the communication market

Decline in volume of addressed letters continues

Communication market | Addressed letters
2010 to 2014 showing change from prior year / over four years
2010 = 100%, figures expressed in millions



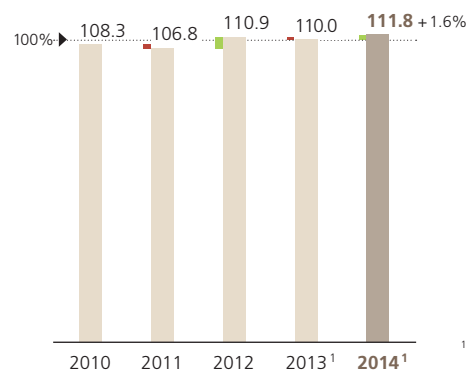
Ongoing positive trend in parcel volumes

Logistics market

The logistics market continues to be characterized by increasing competition and price pressure, both nationally and internationally. Customers are price-sensitive and have high expectations with regard to quality. As a result of deregulation and changing customer needs, there is increasing overlap between the courier, express and parcels segments and traditional dispatch. Domestic parcel volumes increased year-on-year (+ 1.8 percent). Volumes processed in imports and exports remained at the previous year's level. An overall increase of 1.6 percent was registered in terms of volumes processed.

Encouraging increase in parcel volumes

Logistics market | Parcels
2010 to 2014 showing change from prior year
2013 = 100%, figures expressed in millions



¹ The definition of parcel volumes was modified for 2013 and 2014. The values from 2010 to 2012 are not comparable.

Financial services market

Customer assets consist of customer deposits of over 110.1 billion francs and third-party products totalling 7.1 billion francs. The comments on the development of customer assets, which rose by 3.2 percent to 117.2 billion francs in the year under review, were made in the context of the new partnership between Swissquote and PostFinance announced in 2014. PostFinance is to become a custodian under the partnership. In future, it will pursue a strategy of stronger growth in terms of custody account assets, while increasingly ensuring traditional balance growth solely by "growing with the market".

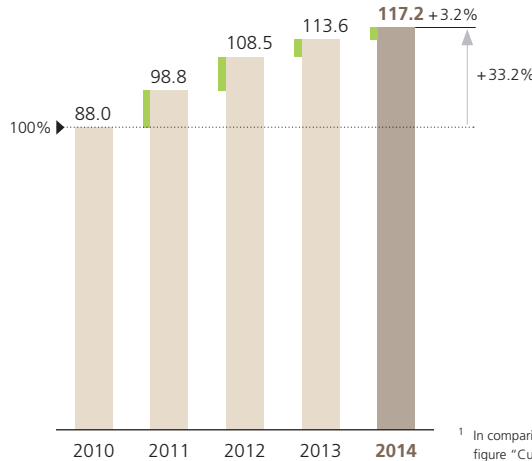
In January 2015, the Swiss National Bank reduced the interest rate for sight deposit balances that exceed a specific exemption limit by 0.5 percentage points to -0.75 percent. PostFinance has paid negative interest on the part of its sight deposit balance exceeding the exemption limit held at the Swiss National Bank since 22 January 2015. Interest rate movements are monitored on an ongoing basis and appropriate measures are taken to control customer deposits if necessary.

PostFinance recorded an increase in average customer assets 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 assets in 2014 totalled 117,186 million francs. This represents an increase of around 3 percent year-on-year. The figure below shows the development of the new key figure "Customer assets" over the past five years.

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Continual rise in customer assets

Financial services market | Average customer assets¹
2010 to 2014 showing change from prior year / over five years
2010 = 100%, CHF billion



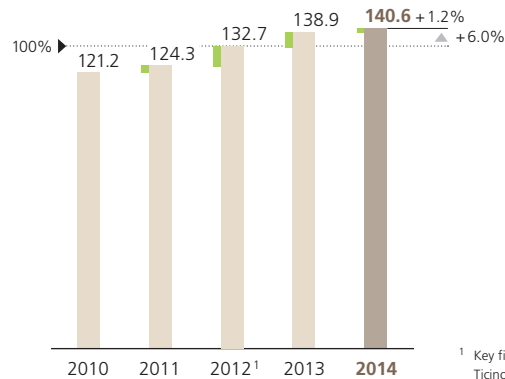
Thriving passenger transport market

Passenger transport market

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 2014, PostBus increased the number of kilometres covered by 3 percent, recording a total of 138 million kilometres. The expansion of services in Switzerland and France contributed to this rise. PostBus transported around 141 million passengers in Switzerland in 2014. This represents an increase of 1.2 percent over the previous year.

Further rise in passenger numbers in Switzerland

Passenger transport market | Number of passengers (Switzerland)
2010 to 2014 showing change from prior year / over three years
2012 = 100%, number of passengers in millions



Profit situation

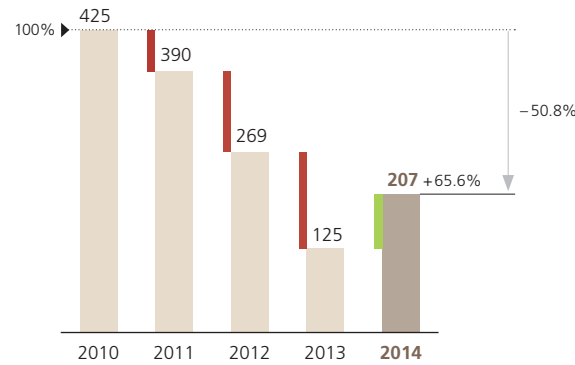
Economic value added

Increased economic value added

In line with the Federal Council’s financial goals, Swiss Post is expected to maintain and increase economic value added in the long term. 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 goal, 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 61).

Positive change in economic value added

Group | Economic value added
2010 to 2014 showing change from prior year / over five years
2010 = 100%, CHF million



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

As at 31 December 2014, Swiss Post met the financial expectations of the Federal Council and generated economic value added of 207 million francs. The increase year-on-year is due to lower capital costs arising from interest rates in the past financial year, and to the non-recurring one-off effects of deferred tax expenses, which had a negative effect on economic value added in the previous year.

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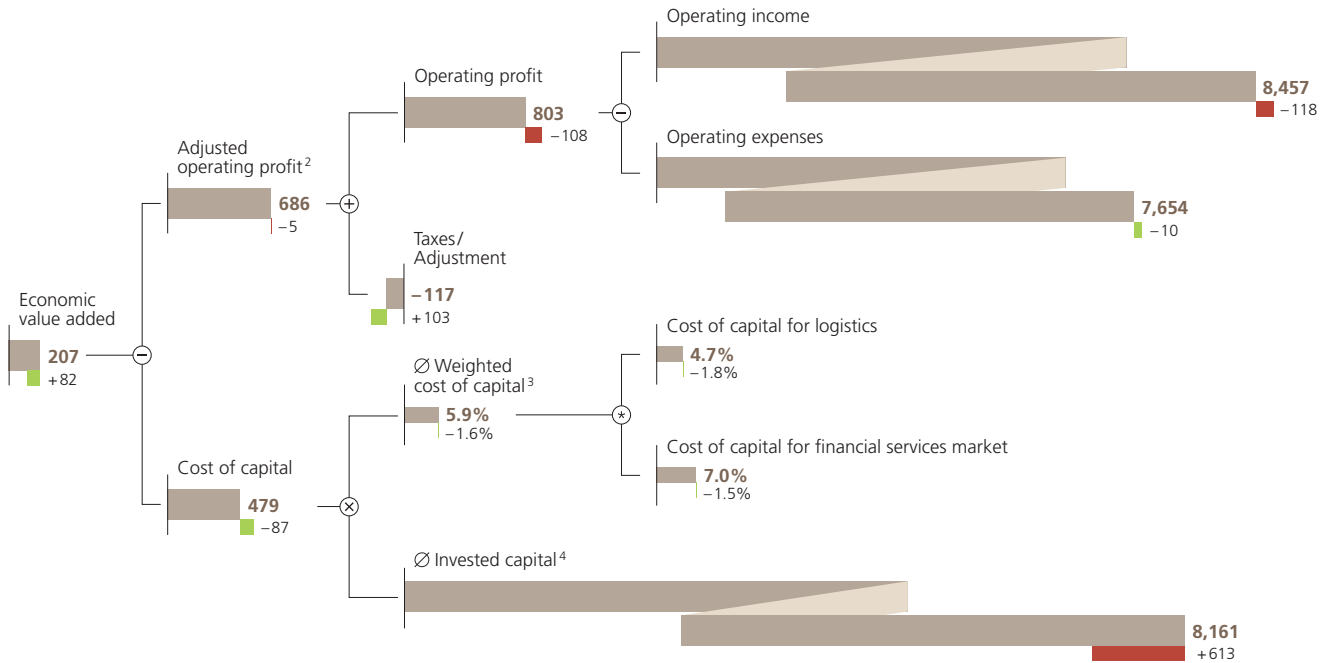
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Lower capital costs have a positive impact on economic value added

Group | Economic value added
2014 showing change from prior year¹
CHF million, percentage points



⊙ Weighted with the average invested capital in logistics and in the financial services market (PostFinance).

¹ The definition of adjusted operating profit 2013/2014 was changed.

² Net operating profit after tax (NOPAT).

³ Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity capital for the financial services market (PostFinance).

⁴ At PostFinance corresponds to equity in accordance with Basel II (CHF 4,111 m) and in logistics units to the ∅ net operating assets (NOA) of CHF 4,050 m.

Income statement

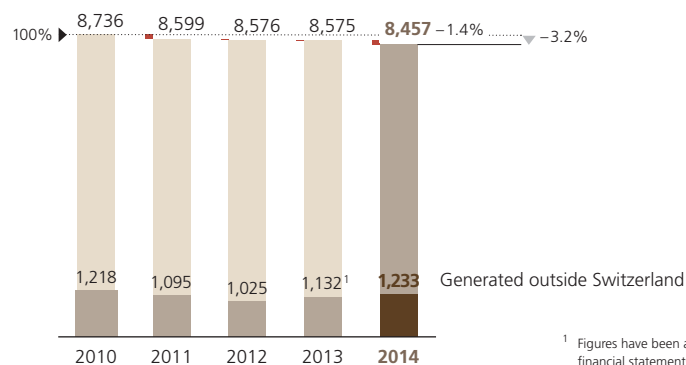
Operating income

Operating income stood at 8,457 million francs in 2014 (previous year normalized: 8,575 million francs). The 118 million franc decline is mainly due to non-recurring reversals of impairment recognized the previous year and to lower investment portfolio income.

Decline in operating income

Decline in operating income during the reporting period

Group | Operating income
2010 to 2014 showing change from prior year / over five years
2010 = 100%, CHF million

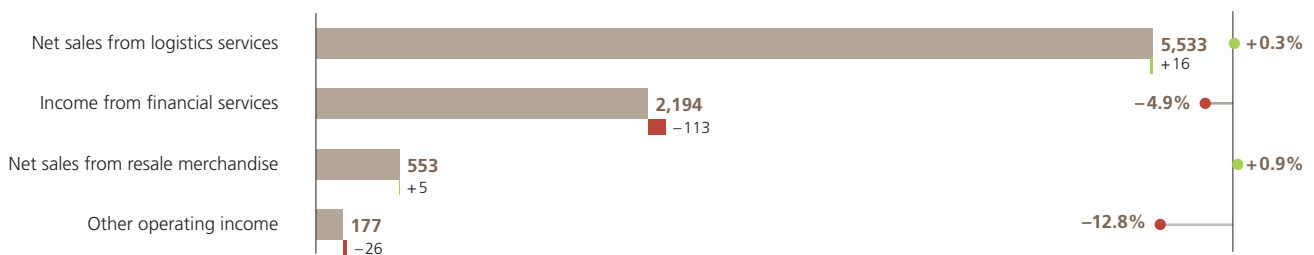


¹ Figures have been adjusted (see Notes to the consolidated annual financial statements, Note 2, Basis of accounting, Accounting changes).

Net sales from logistics services rose by 16 million francs year-on-year to 5,533 million francs. Net sales from resale merchandise were stable. No reversals of impairment were recorded in income from financial services in 2014, and the low interest level resulted in lower returns on the investment portfolio. Other operating income decreased by 26 million francs year-on-year, due primarily to lower proceeds from sales of property, plant and equipment.

Operating income affected by decline in financial services

Group | Operating income
2014 showing change from prior year
CHF million, percent



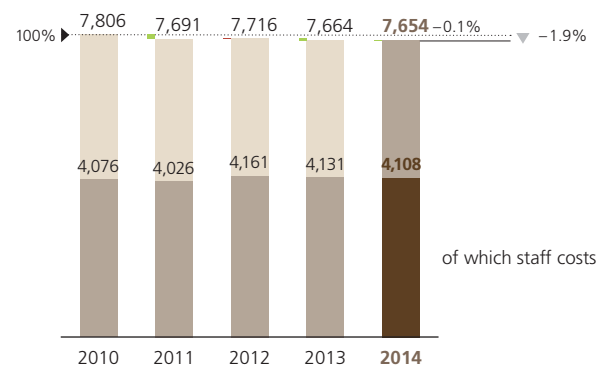
Stable operating expenses

Operating expenses

Operating expenses fell by 10 million francs to 7,654 million francs year-on-year (previous year normalized: 7,664 million francs). Staff costs in relation to total operating expenses remained stable and stood at around 54 percent in 2014.

Operating expenses on a par with previous year

Group | Operating expenses
2010 to 2014 showing change from prior year / over five years
2010 = 100%, CHF million

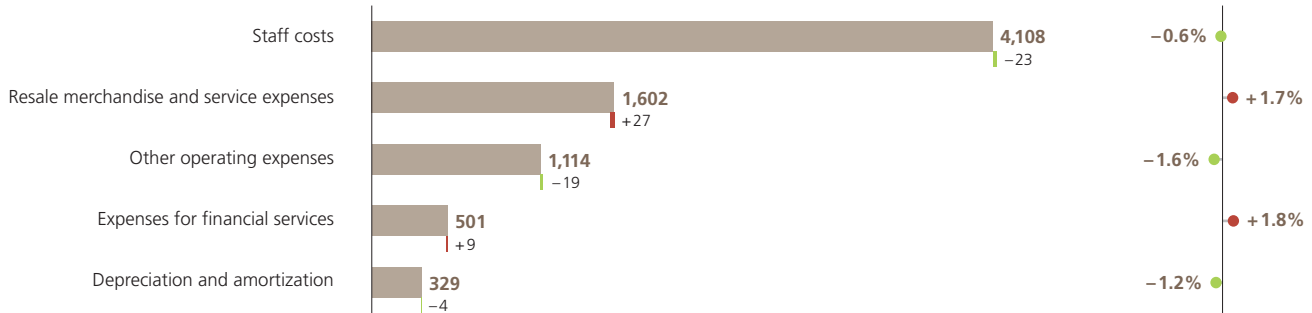


In comparison with the normalized prior-year figure, the decline in staff costs was mainly the result of lower employee benefit expenses. Resale merchandise and service expenses increased by 27 million francs due to changes in volumes. Expenses for financial services rose slightly due to the recognition of the necessary portfolio impairment charges. Other operating expenses remained stable in 2014. Depreciation and amortization costs decreased slightly.

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Steady development of expenses by category

Group | Operating expenses
2014 showing change from prior year
CHF million, percent

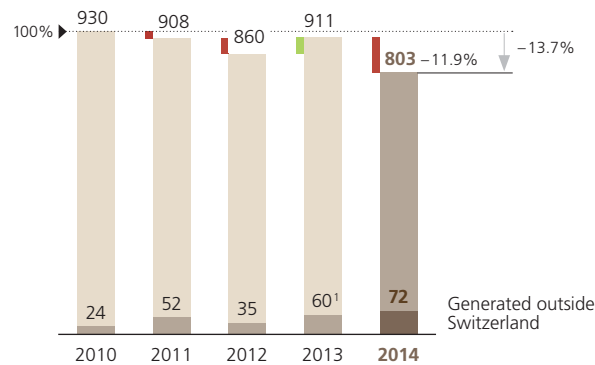


Operating profit

Swiss Post generated an operating profit of 803 million francs in 2014. This represents a decline of 108 million francs in comparison with the normalized prior-year figure. This drop was mainly due to non-recurring reversals of impairment in 2014 and to the recognition of additional portfolio impairment charges.

Drop in operating profit due to portfolio impairment charges

Group | Operating profit
2010 to 2014 showing change from prior year / over five years
2010 = 100%, CHF million



¹ Figures have been adjusted (see Notes to the consolidated annual financial statements, Note 2, Basis of accounting, Accounting changes).

Group profit up slightly year-on-year

Group profit

At 16 million francs, net income from associates and joint ventures was higher than the previous year (7 million francs). Financial income decreased by 2 million francs year-on-year, while financial expenses were 36 million francs down on the previous year, mainly as a result of lower interest expense on employee benefit obligations. Expenses for income taxes fell by 77 million francs year-on-year. This decline is due to non-recurring one-off items in deferred tax expenses from 2013. As a result, Group profit amounted to 638 million francs in 2014.

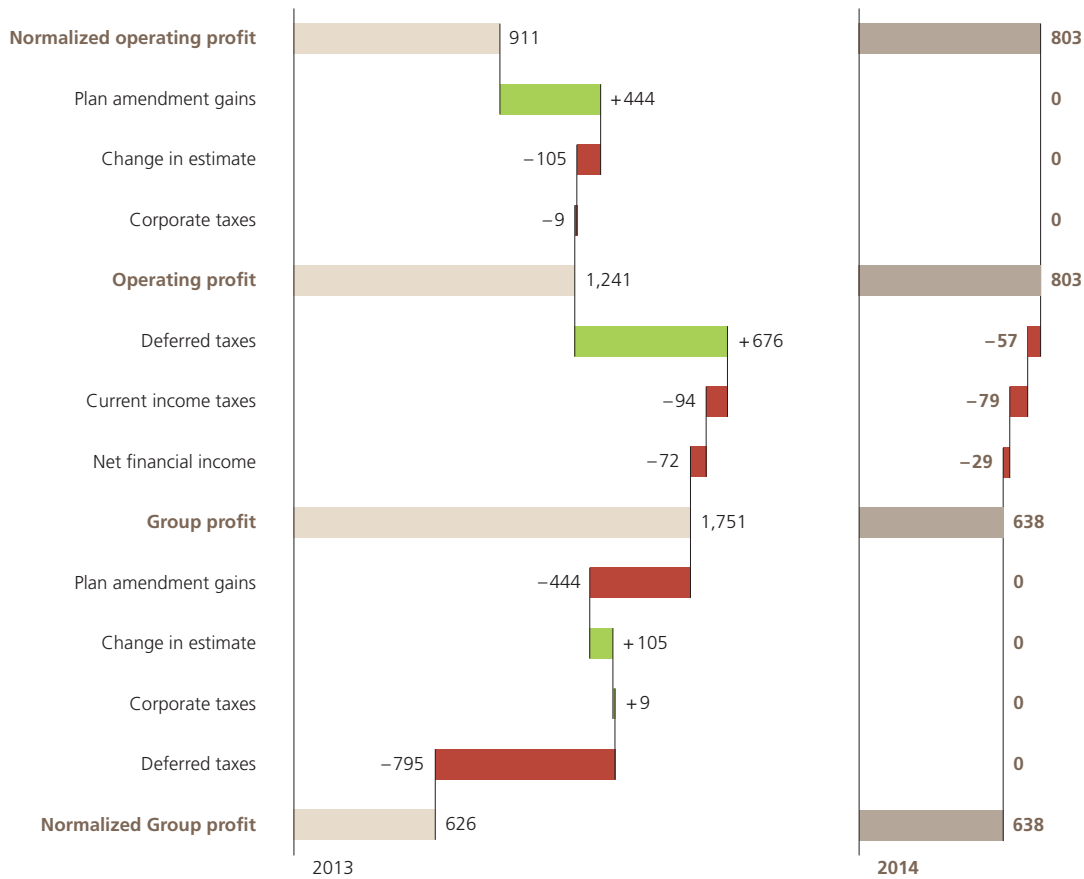
One-off items in 2013 – non-recurring in 2014

Swiss Post’s financial result included the following one-off items (normalization) in 2013:

- Income tax income due to initial recognition of deferred taxes arising from full liability for taxation with effect from 1 January 2013, as well as the 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.

There were no one-off effects in the 2014 reporting period

Group | Group profit
2013 and 2014
CHF million



Different scale: 3 mm is equivalent to CHF 100 m.

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Segment results

Overview

All the markets contributed to operating profit.

Group Segment results 1.1. to 31.12.2014 with prior-year period CHF million, percent, full-time equivalents	Operating income ¹		Operating profit ^{1,2}		Margin ³		Headcount ⁴	
	2014	2013 ⁸	2014	2013 ⁸	2014	2013 ⁸	2014	2013
	Communication market	4,848	4,891	246	238	5.1	4.9	30,953
PostMail	2,887	2,959	334	324	11.6	10.9	16,979	17,212
Swiss Post Solutions	659	616	12	5	1.8	0.8	7,466	6,798
Post Offices & Sales	1,663	1,697	-100	-91			6,508	6,591
Logistics market								
PostLogistics	1,562	1,581	141	133	9.0	8.4	5,304	5,426
Financial services market								
PostFinance ⁵	2,261	2,377	382	537			3,466	3,439
Passenger transport market								
PostBus ⁶	835	812	30	28	3.6	3.4	2,789	2,487
Other ⁷	886	897	4	-25			2,169	2,152
Consolidation	-2,296	-2,364	-	-				
	8,457	8,575	803	911			44,681	44,105

¹ Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.

² Operating profit corresponds to earnings before net non-operating financial income/expenses and taxes (EBIT).

³ The financial services market (PostFinance) uses the indicator return on equity; no margin is calculated for "Other"; negative margins are not reported.

⁴ Average expressed in terms of full-time equivalents.

⁵ 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.

⁶ Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.

⁷ Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).

⁸ Normalized figures

Communication market

PostMail

PostMail recorded an operating profit of 334 million francs in 2014, exceeding the normalized prior-year figure by 10 million francs.

Operating income fell by 72 million francs to 2,887 million francs. Declining volumes of addressed letters had a negative effect on operating income and could not be offset by moderate price increases for newspapers. Operating income from international consignments was also down year-on-year due to lower import and export volumes.

Operating expenses were reduced by 82 million francs year-on-year to 2,553 million francs (previous year normalized: 2,635 million francs). The decline in operating expenses can be explained by falling staff costs, including employee benefit expenses, and a drop in other operating expenses.

Headcount fell by 233 full-time equivalents year-on-year on account of the ongoing impact of process optimization and declining volumes.

Swiss Post Solutions

Swiss Post Solutions posted operating profit of 12 million francs, which was 7 million francs higher than the normalized previous year's level.

Operating income increased by 43 million francs to 659 million francs. Additional income from acquisitions contributed 39 million francs to this rise. Swiss Post Solutions in Germany experienced growth of 11 million francs, which was achieved primarily by the acquisition of reputed customers in the document processing and mailroom units. Swiss Post Solutions in the US, France and Vietnam also recorded an increase in operating income thanks to new customers and higher volumes. In contrast, mailroom activities in Switzerland and Global Services in Germany suffered a decline in business performance.

