We are developing tomorrow's public service today

Financial Report 2021

This PDF is interactive!

SWISS POST

About this Financial Report

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.

True-to-scale representation of figures in charts
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
- Planned, target or expected value

If the figures shown are not comparable with the more recent figures (e.g. due to a change in method or change in the scope of consolidation), this is shown as follows:
- Non-comparable prior-year figure
- Non-comparable difference with positive effect on result
- Non-comparable difference with negative effect on result

We are developing tomorrow's public service today

Customer-centric, trustworthy, committed

6,877 million

francs in **operating income,** up by 5.0 percent year-on-year.

457 million

francs in normalized **Group profit,** up 279 million francs year-on-year.[1]

1,811 million

letters delivered by Swiss Post in Switzerland, 3.3 percent fewer than in 2020.

202 million

parcels delivered by Swiss Post in Switzerland thanks to booming online retail, 9.6 percent more than in the previous year.

111 billion

francs, down by 10.5 percent, represents the **level of average PostFinance customer assets.**

135 million

passengers transported by PostBus, 6.5 percent more than in the previous year.

81 points

Customer satisfaction remained at a high level, as in the previous year.

56.3%

of Swiss Post's own **real estate premises are heated with renewable energies.**

1 Normalized figure. See section "One-off item in 2021" on page 41 of the Financial Report.

Financial Report 2021

Management report

Swiss Post operates in markets that are undergoing rapid change due to intense competition, internationalization, technology deployment and regulations. Driven by digital commerce, the logistics market is facing global competition. The level of digitization in the communication market is rising. In financial services, digital providers have the possibility to gain a foothold in payment transactions following regulatory changes in the financial market. In mobility, multimodal transport services, which complement and compete with traditional public transport, are increasingly being offered.

Swiss Post is meeting the challenges in its market environment and at regulatory level by launching a transformation strategy for the years 2017 to 2020 and a growth strategy for the current strategy period from 2021 to 2024.

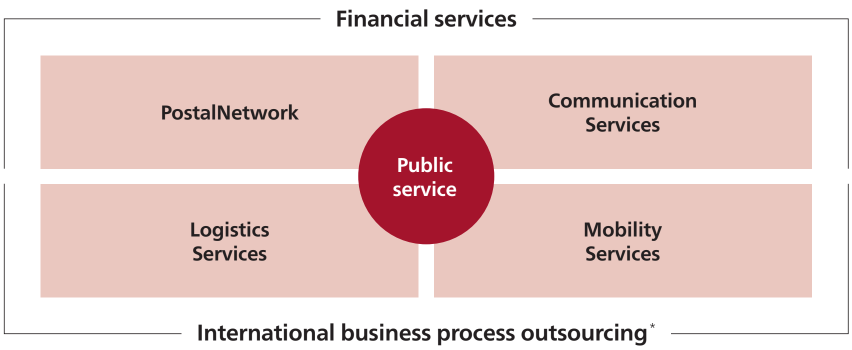
Business activities

Swiss Post offers communication, financial and mobility services in addition to postal products and services. It also develops cross-market solutions, for instance in digital commerce. Swiss Post is proud to be able to serve all its private and business customers in Switzerland and to operate abroad to support its core business.

Range of services

Swiss Post's range of services includes the processing of logistics consignments, secure electronic communication solutions as well as financial and mobility services. Within the core business in its four markets, Swiss Post positions itself as a quality provider offering competitive prices. Cross-market solutions create tailor-made customer benefits (e.g. in digital commerce).

Our services



* At the end of 2021, Swiss Post decided to sell its business unit Swiss Post Solutions, which operates in business process outsourcing (see page 30).

Swiss Post is constantly developing its products and services in line with the needs of business and private customers. This involves consistently linking the physical and digital worlds, e.g. with cross-channel marketing campaigns or the digitization of incoming mail processing. Swiss Post has also set itself the goal of establishing digital ecosystems: in a first step for SMEs and private customers with the ePost App and KLARA, in healthcare with the electronic patient record and for authorities with the e-ID, e-signatures and e-voting, so that they can create networks internally and with one another, procure services and interact.