PostMail: prior-year
result surpassed

Swiss Post Solutions:
positive trend in
operating profit

At 647 million francs, operating expenses were up 36 million francs year-on-year (previous year normalized: 611 million francs). Sales growth and an increase in expenditure for acquisitions were the main factors responsible for the rise in operating expenses.

Average headcount rose by 668 to 7,466 full-time equivalents year-on-year. The increase was due to the addition of employees from newly acquired companies and recruitment of staff at Swiss Post Solutions in the US and in Vietnam.

Post Offices & Sales

Post Offices & Sales recorded an operating loss of –100 million francs in 2014, which was down 9 million francs on the normalized previous year's level. The fall in sales of logistics products could not be fully offset by savings on the expense side.

Operating income was down 34 million francs year-on-year to 1,663 million francs (previous year normalized: 1,697 million francs). The decline in volumes of the logistics products letters and parcels led to a fall in revenue of 33 million francs. Letter volumes in particular dropped sharply. The distribution of free stamps to Swiss households accentuated the decline in volumes. The downward trend in cash processing at the post office counter resulted in a decline in revenue of 10 million francs. Sales of brand-name items registered an encouraging rise however, increasing by 11 million francs over the prior-year period.

Operating expenses were cut by 25 million francs year-on-year to 1,763 million francs (previous year normalized: 1,788 million francs). The negative volume trends for postal products led to a 16 million franc decrease in expenses for the sorting, transport and delivery of letters and parcels to private customers. Staff costs fell by 15 million francs. The expansion of the network of agencies led to an increase in sales compensation. Other operating expenses were cut by 4 million francs thanks to the development of the post office network. Resale merchandise expenses rose by 7 million francs due to successful brand sales.

At 6,508, headcount fell by a total of 83 full-time equivalents year-on-year despite the integration of 30 full-time equivalents from the Kriens Customer Center, due to developments in the post office network.

Logistics market

PostLogistics

PostLogistics achieved an operating profit of 141 million francs in 2014, representing an increase of 8 million francs in comparison with the normalized prior-year figure of 133 million francs. The increase was mainly due to cost savings achieved through process optimization and to improved results in fleet management and value logistics solutions.

Operating income totalled 1,562 million francs, down 19 million francs on the previous year. This decline was the result of customer loss in small consignment transport and warehousing, combined with lower volumes in the catalogue mailing sector. The rise in parcel volumes only partly offset the reduction in operating income.

Operating expenses were down 27 million francs year-on-year to 1,421 million francs (previous year normalized: 1,448 million francs). Higher parcel volumes led to a rise in sorting and delivery expenses. This increase in expenses was more than offset by optimization measures in small consignment transport and warehousing. In addition, fewer temporary employees were required.

Average headcount fell by 122 to 5,304 full-time equivalents. This was due to the optimization measures mentioned above and the liquidation of two subsidiaries.

Post Offices & Sales:
operating profit
affected by decline
in core business

PostLogistics:
operating profit up
year-on-year

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PostFinance: sharp decline in operating profit

Financial services market

PostFinance

In 2014, PostFinance recorded an operating profit of 382 million francs, representing a decrease of 155 million francs in comparison with the normalized prior-year figure. This was primarily the result of higher portfolio impairment charges. Whereas reversals of impairment on financial assets of 66 million francs had a positive effect on profit in the prior-year period, additional market and position-related impairment charges of 88 million francs had to be recognized in 2014.

Operating income decreased by 116 million francs to 2,261 million francs. Net interest income fell by 64 million francs year-on-year. Commission and service income was up on the previous year's figure, mainly as a result of the new account pricing introduced in March 2013 and additional income from credit cards, funds and life insurance. Within income from financial assets, higher revenue was generated by the sale of equity and bond positions.

Operating expenses were up by 39 million francs year-on-year to 1,879 million francs (previous year normalized: 1,840 million francs). Interest expense decreased by 85 million francs year-on-year. This decline was offset by higher office and administrative expenses, charges for the project business and the recognition of portfolio impairment charges as mentioned above.

Headcount rose by 27 full-time equivalents year-on-year to an average of 3,466 full-time equivalents.

Passenger transport market

PostBus

PostBus: earning power boosted by growth

In 2014, PostBus recorded an operating profit of 30 million francs, representing an increase of 2 million francs in comparison with the normalized prior-year figure. Higher sales of system services, a rise in income from networked traffic and an increase in the number of kilometres travelled all contributed to the positive trend.

Operating income was up 23 million francs to 835 million francs as a result of the increase in the number of kilometres travelled in Switzerland and in France. In addition, adjustments to cost apportionment of the fare networks in favour of PostBus generated a 2 million franc rise in operating income.

Operating expenses increased by 21 million francs to 805 million francs (previous year normalized: 784 million francs), due primarily to an increase in the number of kilometres covered and to higher staff levels. These effects were partially offset by changes in fuel prices.

Headcount rose by 302 to 2,789 full-time equivalents. Almost half of these positions were attributable to growth in France.

Management and service units: balance between expenses and income

Management and service units

The "Other" segment recorded an operating profit of 4 million francs in 2014 (previous year normalized: –25 million francs).

At 886 million francs, operating income fell by 11 million francs year-on-year. This was mainly the result of declining revenue from the sale of property, plant and equipment.

Operating expenses decreased by 40 million francs to 882 million francs (previous year normalized: 922 million francs). This reduction was mainly due to the reversal of provisions no longer required and to the lower provisions needed in 2014.

Headcount rose by 17 to 2,169 full-time equivalents.

Acquisitions

Switzerland

Post CH Ltd, headquartered in Berne, acquired Asendia Press D4M AG, based in Kriens, on 30 December 2014. This acquisition strengthens PostMail's expertise and range of services in publishing management. Asendia Press D4M AG operates in Switzerland and has 15 employees. It was merged into Direct Mail Company AG, headquartered in Basel, on 30 December 2014.

Belgium

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

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 136.

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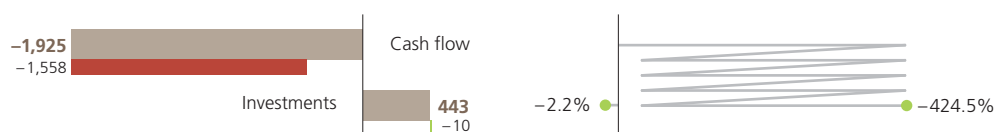
Assets and financial situation

Cash flow and investments

Cash flow from operating activities stood at –1,925 million francs in 2014. In the 2013 comparison period, cash flow from operating activities stood at –367 million francs. The cash outflow in 2014 is primarily due to the financial services business. For more information on changes in the consolidated statement of cash flows, see page 70.

Change in financial assets entails operative cash drain

Group | Internal financing
2014 showing change from prior year
CHF million, percent



Overall, investments in property, plant and equipment (320 million francs, mainly in operating property and vehicles), investment property (64 million francs), intangible assets (54 million francs) and investments (5 million francs) were down 10 million francs on the previous year. Excluding the positions from financial services reported in the balance sheet, cash flow was sufficiently high 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 is reflected in higher planned investments of around 500 to 600 million francs in comparison with the previous financial year. Investments will mainly be made in property, plant and equipment, predominantly 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 2014.

Consolidated balance sheet

Receivables due from banks

In comparison with 31 December 2013, receivables due from banks decreased by around 2 billion francs.

Financial assets

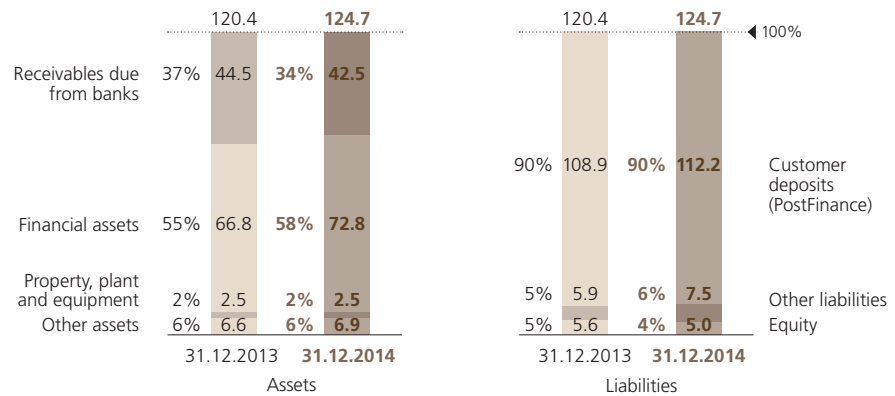
In comparison with the end of 2013, financial assets increased by around 6 billion francs.

Property, plant and equipment

The carrying amount of property, plant and equipment rose by 7 million francs compared with 31 December 2013. In 2014, depreciation and amortization decreased by 4 million francs, reaching around 329 million francs.

Moderate balance growth as at 31 December 2014

Group | Balance sheet structure
As at 31.12.2013 and 31.12.2014
CHF billion

**Customer deposits**

Since 31 December 2013, customer deposits at PostFinance rose by around 3.3 billion francs to just over 112 billion francs. As at 31 December 2014, customer deposits accounted for around 90 percent of the Group's total assets.

Other liabilities (provisions)

Provisions including employee benefit obligations increased by 1,463 million francs in comparison with the previous year-end figure. This was essentially due to an increase in employee benefit obligations of around 1,447 million francs associated with actuarial interest rates. The actuarial interest rate had to be reduced due to interest trends on the financial markets. All other provisions changed only marginally in comparison.

Equity

Consolidated equity as at 31 December 2014 (5,010 million francs) was calculated net of the appropriation of profit for 2013.

Appropriation of profit

The appropriation of profit is determined by legal provisions and by business requirements. The key issue is an appropriate capital structure. Following payment of the dividend to the owner, the remaining amount is used to accumulate reserves.

The proposal for the appropriation of profit of Swiss Post Ltd can be found on page 148.

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Non-financial results of a material nature

In addition to the financial goal of an EBIT of between 700 and 900 million francs and the aim of holding "the leading market position in Switzerland", Swiss Post has set itself the following strategic goals (see pages 16 and 18):

- Customer satisfaction: at least 78 points on a scale of 0–100
- Employee commitment: at least 80 points on a scale of 0–100
- Sustainability: 10 percent improvement in CO₂ efficiency by the end of 2016 in comparison with 2010
- Universal service: unrestricted regulatory audit certification

Customer satisfaction

Customers have been very satisfied with Swiss Post for years.

Swiss Post endeavours to adjust to changing customer requirements and to develop its products and services accordingly. For 16 years Swiss Post has commissioned an independent institute to conduct and evaluate an annual satisfaction survey among around 24,000 private and business customers throughout Switzerland and in selected countries abroad for quality assurance and improvement purposes. Data is collected regarding satisfaction with Swiss Post, in general, as well as specifically on the range of products and services, customer contact, customer advisors, prices (or value for money) and problem solving.

Group | Customer satisfaction

2014 with previous year for comparison
Index 100 = maximum

	2014	2013	Change
Swiss Post Group	80	80	0
Business customers (Switzerland)			
PostMail (national consignments)	79	78	+1
PostMail Mail (international consignments)	77	79	-2
PostLogistics	77	78	-1
PostFinance	82	83	-1
Swiss Post Solutions	82	79	+3
Post Offices & Sales	82	82	0
Private customers			
PostFinance	84	85	-1
Post Offices & Sales	86	86	0
PostBus, commuters	76	74	+2
PostBus, leisure travellers	84	83	+1

Group | Recipient customer index

2014 with previous year for comparison
Index 100 = maximum

	2014	2013	Change
Overall delivery quality (recipient customer index)	91	92	-1

¹ Because of changes to the questionnaires, the figures cannot be compared directly with those of last year.

The results have remained very high for several years. At 80 out of a possible 100 points, this year's Group-wide customer satisfaction index underscores the record achieved last year. Customers indicate that they particularly appreciate the quality of services and personal advice provided. Figures above 80 are considered to reflect very high levels of satisfaction, whereas figures below 65 are seen as critical.

Private customers

The 14,000 private customers questioned in the customer satisfaction survey rated individual Group units very highly, as they did last year. The highest number of points (86) was achieved by the Post Offices & Sales unit. This year, however, PostBus also gained points from commuters (76 points) and leisure passengers (84 points).

The quality of letter deliveries was rated by 12,800 private recipient customers in a separate survey – the recipient customer index – achieving a very high 91 points on a scale of 0 to 100. Customers are particularly satisfied with the professional conduct and appearance of delivery staff, and their friendliness received the top mark of 95 points.

This survey has been carried out and evaluated by an independent institute since 2004. The customer satisfaction index and recipient customer index are produced using different criteria, which means they are not directly comparable to one another.

Business customers

The 10,000 business customers questioned assigned high scores of between 77 and 82 to individual sub-units. Swiss Post Solutions (with 82 points) and PostMail's national letter mail (with 79 points) received slightly better ratings than they did last year. Business customers' perception of the international services offered by PostMail (77 points) and PostFinance's range of services (82 points) was still at a high level, although not quite as high as it was last year.

On the basis of the survey results, Swiss Post implements various initiatives and measures in order to strengthen customer proximity and to meet the needs of different customer groups more effectively. The results are used to develop customer relationship management (CRM) at Group level for example. By finding out what is important to its customers, Swiss Post can optimize and constantly adapt the entire customer experience chain.

Successful customer care via customer intelligence

Swiss Post is in contact with a large number of very different private and business customers who all have their own individual requirements. Swiss Post wants to cater to these needs more effectively in future by establishing customer relationship management (CRM) at Group level. Comprehensive understanding of its customers enables Swiss Post to recognize potential for development more easily, to address customers more specifically and finally, to make its business more profitable.

The results of the customer satisfaction survey indicate how good Swiss Post is at doing so from the customer's perspective. The figures show for example that customers particularly appreciate marketing measures if they offer added value that is of immediate benefit to them in their everyday business lives. Information must therefore be individually designed and targeted. Findings of this kind help Swiss Post to plan campaign management that will allow marketing campaigns to be controlled at Group level in future.

Employee commitment

Employees regard Swiss Post as an attractive employer. In the employee satisfaction survey, they confirm that they are committed to their work and to the company's success, and that they are proud to work for Swiss Post. This is reflected in the result in a high positive rating, with 82 out of 100 points for personal commitment (2013: 82 points). The commitment index is the central element of the survey and consists of the components identification, staff turnover and motivation.

Good working conditions and pleasant working relationships

With a medium to high positive rating, the results remain stable year-on-year at a high level across the Group. This is despite major changes such as the conversion of Swiss Post into a company limited by shares, a new regulatory framework and ongoing negotiations on a new collective employment contract (CEC). Employees are particularly positive with respect to cooperation and mutual support within and between teams, their perceived ability to contribute to the company, and work-life balance. With 75 points, the work situation (work content, processes, workload and working conditions) is rated just as highly as last year. Employee satisfaction is again at 75 points, while internally perceived customer focus receives 79 points.

Confidence in management and Swiss Post's strategic focus

Employees see Swiss Post as an innovative company that is developing positively with its strategic focus. With the strong sense of cross-unit cooperation in place, they have confidence in management. At 72 points, this year's measure of what is termed "unit fitness" remains unchanged in the average positive range. It is made up of the factors strategy, management, information and communication, change and innovation, cooperation, and development.

Committed and
satisfied employees
at Swiss Post

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Measurement categories unchanged over six years

For the survey in May 2014, Swiss Post used the same measurement model for the sixth year running. Values from 60 to 74 points are considered an “average positive” rating, while values between 75 and 84 points are rated “high positive”. The questionnaire was sent this year to around 50,000 employees in seven languages and 16 countries, and almost 79 percent responded. This is the highest response rate to date (previous year: 77 percent).

Group | Employee satisfaction survey

2014 with previous year for comparison
Index 100 = maximum

	2014	2013
Commitment	82	82
Identification	81	81
Staff turnover	80	80
Motivation	86	86
Work situation	75	75
Unit fitness ¹	72	72
Customer focus	79	79
Employee satisfaction	75	75

¹ Unit fitness is made up of the factors strategy, management, information and communication, change and innovation, cooperation, and development.

Investments in staff

Swiss Post is successful when its employees are motivated to put the corporate strategy to practical use in their daily work. To make this possible, Swiss Post relies on exemplary employment conditions and provides employees at every level and of every age with opportunities for development. By doing so, Swiss Post aims to improve the performance of its employees and to promote market-oriented action.

Support for apprentices and young talent

Over 2,000 apprentices received training in 15 professions at Swiss Post in 2014. This represents 5.5 percent of its headcount in Switzerland, making Swiss Post one of the largest training companies in Switzerland. The success rate in final apprenticeship examinations stood at 99.1 percent in 2014. Four out of every five newly-qualified professionals continued to work for Swiss Post. Furthermore, Swiss Post enabled 14 university graduates to enter the working world as part of its in-house trainee programme.

Internal advanced training measures

The skills and competencies required in the company are enhanced by means of appropriate specialist training courses. Around 640 internal specialist and management courses in the form of face-to-face training in German, French and Italian are registered in the central system. More than 3,250 courses have been organized, enabling almost 34,000 employees to attend training events lasting an average of one to one and a half days. In addition, Swiss Post employees have access to 680 e-learning courses in German, French, Italian and English which have been completed around 81,000 times.

One key aspect of internal basic and advanced training at Swiss Post is the militia principle which enables in-depth expert knowledge and the strong practical relevance of the input from specialists to benefit the different Group units. The leadership development programmes for current and future managerial staff at all levels remain of equally high relevance. An in-house training format was developed and implemented for top management at Swiss Post in 2014.

External individual basic and advanced training

Last year, Swiss Post provided almost 6 million francs of financial support for external basic and advanced training requested by its employees. More than 1,500 members of staff were able to benefit from the necessary time or funding. This generous contribution reflects the company's interest in keeping employee training at a persistently high level.

More information on employees can be found in the Annual Report on page 39.

New CO₂ efficiency goal

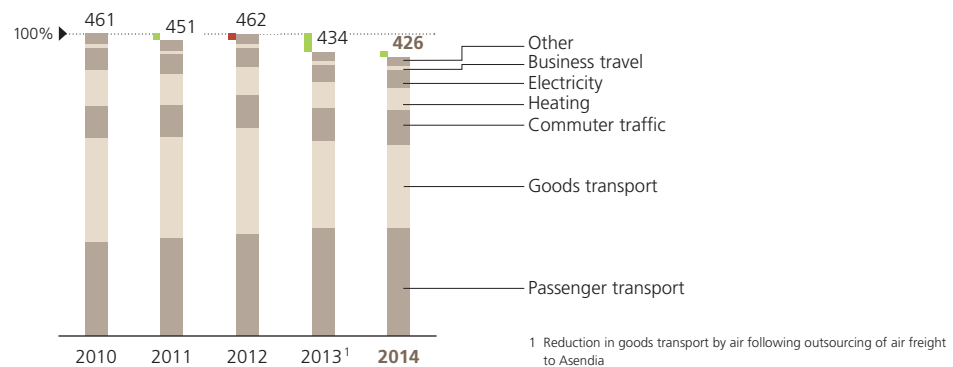
Sustainability

With its sustainability strategy for 2014-2016, Swiss Post is aiming to achieve a CO₂ efficiency increase of at least 10 percent by the end of 2016 (base year: 2010). This Group goal is defined 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. The current social commitment is now being integrated into the sustainability strategy in the form of education, health and procurement. In the interests of employees and their safety, Swiss Post has defined the specific goals of maintaining the proportion of trainees at 5 percent and reducing occupational accidents by 3 percent by 2016 (base year: 2013). With respect to procurement, Swiss Post is examining the issues more closely and introducing new sustainability criteria.

Swiss Post's greenhouse gas emissions remain stable, despite an increase in parcel volumes and business growth at PostBus. Heat requirements were continually reduced.

Swiss Post's greenhouse gas emissions decline slightly

Group | Greenhouse gas emissions by process
2010 to 2014
2010 = 100%, 1000 t CO₂ equivalent (within and outside Swiss Post)



In order to substantially reduce its CO₂ emissions, Swiss Post has implemented a comprehensive package of measures. It has improved the utilization of its vehicles, optimized routes, provided training in eco-driving and offered an eco-bonus to incentivize subcontractors. It has also implemented measures on alternative drive technologies and renewable energies. Hydrogen, biodiesel, green electricity or biogas are increasingly used as fuel for Swiss Post's vehicle fleet. Potential energy savings in building services and in post offices have been identified and appropriate measures introduced. Swiss Post now uses 10 percent biogas for gas heating in its buildings. It has also constructed pioneering new buildings that comply with the German Sustainable Building Council's DGNB quality label and the MINERGIE® standard, such as the new headquarters in Berne. Swiss Post covers 100 percent of its electricity requirements with "naturemade basic" certified renewable energy from Switzerland. It now also operates ten photovoltaic systems feeding approximately 5 gigawatt hours of solar electricity into the grid each year. With "pro clima" – Shipment, all domestic letters have been carbon neutral since 2012 at no extra charge for the customer. Now, Swiss Post is funding the construction of the first gold standard Swiss Post climate protection project in Switzerland. It consists of 30 biogas plants and farms that reuse manure and other organic waste to generate electricity. Raising employees' awareness of sustainability is a recurring topic of internal communication as well as in workshops and at events.

Swiss Post is constantly increasing CO₂ efficiency. This is achieved by implementing a range of measures to reduce greenhouse gas emissions and to increase the efficiency of the core services it provides.

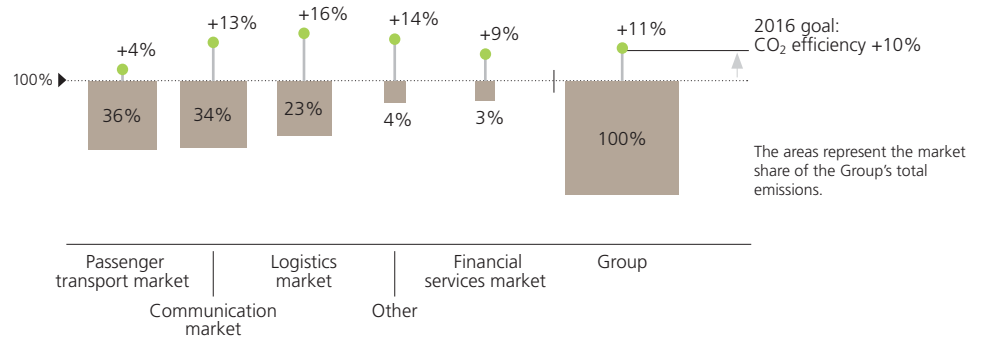
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Improvements in CO₂ efficiency in all markets

Group | CO₂ efficiency and proportion of CO₂ emissions by market

2014

CO₂ efficiency index¹ 2010 = 100%, proportion of emissions in percent



¹ The CO₂ efficiency index is measured as the change in CO₂ equivalents per core service unit in the financial year in comparison with the base year 2010. Core services are defined by unit (consignment, transaction, passenger kilometres, FTE etc.).

Swiss Post takes steps to strengthen its social commitment along the entire procurement chain. Swiss Post has been a member of the Fair Wear Foundation (FWF) since 2012 in order to ensure the socially responsible production of its work clothes. In 2014, Swiss Post obtained leader status within the FWF, a position enjoyed by only six other FWF members out of a total of 80. In health management, an operating group solution was introduced and implemented in cooperation with the units in order to reduce occupational accidents.

More information on sustainability is given on page 45 of the Annual Report and in the GRI report, available at www.annualreport.swisspost.ch

Universal service

Swiss Post's core services are determined by statutory mandates.

The universal postal service defined in the Postal Services Act encompasses the transport of letters (up to one kilogram), parcels (up to 20 kilograms), newspapers and magazines. These services must be reasonably accessible via Swiss Post's access points, and deliveries must be made to permanently inhabited areas on at least five working days a week. Swiss Post also has a mandate to provide a universal service for payment transactions (read more about the Statutory framework on page 16).

Swiss Post aims to fulfil its statutory mandate by focusing on its customers and providing them with consistent high quality. Swiss Post finances the universal service from its own revenue; it does not receive any financial compensation in return. External auditors are commissioned each year by PostCom to ensure compliance with the legal requirements for financing the universal service. The last available audit certificate from March 2014 concerns the 2013 financial year.

Swiss Post's core products and services are determined by the statutory mandates for the universal service. In addition to its universal service obligations, Swiss Post must also meet the strategic goals of the Federal Council. Swiss Post regards both as opportunities to prove that the trust placed in it is justified. 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. Swiss Post's success should not be taken for granted. The regulatory framework must remain balanced in the future to enable Swiss Post to take account of complex political, regulatory and commercial demands.

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 Committee and the Board of Directors.

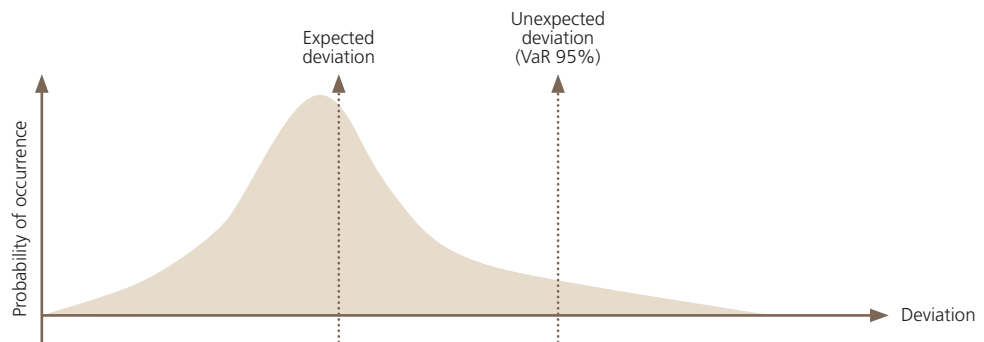
Risk simulation

Monte Carlo simulation techniques are 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 and historic event data.

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 EBIT deviation for the next twelve months, while value-at-risk (95 percent) is used for unexpected EBIT deviations. The expected EBIT deviation for 2020 is now simulated and aggregated to identify the strategic risk situation.

Risk indicators



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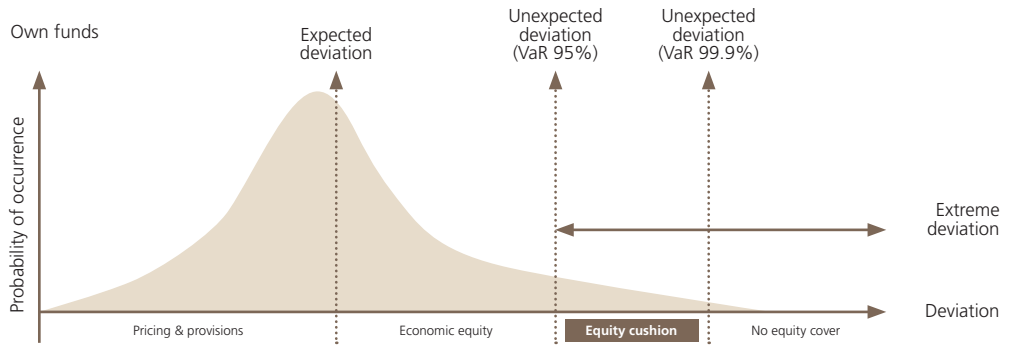
Aggregation levels

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 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, Group 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 Strategy, Accounting, Crisis Management and Group Audit units, as well as Compliance (from 2015). The different organizational units coordinate their processes, integrate their reporting documents and pool their analysis findings.

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Risk situation

An analysis of the risk situation at Swiss Post at the end of 2014 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In addition, the expected losses do not exceed the planned operating profit. Risk appetite is therefore covered.

Based on the latest measurements (Monte Carlo simulation), the Group's expected potential loss amounts to around 28 million francs in the next twelve months. An unexpected potential loss (VaR 95 percent) of 209 million francs was also calculated. The Group's risk situation is divided between PostFinance (32 percent), PostBus (1 percent) and the remaining Group units (67 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 at PostFinance" section on page 164.

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. Opportunities and threats are thus both subsumed under risks. 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 threats

The exogenous risks that pose the greatest threat to income and assets are changes in the regulatory conditions governing the universal service obligation and the substitution of several business areas by electronic media.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. 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 threats

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

Exogenous opportunities

Swiss Post's business area is affected by a range of external factors that offer potential opportunities as well as risks. Trends in e-commerce and the demand for digital postal and 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 16.

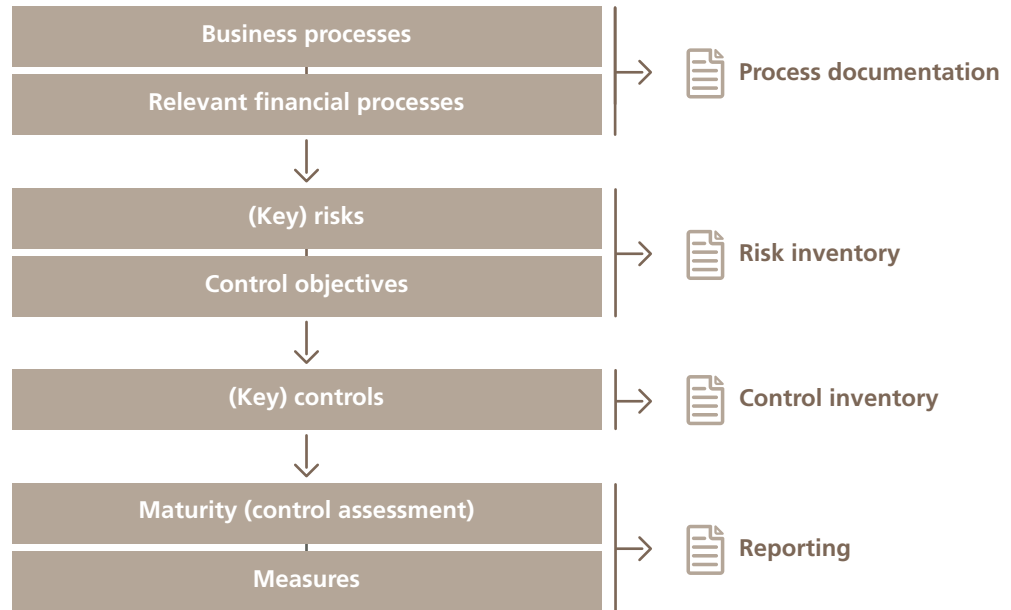
For more information on risk management at Swiss Post, see page 119.

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 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.

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 "Swiss Post Ltd" 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. Key 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 are 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 goal 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 2014, all the units and hence the Group as a whole were able to achieve at least the desired maturity level. A total of 225 processes were documented as ICS-relevant and assessed as such. Around 23 percent of the processes assessed reached maturity level 4 – integrated. A total of 433 key risks were defined and 557 key controls implemented for 2014 as part of the risk identification process. The key controls were documented in accordance with the “Swiss Post Ltd” ICS Finance Regulation and their maturity assessed by means of pre-set questionnaires. Around 40 percent of the controls assessed reached maturity level 4 – integrated.

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Outlook

Global economic growth should stabilize steadily in the course of 2015, helped by the substantial fall in the price of oil. Prospects for individual countries remain extremely varied. The Swiss National Bank expects that in the US and the UK, production capacity will gradually be better utilized thanks to robust growth. To date, there are no indications of a perceptible recovery in the eurozone; future growth prospects have worsened once more. The outlook for the global economy remains particularly uncertain. Risk factors include ongoing difficulties in the eurozone and a potential heightening of geopolitical tensions.

The Swiss National Bank announced on 15 January 2015 that it was abandoning the minimum franc-euro exchange rate. The forecasts for economic growth taken account of in the current Annual Report were issued before this date and assumed that the exchange rate situation would remain virtually unchanged. If the franc remains high, economic development will no doubt be weaker than previously forecast. The export economy in particular is likely to be directly affected by the latest events on the currency market. However, the extent of a potential economic cooling remains difficult to predict.

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 SIX guidelines for listed companies.

Group structure and shareholders

Legal form and ownership

Swiss Post has been structured as a holding company since 26 June 2013. Swiss Post Ltd as the overall holding company is a company limited by shares subject to a special statutory regime solely owned by the Confederation. The organization chart on page 12 shows the Group's organizational units. The "Consolidated Group" section on page 133 of the Financial Report outlines the shareholdings.

Confederation in control

The Confederation controls Swiss Post by setting strategic goals and checking that these are being met, using for this purpose annual reporting and a report on staff (Public Officials Act/Ordinance on Executive Pay). See also the information policy section on page 63.

Regulatory accounting

In accordance with article 19, section 2 of the Postal Services Act of 17 December 2010, Swiss Post must present its accounts in such a way that costs and revenue can be identified for individual services. The Postal Ordinance of 29 August 2012 substantiates these requirements and regulates the calculation of net costs for 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. Swiss Post specifically calculated the net costs arising from the universal service obligation for the first time in 2013. They stood at around 409 million francs for 2013. The calculation was approved by PostCom in May 2014. Following the approval of the net costs for 2014 by the regulatory authority PostCom in the second quarter of 2015, the figures will be published at www.swisspost.ch/annualreport in a supplement to the Financial Report.

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.

The auditing firm KPMG AG is commissioned each year by PostCom to check the calculation of net costs and net cost compensation, regulatory accounting and compliance with the ban on cross-subsidies.

Reduction in delivery prices of newspapers and magazines eligible for subsidies

The 50 million franc contribution made by the Confederation to reduce the delivery prices of newspapers and magazines eligible for subsidies, in accordance with article 16 of the Postal Services Act, ceased to be credited to Swiss Post's newspaper account from 1 January 2013, but is 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.

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Capital structure

Swiss Post has Group equity comprising 1.3 billion francs of fully paid-in capital plus capital reserves and retained earnings of 3.7 billion francs. External debt amounted to around 1.3 billion francs on the reference date.

The General Meeting decided to pay 200 million francs of profit from the financial year 2014 to the Confederation as a dividend in 2015 (2013 decision: 180 million francs, paid in 2014). The remaining amount is retained for the purpose of accumulating equity; on the reference date this equity stood at 5.0 billion (previous year: 5.6 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 2014), it had nine members. The Board of Directors is responsible for implementing the strategic goals, 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 in Swiss Post Group 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 2014, this representation was once again provided by Susanne Blank and Michel Gobet.

After the Chairman and Vice-Chairman of the Board of Directors, members are listed in the order in which they took office.

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: Reka Swiss Travel Fund (Chairman of the Cooperative Society); SIZ Ltd, Schweizerisches Informatik-Zertifikat (Vice-Chairman of the Board of Directors)

Andreas Schlöpfer

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



Michel
Gobet

Marco
Durrer

Philippe
Milliet

Susanne
Blank

Peter
Hasler

Myriam
Meyer

Andreas
Schläpfer

Nadja
Lang

Adriano P.
Vassalli

Kerstin
Büchel

Adriano P. Vassalli

Vice-Chairman 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, Audit Committee (Chair)); 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, Sottoceneri Section (Chairman)

Susanne Blank

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

Committees: Organization, Nomination & Remuneration

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: ewb, Energie Wasser Bern (Member of the Board of Directors)

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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 (Chair)

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, Organization, Nomination & Remuneration Committee (Chair)); Picard Angst Ltd (Member 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)

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: Audit, Risk & Compliance

Professional background: Bobst Group (Member of Group Executive Committee, Head of Business Unit Sheet-Fed); Galenica AG (Head of Health Division, Member of the Corporate Executive Committee); Unicable (CEO); Galenica AG (responsible for distribution centers, responsible for operations and CEO of Galexis AG); Pharmatic AG (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: Investment, Mergers & Acquisitions

Professional background: syndicom, media and communications trade 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)

Nadja Lang

Member of the Board of Directors, 1973, Switzerland, member since 2014

Committees: Organization, Nomination & Remuneration

Professional background: Managing Director of the Max Havelaar Foundation (Switzerland); Chair of the Global Account Management Steering Committee at Fairtrade International; European Marketing Manager, General Mills Europe SARL in London/Nyon; various (management) positions in brand management and the innovation department at The Coca-Cola Company, Alpine Division

Key posts: Metron AG, Brugg (Vice-Chair of the Board of Directors); Chair Global Account Management Steering Committee at Fairtrade Labelling International (FLO)

Myriam Meyer

Member of the Board of Directors, 1962, Switzerland, member since 2014, Dr. sc. techn.

Committees: Investment, Mergers & Acquisitions

Professional background: Owner and Managing Director of mmtec; WIFAG-Polytype Holding AG (Group CEO); RUAG Aerospace (CEO); Roche (Roche Consumer Health Executive Committee Member); Swissair (Member of the Flight Operations Management Board); SR Technics (Vice President, Engineering)

Key posts: Member of the Board of Directors, Repower AG; Member of the Board of Directors, SITA; Member of the Board of Directors, Bedag Informatik AG; Vice President of the Commission for Technology and Innovation (CTI); Foundation Board Member, Swisscontact; Member of the Advisory Committee on International Development Cooperation (part of theSDC); Member of the Industrial Advisory Board, ETH Zurich

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

The General Meeting elected Myriam Meyer and Nadja Lang as new members of the Board of Directors. They took over from the previous members Dominique Freymond and Nicola Thibaudeau. Dominique Freymond, former Vice-Chairman of the Board of Directors, stood down at the end of May after having served the maximum term of office of twelve years. Nicola Thibaudeau had already left the Board of Directors for professional reasons at the end of 2013 after seven years in office.

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.

Board of Directors' role and working method

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 PostFinance Ltd. 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 ten 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 independently. In addition, the Board of Directors may appoint non-standing committees for an individual transaction at any time. There is no contractually agreed 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 Ltd. The Chairman chairs the meetings of the Board of Directors and represents the body externally.

Audit, Risk & Compliance Committee

The 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 also approves the Interim Report. The committee checks the findings and recommendations of Group Audit and the external audit teams 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 2014: establishment of Group-wide Compliance and assessment of qualitative and quantitative Group risks.

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Organization, Nomination & Remuneration Committee

The committee met seven times during the last financial year. It has an 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 2014: the new collective employment contract, talent management and succession planning, and HR strategy.

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 2014, the committee addressed various innovative, long-term projects on forward-looking topics within the above framework, including the digital prospects for Swiss Post.

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 are 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 planning compliance, strategic financial planning and the Federal Council's strategic goals. 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 attends Executive Management meetings in order to coordinate joint topics.

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

After the CEO and Deputy CEO, members are listed in the order in which they took office.



Pascal
Koradi

Franz
Huber

Ulrich
Hurni

Yves-André
Jeandupeux

Susanne
Ruoff

Hansruedi
Köng

Jörg
Vollmer

Daniel
Landolf

Dieter
Bambauer

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Susanne Ruoff

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

Professional background: Swiss Post Ltd (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 Computer Science Department of ETH Zurich

Key posts: PostFinance Ltd (Member of the Board of Directors, Organization, Nomination & Remuneration Committee (Member)), Post CH Ltd (Chair of the Board of Directors), International Post Corporation (IPC) (Member of the Board)

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

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 Ltd (Head of Human Resources); SKYGUIDE (Head of Human Resources); CC&T SA, management consultants (associate partner); 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 (Chairman of the Foundation Board); Pensimo Management AG (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 Ltd (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 AG (Member of the Board of Directors); TNT SwissPost AG (Vice-Chairman); 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 Ltd (Head of Finance); Neue Aargauer Bank AG (CFO/Member of the Executive Team, Head of Trading); Credit Suisse UK, London (Project Restructuring in the Onshore Banking Division); Neue Aargauer Bank AG (Head of the Treasury Department, employee in the Controlling Department)

Key posts: PostFinance Ltd (Member of the Board of Directors, Risk Committee); 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 Ltd (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

Jörg Vollmer

Head of Swiss Post Solutions, 1967, Switzerland/Germany, member since 1 January 2015, qualified business economist, Executive MBA

Professional background: Swiss Post Ltd (Head of Swiss Post Solutions); Hewlett-Packard (Vice President BPO EMEA, various management positions in Finance, Management and Operations); Triarton GmbH (Managing Director); Commerzbank (Advisor)

Key posts: None

The Chief Executive Officer of PostFinance Ltd, Hansruedi Köng, is not a member of Executive Management, but attends Executive Management meetings in order to coordinate joint topics.

Hansruedi Köng

Chief Executive Officer of PostFinance Ltd, 1966, Switzerland, member since 1 January 2012, lic. rer. pol. University of Bern, Business Administration and Economics Advanced Executive Program (Swiss Finance Institute, Zurich)

Professional background: PostFinance Ltd (Head of Treasury, Head of Finance; CEO; Member of the Executive Board since 1 March 2003); BVgroup Berne (Deputy Managing Director); PricewaterhouseCoopers Ltd (Senior Manager); Basler Kantonalbank (Member of Executive Management); Schweizerische Volksbank (Head of Asset & Liability Management)

Key posts: TWINT AG (Chairman of the Board of Directors); Swiss Post pension fund (Member of the Foundation Board and Chairman of the Investment Committee); Q-Net AG (Member of the Board of Directors)

Changes in the year under review

Frank Marthaler, Head of the Swiss Post Solutions Group unit, left Swiss Post at the end of June 2014. He was replaced by Thomas Pieper on an ad interim basis.

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Remuneration

Policy

Corporate risk, scope of responsibility and the Ordinance on Executive Pay are taken into account by the Board of Directors when determining 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 variable 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). At Group level, the variable component is calculated from economic value added (28 percent) and Group customer satisfaction (12 percent). At Group unit level, a distinction is made between qualitative benchmarks (20 percent) and financial key figures (20 percent) such as EBIT. For PostFinance Ltd, return on equity is used 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, a tablet computer and a monthly expense account. Swiss Post also 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.

Both 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); higher income is covered by a management insurance scheme (defined contribution plan). The employer contributes disproportionately 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 2014, the nine members of the Board (including the one member who stepped down in 2014) received remuneration (fees and fringe benefits) totalling 986,867 francs. The fringe benefits totalling 219,367 francs are shown in the total remuneration. In 2014, the Chairman of the Board's fee totalled 225,000 francs. The fringe benefits amounted to 27,000 francs.

Executive Management

The paid members of Executive Management (six active members and one member who stepped down in 2013 and in 2014 respectively) and the CEO received remuneration totalling 4,445,716 francs in 2014. The fringe benefits totalling 326,777 francs are shown in the total remuneration. The performance-related component effectively payable to members of Executive Management in 2015, which is based on attainment of targets in 2013 and 2014, amounts to 1,197,689 francs.

The base salary of the CEO totalled 570,000 francs, the additional performance-related component amounted to 207,328 francs.

Remuneration	
2014, CHF	Total
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)¹	
Fees	542,500
Fringe benefits	
Expenses and representation allowances	67,000
Additional fringe benefits	125,367
Total remuneration	734,867
Entire Board of Directors (9)²	
Fees	767,500
Fringe benefits	219,367
Total remuneration	986,867
CEO	
Fixed base salary	570,000
Performance-related component (payable 2015)	207,328
Fringe benefits	
Expenses and representation allowances	30,000
Additional fringe benefits ³	17,257
Additional payments ⁴	0
Total remuneration	824,585
Other members of Executive Management (8)⁵	
Fixed base salary	2,351,250
Performance-related component (payable 2015)	990,361
Fringe benefits	
Expenses and representation allowances	124,800
Additional fringe benefits ³	154,720
Additional payments ⁴	0
Total remuneration	3,621,131
All members of Executive Management (9)⁶	
Fixed base salary and performance-related component	4,118,939
Fringe benefits	326,777
Total remuneration	4,445,716

1 Eight active members and one member who stepped down in 2014.

2 Including the one member who stepped down in 2014.

3 Other fringe benefits include: first-class GA travelcard, company car, mobile phone, tablet computer and premiums for risk insurance policies.

4 No agreements exist regarding possible severance payments.

5 Six active members and one member who stepped down in 2013 and in 2014 respectively.

6 Including the members who stepped down in 2013 and 2014.

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Auditor

KPMG AG have been the auditors for Swiss Post since 1998. They also act as Group auditors, with Head Auditor Orlando Lanfranchi in charge of the work for the fifth year running. The fees agreed upon for the 2014 audit and the fees for services provided in the financial year 2014 total 3.4 million francs.

Information policy

A report on strategic goals and a report on staff are submitted to the owner annually (see page 52). PostCom also receives a regulatory report on the universal service for postal services and OFCOM is issued with a report on 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.