Swiss Post generates 86.1 percent of its revenue in competition. The remaining 13.9 percent is accounted for by the monopoly on letters weighing less than 50 grams, where Swiss Post is in competition with electronic services. Due to the advance of electronic substitution, both revenue and the relative share of operating income generated by Swiss Post's monopoly is falling. The contribution of the monopoly to the financing of the universal service therefore continues to decline.

Customers

Swiss Post is committed to meeting the needs of its customers. It aims to make all important contact moments a positive experience for customers, who should be aware that Swiss Post does everything it can to make their lives easier – whenever, wherever and however it suits them. Swiss Post's services are required to be easy to understand and straightforward to use. The numerous physical and digital access points give Swiss Post customers a flexible choice of channel.

Swiss Post's customer base comprises millions of individuals and more than one hundred thousand companies ranging from small businesses to large multinationals. Most of Swiss Post's revenue stems from business customers who place orders with Swiss Post, including major customers and corporate accounts, which are provided with tailored solutions.

Corporate accounts generate more than half of total business customer revenue

Business customer structure
2021

Business customer revenue CHF per annum	**Business customers** Number	**Share of business customer revenue** Percent
Over 2,000,000	**221**	**59%**
100,000 to 2,000,000	**2,378**	**25%**
25,000 to 100,000	**5,006**	**7%**
3,000 to 25,000	**25,670**	**7%**
Up to 3,000	**124,689**	**2%**

In addition to around 158,000 business customers in the logistics market, Swiss Post offers services to every household in Switzerland. Communication Services' customers include 300 municipalities. 30,000 SMEs also rely on KLARA and over 33,000 people use the ePost App. PostBus transported around 135 million passengers in the year under review. In addition, around 2.6 million customers maintain a banking relationship with PostFinance.

Geographical segmentation

Swiss Post operates first and foremost in Switzerland. In the international market, it focuses on growth opportunities with proven business models, which support and develop its core business. Domestic business accounts for 90.0 percent of Group revenue, with 10.0 percent generated abroad or in cross-border business.

Domestic

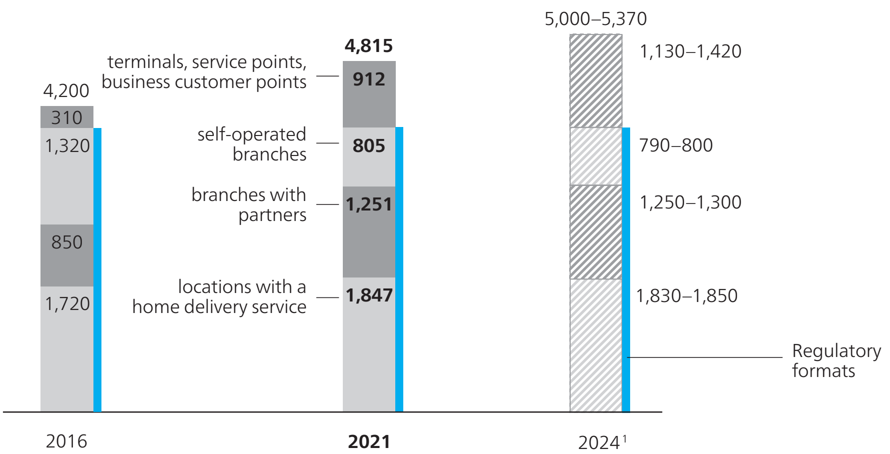
Swiss Post is present in Switzerland with a large number of access points and PostBus routes.

Access points

The branches and access points remain a central pillar of the services offered by Swiss Post. They ensure that postal services are accessible throughout Switzerland. Swiss Post continues to develop and expand its numerous and diverse access points on an ongoing basis. During the 2021–2024 strategy period, the network will be stabilized at around 800 self-operated branches – the number specified in the last strategy period – and the number of access points will be increased from 4,800 to over 5,000 – including through acceptance and collection points in retail outlets, My Post 24 terminals or business customer points. Swiss Post is also opening up its network to service companies and public authorities. This means that partners with access to the network benefit from Swiss Post's service provision and the opportunity to offer their customers a physical point of contact in this digital age through Swiss Post's branch network. By opening the network in this way, Swiss Post is creating genuine service centers for the different regions and real added value for Switzerland as a whole.