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Consolidated income statement

Group | Income statement

CHF million	Notes	2014	2013
Net sales from logistics services		5,533	5,412
Net sales from resale merchandise		553	548
Income from financial services	6	2,194	2,307
Other operating income	7	177	203
Total operating income	5	8,457	8,470
Staff costs	8, 9	-4,108	-3,701
Resale merchandise and service expenses	10	-1,602	-1,561
Expenses for financial services	6	-501	-492
Depreciation and impairment	24-26	-329	-333
Other operating expenses	11	-1,114	-1,142
Total operating expenses		-7,654	-7,229
Operating profit	5	803	1,241
Financial income	12	12	14
Financial expenses	13	-57	-93
Net income from associates and joint ventures	23	16	7
Group profit before tax		774	1,169
Income tax	14	-136	582
Group profit		638	1,751
Group profit attributable to			
Swiss Confederation (owner)		638	1,751
Non-controlling interests		0	0

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Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2014	2013
Group profit		638	1,751
Other comprehensive income			
Revaluation of employee benefit obligations		-1,344	416
Change in share of other comprehensive income of associates and joint ventures		0	-1
Change in deferred income taxes		275	-107
Items not reclassifiable in the consolidated income statement, after tax	29	-1,069	308
Change in currency translation reserves		7	1
Change in share of other comprehensive income of associates and joint ventures		1	0
Change in fair value reserves from available-for-sale financial assets		33	138
(Gains)/losses transferred to income statement from available-for-sale financial assets		-32	-20
Change in hedging reserves from cash flow hedges		-52	-37
(Gains)/losses transferred to income statement from cash flow hedges		43	35
Change in deferred income taxes		-15	-23
Reclassifiable items in consolidated income statement, after tax	29	-15	94
Total other comprehensive income		-1,084	402
Total comprehensive income		-446	2,153
Total comprehensive income attributable to			
Swiss Confederation (owner)		-446	2,153
Non-controlling interests		0	0

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2014	31.12.2013 ¹
Assets			
Cash		1,814	2,058
Receivables due from banks	15	42,543	44,528
Interest-bearing amounts due from customers	15	696	542
Trade accounts receivable	15	1,122	1,032
Other receivables	15	911	943
Inventories	16	83	85
Non-current assets held for sale	17	1	0
Financial assets	18–22	72,833	66,847
Investments in associates and joint ventures	23	104	97
Property, plant and equipment	24	2,477	2,470
Investment property	25	180	116
Intangible assets	26	371	351
Current income tax assets		0	1
Deferred income tax assets	14	1,536	1,313
Total assets		124,671	120,383
Liabilities			
Customer deposits (PostFinance)	27	112,150	108,923
Other financial liabilities	27	1,739	1,503
Trade accounts payable		821	776
Other liabilities		804	897
Provisions	28	488	472
Employee benefit obligations	9	3,489	2,042
Current income tax liabilities		21	3
Deferred income tax liabilities	14	149	130
Total liabilities		119,661	114,746
Share capital		1,300	1,300
Capital reserves		2,279	2,419
Retained earnings		2,519	1,922
Profits and losses recorded directly in other comprehensive income		-1,089	-5
Equity attributable to the owner		5,009	5,636
Non-controlling interests		1	1
Total equity		5,010	5,637
Total equity and liabilities		124,671	120,383

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

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Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Share capital	Capital reserves	Retained earnings	Profits and losses recorded directly in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2013		1,300	2,332	-81	-407	3,144	1	3,145
Group profit				1,751		1,751	0	1,751
Other comprehensive income	29				402	402	0	402
Total comprehensive income				1,751	402	2,153	0	2,153
Dividends	29			-300		-300	0	-300
Appropriation of profit	9		100			100		100
Stamp duty from conversion into company limited by shares			-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
Group profit				638		638	0	638
Other comprehensive income	29				-1,084	-1,084	0	-1,084
Total comprehensive income				638	-1,084	-446	0	-446
Dividends	29		-140	-40		-180		-180
Payments to acquire non-controlling interests	37			-1		-1	0	-1
Total transactions with the owner			-140	-41		-181	0	-181
Balance as at 31.12.2014		1,300	2,279	2,519	-1,089	5,009	1	5,010

Consolidated statement of cash flows

Group | Cash flow statement

CHF million	Notes	2014	2013 ¹
Profit before tax		774	1,169
Interest expense/(income) (including dividends)		-1,027	-1,007
Depreciation and impairment	24-26	337	342
Net income from associates and joint ventures		-16	-7
Net gain on disposal of property, plant and equipment	7, 11	-20	-47
Net increase/(decrease) in provisions		127	-412
Other non-cash expenses/(income)		-30	-8
Change in net current assets:			
(Increase) in receivables, inventories and other assets		-74	-3
(Decrease) in accounts payable and other liabilities		-1	-11
Change in items from financial services:			
(Increase) in receivables due from banks (term of 3 months or more)		-262	-72
(Increase)/decrease in financial assets		-6,092	446
Change in customer deposits/interest-bearing amounts due from customers		3,072	-2,057
Change in other receivables/liabilities		236	132
Interest and dividends received (financial services)		1,338	1,423
Interest paid (financial services)		-169	-224
Income taxes paid		-118	-31
Cash flow from operating activities		-1,925	-367
Purchases of property, plant and equipment	24	-320	-315
Acquisition of investment property	25	-64	-48
Purchases of intangible assets (excl. goodwill)	26	-54	-49
Purchases of subsidiaries, net of cash and cash equivalents acquired	37	-5	-41
Purchases of other financial assets		-13	-12
Proceeds from disposal of property, plant and equipment	24	35	55
Proceeds from disposal of other financial assets		32	80
Interest received and dividends (excl. financial services)		20	21
Cash flow from investing activities		-369	-309
(Decrease) in other financial liabilities		-5	0
Interest (paid)		-12	-13
Payments to acquire non-controlling interests	37	-1	-
Transfer from profit available for appropriation to Swiss Post pension fund	9	-	-100
Dividends paid to the owner		-180	-200
Cash flow from financing activities		-198	-313
Foreign exchange gains/(losses) on cash and cash equivalents		0	0
Change in cash and cash equivalents		-2,492	-989
Cash and cash equivalents at 1 January		46,472	47,461
Cash and cash equivalents at 31 December		43,980	46,472
Cash and cash equivalents include:			
Cash		1,814	2,058
Receivables due from banks with an original term of less than 3 months	15	42,166	44,414

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

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Notes

1 | Business activities

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

2 | Basis of accounting

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

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

To take account of the characteristics of the financial services and their importance for Swiss Post, 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 2014, Swiss Post has applied various amendments to existing and new IFRSs:

Standard	Title	Valid as of
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IFRS 10	Consolidated Financial Statements – amendment for investment entities (consolidation)	1 January 2014
Amendments to IFRS 12	Disclosure of Interests in Other Entities – amendment for investment entities (consolidation)	1 January 2014
Amendments to IAS 27	Separate Financial Statements – amendment for investment entities (consolidation)	1 January 2014
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies – guidance on when to recognize a liability for a levy	1 January 2014

The changes resulting from the above IFRSs have no material impact on the result or financial situation of the Group.

Certain new IFRSs or supplements thereto enter into force for financial years beginning on or after 1 January 2015:

Standard	Title	Valid as of
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Miscellaneous	Annual amendments from IFRS 2010–2012 cycle	1 July 2014
Miscellaneous	Annual amendments from IFRS 2011–2013 cycle	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 16 / IAS 41	Bearer Plants	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10 / IAS 28	Sale or Contributions of Assets between an Investor and its Associate/Joint Venture	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IFRS 10 / IFRS 12 / IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Miscellaneous	Annual Improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

Swiss Post will not be applying the specified standards ahead of schedule. Hence, this consolidated financial reporting does not contain any further effects resulting from these changes. The new standards due to come into force on 1 January 2017 and 1 January 2018 regarding Revenue from Contracts with Customers and Financial Instruments will have an impact on Swiss Post's financial reporting. The changes are currently being analysed.

Accounting changes

Result by region

A change in presentation has voluntarily been made in the result by region (see Note 5, Segment information). The definition of national and international volume and income allocation in the PostMail, PostLogistics and Post Offices & Sales units has been clarified. This has resulted in an increase in operating income and operating profit in the "International and cross-border" segment and an equivalent reduction in the "Switzerland" segment in the statement of the result by region in 2013. Segment assets and hence investment in property, plant and equipment, intangible assets and investment property, are not affected by this adjustment. The following table gives an overview of the impact of the reclassification:

Result by region 2013 CHF million	Switzerland			International and cross-border		
	Reported	Adjustment	Adjusted	Reported	Adjustment	Adjusted
Operating income from customers	7,439	-101	7,338	1,031	101	1,132
Operating profit	1,194	-13	1,181	47	13	60

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Customer deposits (PostFinance) / Other financial liabilities

PostFinance made a voluntary change in presentation in the fourth quarter of 2014. Payment obligations from closed, not yet fulfilled securities transactions resulting from trade date accounting (time difference between the trade date and settlement date) are now recognized as other financial liabilities rather than as PostFinance customer deposits. The aim of this voluntary change is to take the ordinary course of business into account more closely in future disclosures. The following table gives an overview of the impact of the reclassification:

Balance sheet			
31 December 2013			
CHF million	Reported	Adjustment	Adjusted
Customer deposits (PostFinance)	109,086	- 163	108,923
Other financial liabilities	1,340	163	1,503

Statement of cash flows			
2013			
CHF million	Reported	Adjustment	Adjusted
Change in customer deposits (PostFinance) / interest-bearing amounts due from customers	- 1,894	- 163	- 2,057
Change in other receivables/liabilities from financial services	- 31	163	132

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 holds 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. Gains from the disposal of subsidiaries and associates as well as joint ventures are recorded in the financial result.

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 is recognized directly in other comprehensive income.

Assets and liabilities in balance sheets of fully consolidated companies that have been prepared in a foreign currency are translated into Swiss francs at the rate applicable on the balance sheet date. The income statement, 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 directly in other comprehensive income.

Recognition of income

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

Income from logistics services is recognized after sales deductions at the time the service is provided. Income from the sale of products, less sales deductions, 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 using 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, where there is an indication of impairment, based on statistical analyses of previous credit risk.

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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, where there is an indication of impairment, 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 according to the weighted average cost method or at the lower net realizable value. 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 new market conditions are classified as "available for sale" and recognized at their fair value. Unrealized gains and losses are recognized directly in equity under "Fair value reserves 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 other comprehensive income. 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 in other comprehensive income. 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, where there is an indication of impairment, 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 or 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.

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment 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.

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Customer deposits (PostFinance)

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

Other financial liabilities

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

Provisions

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

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

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

Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan, in accordance with the IAS 19 standard. 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 on the basis of 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 directly in the income statement. Actuarial gains and losses from employee benefit obligations, income from plan assets (excluding interest income) and changes in the effects of asset ceiling regulations (excluding net interest income) are recognized in other comprehensive income.

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

Provisions for other long-term employee benefits (loyalty bonuses for long years of service) and staff vouchers for retired employees are also determined using the projected unit credit method, as are the provisions for sabbaticals taken by senior management and top executive employees. Past service cost, net interest income and remeasurements 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 2014: 2,477 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 2014: 3,489 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 2014: 72,833 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.

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Goodwill

The discounted cash flow method is used annually to determine the recoverable amount of goodwill items (carrying amount as at 31 December 2014: 231 million francs). The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next two to 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

Financial assets with a fixed maturity which Swiss Post intends and is able to hold to maturity are classified as "held to maturity". If Swiss Post does not manage to hold these financial assets to maturity, all financial assets 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
Financial services market	
PostFinance	Payments, savings, investments, retirement planning and financing in Switzerland as well as international payment transactions
Passenger transport market	
PostBus	Regional, municipal and urban transport, plus system services in Switzerland and in selected countries abroad
Other	Units that cannot be assigned to the segments such as service (Real Estate, Information Technology) and management units (incl. HR, Finance and Communication)
Consolidation	Effects of intra-Group elimination

Geographical information

Geographical information is disclosed as follows. Information is presented, firstly, according to the location of the revenue-generating subsidiary (Europe, Americas, Asia) and, secondly, according to the location at which the revenue was generated, which is either Switzerland or "International and cross-border" (see pages 84–85). The "International and cross-border" segment includes revenue from all foreign subsidiaries.

Statutory mandates

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

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

State compensation

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

Composition of segment assets and liabilities

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

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

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

Unallocated assets and liabilities comprise 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

In comparison with 31 December 2013, the segment assets of PostFinance increased by 3,679 million francs, particularly with regard to financial assets. The rise was mainly due to higher customer deposits.

More information

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

Results by business segment and region

Result by business segment										
2014 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post- Logistics	Post- Finance ²	PostBus ³	Other ⁴	Conso- lidation	Group
Operating income										
from customers		2,515	606	1,026	1,161	2,221	832	96		8,457
from other segments		372	53	637	401	40	3	790	-2,296	-
Total operating income¹		2,887	659	1,663	1,562	2,261	835	886	-2,296	8,457
Operating profit¹		334	12	-100	141	382	30	4		803
Net financial income	12, 13									-45
Net income from associates and joint ventures	23	3	0	-	6	6	0	1		16
Income taxes	14									-136
Group profit										638
Segment assets										
Segment assets		739	463	542	646	118,286	499	2,787	-1,063	122,899
Associates and joint ventures		56	0	-	13	31	2	2		104
Unallocated assets ⁵										1,668
Total assets										124,671
Segment liabilities										
Segment liabilities		869	175	566	629	113,699	398	2,944	-1,063	118,217
Unallocated liabilities ⁵										1,444
Total liabilities										119,661
Investment in property, plant and equipment, intangible assets and investment property										
Investment in property, plant and equipment, intangible assets and investment property	24-26	43	15	7	93	114	39	127		438
Depreciation and amortization	24-26	46	23	12	59	32	42	107		321
Impairment	18, 24-26	-	7	-	-	92	1	0		100
Reversal of impairment	18, 24-26	-	-	-	-	-	-	-		-
Other non-cash (expenses)/income		-33	-10	-2	-14	-59	-32	-314		-464
Headcount⁶		16,979	7,466	6,508	5,304	3,466	2,789	2,169		44,681

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.

2 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 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.

4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).

5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.

6 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region										
2014 CHF million	Notes	Europe	Americas	Asia	Conso- lidation	Group	Switzer- land	Internat- ional and cross- border	Conso- lidation	Group
Operating income from customers										
Operating income from customers		8,382	74	1		8,457	7,224	1,233		8,457
Operating profit¹										
Operating profit ¹		797	4	2		803	731	72		803
Segment assets										
Segment assets		122,842	55	6	-4	122,899	122,084	847	-32	122,899
Investment in property, plant and equipment, intangible assets and investment property										
Investment in property, plant and equipment, intangible assets and investment property	24-26	438	0	0		438	417	21		438

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.

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Result by business segment

2013 CHF million	Notes	PostMail	Swiss Post Solutions	Post Offices & Sales	Post- Logistics	Post- Finance ²	PostBus ³	Other ⁴	Conso- lidation	Group
Operating income										
from customers		2,557	538	945	1,176	2,336	807	111		8,470
from other segments		402	78	647	405	41	5	786	-2,364	-
Total operating income¹		2,959	616	1,592	1,581	2,377	812	897	-2,364	8,470
Operating profit¹		491	15	-110	189	588	65	3		1,241
Net financial income	12, 13									-79
Net income from associates and joint ventures	23	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	24-26	19	16	11	112	112	50	92		412
Depreciation and amortization	24-26	47	21	13	64	30	39	103		317
Impairment	18, 24-26	4	23	-	5	6	-	-		38
Reversal of impairment	18, 24-26	-	-	-	-	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 reported before management, licence fee and net cost compensation.

2 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 Within the field of regional public transport, PostBus Switzerland Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (RKV). There are differences between the RKV and the IFRS results.

4 Includes service units (Real Estate and Information Technology) and management units (e.g. Human Resources, Finance and Communication).

5 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/expenses rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. Unallocated assets and liabilities are eliminated in intra-Group transactions.

6 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region

2013 CHF million	Notes	Europe	Americas	Asia	Conso- lidation	Group	Switzer- land ²	Inter- national and cross- border ²	Conso- lidation	Group
Operating income from customers		8,403	66	1		8,470	7,338	1,132		8,470
Operating profit ¹		1,238	2	1		1,241	1,181	60		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	24-26	412	0	0		412	383	29		412

1 Operating income and operating profit by segment are reported before management, licence fee and net cost compensation.

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	2014	2013
Interest income		
Interest income on amounts due from banks	1	0
Interest income on securities lending and reverse repurchase transactions	2	3
Interest income on interest-bearing amounts due from customers	8	9
Interest income on financial assets	1,209	1,273
Dividend income on financial assets	16	17
Interest expense		
Interest expense for customer deposits (PostFinance)	-208	-292
Interest expense for amounts due to banks	0	0
Interest expense on repurchase transactions	0	0
Net interest income	1,028	1,010
Impairment/reversal of impairment on financial assets	-95	59
Net interest income, net of impairment/reversal of impairment	933	1,069
Commission income on lending business	90	89
Commission income on securities and investment business	42	35
Commission income on other services	75	63
Commission expenses	-135	-130
Net income from services	500	506
Net services and commission income	572	563
Net trading income	146	162
Net income from the disposal of available-for-sale financial assets	55	24
Losses on payment transactions	-11	-7
Other net financial income/finance costs	-2	4
Net income from financial services	1,693	1,815
Shown in the consolidated income statement under:		
Income from financial services	2,194	2,307
Expenses for financial services	-501	-492

7 | Other operating income

Other operating income		
CHF million	2014	2013
Rental income	69	70
Profits on the sale of property, plant and equipment	24	38
Other income	84	95
Total other operating income	177	203

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.

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8 | Staff costs

Composition

Breakdown of staff costs				
CHF million	Notes	2014	2013	
Wages and salaries		3,312	3,298	
Social security benefits		350	352	
Employee benefit expenses/(income)	9	335	-44	
Other staff costs		111	95	
Total staff costs		4,108	3,701	

Headcount

Headcount			
Number of employees ¹		2014	2013
Employees at Swiss Post Group (excluding trainees)		44,681	44,105
Trainees at Swiss Post Group		2,067	2,058

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, insureds 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. Insureds 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 2015, the rate was 1.75 percent (previous year: 1.75 percent).

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

Companies in Germany (SPS Group) have corporate retirement provision based on various regulations and works agreements. There are also individual 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	2014	2013
Discount rate	2.25	2.00
Actuarial assumptions at 31 December		
Percent	2014	2013
Discount rate	1.25	2.25
Expected change in salaries	1.50	2.00
Pension indexation	0.00	0.00
Interest on retirement assets	2.00	3.00
Staff turnover	3.58	3.87
Current average life expectancy for a man/woman aged 65	21/24 years	21/24 years

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

Employee benefit expenses

Employee benefit expenses		
CHF million	2014	2013
Current service cost	540	597
Service cost to be recognized	0	-445
(Gains)/losses from plan settlements	0	-8
Employee contributions	-207	-206
Administrative costs	10	11
Pension payments by the employer	1	0
Other plans, reclassifications	-9	7
Total employee benefit expenses / (income) recognized in staff costs	335	-44
Interest expense arising from employee benefit obligations	380	350
Interest income on assets	-340	-291
Net interest income on the effect of asset ceiling regulation	-	0
Other plans, reclassifications	-1	-2
Total net interest expense recognized in financial expenses	39	57
Total employee benefit expenses recognized in the income statement	374	13

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New assessment elements entered in the statement of comprehensive income

CHF million	2014	2013
Actuarial losses		
due to the adjustment of demographic assumptions	-3	727
due to the adjustment of economic assumptions	1,971	-637
due to experience adjustments	-14	37
Income from plan assets (excluding interest income)	-610	-545
Changes in effect of asset ceiling regulation (excluding net interest income)	0	0
Other	-	2
Total revaluation gains recorded in other comprehensive income (OCI)	1,344	-416
Total employee benefit expenses	1,718	-403

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. This positive effect was immediately recognized in full in profit or loss as a plan amendment gain.

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

Cover status

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

Summary of cover status		
CHF million	31.12.2014	31.12.2013
Present value of employee benefit obligations including assets set aside	19,431	17,347
Benefit plan assets at fair value	-15,956	-15,315
Shortfall	3,475	2,032
Employee benefit obligations excluding assets set aside	13	7
Present value of employee restructuring contributions	-	0
Effect of asset ceiling regulation	-	0
Total recognized employee benefit obligations arising from defined benefit plans	3,488	2,039
Employee benefit obligations arising from other benefit plans	1	3
Total recognized employee benefit obligations	3,489	2,042

Performance of recognized benefit obligations from defined benefit plans

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

CHF million	2014	2013
Balance at 1 January	2,039	2,986
Employee benefit expenses arising from defined benefit plans	384	9
Revaluation gains recognized in other comprehensive income	1,344	-416
Employer contributions	-284	-445 ¹
Appropriation of profit	-	-100 ²
Pension payments by the employer	-1	0
Translation differences	0	0
Company acquisitions, disposals or transfers	6	5
Balance at 31 December	3,488	2,039
of which:		
current, i.e. payments falling due within the next twelve months	275	316
non-current	3,213	1,723

¹ In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund.

² In accordance with a decision by the Swiss Federal Council, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012. As a result of this appropriation of profit, capital reserves increased in 2013 by the same amount.

Change in employee benefit obligations

Change in employee benefit obligations

CHF million	2014	2013
Balance at 1 January	17,354	17,585
Current service cost	540	597
Interest expense arising from employee benefit obligations	380	350
Actuarial (gains)/losses	1,954	127
Plan settlements	-7	-21
Company acquisitions, disposals or transfers	6	16
Restructuring	0	0
Benefits paid from plan assets	-787	-855
Pension payments by the employer	-1	0
Plan amendments ¹	0	-445
Transfers, reclassifications and Other	5	-
Translation differences	0	0
Balance at 31 December	19,444	17,354
Employee benefit obligations including assets set aside	19,431	17,347
Employee benefit obligations excluding assets set aside	13	7
Total employee benefit obligations	19,444	17,354

¹ Plan amendment costs incurred in 2013 (see employee benefit expenses).

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Change in plan assets

Change in fair value of plan assets		
CHF million	2014	2013
Balance at 1 January	15,315	14,587
Interest income on assets	340	291
Income from plan assets (excluding interest income)	610	545
Employee contributions	207	206
Employer contributions	284	445 ¹
Appropriation of profit	–	100 ²
Plan settlements	–7	–13
Benefits paid from plan assets	–787	–855
Administrative costs	–10	–11
Company acquisitions, disposals or transfers	4	10
Employee restructuring contributions	–	10
Translation differences	0	0
Balance at 31 December	15,956	15,315

¹ In 2013, 129 million francs were deposited in the employer's reserve of the Swiss Post pension fund.

² In accordance with a decision by the Swiss Federal Council, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2012. As a result of this appropriation of profit, capital reserves increased in 2013 by the same amount.

Asset classes

Asset allocation	31 December 2014			31 December 2013		
	Listed	Unlisted	Total	Listed	Unlisted	Total
CHF million						
Bonds	5,651	1,884	7,535	5,619	1,585	7,204
Shares	4,588	–	4,588	4,563	–	4,563
Real estate	–	1,481	1,481	–	1,396	1,396
Alternative investments	328	1,154	1,482	268	899	1,167
Qualified insurance paper	–	26	26	–	28	28
Other financial assets	–	–	–	–	13	13
Cash and cash equivalents	–	844	844	–	944	944
Total	10,567	5,389	15,956	10,450	4,865	15,315

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

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

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

Sensitivity

The effect of a 0.25 percentage point rise or fall in the underlying material actuarial assumptions on the present value of pension obligations as at 31 December 2014 and 2013:

CHF million	Deviation	Resulting change in present value		Deviation	Resulting change in present value	
		31.12.2014	31.12.2013		31.12.2014	31.12.2013
Actuarial interest rate	+ 0.25 percentage point	-675	-542	-0.25 percentage point	723	580
Expected change in wages	+ 0.25 percentage point	64	49	-0.25 percentage point	-62	-48
Interest on retirement assets	+ 0.25 percentage point	107	83	-0.25 percentage point	-104	-80
Pension indexation	+ 0.25 percentage point	563	457	-0.25 percentage point	-	-
Life expectancy at age 65	+ 1 year	604	476	- 1 year	-612	-485

Maturity profile of the defined employee benefit obligation

The weighted average term of the defined employee benefit obligation is 16 years as at 31 December 2014 (previous year: 15 years).

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

CHF million	Nominal payment of benefits	Nominal payment of benefits (estimation)
Maturity of the defined employee benefit obligation		
Contributions		
2013	-	-
2014	284	277
2015	-	275
Expected future benefits		
2015		855
2016		901
2017		900
2018		899
2019		898
2020–2024		4,416

10 | Resale merchandise and service expenses

CHF million	2014	2013
Resale merchandise and service expenses		
Working materials, semi-finished and finished goods	45	39
Resale merchandise expenses	466	459
Service expenses	161	147
Compensation paid to PostBus operators	305	306
Compensation paid to forwarding companies	345	337
Compensation paid for international postal traffic	160	158
Temporary employees	120	115
Total resale merchandise and service expenses	1,602	1,561

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11 | Other operating expenses

Other operating expenses			
CHF million		2014	2013
Premises		224	220
Maintenance and repairs of property, plant and equipment		225	206
Energy and fuel		64	66
Operating materials		83	81
Consulting, office and administrative expenses		202	184
Marketing and communications		103	92
Loss on disposal of property, plant and equipment		4	2
Other expenses		209	291
Total other operating expenses		1,114	1,142

12 | Financial income

Financial income			
CHF million	Notes	2014	2013
Interest income on other loans	22	10	11
Foreign currency gains		0	1
Other financial income		2	2
Total financial income		12	14

Income from the financial services business is posted as "Income from financial services".

13 | Financial expenses

Financial expenses			
CHF million	Notes	2014	2013
Interest expense on other financial liabilities		12	12
Losses on the sale of financial assets		-	0
Present value adjustments to provisions		0	0
Interest expense for employee benefit obligations	9	39	57
Interest charges on finance leases	27	0	1
Foreign currency losses		2	2
Other financial expenses		4	21
Total financial expenses		57	93

Expenses arising from the financial services business are posted as "Expenses for financial services".

14 | Income taxes

Income taxes recorded in the income statement		
CHF million	2014	2013
Income (expense) for current income taxes	-79	-94
Income (expense) for deferred income taxes	-57	676
Total income (expense) for income taxes recorded in the income statement	-136	582

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

Income taxes recognized in other comprehensive income		
CHF million	2014	2013
Revaluation of employee benefit obligations	275	-107
Fair value reserves	-17	-24
Hedging reserves	2	0
Other profits and losses recorded directly in other comprehensive income	0	1
Total income taxes recognized in other comprehensive income	260	-130

With its conversion from an institution under public law into a company limited by shares subject to a special statutory regime, Swiss Post became fully subject to taxation from 1 January 2013. This means that profits in the monopoly sector that were previously tax exempt have been taxable since 2013. 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.

Deferred taxes relating to balance sheet items

Deferred taxes relating to balance sheet items	31 December 2014			31 December 2013		
	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
CHF million						
Financial assets	31	-48	-17	47	-28	19
Investments in subsidiaries, associates and joint ventures	1	-82	-81	1	-82	-81
Property, plant and equipment	267	-2	265	273	-2	271
Intangible assets	429	-3	426	485	-4	481
Other financial liabilities	0	-	0	1	-	1
Other liabilities	2	0	2	0	-2	-2
Provisions	81	-13	68	0	-11	-11
Employee benefit obligations	714	-	714	490	-1	489
Other balance sheet items	1	-1	0	1	0	1
Deferred taxes arising from temporary differences	1,526	-149	1,377	1,298	-130	1,168
Tax assets recognized for loss carryforwards	10	-	10	15	-	15
Deferred tax assets / liabilities, gross	1,536	-149	1,387	1,313	-130	1,183
Deferred tax assets/liabilities, prior year	-1,313	130	-1,183	-98	13	-85
Changes in the composition of the Group	-1	0	-1	1	-1	0
Deferred taxes taken to other comprehensive income	-275	15	-260	107	23	130
Deferred taxes recognized in retained earnings	-	-	-	-552	-	-552
Deferred taxes recognized in the income statement	-53	-4	-57	771	-95	676

Deferred tax assets of 1,536 million francs (previous year: 1,313 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

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as other provisions and tax loss carryforwards. Deferred tax assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 149 million francs (previous year: 130 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 CHF million	31 December 2014			31 December 2013		
	Recognized	Not recognized	Total	Recognized	Not recognized	Total
Maturing within 1 year	5	–	5	6	0	6
Maturing in 2 to 6 years	18	15	33	27	7	34
Maturing in more than 6 years	17	–	17	45	0	45
Total unused loss carryforwards	40	15	55	78	7	85

Tax loss carryforwards of 15 million francs (previous year: 7 million francs) were not recognized as assets at Swiss Post Group, as it seems uncertain that they will be utilized in the future.

As at 31 December 2014, there were temporary differences linked to shareholdings of 75 million francs (previous year: 70 million francs). No deferred income tax liabilities were recognized for these amounts as Swiss Post can determine the reversal of temporary differences and it is unlikely that the temporary differences will reverse in the near future.

Analysis of the expense for income taxes

The following breakdown shows the reconciliation from Group profit before tax to the provision for income taxes accounted for. The weighted average tax rate to be applied is 13.8 percent (previous year: 16.5 percent). The 2.7 percent decrease in the Group tax rate is due to a change in the estimated tax rate for determining the expense for current income taxes for several subsidiaries.

Reconciliation from Group profit before tax to provision for income taxes accounted for		
CHF million	2014	2013
Group profit before tax	774	1,169
Weighted average tax rate	13.8%	16.5%
Tax expense at weighted average tax rate	107	193
Reconciliation with expenses for income taxes accounted for:		
Effect of change in tax status/tax rates	5	–984
Effect of investments/impairment of goodwill	59	230 ¹
Effect of back taxes and tax refunds from previous years	–7	–2
Effect of change in impairment for deferred income tax assets	0	1
Effect of fiscally non-relevant income/expenses	–25	–2
Effect of loss carryforwards	–4	–8
Other effects	1	–10
Expenses/(income) for income taxes accounted for	136	–582

¹ Predominantly adjustment of investment value due to intra-Group dividends leading to a reduction in temporary differences.

15 | Receivables

Receivables by type CHF million	31 December 2014			31 December 2013		
	Gross	Impairment	Net	Gross	Impairment	Net
Receivables due from banks ¹	42,639	-96	42,543	44,625	-97	44,528
Interest-bearing amounts due from customers ¹	701	-5	696	544	-2	542
Trade accounts receivable	1,134	-12	1,122	1,044	-12	1,032
Other receivables	912	-1	911	944	-1	943
Total receivables	45,386	-114	45,272	47,157	-112	47,045
¹ of which receivables from reverse repurchase transaction and covered by securities with a market value of			1,309			7,150
			1,309			7,150

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

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 invested 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 2014: 400 million francs; previous year: 300 million francs).

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

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

Due dates of receivables

Receivables by due date CHF million	31 December 2014			31 December 2013		
	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	42,543	42,166	377	44,528	44,414	114
Interest-bearing amounts due from customers	696	696	-	542	542	-
Trade accounts receivable	1,122	1,032	90	1,032	847	185
Other receivables	911	531	380	943	553	390
Total receivables	45,272	44,425	847	47,045	46,356	689

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

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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 2014				31 December 2013			
	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
CHF million								
Receivables due from banks	1,149	165	211	–	1	–	–	–
Interest-bearing amounts due from customers	682	5	7	6	229	4	6	4
Trade accounts receivable	86	31	28	100	93	62	3	95
Other receivables	3	2	1	2	1	0	0	1
Total receivables	1,920	203	247	108	324	66	9	100

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 2014			31 December 2013		
	Gross	Impairment charges	Net	Gross	Impairment charges	Net
Individual impairment charges						
Receivables due from banks	99	–96	3	100	–97	3
Interest-bearing amounts due from customers	1	–1	–	0	0	0
Trade accounts receivable	47	–6	41	11	–7	4
Other receivables	1	–1	–	1	–1	0
Total receivables for which individual impairment charges are recognized	148	–104	44	112	–105	7
Portfolio impairment charges						
Interest-bearing amounts due from customers	26	–4	22	2	–2	0
Trade accounts receivable	55	–6	49	64	–5	59
Other receivables	3	0	3	2	0	2
Total receivables for which portfolio impairment charges are recognized	84	–10	74	68	–7	61

Change in impairment of receivables

Change in impairment of receivables CHF million	Receivables due from banks		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
	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 2014	97	–	0	2	7	5	1	0
Impairment	–	–	1	2	0	1	–	–
Reversal of impairment	–1	–	–	–	0	–	0	0
Reclassifications	–	–	–	–	0	0	–	–
Disposals	–	–	–	–	–1	–	–	–
Currency translation differences	–	–	–	–	0	0	–	–
As at 31 December 2014	96	–	1	4	6	6	1	0
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	–	–	–
Currency translation differences	–	–	–	–	0	0	–	–
As at 31 December 2013	97	–	0	2	7	5	1	0

16 | Inventories

Inventories CHF million	31.12.2014	31.12.2013
Resale merchandise	55	52
Fuel and operating materials	17	21
Production materials	9	8
Work in progress and finished goods	3	4
Impairment charge for inventories which are not easily marketable	–1	0
Total inventories	83	85

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17 | Non-current assets held for sale

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

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

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

18 | Financial assets

CHF million	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
Notes	19	20	21	22	
As at 1 January 2014	50,398	3,879	95	12,475	66,847
Additions	11,186	1,116	–	25,798	38,100
Change in value recognized in profit or loss	–110	117	–	73	80
Change in value recognized directly in equity	–	59	–	–	59
Change in value of derivatives	–	–	–90	–	–90
Impairment, net	–66	–8	–	–18	–92
Disposals	–6,866	–575	–	–24,630	–32,071
As at 31 December 2014	54,542	4,588	5	13,698	72,833
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 or 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

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.

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

2 million francs (previous year: 90 million francs) were posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 21, 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) newly recognized on financial assets in 2014 totalled 92 million francs (previous year: reversal of 42 million francs). In the case of fixed rate assets of the held-to-maturity category, portfolio impairment charges totalling 66 million francs for bonds were recognized (previous year: reversal of 56 million francs of portfolio impairment charges and 8 million francs of individual impairment charges). The recognition of portfolio impairment charges is mainly the result of the rise in credit spreads and the increase in fixed rate assets of the held-to-maturity category. Due to a negative trend in share prices, impairments of 8 million francs on equity holdings were formed (previous year: one million francs). For loans to public entities in Switzerland, portfolio impairment charges of 18 million francs were formed (previous year: 5 million francs). For other loans (excluding PostFinance Ltd) impairments of under one million francs were formed (previous year: 16 million francs).

19 | Financial assets held to maturity

Financial assets held to maturity CHF million	Total	Term to maturity		
		Up to 1 year	1 – 5 years	Over 5 years
31 December 2014				
Bonds	54,542	7,621	30,496	16,425
Total held to maturity	54,542	7,621	30,496	16,425
31 December 2013				
Bonds	50,398	6,836	28,809	14,753
Total held to maturity	50,398	6,836	28,809	14,753

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

In the reporting period, interest income calculated in accordance with the effective interest method stood at 999 million francs (previous year: 1,056 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 2014 or 31 December 2013.

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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	31 December 2014			31 December 2013		
	Gross	Impairment charges	Net	Gross	Impairment charges	Net
CHF million						
Portfolio impairment charges						
Bonds	54,683	- 141	54,542	50,473	- 75	50,398
Total held-to-maturity financial assets for which portfolio impairment charges are recognized	54,683	- 141	54,542	50,473	- 75	50,398

Changes in impairment of held-to-maturity financial assets

Changes in impairment of held-to-maturity financial assets	Individual impairment charges	Portfolio impairment charges	Total
CHF million			
As at 1 January 2014	-	75	75
Impairment	-	66	66
As at 31 December 2014	-	141	141
As at 1 January 2013	8	131	139
Reversal of impairment	-8	-56	-64
As at 31 December 2013	-	75	75

No interest income was recognized in 2014 on held-to-maturity financial assets including impairment charges (previous year: 0.2 million francs).

20 | Financial assets available for sale

Financial assets available for sale CHF million	Term to maturity				
	Total	Up to 1 year	1 – 5 years	Over 5 years	None
31 December 2014					
Bonds	3,197	15	2,482	700	–
Shares	625	–	–	–	625
Other	766	0	–	–	766
Total available for sale	4,588	15	2,482	700	1,391
31 December 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

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

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net income from the disposal of available-for-sale financial assets (income from financial services). In the reporting period, they amounted to a gain of 55 million francs (previous year: 24 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 3 million francs (previous year: 8 million francs). Dividend income stood at 16 million francs (previous year: 17 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 2014 or 31 December 2013.

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 financial 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.

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21 | Derivative financial instruments

Derivative financial instruments	CHF million	31 December 2014				31 December 2013			
		Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
	Notes	18		27		18		27	
Cash flow hedges									
Currency		–	–	20	449	31	145	–	–
Interest rates		0	248	–	–	0	64	–	–
Fair value hedges									
Currency		0	90	35	871	11	400	0	51
Interest rates		2	270	116	3,587	48	2,862	16	995
Other									
Currency		3	419	3	448	5	455	4	332
Interest rates		–	–	–	–	–	–	–	–
Total derivative financial instruments		5	1,027	174	5,355	95	3,926	20	1,378

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

Gains and losses recognized in profit or loss 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 loss of 9 million francs (previous year: net gain of 2 million francs).

Derivatives due dates

Due dates of derivative financial instruments	CHF million	31 December 2014				31 December 2013			
		Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
	Notes	18		27		18		27	
Cash flow hedges									
Less than 1 year		0	248	–	–	31	209	–	–
1 to 5 years		–	–	14	147	–	–	–	–
Over 5 years		–	–	6	302	–	–	–	–
Fair value hedges									
Less than 1 year		0	90	41	1,121	11	400	0	51
1 to 5 years		2	270	33	2,161	17	1,536	15	795
Over 5 years		–	–	77	1,176	31	1,326	1	200
Other									
Less than 1 year		3	419	3	448	5	455	4	332
1 to 5 years		0	0	0	0	–	–	–	–
Over 5 years		–	–	–	–	–	–	–	–
Total derivative financial instruments		5	1,027	174	5,355	95	3,926	20	1,378

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 Swiss Post 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 derivative 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 underlying transactions. 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 2014 the hedging reserve before taxes stood at around 9 million francs (previous year: 1 million francs). The overall fair value changes of the hedging instruments are included in the hedging reserve directly in equity. Subsequently, the net interest accrued and paid/received (2 million francs; previous year: less than 1 million francs) and the foreign currency share (39 million francs; previous year: 35 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) CHF million	Term to maturity		
	Up to 1 year	1 – 5 years	Over 5 years
31 December 2014			
Inflows of funds	4	16	–
Outflows of funds	–7	–30	–
31 December 2013			
Inflows of funds	5	–	–
Outflows of funds	–2	–	–

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 32, Risk management, Risk management at PostFinance.

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22 | Loans

Loans	Term to maturity				
	Total	Up to 1 year	1 – 5 years	Over 5 years	None
CHF million					
31 December 2014					
State-owned enterprises	929	354	375	200	–
Cantons, cities and municipalities ¹	9,025	1,566	3,490	3,969	–
Banks	3,141	160	2,056	925	–
PostBus operators	106	21	63	22	–
Other ²	497	86	139	272	0
Total loans	13,698	2,187	6,123	5,388	0
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

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 (less than one million francs; previous year: one million francs) which were assumed by PostFinance.

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

In the reporting period, interest income calculated in accordance with the effective interest method stood at 207 million francs (previous year: 210 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 2014 or 31 December 2013.

Loans for which impairment charges are recognized

Impairment charges on loans to cantons, cities, municipalities, banks and other entities	31 December 2014			31 December 2013		
	Gross	Impairment charges	Net	Gross	Impairment charges	Net
CHF million						
Individual impairment charges						
Loans to others	12	–12	–	12	–12	–
Total loans for which individual impairment charges are recognized	12	–12	–	12	–12	–
Portfolio impairment charges						
Loans to cantons, cities and local authorities	9,056	–31	9,025	8,211	–14	8,197
Loans to banks	3,142	–1	3,141	–	–	–
Total loans for which portfolio impairment charges are recognized	12,198	–32	12,166	8,211	–14	8,197

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 2014	12	14	26
Impairment	0	18	18
As at 31 December 2014	12	32	44
As at 1 January 2013	7	9	16
Impairment	16	5	21
Disposals	-11	-	-11
As at 31 December 2013	12	14	26

23 | 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 38, Transactions with 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	2014	2013
Balance at 1 January	97	99
Disposals of associates and joint ventures	-	0
Dividends received	-9	-9
Share of net profit (after taxes) recognized in the income statement	16	7
Share of net profit (after taxes) recognized in other comprehensive income	1	-1
Currency translation differences	-1	1
Balance at 31 December	104	97

Comprehensive income from associates and joint ventures

Net income from associates and joint ventures		
CHF million	2014	2013
Share of net profit (after taxes) recognized in the income statement	16	7
Share of net profit (after taxes) recognized in other comprehensive income	1	-1
Comprehensive income from associates and joint ventures	17	6

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Changes in associates and joint ventures

2014

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

2013

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

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

24 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 67 million francs (previous year: 78 million francs).

As at 31 December 2014, as in the previous year, no items of property, plant and equipment had been pledged in relation to mortgages.

As in the previous year, no borrowing costs were capitalized in 2014.

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

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

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

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25 | Investment property

Investment property	2014			2013		
	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
CHF million						
Acquisition cost						
Balance at 1 January	8	108	116	8	60	68
Additions	0	64	64	–	48	48
Disposals	–	0	0	0	0	0
Reclassifications	0	–	0	0	0	0
Balance at 31 December	8	172	180	8	108	116
Cumulative amortization						
Balance at 1 January	0	–	0	0	–	0
Depreciation	0	–	0	0	–	0
Disposals	–	–	–	0	–	0
Reclassifications	0	–	0	0	–	0
Balance at 31 December	0	–	0	0	–	0
Carrying amount as at 1 January	8	108	116	8	60	68
Carrying amount as at 31 December	8	172	180	8	108	116

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

- rental income: 0.6 million francs (previous year: 0.5 million francs)
- direct operating expenses (incl. depreciation) that generated rental income during the reporting period: 1.4 million francs (previous year: 1.9 million francs)

On 31 December 2014, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale.

There are investment commitments for investment property of 134 million francs (previous year: 198 million francs).

Fair value disclosures for investment property can be found in Note 33, Fair value disclosures.

26 | Intangible assets and goodwill

Intangible assets and goodwill	2014				2013			
	Goodwill ¹	Other intangible assets	Other intangible assets under construction	Total	Goodwill ¹	Other intangible assets	Other intangible assets under construction	Total
CHF million								
Acquisition cost								
Balance at 1 January	253	229	43	525	230	189	23	442
Additions to the consolidated Group	3	1	–	4	28	21	–	49
Additions	–	19	35	54	–	11	37	48
Disposals	–4	–28	–	–32	–5	–16	–	–21
Reclassifications	–	43	–43	0	–	23	–17	6
Currency translation differences	4	0	0	4	0	1	0	1
Balance at 31 December	256	264	35	555	253	229	43	525
Cumulative amortization								
Balance at 1 January	28	146	–	174	26	116	–	142
Depreciation	–	35	–	35	–	34	–	34
Impairment	1 ²	6	0	7	7 ²	6	–	13
Disposals	–4	–28	–	–32	–5	–15	–	–20
Reclassifications	–	0	–	0	–	5	–	5
Currency translation differences	0	0	0	0	0	0	–	0
Balance at 31 December	25	159	0	184	28	146	–	174
Carrying amount as at 1 January	225	83	43	351	204	73	23	300
Carrying amount as at 31 December	231	105	35	371	225	83	43	351

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 23, 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 5 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 two to three years, discounted to present value at the weighted cost of capital, and an estimated residual value. This does not include any growth component.

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The goodwill refers to the following segments or subsidiaries:

Goodwill by segment	31 December 2014					31 December 2013				
	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus
CHF million										
SPS Group	33	–	–	33	–	34	–	–	34	–
Swiss Post Solutions AG	29	–	–	29	–	29	–	–	29	–
Swiss Post Solutions Inc.	35	–	–	35	–	32	–	–	32	–
Swiss Post Solutions Ltd	27	–	–	27	–	25	–	–	25	–
Swiss Post Solutions SAS Group	1	–	–	1	–	1	–	–	1	–
Presto Presse-Vertriebs AG	41	41	–	–	–	41	41	–	–	–
Direct Mail Company AG ¹	24	24	–	–	–	16	16	–	–	–
Prisma Medienservice AG	–	–	–	–	–	8	8	–	–	–
PostLogistics Ltd	27	–	27	–	–	27	–	27	–	–
Swiss Post SAT Holding Ltd	9	–	9	–	–	9	–	9	–	–
Société d'Affrètement et de Transit S.A.T. SA	3	–	3	–	–	–	–	–	–	–
Other ²	2	–	1	–	1	3	–	1	–	2
Total	231	65	40	125	1	225	65	37	121	2

1 Transfer of goodwill due to the merger of Prisma Medienservice AG into Direct Mail Company AG.

2 Goodwill of around one million francs was impaired.

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2014 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

Percent	2014			2013		
	Interest rate ¹	Tax rate ²	WACC ³	Interest rate ¹	Tax rate ²	WACC ³
Switzerland	0.5	22.0–25.0	5.0–6.8	1.0	20.3–25.0	5.0–13.0
Belgium	1.2	34.0	10.3	–	–	–
Germany	1.0	29.0	7.0	1.8	29.0	5.7
France	1.3	32.1–33.9	8.1–8.6	2.3	32.8–33.9	5.9–9.4
United Kingdom	2.4	21.0	8.2	2.7	23.0	6.7
Ireland	–	–	–	4.2	12.5	8.2
US	2.5	45.0	12.2	2.7	45.0	7.7

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.

27 | Financial liabilities

Financial liabilities						
CHF million	On demand	Callable ¹	Up to 1 year	1 – 5 years	Over 5 years	Total
31 December 2014						
Postal accounts	68,754	–	–	–	–	68,754
Deposito and investment accounts	–	43,241	–	–	–	43,241
Medium-term notes for customers	–	–	21	62	72	155
Total customer deposits (PostFinance)	68,754	43,241	21	62	72	112,150
Due to banks	5	–	270	–	–	275
Derivative financial instruments	–	–	44	47	83	174
Other financial liabilities						
Finance leases	–	–	1	4	1	6
Other	0	–	1	1	1,282	1,284
Total other financial liabilities	5	–	316	52	1,366	1,739
Total financial liabilities	68,759	43,241	337	114	1,438	113,889
31 December 2013						
Postal accounts	66,175 ²	–	–	–	–	66,175
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)	66,175	42,585	68	74	21	108,923
Due to banks	192 ²	–	1	–	–	193
Derivative financial instruments	–	–	4	15	1	20
Other financial liabilities						
Finance leases	1	–	0	0	2	3
Other	4	–	1	1	1,281	1,287
Total other financial liabilities	197	–	6	16	1,284	1,503
Total financial liabilities	66,372	42,585	74	90	1,305	110,426

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

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

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

The fourth quarter of 2012 saw the borrowing of funds by means of a private placement as long-term funds of 1,280 million francs were raised on the capital market from major domestic private and institutional investors. Several tranches were issued with an average duration of around 11 years. The average interest rate applicable to this private placement is 0.83 percent.