The postal network of the future

Number of access points as at 31.12



1 Expected values.

On the move: branches and additional access points

Present throughout Switzerland.

Every day, thousands of Swiss Post employees and numerous partner staff serve and advise over 1 million customers in 805 branches and 1,251 branches with partners. A network of 34 PostFinance branches and 57 consulting offices is available for financial services. 81 PostFinance employees advise small and medium-sized business customers directly at their premises. 888 Postomats, 14,364 letter boxes and 199 My Post 24 terminals are also available around the clock, as are 528 acceptance and collection points at locations such as Migros branches. Nationwide, there are 1,732 P.O. Box locations, with 262,669 P.O. Boxes available. Around 36 percent of these P.O. Boxes were in use at the end of December 2021. To meet the needs of business customers, Swiss Post operates 255 counters for business customers in branches and 185 business customer points in industrial or business districts as well as at letter and parcel processing centers.

At home: basic and home delivery service

Swiss Post serves over 4 million households, can offer delivery of consignments on a specific day or at a specific time on request, e.g. on Saturdays or in the evening, or collect parcels from the customer's home with the pick@home service. In 1,847 – predominantly rural – locations, customers can take advantage of the home delivery service ("branch counter" at their front door), where they can for example buy stamps, hand over letters and parcels and take care of payment transactions with delivery staff directly at their front door. In other areas, where a branch with a partner is normally operated at the same time, Swiss Post offers payments and withdrawals from home, allowing customers to easily pay bills or withdraw cash on the doorstep. Swiss Post offers business customers consignment collections from their company address.

Digital: a range of online services

To complement the physical network, private and business customers can also use a range of digital services via the Swiss Post Customer Center (e.g. e-finance, TWINT, My consignments, WebStamp and PostCard Creator) or interact via mobile applications (e.g. ePost App, PostFinance App) or social media. In addition, around 300 call center agents respond to enquiries at the Contact Center via e-mail and telephone from locations in Fribourg, Schaffhausen, Kriens and Visp. Around 8,500 enquiries are dealt with here each day.

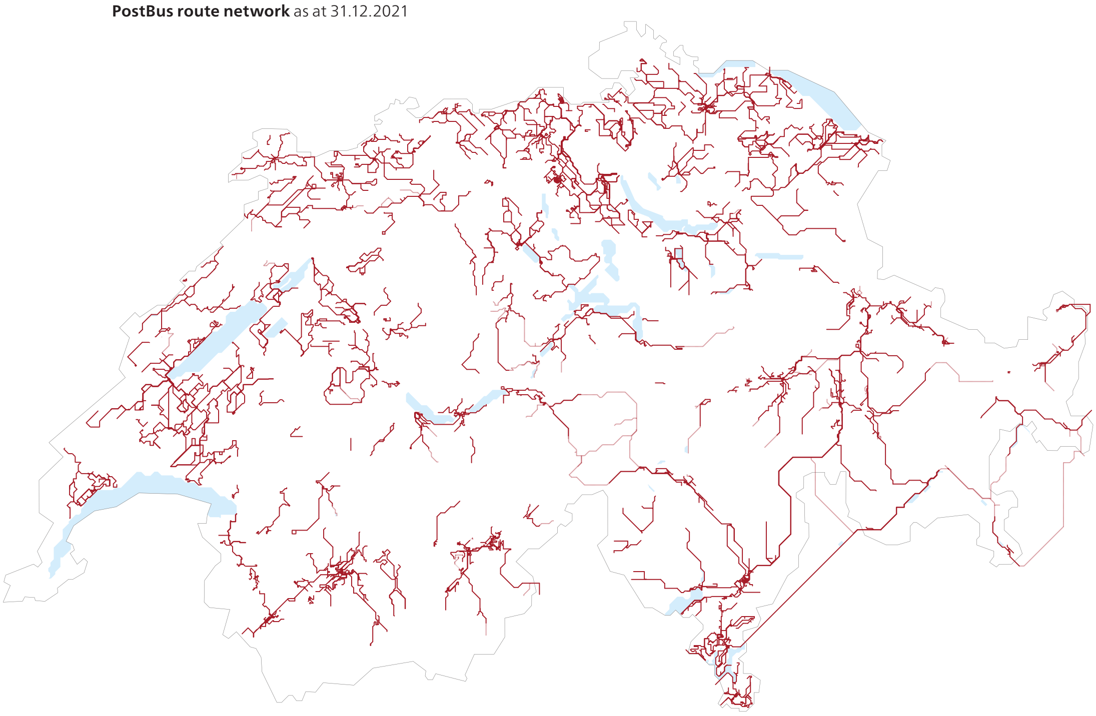
More information on developments in the network and universal service can be found on page 44 and on pages 40 to 43 of the Annual Report.