In accordance with hedge accounting requirements, 171 million francs (previous year: 16 million francs) were posted to derivative financial instruments (negative fair values).

Interest expense for customer deposits (PostFinance) amounted to 208 million francs in the reporting period (previous year: 292 million francs).

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Cash value of the commitments from finance leases

Cash value of the commitments from finance leases	31 December 2014			31 December 2013		
	Nominal	Discount	Present value	Nominal	Discount	Present value
CHF million						
Due within 1 year	1	0	1	2	-1	1
Due within 1 to 5 years	4	0	4	2	0	2
Due date longer than 5 years	1	0	1	0	0	0
Total	6	0	6	4	-1	3

28 | Provisions

Provisions	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks	Other	Total
CHF million						
As at 1 January 2014	350	7	34	12	69	472
Additions to the consolidated Group	-	-	-	-	0	0
Recognition	55	6	12	7 ¹	23	103
Present value adjustment	7	0	-	-	0	7
Use	-26	-4	-7	-6	-10	-53
Reversal	-1	-2	-16	-2	-15	-36
Reclassifications	-5	-	-	0	0	-5
Currency translation differences	0	0	-	0	0	0
As at 31 December 2014	380	7	23	11	67	488
of which short term	27	5	10	4	13	59
As at 1 January 2013	348	16	36	10	46	456
Additions to the consolidated Group	0	-	-	-	5	5
Recognition	22	5	12	12 ¹	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	51

¹ Including a provision of 0.8 million francs (previous year: 2.5 million francs) (PostFinance Ltd) 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 including sabbaticals for management employees) and staff vouchers (predominantly for retired employees). The performance can be found in the following breakdown.

The following parameters were applied:

Assumptions for the calculation as at	Loyalty bonuses		Staff vouchers	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount rate	0.75%	2.00%	1.25%	2.25%
Annual change in salaries	1.50%	2.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	95.00%
Leave share	55.80%	55.80%	–	–
Voluntary turnover	8.16%	8.16%	3.64%	3.93%
Average remaining service in years	9.30	9.14	11.03	10.47

Change in other long-term employee benefits

Other long-term employee benefits	Loyalty bonuses		Staff vouchers	
	2014	2013	2014	2013
CHF million				
Balance at 1 January	217	223	127	125
Accrued claims	13	13	3	3
Benefits paid	–21	–20	–5	–6
Interest on employee benefit obligations	4	4	3	2
Expenses arising from plan amendments	0	0	–	0
(Gains)/losses resulting from changes in assumptions	20	0	19	4
Actuarial (gains)	0	–3	–1	–1
Balance at 31 December	233	217	146	127

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

Expenses booked under staff costs

Expenses booked under staff costs	Loyalty bonuses		Staff vouchers	
	2014	2013	2014	2013
CHF million				
Accrued claims	13	13	3	3
Interest on employee benefit obligations	4	4	3	2
Expenses arising from plan amendments	0	0	–	0
Actuarial (gains)/losses	20	–3	18	3
Total expenses for other long-term employee benefits	37	14	24	8

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29 | Equity

Share capital

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

The share capital comprises 1,300,000 registered shares, each with a 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 from employee benefit obligations in accordance with IAS 19 that occurred during the year and that were recorded in other comprehensive income (OCI) as equity are shown in the following table. Revaluation gains are the result of differences between assumed (estimated) amounts and their actual realizations.

Fair value reserves

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

Currency translation reserves

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

Other profits and losses

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

Appropriation of profit

The first ordinary General Meeting of Swiss Post Ltd since the conversion of Swiss Post from an institution under public law into a company limited by shares subject to a special statutory regime, held on 29 April 2014, decided to pay a dividend totalling 180 million francs. Of this, retained earnings accounted for 40 million francs and the capital reserves for 140 million francs. The dividend was paid on 20 May 2014.

According to the proposal submitted by the Board of Directors to the General Meeting of Swiss Post Ltd, a total of 200 million francs of dividends will be distributed to the owner for the financial year 2014. This corresponds to a dividend of 153.85 francs per share. The amount available for dividends is based on the statutory equity of the parent company Swiss Post Ltd. Further details can be found in the Swiss Post Ltd annual financial statements.

Other comprehensive income includes the following:

Group Profits and losses recorded directly in other comprehensive income		Revaluation of employee benefit obligations	Fair value reserves	Hedging reserves	Currency translation reserves	Other profits and losses	Equity attributable to the owner	Non-controlling interests	Total
CHF million	Notes								
Balance as at 1 January 2014		-136	174	1	-49	5	-5	0	-5
Revaluation of employee benefit obligations	9	-1,344	-	-	-	-	-1,344	-	-1,344
Change in share of other comprehensive income from associates and joint ventures	23	-	-	-	-	0	0	-	0
Change in deferred income taxes	14	275	-	-	-	0	275	-	275
Items not reclassifiable in the income statement, after tax		-1,069	-	-	-	0	-1,069	-	-1,069
Change in currency translation reserves		-	-	-	7	-	7	0	7
Change in share of other comprehensive income from associates and joint ventures	23	-	-	-	-	1	1	-	1
Change in fair value reserves from available-for-sale financial assets	20	-	33	-	-	-	33	-	33
(Gains)/losses transferred to income statement from available-for-sale financial assets	20	-	-32	-	-	-	-32	-	-32
Change in hedging reserves from cash flow hedges	21	-	-	-52	-	-	-52	-	-52
(Gains)/losses transferred to income statement from cash flow hedges	21	-	-	43	-	-	43	-	43
Change in deferred income taxes	14	-	-17	2	-	0	-15	-	-15
Reclassifiable items in consolidated income statement, after tax		-	-16	-7	7	1	-15	0	-15
Other comprehensive income		-1,069	-16	-7	7	1	-1,084	0	-1,084
Balance as at 31 December 2014		-1,205	158	-6	-42	6	-1,089	0	-1,089
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 share of other comprehensive income from associates and joint ventures	23	-	-	-	-	-1	-1	-	-1
Change in deferred income taxes	14	-107	-	-	-	-	-107	-	-107
Items not reclassifiable in the consolidated income statement, after tax		309	-	-	-	-1	308	-	308
Change in currency translation reserves		-	-	-	1	-	1	0	1
Change in share of other comprehensive income from associates and joint ventures	23	-	-	-	-	0	0	-	0
Change in fair value reserves from available-for-sale financial assets	20	-	138	-	-	-	138	-	138
(Gains)/losses transferred to income statement from available-for-sale financial assets	20	-	-20	-	-	-	-20	-	-20
Change in hedging reserves from cash flow hedges	21	-	-	-37	-	-	-37	-	-37
(Gains)/losses transferred to income statement from cash flow hedges	21	-	-	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

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30 | Operating leases

Swiss Post as lessee

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

Commitments under operating leases		
CHF million	31.12.2014	31.12.2013
Future commitments under operating leases due in		
Less than 1 year	74	83
1 to 5 years	137	175
Over 5 years	38	54
Future payment commitments under operating leases	249	312
Minimum lease payments	142	137
Conditional lease payments	9	8
Lease expenses for the period	151	145
Income from sub-letting in the past financial year	20	21
Future income from sub-letting	22	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 42 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	31.12.2014	31.12.2013
Future minimum lease payments due under agreements in		
Less than 1 year	75	80
1 to 5 years	198	218
Over 5 years	58	75
Total	331	373

31 | Contingent liabilities

Contingent liabilities were as follows as at 31 December 2014:

Guarantees and guarantee obligations

As in the previous year, there were no guarantees or guarantee obligations at the end of 2014.

Legal cases

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

For information regarding provisions associated with the US tax programme, please see the footnote to Note 28, Provisions.

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32 | Risk management

Risk management (corporate risk management)

Organization

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

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, operation, finance and legal aspects.

Swiss Post aims to take an integral approach to risk management. Risk management is therefore combined with the Strategy, Accounting, Crisis Management and Group Audit units, as well as Compliance (from 2015). 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 2014 showed that economic equity is sufficient to cover unexpected losses. The Group's risk-bearing capacity is thereby guaranteed. In addition, the expected losses do not exceed the planned operating profit. Risk appetite is therefore covered.

Based on the latest measurements (Monte Carlo simulation), the Group's expected potential loss amounts to around 28 million francs in the next twelve months. An unexpected potential loss (VaR 95 percent) of 209 million francs was also calculated. The Group's risk situation is divided between PostFinance (32 percent), PostBus (1 percent) and the remaining Group units (67 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 at PostFinance" section on page 120. The risk indicators dropped in comparison with the previous year as greater account was taken of opportunities. A year-on-year comparison of key figures is not possible as the method of calculation was changed from one period to the next.

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 and the substitution of several business areas by electronic media.

Many Swiss Post services fall under the universal service obligation. This regulatory risk can impact sales and lead to a decline in earnings. 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

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

Opportunities

Swiss Post's business area is affected by a range of external factors that offer potential opportunities as well as risks. Trends in e-commerce and the demand for digital postal and 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 operates an appropriate financial and operational risk management system in accordance with banking regulation requirements. The specific business risks faced by PostFinance, namely interest rate, liquidity, credit, market and operational risks, are managed using industry-standard tools and methods.

Organization

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

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

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

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

The PostFinance Risk Management department identifies, measures and controls financial risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. The Risk Management department also develops measures for controlling financial risks to be approved by the Executive Board.

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The PostFinance Risk Control department identifies, measures and monitors non-financial risks. As an independent control body, the Risk Control department also evaluates the appropriateness of financial risk control processes.

Financial risk measurement methods

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

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

The methods applied at PostFinance to measure risks include measurement methods based on regulatory requirements (e.g. credit risk measurement in accordance with SA-BIS), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and value-at-risk methods (e.g. to measure fair value risks resulting from equity investments).

Financial risk management at PostFinance

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

– Interest rate risk and balance sheet structure risk

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance 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 sight deposit balance at the Swiss National Bank. On 15 January 2015, the Swiss National Bank set a new negative interest rate of –0.75 percent. PostFinance has paid negative interest on part of its sight deposit balance at the Swiss National Bank since 22 January 2015, which will have an impact on its result for the current year. Measures to minimize the negative effects will be implemented in the first quarter of 2015.

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

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

The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment method. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatility of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the investment method. The imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective.

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

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 Executive Board. 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. In addition, dynamic income simulations are carried out according to several deterministic scenarios describing future market interest trends and the resulting changes in customer interest and customer volumes for each replica.

As at 31 December 2014, the absolute change in the present value of equity with a parallel shift in the yield curve of + 100 basis points amounted to 56 million francs (previous year: – 51 million francs). Due to the current interest situation, a negative shift in interest produces results that are difficult to interpret and is therefore not reported. The income effect of an adverse scenario in comparison with the baseline scenario stood at –27 million francs (previous year: –44 million francs) for the following year.

– Credit risk

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

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

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

The conservative investment strategy pursued by PostFinance is reflected in the figures for financial assets according to rating as at 31 December 2014 and 31 December 2013:

Rating structure of financial assets¹

Rating category in percent	31.12.2014	31.12.2013
AAA	70	75
AA	19	18
A	9	5
< A	2	2

¹ Includes money market and capital investments; based on nominal values.

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Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties. Overview of major counterparties as at 31 December 2014 and 31 December 2013:

Breakdown of the largest counterparties¹

CHF million	31.12.2014	31.12.2013
Pfandbriefbank schweizerischer Hypothekarstitute AG, Zurich	11,965	9,679
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	6,652	4,789
Swiss Confederation, Berne	2,819	2,842

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

Country risks are controlled by establishing country portfolio limits which encourage a broad diversification of international financial assets. Overview of major country exposures as at 31 December 2014 and 31 December 2013:

Summary of main country exposures¹

CHF million	31.12.2014	31.12.2013
Switzerland	41,517	34,058
France	5,515	5,960
Germany	3,928	4,584

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

Note on collateral concentration risks:

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

Note on credit risks arising from mortgage lending and SME financing:

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

– Liquidity risks

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. 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 inter-bank market for liquidity.

To guarantee liquidity on a daily basis, the composition of financial cushions is defined and limited by specifying a minimum amount to be observed. The minimum amount for a financial cushion is based on high daily cash outflows on a one-day horizon with an extremely low probability of occurrence.

Liquidity in the short term is guaranteed by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure.

To ensure liquidity in the medium to long term, liquidity stress scenarios lasting at least three months are defined that must not lead to insolvency.

As at 31 December 2014, the Liquidity Coverage Ratio stood at 186 percent (previous year: 247 percent).

– Foreign currency risk

The term “foreign currency risk” refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. PostFinance is not affected by the abandoning of the minimum euro exchange rate by the Swiss National Bank and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible.

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

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

As at 31 December 2014, value-at-risk arising from foreign currency risks stood at around 2 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: around 2 million francs).

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The following table shows the currency balance as at 31 December 2014 and 31 December 2013:

Financial instruments by currency (Group)		Foreign currencies						Total
Functional currency	CHF	EUR	USD	GBP	Other			
As at 31 December 2014								
CHF million								
Assets								
Cash	1,662	0	152	0	0	0	1,814	
Receivables due from banks	41,774	1	132	586	2	48	42,543	
Interest-bearing amounts due from customers	695	–	1	0	0	0	696	
Trade accounts receivable	786	1	255	2	5	73	1,122	
Other receivables excluding prepaid expenses	141	–	–1	0	1	1	142	
Financial assets	68,843	–	2,598	1,136	95	161	72,833	
Held for trading and derivatives	3	–	0	1	1	0	5	
Held to maturity	52,176	–	2,223	143	–	–	54,542	
Available for sale	2,978	–	363	992	94	161	4,588	
Loans	13,686	–	12	–	–	–	13,698	
Liabilities								
Customer deposits (PostFinance)	108,692	0	2,571	783	34	70	112,150	
Other financial liabilities	1,716	–	9	13	1	0	1,739	
Trade accounts payable	503	0	242	1	1	74	821	
Other liabilities excluding deferred income	136	0	3	0	0	–	139	
As at 31 December 2013								
CHF million								
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	

– Other market risks

PostFinance invests in equity and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, each position is allocated to the risk factors that have an impact on its present value. These risk factors include interest, currency and share price risks. Index proxies are also used to measure the credit risk of fund investments. The change in present value is then modelled according to the change in the allocated risk factors.

Other market risks are measured according to the value-at-risk indicator. The historic simulation method is applied with a conservative confidence level.

As at 31 December 2014, value-at-risk arising from other market risks amounted to 123 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: 131 million francs).

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.

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 (2014: 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.

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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 2014:

Capital adequacy disclosure			31.12.2014	31.12.2013
CHF million	Basis as per CAO			
Eligible equity				
Common equity tier 1 (CET1)			5,107	4,882
Supplementary capital (T2)			177	90
Total eligible equity capital (CET1 + T2)			5,284	4,972
Equity requirements				
Credit risks	International standardized approach (SA-BIS)		1,714	1,592
Non-counterparty risks	International standardized approach (SA-BIS)		82	76
Market risks	Market risk, standardized approach		17	25
Operational risks	Basic indicator approach		218	226
Total minimum equity required	In accordance with CAO, art. 42		2,031	1,919
80% equity cushion (for 14.4% equity target)	In accordance with FINMA: maximum rate, category 2		1,625	1,536
Total capital requirement (T1 + T2)	In accordance with CAO, art. 45		3,656	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.

33 | Fair value disclosures

Carrying amounts and fair values of financial instruments and other assets

The carrying amounts and corresponding fair values of financial assets and liabilities and other assets are as follows on 31 December 2014 and 31 December 2013:

Fair values and carrying amounts of financial instruments and other assets CHF million	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Financial assets				
Available for sale				
Bonds	3,197	3,197	2,980	2,980
Shares	625	625	654	654
Funds	766	766	245	245
Positive fair values	5	5	95	95
Financial assets not measured at fair value				
Financial assets				
Held to maturity	54,542	57,562	50,398	52,647
Loans	13,698	14,259	12,475	12,733
Financial liabilities measured at fair value				
Other financial liabilities				
Negative fair values	174	174	20	20
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	1,280	1,341	1,280	1,196
Other assets not measured at fair value				
Investment property	180	221	116	150

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

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Fair value hierarchy

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

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

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

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

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

Fair values are determined as follows:

Fair value of financial assets CHF million	31 December 2014				31 December 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available for sale								
Bonds	3,197	2,531	666	–	2,980	501	2,479	–
Shares	625	624	1	–	654	654	–	–
Funds	766	0	766	–	245	47	198	–
Positive fair values	5	–	5	–	95	–	95	–
Held to maturity ¹	57,562	44,065	13,497	–	52,647	41,391	11,256	–
Loans ²	14,259	–	14,235	24	12,733	–	12,733	–
Negative fair values	174	–	174	–	20	–	20	–
Private placements	1,341	–	1,341	–	1,196	–	1,196	–
Investment property ³	10	–	–	10	8	–	8	–
Investment property under construction ³	211	–	–	211	142	–	142	–

¹ Financial assets held to maturity are recognized at amortized cost using the effective interest method.

² Loans are measured at amortized cost. In the case of the loans to PostBus operators (106 million francs, 31.12.2013: 136 million francs) and "Other" (24 million francs, 31.12.2013: 12 million francs), the fair values on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

³ Recognized in the balance sheet at amortized cost.

Five Swiss Post investments of a non-material nature that together amount to about one million francs (previous year: about one million francs) are measured at cost in "available-for-sale" shares. As in the previous year, these instruments were not assigned to a level as at 31 December 2014.

As at 31 December 2014, available-for-sale financial assets were reclassified as follows within the fair value hierarchy: 57 million francs from level 1 to level 2 and 1,630 million francs from level 2 to level 1. Reclassifications between the different levels are carried out at the end of each reporting period. The reclassifications reflect the more strictly applied criteria in the year under review and settings for determining the level allocation. For an instrument to be assigned to level 1, it must be traded on an active market (public stock exchange), have a quoted price on the reference date and be available in sufficient quantities to ensure a liquid market. In the previous year, available-for-sale financial assets of 14 million francs were reclassified from level 1 to level 2.

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

– Property: PostParc (investment property under construction)

As at 31 December 2014, the property is measured using the discounted cash flow approach. The fair value of the property on the due evaluation date is calculated in accordance with the measurement standard from the sum of the anticipated cash flows (including 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 determining fair value:

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

As at 31 December 2014, the fair value determined for the PostParc stands at around 211 million francs (previous year: around 142 million francs).

– Property: Bellinzona Autorimessa (investment property)

As at 31 December 2014, the property is measured using the capitalized earnings method. The following rate was applied to capitalize effective rental income. In the capitalization rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the earnings value calculated.

The following assumptions were made for determining fair value:

- Letting of the property at sustainable tenancy terms
- Average capitalization rate: 7 percent

As at 31 December 2014, the fair value determined for the Autorimessa in Bellinzona stands at around 10 million francs (previous year: around 8 million francs).

As at 31 December 2014, investment properties previously assigned to level 2 were reclassified to level 3 as a result of the practice established in Switzerland since the introduction of IFRS 13 for assets disclosed as investment properties. The same valuation techniques were used as in previous years.

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34 | Transfers of financial assets

Securities received as part of reverse repurchase transactions are recognized in the balance sheet only if 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	31.12.2014	31.12.2013
Receivables			
Receivables from cash collateral in reverse repurchase transactions	15	1,309	7,150
of which recognized in receivables due from banks	15	909	6,850
of which recognized in interest-bearing amounts due from customers	15	400	300
Commitments			
Commitments from cash collateral in securities lending transactions		–	–
of which recognized in financial liabilities – other financial liabilities		–	–
Commitments from cash collateral in repurchase transactions		–	–
of which recognized in financial liabilities – other financial liabilities		–	–
Securities cover			
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	18	1,765	–
of which securities for which an unrestricted right to dispose of or pledge was granted		1,765	–
of which recognized in financial assets – held to maturity		1,754	–
of which recognized in financial assets – available for sale		11	–
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions		–	–
of which repledged or sold securities		–	–

35 | Potential offsetting of financial assets and financial liabilities

No offsetting took place. The following financial assets and financial liabilities were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2014 and 31 December 2013:

Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2014, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		Financial assets 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	5	–	5	–	–	5
Reverse repurchase transactions	1,309	–	1,309	–	–1,309	–

Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2014, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		Financial liabilities 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	174	–	174	–142	–	32
Securities lending and similar agreements	1,765	–	1,765	–	–1,765	–

Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2013, 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

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36 | Consolidated Group

Acctg. Method	Segment	Company	Domicile	Share capital		Equity interest in percent	
				Currency	in 000s	as at 31.12.2014	as at 31.12.2013
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 ¹	Berne	CHF	1,000	–	100
F	1	Prisma Medienservice AG ²	St. Gallen	CHF	100	–	100
F	1	Asendia Press D4M AG ³	Kriens	CHF	200	–	–
F	2	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
F	2	SwissSign AG	Opfikon	CHF	450	100	100
F	4	Mobility Solutions Ltd	Berne	CHF	100	100	100
F	4	Mobility Solutions Management Ltd	Berne	CHF	100	85	85
F	4	PostLogistics Ltd	Dintikon	CHF	20,000	100	100
F	4	SecurePost Ltd	Oensingen	CHF	4,000	100	100
F	4	Dispodrom Ltd in liquidation ⁴	Berne	CHF	2,000	100	100
F	4	IT ServiceHouse AG in liquidation ⁵	Berne	CHF	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	Berne	CHF	2,000,000	100*	100*
F	5	Debtors Service Ltd	Berne	CHF	1,000	100	100
F	5	TWINT AG (formerly Monexio AG) ⁶	Berne	CHF	10,000	100	–
F	6	PostBus Switzerland Ltd	Berne	CHF	72,000	100*	100*
F	6	PubliBike AG (formerly velopass SARL) ⁷	Fribourg	CHF	200	100	100
F	7	Post Real Estate Management and Services Ltd (formerly InfraPost AG)	Berne	CHF	1,000	100	100
F	7	Post Real Estate Ltd	Berne	CHF	100,000	100*	100*
F	1–7	Post CH Ltd	Berne	CHF	500,000	100*	100*
E	1	AZ Vertriebs AG	Aarau	CHF	100	25	25
E	1	search.ch AG	Zurich	CHF	100	25	25
E	1	SCHAZO AG	Schaffhausen	CHF	300	50	50
E	1	Somedia Distribution AG (formerly SÜDOSTSCHWEIZ PRESSEVERTRIEB AG)	Chur	CHF	100	35	35
E	1	DMB Direct Mail Biel-Bienne AG	Biel/Bienne	CHF	100	50	50
E	1	Asendia Holding Ltd	Berne	CHF	100	50	50
E	4	TNT Swiss Post AG	Buchs (AG)	CHF	1,000	50	50
E	5	SIX Interbank Clearing AG	Zurich	CHF	1,000	25	25
E	6	Sensetalbahn AG	Berne	CHF	2,890	34	34

* Equity interest is held by Swiss Post Ltd

1 Liquidated on 11.9.2014.

2 Merged into Direct Mail Company AG on 28.5.2014, with retroactive effect from 1.1.2014.

3 Acquisition of shares (100 percent) on 30.12.2014. Merger with Direct Mail Company AG on 30.12.2014.

4 New headquarters, previously Schlieren.

5 Liquidated on 18.9.2014.

6 Founded on 7.7.2014. Share capital increased by 8,000,000 francs on 12.12.2014.

7 Converted to limited company and capital increase at the same time of 179,000 francs on 1.4.2014. New headquarters, previously Lausanne.