PostBus routes

In the mobility market, PostBus offers 993 PostBus routes in Switzerland, covering a total of 18,026 kilometres and 11,500 stops in the public transport network, as well as tourist routes, school buses and dial-a-ride buses. Post Company Cars manages 25,000 vehicles for Swiss Post and external companies.

PostBus connects the whole of Switzerland with its route network

PostBus route network as at 31.12.2021



Abroad

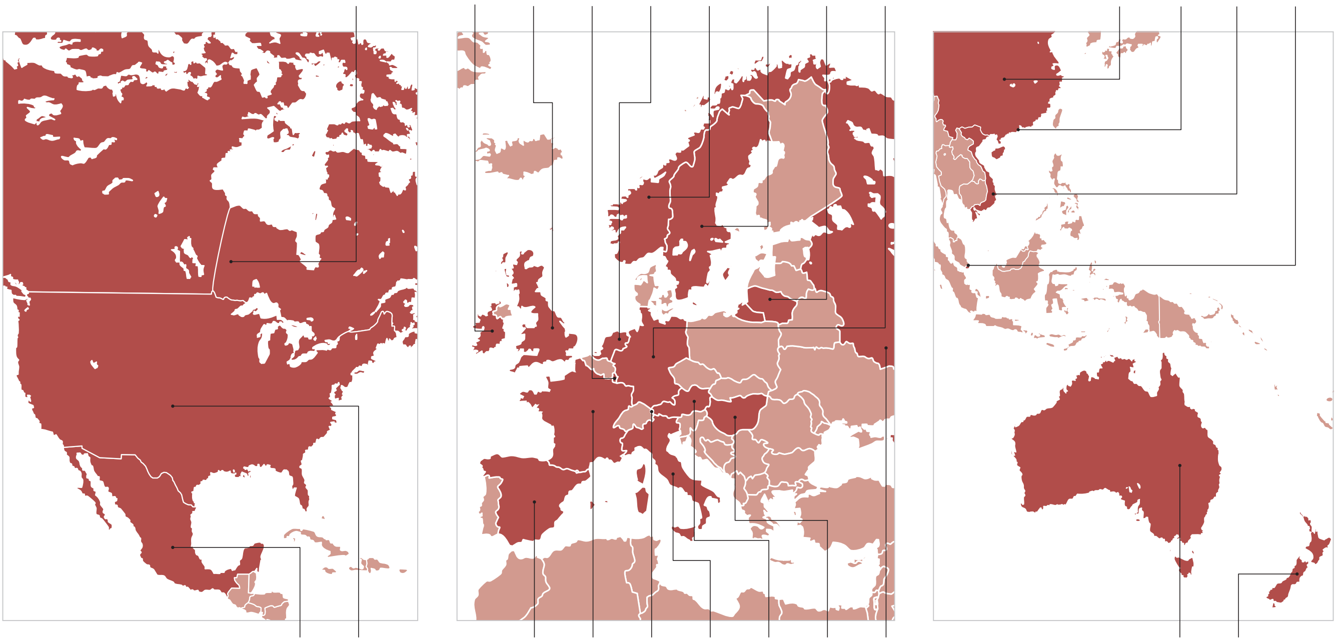
Selective presence abroad.