Accounting method

F = fully consolidated

E = accounted for under the equity method

Segment

1 = PostMail

2 = Swiss Post Solutions

4 = PostLogistics

5 = PostFinance

6 = PostBus

7 = Other

Acctg. Method	Segment	Company	Domicile	Share capital		Equity interest in percent	
				Currency	in 000s	as at 31.12.2014	as at 31.12.2013
Belgium							
F	4	Société d'Affrètement et de Transit S.A.T. SA ⁸	Brussels	EUR	62	100	–
Germany							
F	2	CF Card Factory GmbH	Hessisch Lichtenau	EUR	500	51	51
F	2	Fortuna Beteiligungs GmbH	Bamberg	EUR	50	100	100
F	2	Swiss Post Solutions GmbH ⁹	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	Prien	EUR	1,050	100	100
F	2	Swiss Post Solutions GmbH	Pulsnitz	EUR	100	100	100*
F	2	Swiss Post Solutions Card Systems GmbH ¹⁰	Bamberg	EUR	25	100	–
F	4	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
F	4	Zollagentur Imlig GmbH	Rheinfelden Baden	EUR	25	100	100
E	2	eSourceONE GmbH ¹¹	Bamberg	EUR	25	50	50
E	2	MEILLERGHP GmbH	Schwandorf	EUR	280	35	35
E	5	Swiss Euro Clearing Bank GmbH ¹²	Frankfurt am Main	EUR	30,000	25	25
France							
F	2	Swiss Post Solutions SAS (formerly Swiss Post Solutions Holding SAS)	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 ¹³	Obernai	EUR	50	–	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 ¹³	Saint-Priest	EUR	250	–	100
F	6	Holding Rochette Participations SAS	Montverdun	EUR	400	100	100
F	6	CarPostal Loire SARL (formerly Caporin Voyages SARL)	Montverdun	EUR	1,680	100	100
F	6	CarPostal Riviera SAS	Menton	EUR	200	100	100
F	6	CarPostal Salon de Provence SAS	Salon-de-Provence	EUR	200	100	100

* Equity interest is held by Swiss Post Ltd

8 Acquisition of shares (100 percent) on 24.4.2014.

9 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.

10 Founded on 17.11.2014.

11 New headquarters, previously Hallstadt.

12 Share capital increase of EUR 10,000,000 (Swiss Post share: 25 percent) as at 27.3.2014.

13 Merged into CarPostal France SAS on 30.12.2014.

Accounting method

F = fully consolidated

E = accounted for under the equity method

Segment

2 = Swiss Post Solutions

4 = PostLogistics

5 = PostFinance

6 = PostBus

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Acctg. Method	Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent	
						as at 31.12.2014	as at 31.12.2013
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 ¹⁴	Vaduz	CHF	30,000	100*	100*
E	7	Liechtensteinische Post AG	Schaan	CHF	5,000	25	25
Austria							
F	2	Swiss Post Solutions GmbH ¹⁵	Vienna	EUR	35	–	–
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) ¹⁶	Ho-Chi-Minh City	VND	1,821,446	100	86

* Equity interest is held by Swiss Post Ltd

14 New head office, previously Vaduz.

15 Converted into a branch of Swiss Post Solutions Ltd, Zurich, retroactive to 31.12.2013.

16 Buyout of non-controlling interest (14 percent) as at 30.6.2014.

Accounting method

F = fully consolidated

E = accounted for under the equity method

Segment

2 = Swiss Post Solutions

6 = PostBus

7 = Other

37 | Changes in the consolidated Group

Year 2014

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

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

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

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

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

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

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

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

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

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

Year 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, based in Zurich, 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, France.

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With effect from 6 June 2013, Client Vela GmbH, based in Munich, Germany, 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 company limited by shares subject to a special statutory regime, 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
 Post Real Estate Ltd: around 100 million francs

On 1 September 2013, Swiss Post Solutions Ltd, based in Richmond, UK, 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, based in Basel, 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 2013 and 23 July 2013 respectively.

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 CHF million	2014	2013
	Total fair value ¹	Total fair value ²
Cash and cash equivalents	1	2
Trade accounts receivable and other receivables	2	25
Inventories	–	2
Property, plant and equipment, intangible assets and investments	0	28
Trade accounts payable	0	–5
Provisions and other liabilities	0	–27
Fair value of net assets	3	25
Goodwill	3	28
Cash and cash equivalents acquired ³	–1	–2
Purchase price payments falling due at a later date (earn-outs)	–	–10
Net cash outflow for acquisitions	5	41

¹ Composition: Société d'Affrètement et de Transport S.A.T. SA., Asendia Press D4M AG.

² Composition: Scalaris AG, Prisma Medienservice AG, section of Pitney Bowes Ltd.

³ Composition: cash and current receivables due from banks.

The acquisition costs for the companies acquired in 2014 amount to a total of 6 million francs and were 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 less than one million francs to operating income and operating profit.

Overall, the effects on the consolidated financial statements of the above acquisitions are not material in nature.

Companies founded and renamed

Year 2014

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

velopass SARL, based in Fribourg, was converted into a private limited company and renamed Publi-Bike Ltd on 1 April 2014.

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

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

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

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

Year 2013

On 1 March 2013, FMC Insights Limited, a company headquartered in Cork, Ireland, was renamed Swiss Post Solutions Ireland Limited, and on 6 March 2013, Swiss Post Solutions Holding SAS, based in Paris, France, was renamed Swiss Post Solutions SAS.

CarPostal Riviera SAS, based in Menton, France, was founded on 29 May 2013.

GHP Far East Co. Ltd, a company headquartered in Ho Chi Minh City, Vietnam, 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.

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38 | 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 in the year under review, as in the previous year.

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	
	2014	2013	2014	2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
CHF million								
Companies with joint management or significant influence	437	418	123	140	1,003	648	1,040	761
Swiss Confederation	208	205	8	6	109	61	662	404
Swisscom	158	146	58	60	652	357	23	19
Swiss Federal Railways SBB	67	63	57	74	42	30	355	335
RUAG	1	1	0	0	0	0	0	3
SKYGUIDE	3	3	0	0	200	200	0	0
Associates and joint ventures	133	134	37	42	52	43	12	13
Other related companies and parties	14	1	4	2	0	0	88¹	143¹

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

Remuneration paid to members of management

In the past financial year, remuneration including fringe benefits of 5.2 million francs (previous year: 5.6 million francs) and pension benefits of around 0.77 million francs (previous year: around 0.71 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 2014 was based on target attainment in 2012 and 2013 and amounted to around 0.9 million francs (previous year: around 1.2 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

39 | Key exchange rates

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

Exchange rates	Unit	Closing rate as at		Average rate for the period ending	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
1 euro	EUR	1.20	1.23	1.21	1.23
1 US dollar	USD	0.99	0.89	0.92	0.93
1 pound sterling	GBP	1.54	1.47	1.51	1.45

40 | Events after the reporting period

Adjusting events

Prior to the approval of the 2014 consolidated annual financial statements by Swiss Post Ltd's Board of Directors on 16 March 2015, 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.

Events not resulting in adjustments

In January 2015 the Swiss National Bank abandoned the minimum exchange rate of 1.20 francs per euro. At the same time, it reduced the interest rate for sight deposit balances that exceed a specific exemption limit by 0.5 percentage points to -0.75 percent. The target range for the three-month Libor slid from the previous level of between -0.75 and 0.25 percent further into negative figures at between -1.25 and -0.25 percent.

Within Swiss Post Group, PostFinance Ltd is particularly likely to be affected by the measures taken by the Swiss National Bank. PostFinance Ltd has paid negative interest on part of its sight deposit balance at the Swiss National Bank since 22 January 2015, which will have an impact on the result in 2015. Measures to minimize the negative effects are implemented on an ongoing basis.

Swiss Post's foreign subsidiaries with a foreign functional currency contribute to operating income. The overall impact on operating income in the consolidated financial statements calculated as at 31 December 2014 is not material in nature. In principle, it can be stated that foreign currency risks will continue to be systematically hedged in future. Natural hedging within the Group also helps ensure that no major currency effects are expected.

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post Ltd presented on pages 66 to 140 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 2014.

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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 16 March 2015

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 144](#)

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Income statement

Swiss Post Ltd | Income statement

CHF million	2014	2013
Income		
Trade income	78	22
Total operating income	78	22
Expenses		
Staff costs	-4	-4
Other operating expenses	-31	-39
Depreciation and amortization	-67	-67
Total operating expenses	-102	-110
Income from investments	245	204
Financial income	70	65
Financial expenses	-41	-137
Total net financial income	274	132
Earnings before tax	250	44
Income taxes	5	-4
Profit after tax	255	40

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Balance sheet

Swiss Post Ltd | Balance sheet

CHF million	31.12.2014	31.12.2013
Assets		
Current assets		
Cash and cash equivalents	604	508
Trade accounts receivable		
due from subsidiaries	1,359	1,386
Other receivables		
due from third parties	0	1
due from subsidiaries	38	41
Total current assets	2,001	1,936
Fixed assets		
Investments	7,989	7,898
Financial assets		
Loans to subsidiaries	820	843
Other financial assets	23	12
Intangible assets	867	933
Total fixed assets	9,699	9,686
Total assets	11,700	11,622
Equity and liabilities		
Liabilities		
Trade accounts payable		
due to third parties	3	4
due to subsidiaries	127	99
Current financial liabilities		
due to subsidiaries	44	–
Deferred income		
due from third parties	4	3
Non-current financial liabilities		
due to third parties	1,280	1,280
due to subsidiaries	–	62
Provisions	2	9
Total liabilities	1,460	1,457
Equity		
Share capital	1,300	1,300
Statutory reserves		
General reserves from capital contributions	8,685	8,825
Net retained profit		
Profit for the year	255	40
Total equity	10,240	10,165
Total equity and liabilities	11,700	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 limited companies in particular.

Swiss Post as an independent institution under public law was converted into a company limited by shares subject to a special statutory regime 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 32, 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 11 tranches overall, expiring between 2018 and 2032, and with an average remaining maturity of approximately nine years, funds were raised on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to this private placement is 0.83 percent.

Contingent liabilities

As at 31 December 2014, guarantees and guarantee obligations amounted to around 18 million francs (previous year: 16 million francs).

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

On 31 December 2014, as in the previous year, 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".

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Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund totalled approximately 50,000 francs at 31 December 2014 (previous year: 50,000 francs).

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 Ltd to the General Meeting held on 28 April 2015, 200 million francs will be distributed to the owner.

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Post Ltd, presented on pages 144 to 148 of the financial report, which comprise the income statement, balance sheet and notes for the year ended 31 December 2014.

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 2014 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
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 16 March 2015

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").

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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		2014	2013
CHF million			
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation		382	588
Management / licence fee / net cost compensation		90	129
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation		472	717
Net income from associates		1	1
Operating profit from subsidiaries		3	2
Net financial income		–3	136
Earnings before tax (EBT)		473	856
Income tax		–97	442
PostFinance Ltd profit for the year reported to the Group as per IFRS		376	1,298
Interest and discount income	Amortization of revalued held-to-maturity financial assets	–78	–88
Various items of income	Lowest value principle for financial assets as per BAG	20	1
Net trading income	Realized gains from (earlier than scheduled) sales	–20	–25
Staff costs	Valuation differences between IAS 19 and Swiss GAAP FER 16	15	–45
Depreciation of fixed assets	Revalued real estate	–4	–4
	Individual impairment charges due to lower fair value	–1	–11
	Goodwill	–200	–200
Extraordinary income	Profit from the sale of Swiss Post Real Estate Ltd equity investment	–	–145
Taxes	Deferred tax expenses/income as per IFRS	59	–516
PostFinance Ltd profit for the year as per BAG		167	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.
- Swiss Post 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 90 million francs on the operating profit.

PostFinance Ltd statutory annual financial statements

PostFinance issues annual financial statements in accordance with the BAG Bank Accounting Guidelines (art. 23-27 Banking Ordinance, FINMA Circular 2008/2 "Accounting – Banks").

The statutory financial statements indicate earnings after tax of 167 million francs. Total assets rose to 120 billion francs in 2014. With a capital ratio of 20.8 percent, PostFinance exceeds the minimum capital requirements of Basel III.

Balance sheet

PostFinance Ltd | Balance sheet as per BAG

CHF million	Notes	31.12.2014	31.12.2013
Assets			
Cash and cash equivalents		41,746	39,114
Receivables from money market instruments		–	–
Receivables due from banks		4,858	9,933
Receivables due from customers	5	11,139	9,894
Mortgage receivables	5	0	1
Securities held for trading and precious metals		–	–
Financial assets	6, 20	59,196	54,454
Investments	6, 8	48	14
Property, plant and equipment	8	1,027	954
Intangible assets	8	1,600	1,800
Prepaid expenses and deferred income		682	720
Other assets	9	150	134
Total assets		120,446	117,018
Total subordinated receivables		–	–
Total receivables due from subsidiaries and holders of qualified participations		1,590	2,019
Equity and liabilities			
Liabilities from money market instruments		–	–
Amounts due to banks		2,788	2,380
Amounts due to customers as savings and investments		43,241	42,585
Other amounts due to customers		66,870	64,534
Medium-term notes		155	161
Loans and mortgage bond loans		–	–
Prepaid expenses and deferred income		122	173
Other liabilities	9	207	137
Value adjustments and provisions	12	189	101
Reserves for general bank risks	12	–	–
Share capital	13	2,000	2,000
General statutory reserves	14	4,682	4,682
of which reserves from capital contributions		4,682	4,682
Other reserves		–	–
Profit carried forward		25	–
Profit for the year		167	265
Total equity and liabilities		120,446	117,018
Total subordinated liabilities		–	–
Total amounts due to subsidiaries and holders of qualified participations		693	529

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PostFinance Ltd | Off-balance sheet transactions

CHF million	31.12.2014	31.12.2013
Contingent liabilities	-	-
Irrevocable commitments	656	641
Liabilities for calls on shares and other equity	-	-
Credit commitments	-	-
Derivative financial instruments: positive fair values	5	96
Derivative financial instruments: negative fair values	174	20
Derivative financial instruments: contract volume	6,382	5,304
Fiduciary transactions	-	-

Income statement

PostFinance Ltd | Income statement as per BAG

CHF million	Notes	2014	2013
Income and expenses from ordinary banking operations			
Interest and discount income		220	222
Interest and dividend income from trading portfolios		–	–
Interest and dividend income on financial assets		943	995
Interest expenses		–198	–283
Net interest income		965	934
Commission income on lending business		94	93
Commission income on securities and investment business		42	37
Commission income on other services		630	620
Commission expenses		–591	–592
Net service and commission income		175	158
Net trading income	21	166	158
Net income from disposal of financial assets		37	15
Income from investments		1	1
Net income from real estate		55	52
Other ordinary income		120	163
Other ordinary expenses		–13	–6
Other ordinary net income		200	225
Operating income		1,506	1,475
Staff costs	22	–458	–471
Non-staff costs	23	–509	–470
Operating expenses		–967	–941
Gross profit		539	534
Profit for the year			
Gross profit		539	534
Depreciation of fixed assets		–237	–245
Value adjustments, provisions and losses		–99	–16
Operating profit (interim result)		203	273
Extraordinary income	24	7	71
Extraordinary expenses	24	–	–
Taxes	25	–43	–79
Profit for the year		167	265

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Statement of cash flows

PostFinance Ltd | Statement of cash flows as per BAG

CHF million	Sources of funds 2014	Use of funds 2014	Sources of funds 2013	Use of funds 2013
Cash flow from operating profit (internal financing)				
Profit for the year	167	–	265	–
Depreciation of property, plant and equipment and amortization of intangible assets	237	–	245	–
Provisions and other value adjustments	2	–	–	4
Changes in impairment charges for default risks and losses	87	–	–	57
Prepaid expenses	39	–	63	–
Deferred income	–	51	68	–
Other positions ¹	78	–	88	–
Previous year's dividend	–	240	–	–
Balance	319	–	668	–
Cash flow from equity transactions				
Share capital ²	–	–	–	–
Share premium ²	–	–	–	–
Balance	–	–	–	–
Cash flow from investment activities				
Investments	–	34	284	–
Real estate	–	89	–	85
Other property, plant and equipment	–	21	–	24
Intangible assets	–	–	–	–
Balance	–	144	175	–
Cash flow from banking operations				
Amounts due to banks	408	–	–	4,313
Liabilities from customer deposits	2,992	–	2,810	–
Medium-term notes	–	5	–	35
Negative fair values of derivative financial instruments	153	–	–	21
Other obligations	–	84	27	–
Receivables due from banks	5,075	–	–	5,242
Receivables due from customers	–	1,246	–	1,409
Mortgage receivables	–	–	–	0
Positive fair values of derivative financial instruments	91	–	–	1
Financial assets	–	4,820	1,570	–
Other receivables	–	107	25	–
Balance	2,457	–	–	6,589
Liquidity				
Cash and cash equivalents	–	2,632	5,746	–
Balance	–	2,632	5,746	–
Total	2,776	2,776	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 31.12.2013	39,114
Liquidity as at 31.12.2014	41,746
Increase in liquidity in 2014	2,632
Liquidity as at 1.1.2013	44,860
Liquidity as at 31.12.2013	39,114
Decrease in liquidity in 2013	5,746

Appropriation of profit**PostFinance Ltd** | Net retained profit

CHF million	31.12.2014	31.12.2013
Profit for the year	167	265
Profit carried forward	25	–
Total net retained profit	192	265

At the General Meeting on 27 March 2015, the Board of Directors of PostFinance Ltd will propose the following appropriation of profit:

PostFinance Ltd | Appropriation of profit

CHF million	31.12.2014	31.12.2013
Allocation to other reserves	–	–
Distribution of dividends	192	240
Profit carried forward to new account	–	25
Total net retained profit	192	265

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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 996 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 2.8 billion francs of new money in 2014. PostFinance employed 3,956 staff in 2014. This corresponds to 3,454 full-time equivalents. At the end of the financial year, PostFinance had total assets of 120 billion francs and had generated profit for the year of 167 million francs (both figures are in accordance with BAG Bank Accounting Guidelines set out in 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 payments and savings segments. 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.

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 or loss. Income and expenses are converted at the applicable daily rates.

Closing rates		
	31.12.2014	31.12.2013
EUR	1.2028	1.2265
USD	0.9892	0.8901
GBP	1.5392	1.4714

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.

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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 (see also Value adjustments section).

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 (see also Value adjustments section).

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 on a straight-line basis 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

Surplus assets (goodwill) arising from the initial measurement of a business acquisition are included in the balance sheet under "Intangible assets" and depreciated over their useful life. Capitalized goodwill is depreciated on a straight-line basis over a ten-year period. If an assessment on the balance sheet date shows that the capitalization of a proportion of goodwill is no longer justified, the proportion in question is additionally depreciated on the relevant date. An assessment is carried out if there are any indications of impairment.

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

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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 ARR 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 Duoprivat (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/loss accrued for the year. Deferred tax liabilities are calculated at the current tax rate. Accruals and deferrals are recognized in the balance sheet under 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 Ltd has outsourced various services to Swiss Post Group companies. Significant outsourcing relationships exist with Post CH Ltd in payment transactions, financial services and IT services, and with Swiss Post Solutions Ltd for printing and sending account documents and for the e-bill solution, and with both of these companies for the E-Post Office service, an integrated solution for physical and electronic business communication. The corresponding contracts meet all FINMA requirements with regard to bank client confidentiality and data protection.

Accounting changes year-on-year

PostFinance Ltd made a voluntary change to accounting methods in the fourth quarter of 2014. Payment obligations from closed, not yet fulfilled securities transactions resulting from trade date accounting (time difference between the trade date and settlement date) are now recognized as "Amounts due to banks" rather than as "Other amounts due to customers". This reclassification was undertaken for the first time as at 31 December 2014; the previous year's figures have not been adjusted.

Events after the balance sheet date

PostFinance is not affected by the abandoning of the minimum euro exchange rate by the Swiss National Bank SNB and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible. On 15 January 2015, the Swiss National Bank SNB set a new negative interest rate of –0.75 percent. PostFinance has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015, which will have an impact on its result for the current year. Measures to minimize the negative effects will be implemented in the first quarter of 2015.

3 | Risk management

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

Organization

PostFinance's Board of Directors conducts an annual risk assessment. It sets out the primary guidelines and principles on managing financial and operational risks, approves the risk policy, and sets conditions which the operating units are required to observe in managing risks. These limits are based on the international standardized approach set out in the regulatory provisions and specify the highest risks that PostFinance may take, expressed in terms of "equity needed to meet regulatory requirements". Maximum risk exposure is determined by the risk-bearing capacity of PostFinance and the risk tolerance of the Board of Directors. The PostFinance Executive Board is responsible for the active management of financial and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms. Its duties and responsibilities include implementing risk control and risk monitoring by establishing limits in individual risk categories and by setting directives for risk monitoring reports. The Executive Board is informed of the risk measurement results and the extent to which limits are used in monthly reports which enable it to decide on the necessary control measures, if any. The PostFinance Risk Management department identifies, measures and controls financial risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. The Risk Management department also develops measures for controlling financial risks to be approved by the Executive Board. The PostFinance Risk Control department identifies, measures and monitors non-financial risks. As an independent control body, the Risk Control department also evaluates the appropriateness of financial risk control processes.

Financial risk measurement methods

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

Financial risk management at PostFinance

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

Interest rate risk and balance sheet structure risk

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. A large proportion of customer deposits remain invested as an interest-free sight deposit balance at the Swiss National Bank SNB. The term "interest rate risk" refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the income statement. PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment method. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatility

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of each product. The Executive Board 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, which is controlled from a present value and income perspective. The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other. 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 Executive Board. 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. In addition, dynamic income simulations are carried out according to several deterministic scenarios describing future market interest trends and the resulting changes in customer interest and customer volumes for each replica. As at 31 December 2014, the absolute change in the present value of equity with a parallel shift in the yield curve of +100 basis points amounted to +56 million francs (previous year: -51 million francs). Due to the current interest situation, a negative shift in interest produces results that are difficult to interpret and is therefore not reported. The income effect of an adverse scenario in comparison with the baseline scenario stood at -27 million francs (previous year: -44 million francs) for the following year.

Credit risks

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 the Treasury department's investments in the money and capital markets are limited through investment regulations and prescribed limits. Limits apply at counterparty and rating structure level as well as for controlling country risks. Investments are only permitted if the debtor has a first-class credit rating. Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with prescribed limits is monitored on an ongoing basis and is verified before the closing of each transaction.