Swiss Post has its own branches outside of Switzerland in 24 countries. It is represented by subsidiaries, franchise or cooperation partners and sales agents in Europe, North America, Asia and Oceania (Australia, New Zealand). Cooperation with partners abroad gives it access to their global logistics networks.

Swiss Post abroad

2021

	CA	IE	GB	LU	NL	NO	SE	LT	DE	CN	HK	VN	SG
Logistics Services								■	■				
Communication Services				■					■				
Mobility Services													
Swiss Post Solutions [1]			■						■	■		■	■
Asendia [2]	■	■	■		■	■	■		■		■		■



	MX	US	ES	FR	LI	IT	AT	HU	RU	AU	NZ
Logistics Services				■		■					
Communication Services		■			■			■			
Mobility Services					■						
Swiss Post Solutions [1]		■		■		■					
Asendia [1]	■	■	■	■		■	■		■	■	■

1 Held for sale.
2 Countries in which Asendia companies operate.

Find out more about subsidiaries, associates and joint ventures from page 188.

Brands

Three brands under one roof.

Swiss Post is one of the best-known brands in Switzerland. Thanks to its strong market presence, its brand values are well established among the Swiss population and business customers.

The brand identity and strategy as well as the brand positioning were again continuously optimized in day-to-day operations in 2021. The current improvement measures aim to create a customer-centric experience at all touchpoints with the SWISS POST core brand and all sub-brands – in particular PostFinance and PostBus. In relation to the acquisitions made, such as KLARA Business Ltd, Tresorit AG and Livesystems Ltd, great emphasis was placed on conveying the ownership structure and the benefits created for customers via the individual brand identities.

Brands and markets

To kick off the "Swiss Post of tomorrow" with a broad impact, Swiss Post launched its new positioning campaign in January with the promise "Swiss Post is right here. For a dynamic Switzerland." The messages are getting across. Market research reveals impressive results in terms of emotional impact and advertising performance. Downstream from qualitative message communication, products and services aimed at a particular target group were also advertised – primarily on digital channels – in 2021 to increase usage.

The "Commitments for Switzerland" and "Social sponsorship" pillars of the current sponsorship strategy place a clear emphasis on private customers. The target positioning is strengthened by commitments such as "Hiking", "Locarno Film Festival" and "2 x Christmas". They allow us to demonstrate proximity and accessibility and help ensure a positive Swiss Post experience. In the third pillar "Business sponsorship", Swiss Post as a company positions itself as a highly competent enabler both in the physical and digital worlds, stands out with its vast experience and knowledge and engages in dialogue with business customers. This has made Group sponsorship a well-established brand management instrument.

Regular image measurements are carried out on the brand identity. They show that Swiss Post continues to maintain a strong presence in its core business with a supported familiarity score of 100 percent from businesses and 99 percent from the general population. The perception of the Swiss Post brand amongst the general population and businesses remains positive but there are variations between the individual scores. Both the Swiss population and businesses associate Swiss Post strongly with letter and parcel services, and only occasionally with new digital or physical-digital services.

Organization

Near the market.