Note on collateral concentration risks:

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

Note on credit risks arising from mortgage lending and SME financing:

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

Liquidity risks

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. 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 on a daily basis, the composition of financial cushions is defined and limited by specifying a minimum amount to be observed. The minimum amount for a financial cushion is based on high daily cash outflows with an extremely low probability of occurrence. Liquidity in the short term is guaranteed by determining the "Liquidity Coverage Ratio" (LCR), which is a

regulatory key figure. To ensure liquidity in the medium to long term, liquidity stress scenarios lasting at least 3 months are defined that must not lead to insolvency. As at 31 December 2014, the Liquidity Coverage Ratio stood at 186 percent (previous year: 247 percent).

Foreign currency risks

The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. Currency swaps and interest rate swaps as well as foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Foreign currency risks are measured in the overall balance sheet using the value-at-risk indicator. All asset and liability transactions with an effect on the currency balance are taken into account in the measurement. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from foreign currency risks stood at 2 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: -2 million francs).

Other market risks

PostFinance invests in equity and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, each position is allocated to the risk factors that have an impact on its present value. These risk factors include interest, currency and share price risks. Index proxies are also used to measure the credit risk of fund investments. The change in present value is then modelled according to the change in the allocated risk factors. Other market risks are measured according to the value-at-risk index. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from other market risks amounted to 123 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: 131 million francs). 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.

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 (2014: 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

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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 the risk situation at PostFinance.

4 | Capital adequacy disclosure

Capital adequacy disclosure		31.12.2014	31.12.2013
CHF million	Basis as per CAO		
Eligible equity			
Common equity tier 1 (CET1)		5,107	4,882
Tier 2 capital (T2)		177	90
Total eligible equity capital (CET1 + T2)		5,284	4,972
Equity requirements			
Credit risks	International standardized approach (SA-BIS)	1,714	1,592
Non-counterparty risks	International standardized approach (SA-BIS)	82	76
Market risks	Market risk, standardized approach	17	25
Operational risks	Basic indicator approach	218	226
Total minimum equity required	In accordance with CAO, art. 42	2,031	1,919
80% equity cushion (for 14.4% equity target)	In accordance with FINMA: maximum rate, category 2	1,625	1,536
Total capital requirement (T1 + T2)	In accordance with CAO, art. 45	3,656	3,455

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

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

Information regarding the balance sheet

5 | Overview of coverage of loans and off-balance sheet transactions

Coverage of loans and off-balance sheet transactions as at 31.12.2014 and 31.12.2013 CHF million		Type of coverage			Total
		Mortgage coverage	Other coverage	Without coverage	
Loans					
Receivables due from customers ¹		–	400	10,739	11,139
Mortgage receivables		0	–	–	0
Residential property		0	0	0	0
Total loans	31.12.2014	–	400	10,739	11,139
	31.12.2013	1	–	9,894	9,895
Off-balance sheet					
Irrevocable commitments		–	–	656	656
Total off-balance sheet	31.12.2014	–	–	656	656
	31.12.2013	–	–	641	641

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

Doubtful receivables	31.12.2014	31.12.2013
CHF million		
Gross debt	2	0
Estimated liquidation value of collateral ¹	–	–
Net debt	2	0
Individual impairment charges	2	0

¹ Credit or disposal value per customer, whichever is the lowest.

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6 | Financial assets and investments

Financial assets	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
CHF million				
Debt securities				
with intention to hold until maturity	57,953	53,665	60,762	55,630
Equity securities				
recognized using lowest value principle	1,243	789	1,365	897
Total financial assets	59,196	54,454	62,127	56,527
Repo-eligible securities as per liquidity requirements	37,685	42,592	n.a.	n.a.

Investments	31.12.2014		31.12.2013	
	CHF million			
Investments				
with market price		24		–
without market price		24		14
Total investments		48		14

7 | Details of significant investments

Non-consolidated significant investments				Equity interest	
CHF or EUR million, percent	Business activities	Currency	Share capital	31.12.2014	31.12.2013
Debtors Service Ltd, Berne, Switzerland	Accounts receivable management	CHF	1	100%	100%
TWINT AG, Berne, Switzerland	Mobile payment	CHF	10	100%	–
SECB Swiss Euro Clearing Bank GmbH, Frankfurt a. M., Germany	Payment transaction processing in EUR for Swiss financial institutions	EUR	30	25%	25%
SIX Interbank Clearing Ltd, Zurich, Switzerland	Payment transaction processing for financial institutions	CHF	1	25%	25%

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 8 million francs (previous year: 7 million francs) and profit for the year by 2 million francs (previous year: 7 million francs).

8 | Statement of changes in fixed assets

Statement of changes in fixed assets	Acquisition cost	Accumulated depreciation and amortization	Carrying amount 31.12.2013	Reclassifications	Investments	Disinvestments	Depreciation and amortization	Appreciation	Carrying amount 31.12.2014
CHF million									
Investments									
Other investments	14	-	14	-	34	-	-	-	48
Total investments	14	-	14	-	34	-	-	-	48
Property, plant and equipment									
Real estate									
Bank buildings	186	-9	138	39	1	-	-8	-	170
Other real estate	741	-26	698	17	88	0	-18	-	785
Other property, plant and equipment	74	-36	95	-57	12	-	-10	-	40
Others (software)	24	-	23	1	9	-	-1	-	32
Total property, plant and equipment	1,025	-71	954	0	110	0	-37	-	1,027
Intangible assets									
Goodwill	2,000	-200	1,800	-	-	-	-200	-	1,600
Total intangible assets	2,000	-200	1,800	-	-	-	-200	-	1,600
Fire insurance value									
Real estate			1,176						1,326
Other property, plant and equipment			83						78

PostFinance Ltd | Future lease obligations under operating leases

CHF million	2015	2016	2017	2018	2019	2020
Future lease payments	20	19	2	1	0	0

9 | Other assets and liabilities

Other assets and liabilities	31.12.2014		31.12.2013	
	Other assets	Other liabilities	Other assets	Other liabilities
CHF million				
Fair value from derivative financial instruments, foreign currencies and equity securities				
Contracts as principal	5	173	94	19
Contracts as commission agent	0	1	2	1
Total derivative financial instruments	5	174	96	20
Adjustment account	5	-	-	8
Indirect taxes	42	32	35	57
Other assets and liabilities	98	1	3	52
Total other assets and other liabilities	150	207	134	137

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10 | 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 title¹

CHF million	31.12.2014	31.12.2013
Carrying amount of assets pledged and assigned as collateral	0	1
Effective obligations	–	0

¹ Excluding securities lending and repurchase transactions.

Securities lending and repurchase transactions

CHF million	31.12.2014	31.12.2013
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	–	–
Own securities lent or provided as collateral as part of securities lending and borrowing transactions or transferred in repurchase transactions	1,765	–
of which securities for which an unrestricted right to dispose of or pledge was granted	–	–
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	1,309	7,150
of which repledged or resold securities	–	–

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

Amounts due to own employee benefits institutions as per Swiss GAAP ARR 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 ARR 16 to determine whether the employee benefits institutions generate an economic benefit or an economic obligation for PostFinance. 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 ARR 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 44,081 active insured people and 28,658 pensioners (as at 31 October 2014), the Swiss Post pension fund had total assets of 15,944 million francs as at 31 December 2014 (previous year: 15,286 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at 102.7 percent (previous year: 98.5 percent, or 102.3 percent including employer contribution reserves without renounced use). 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 1,081 million francs, of which 550 million francs with renounced use (previous year: 1,110 million francs, of which 550 million francs with renounced use). A discount rate of 3 percent (previous year: 3 percent) and the technical basis of BVG 2010 (previous year: BVG 2010) were used to calculate pension cover. It should be noted that all data regarding the Swiss Post pension fund is based on the information

available at the time of drawing up the ARR 16 financial statements. Consequently, it may differ from the actual information contained in the annual financial statements for the Swiss Post pension fund. A detailed assessment did not reveal any financial impact on the bank; according to the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP ARR 26, there were no spare funds or shortfalls as at 31 December 2014. There are no company employee benefits institutions.

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

Economic benefit / obligation, 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	
	31.12.2014	31.12.2014	31.12.2013	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	
CHF million														
Swiss Post pension fund	52	–	–	–	33	–	33	–	33	–	33	33	33	
Staff vouchers	–5	–5	–4	1	0	–	0	–	0	–	0	1	1	
Disability pensions	–1	–1	–1	0	–	–	–	–	–	–	–	0	0	
Total as per ARR 16	46	–6	–5	1	33	–	33	–	33	–	33	34	34	

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

Employer contribution reserves	Face value		Renounced use		Other impairments		Balance sheet (provisions) / Assets		Profit or loss from employer contribution reserves in staff costs
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2013	2014		
CHF million									
Swiss Post pension fund	59	–30	–	–	29	29	0	0	
Staff vouchers	–	–	–	–	–	–	–	–	
Disability pensions	–	–	–	–	–	–	–	–	
Total as per ARR 16	59	–30	–	–	29	29	0	0	

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12 | Value adjustments and provisions and reserves for general bank risks

Value adjustments and provisions	As at 31.12.2013	Use for intended purpose ¹	Recoveries, overdue interest, exchange differences	Newly recognized provisions to be debited from income statement	Reversals of provisions to be credited to income statement	As at 31.12.2014
CHF million						
Value adjustments and provisions for default risks (bad debt provisions and country risks)	189	–	–	87	0	276
Provisions from employee benefit obligations	5	–	–	0	–	5
Other provisions ²	5	6	–	8	1	6
Total value adjustments and provisions	199	6	–	95	1	287
Less impairments deducted directly from assets	–98	–	–	0	0	–98
Total value adjustments and provisions according to balance sheet	101	6	–	95	1	189
Reserves for general bank risks	–	–	–	–	–	–

¹ There were no changes in purpose.

² Including a provision of 0.8 million francs for procedural costs in relation to the US programme (previous year: 2.5 million francs).

No provisions were recognized for potential losses arising from the US tax programme. This decision is due to ongoing uncertainty regarding the probability of occurrence and the extent of loss.

13 | Share capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Share capital	31.12.2014			31.12.2013		
	Total face value	Number	Dividend-bearing capital	Total face value	Number	Dividend-bearing capital
CHF million, number in million						
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	31.12.2014			31.12.2013		
	Face value	Number	Share in %	Face value	Number	Share in %
CHF million, number in million						
Swiss Post Ltd	2,000	2	100	2,000	2	100

14 | Statement of equity

Statement of equity		
as at 31.12.2013 and 31.12.2014		
CHF million	2014	2013
Paid-in capital	2,000	2,000
General statutory reserves	4,682	4,682
Net retained profit	265	–
Total equity at the start of the year under review (before appropriation of profit)	6,947	6,682
– Dividends	–240	–
+ profit for the year under review	167	265
Total equity at the end of the year under review (before appropriation of profit)	6,874	6,947
Share capital	2,000	2,000
General statutory reserves	4,682	4,682
Profit carried forward	25	–
Profit for the year	167	265

15 | Maturity structure of current assets and liabilities

Current assets
by type and term to maturity

CHF million, as at 31.12.2014 and 31.12.2013	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	Immobilized	Total	
Cash and cash equivalents	41,746	–	–	–	–	–	–	41,746	
Receivables due from banks	208	–	1,149	536	2,040	925	–	4,858	
Receivables due from customers	310	11	1,794	611	3,972	4,441	–	11,139	
Mortgage receivables	–	–	–	0	–	–	–	0	
Financial assets	1,246	–	2,014	5,757	33,083	17,096	–	59,196	
Total current assets	31.12.2014	43,510	11	4,957	6,904	39,095	22,462	–	116,939
	31.12.2013	40,217	8	9,997	6,494	36,250	20,430	–	113,396

Liabilities
by type and term to maturity

CHF million, as at 31.12.2014 and 31.12.2013	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	Immobilized	Total	
Amounts due to banks	2,788	–	–	–	–	–	–	2,788	
Amounts due to customers as savings and investments	–	43,241	–	–	–	–	–	43,241	
Other amounts due to customers	66,870	–	–	–	–	–	–	66,870	
Medium-term notes	–	–	8	13	62	72	–	155	
Total liabilities	31.12.2014	69,658	43,241	8	13	62	72	–	113,054
	31.12.2013	66,912	42,585	22	46	74	21	–	109,660

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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 and amounts due to affiliates		
as at 31.12.2013 and 31.12.2014		
CHF million	31.12.2014	31.12.2013
Receivables due from affiliates	6	26
Amounts due to affiliates	577	439

Credits to governing bodies are all amounts owed to PostFinance by members of the Executive Board and the Board of Directors of PostFinance or the auditors of PostFinance as well as all amounts owed by Executive Management and members of the Board of Directors of Swiss Post Ltd. This definition also includes persons controlled by members of the governing bodies.

PostFinance 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 (senior management and individual specialist functions at PostFinance Ltd), were carried out according to the same terms and conditions and lending rates as transactions with third parties.

Industry-standard preferential conditions apply to the Executive Board and members of Senior Management.

17 | Domestic and international balance sheet

Domestic and international balance sheet CHF million	31.12.2014		31.12.2013	
	Domestic	International	Domestic	International
Assets				
Cash and cash equivalents	41,723	23	39,090	24
Receivables due from banks	4,003	855	3,546	6,387
Receivables due from customers	11,136	3	9,893	1
Mortgage receivables	0	–	1	–
Financial assets	28,917	30,279	23,041	31,413
Investments	44	4	10	4
Property, plant and equipment	1,027	–	954	–
Intangible assets	1,600	–	1,800	–
Prepaid expenses and deferred income	367	315	367	353
Other assets	145	5	95	39
Total assets	88,962	31,484	78,797	38,221
Equity and liabilities				
Amounts due to banks	2,684	104	2,274	106
Amounts due to customers as savings and investments	41,562	1,679	41,016	1,569
Other amounts due to customers	64,779	2,091	62,737	1,797
Medium-term notes	152	3	161	–
Prepaid expenses and deferred income	122	0	173	0
Other liabilities	181	26	133	4
Value adjustments and provisions	189	–	101	–
Share capital	2,000	–	2,000	–
General statutory reserves	4,682	–	4,682	–
Profit carried forward	25	–	–	–
Profit for the year	167	–	265	–
Total equity and liabilities	116,543	3,903	113,542	3,476

18 | Assets by country / group of countries

Assets by country / group of countries CHF million, percent	31.12.2014		31.12.2013	
	Absolute	Share in %	Absolute	Share in %
Assets				
Switzerland	88,962	73.9	78,796	67.3
Europe	25,714	21.3	33,434	28.6
North America	3,135	2.6	2,783	2.4
Other countries	2,635	2.2	2,005	1.7
Total assets	120,446	100.0	117,018	100.0

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19 | Balance sheet by currency

Balance sheet by currency

as at 31.12.2014
CHF million

	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Cash and cash equivalents	41,581	165	–	–	–	–	41,746
Receivables due from banks	4,123	99	586	2	36	12	4,858
Receivables due from customers	11,126	13	0	0	0	0	11,139
Mortgage receivables	0	–	–	–	–	–	0
Financial assets	55,303	2,570	1,104	88	50	81	59,196
Investments	44	4	–	–	–	0	48
Property, plant and equipment	1,027	–	–	–	–	–	1,027
Intangible assets	1,600	–	–	–	–	–	1,600
Prepaid expenses and deferred income	645	34	3	–	–	–	682
Other assets	148	0	0	1	0	1	150
Total balance sheet assets	115,597	2,885	1,693	91	86	94	120,446
Delivery claims from foreign exchange transactions	2,021	366	70	35	0	34	2,526
Total assets	117,618	3,251	1,763	126	86	128	122,972
Equity and liabilities							
Amounts due to banks	2,655	96	2	1	30	4	2,788
Amounts due to customers as savings and investments	42,185	1,056	–	–	–	–	43,241
Other amounts due to customers	64,588	1,430	782	34	6	30	66,870
Medium-term notes	150	5	–	–	–	–	155
Prepaid expenses and deferred income	122	0	–	–	–	–	122
Other liabilities	207	–	0	–	–	–	207
Value adjustments and provisions	189	–	–	–	–	–	189
Share capital	2,000	–	–	–	–	–	2,000
General statutory reserves	4,682	–	–	–	–	–	4,682
Profit carried forward	25	–	–	–	–	–	25
Profit for the year	167	–	–	–	–	–	167
Total balance sheet equity and liabilities	116,970	2,587	784	35	36	34	120,446
Delivery obligations from foreign exchange transactions	723	613	1,004	82	64	85	2,571
Total equity and liabilities	117,693	3,200	1,788	117	100	119	123,017
Net position per currency as at 31.12.2014	–75	51	–25	9	–14	9	–45
Net position per currency as at 31.12.2013	15	–2	60	68	–	16	157

Information regarding off-balance sheet transactions

20 | Open derivative financial instruments

Open derivative financial instruments as at 31.12.2014 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)		–	–	–	2	117	3,857	
Foreign currencies / precious metals								
Forward contracts		3	3	867	0	35	1,209	
Cross currency interest rate swaps (CCIRS)		–	–	–	–	19	449	
Total open derivative financial instruments		3	3	867	2	171	5,515	
before consideration of netting contracts		31.12.2014	3	3	867	2	171	5,515
		31.12.2013	5	4	787	91	16	4,517
after consideration of netting contracts		31.12.2014	3	3	867	2	171	5,515
		31.12.2013	5	4	787	91	16	4,517

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Information regarding the income statement

21 | Net trading income

Net trading income		
CHF million	2014	2013
Trade in foreign currencies and foreign notes and coins	166	158
Trade in interest rate derivatives	0	0
Trade in securities	–	–
Trade in precious metals ¹	–	–
Net trading income	166	158

¹ PostFinance does not trade in precious metals.

22 | Staff costs

Staff costs		
CHF million	2014	2013
Salaries and benefits (incl. attendance fees and indemnities to bank authorities)	368	369
Social security benefits	36	37
Contributions to employee benefits institutions	34	47
Other staff costs	20	18
Total staff costs	458	471

23 | Non-staff costs

Non-staff costs		
CHF million	2014	2013
Premises and energy costs	58	57
Expenses for IT, machinery, furniture, vehicles and other facilities	189	152
Other operating expenses	262	261
Total non-staff costs	509	470

24 | Extraordinary income and extraordinary expenses

Extraordinary income		
CHF million	2014	2013
Reversal of impairment	7	71
Other extraordinary income	–	0
Total extraordinary income	7	71

Extraordinary expenses		
CHF million	2014	2013
Losses on the sale of assets	–	–
Other extraordinary expenses	–	–
Total extraordinary expenses	–	–

The rating structure and credit spreads were the main reasons for the recognition and reversal of portfolio impairment charges. Due to trends on the financial markets, fewer previously incurred general impairment charges could be recognized in profit or loss in 2014 than in the previous year.

25 | Taxes

Tax expenses for corporate income tax and taxes on capital stood at 43 million francs (previous year: 79 million francs). A tax rate of 20.5 percent (previous year: 22 percent) was used for calculating corporate income tax.

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of PostFinance AG, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 154 to 180) for the year ended 31 December 2014.

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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for banks and comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Jakub Pesek
Licensed Audit Expert

Berne, 27 February 2015

Reporting

Reporting structure

The Swiss Post annual reporting documents for 2014 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)
- PostFinance Ltd Annual Report
- PostBus Switzerland Ltd Performance Report
- Table of figures (comprehensive set of key figures)
- GRI report

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

Reports can be ordered online at www.swisspost.ch/annualreport. Swiss Post employees may order copies through the usual channels.

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Five-year overview of key figures

		2014	2013	2012	2011	2010
Result						
Operating income	CHF million	8,457	8,575 ¹	8,576 ³	8,599	8,736
Generated in competition	% of operating income	85.7	85.6 ¹	84.1 ³	84.0	83.2
Generated abroad	% of operating income	14.6	13.2	12.0 ³	12.7	13.9
Operating profit	CHF million	803	911 ¹	860 ³	908	930
Generated abroad	% of operating profit	9.0	5.2 ¹	4.1 ³	5.7	2.6
Group profit	CHF million	638	626 ¹	772 ³	904	910
Equity	CHF million	5,010	5,637	3,145 ³	4,879	4,224
Value generation						
Economic value added	CHF million	207	125	269 ³	390	452
Added value generated	CHF million	5,220	5,328 ¹	5,314 ³	5,187	5,268
to employees	CHF million	4,108	4,131 ¹	4,161 ³	4,026	4,076
to creditors	CHF million	57	93	82 ³	14	20
to public sector	CHF million	79	94	34	13	12
to owner	CHF million	200	180	200	200	200
to company	CHF million	776	830	837 ³	934	960
Jobs						
Headcount (excluding trainees)	Full-time equivalents	44,681	44,105	44,605	44,348	45,129
Trainees in Switzerland	Persons	2,035	2,024	2,015	1,942	1,824
Jobs in peripheral regions	Persons	19,106	19,494	20,172	20,418	20,603
Turnover rate (voluntary departures)	As % of average headcount	4.1	3.6	3.7	3.9	3.5
Notice given by employer for economic reasons	Persons	168	180	315	95	116
Employment conditions and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	61.1	62.8	62.7	64.3	65.4
Swiss Post CEC minimum salary	CHF per annum	47,620	45,047	45,047	44,823	44,379
Average salary for employees	CHF per annum	83,039	82,695	82,554	81,293	81,082
Average remuneration paid to members of Executive Management	CHF per annum	477,719	499,281	515,441	504,986	495,590
Salary bandwidth ²	Factor	5.8	6.0	6.2	6.2	6.1
Health management						
Occupational accidents	Number per 100 FTEs	5.9	6.6	7.2	6.9	7.5
Days lost to illness and accidents	Days per employee	11.8	11.6	11.0	10.8	10.5
Diversity						
Women	% of employees	48.7	48.5	48.4	47.7	47.9
Nationalities represented	Number	142	144	140	140	133
Women on Board of Directors	%	33.3	22.2	22.2	22.2	22.2
Women in Executive Management	%	12.5	12.5	11.1	–	–
Women in senior management posts	%	11.0	9.3	8.0	7.6	8.2
Women in middle and lower management roles	%	23.6	23.7	23.0	23.2	22.6
Demographics						
Average age of workforce	Years	45.1	44.8	44.7	44.4	44.2
Resource consumption						
Energy consumption	Gigajoules	4,069,464	4,107,713	4,100,747	4,115,225	4,267,560
Energy consumption within Swiss Post	Gigajoules	3,158,565	3,143,002	3,202,797	3,136,258	3,218,983
Renewable share	%	2.7	1.8	1.8	1.7	1.8
Energy consumption outside Swiss Post	Gigajoules	910,899	964,711	897,950	978,968	1,048,577
Carbon footprint (scope 1–3)						
Carbon footprint	t CO ₂ equivalent	426,304	433,763	461,937	451,058	461,483
CO ₂ efficiency increase since 2010 ⁴	%	11	10	3	2	–

1 Normalized figure. See the section "One-off items in 2013" on page 32.

2 Factor = average remuneration paid to Members of Executive Management vs. average employee salary.

3 Figures have been adjusted (see Notes to Group annual financial statements under Note 2, Basis of accounting, Accounting changes).

4 The rise in CO₂ efficiency is measured as the change in CO₂ equivalents per core service in the year under review compared with the base year. Each core service is defined by unit (consignment, transaction, passenger kilometre, kilometre, full-time equivalent etc.).

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