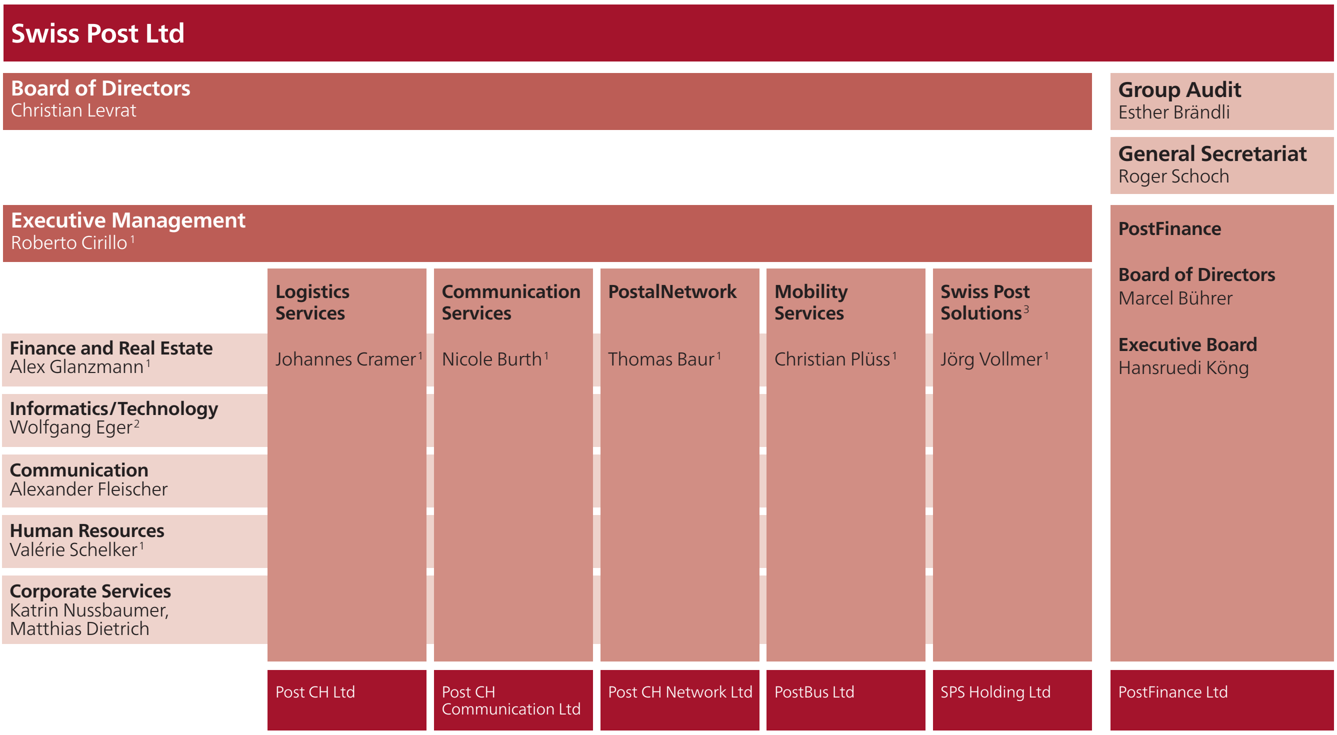
Swiss Post operates six executive units: Logistics Services, Communication Services, PostalNetwork, Mobility Services, Swiss Post Solutions and PostFinance. They are presented in the annual financial statements as individual segments.

The Finance, Real Estate, Human Resources, Communication, Informatics/Technology and CEO Corporate Services function units support the management of the Group and the provision of services by the executive units. In the annual financial statements, the results for these units are included in Functions and Management.

The legal structure comprises the parent company Swiss Post Ltd and its strategic subsidiaries, which in turn have subsidiaries of their own.

Organization chart

31.12.2021



1 Member of Executive Management
2 Member of Executive Management since 1 January 2022
3 Swiss Post decided to sell its business unit Swiss Post Solutions at the end of 2021 (see page 30).

More information on the Board of Directors and Executive Management can be found on pages 68 to 73 and 76 to 78.

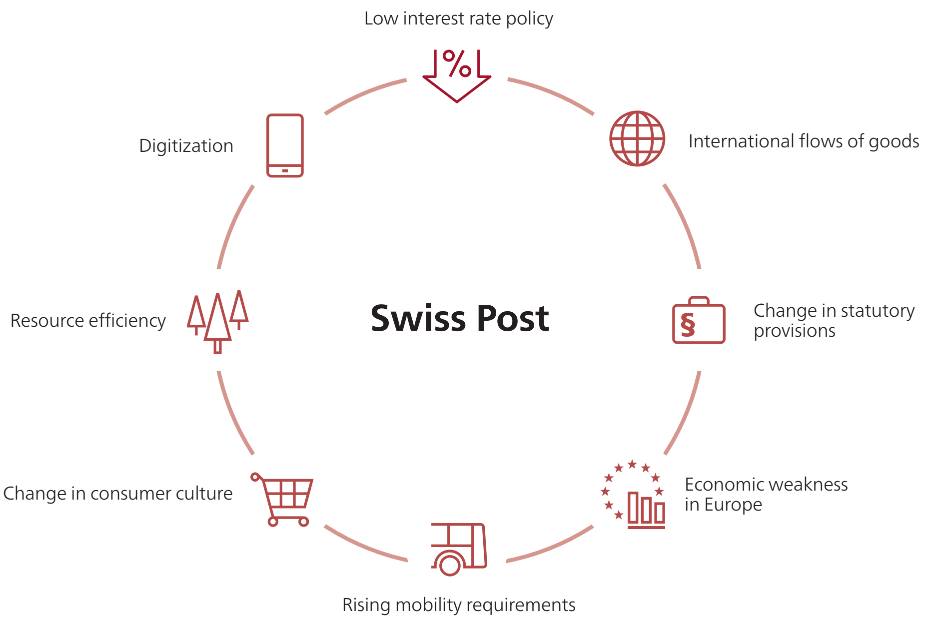
Swiss Post's new strategy came into force on 1 January 2021 and will apply for the period 2021 to 2024 (see pages 17–23). With its new strategy, Swiss Post plans to generate the funds required to safeguard the public service in the long term in the logistics and communication services markets. It is opening up its network to service companies and public authorities, and is stabilizing the number of its own branches. As of this date, Swiss Post has adapted its Group structure to the strategic realignment. The PostFinance, PostalNetwork and Swiss Post Solutions units will remain in place. Swiss Post's logistics competencies have now been pooled in the Logistics Services unit and its communication competencies in the Communication Services unit, while the companies PostBus, PubliBike and Post Company Cars have been merged in the Mobility Services unit.

Background

Swiss Post's operating environment is marked by change. Its activity is affected by changing technological, sociocultural, economic, and legal and political factors. The coronavirus pandemic is reinforcing existing trends. The challenge for Swiss Post is to align itself with these trends and make the best possible use of this change.

Trends in the environment

2021



Technological factors

The digital transformation is presenting Swiss Post with challenges.

There is a constant need to adapt to keep up with the digital transformation. Thanks to robotics technology, industry is opening up to fundamental new possibilities for high-precision, cost-efficient production. Chatbots and voice assistants based on artificial intelligence are increasingly taking over administrative tasks for humans. In-store and digital concepts and channels in the retail trade are being transformed. Thanks to intelligent data analysis (smart data), offers and services are customized to meet the needs of individual customers. Intelligent automation can be used to analyse large quantities of information and automate entire business processes.

With the pressure against fossil fuels growing, new drive technologies such as electric drives, hydrogen and fuel cells will replace the traditional combustion engine in the medium term, leading to lower emissions in transport and mobility in the future. The automation of vehicles is continuing apace, which should enable autonomous means of transport for both passengers and goods to become established in the long term.

The challenge for Swiss Post is to align itself with these technological developments and to identify the relevant opportunities from the variety of new business models and competencies emerging. It systematically integrates sustainability aspects into the development of its current services. Possessing huge capacity for innovation, Swiss Post is also developing new products to help achieve its CO_2 reduction target.

Sociocultural factors

Everyday life and the world of work are accelerating mobile access to the internet.

Mobile access to the Internet via smartphone and the use of the Internet for communication, trading and banking transactions and, increasingly, for the Internet of things, are speeding up the pace of our living and working environments. Freely available time is gaining in importance at the expense of money and material goods. The consumer society is gradually becoming a sharing society, combined with a growing awareness of sustainability. The role of the state is also a relevant part of the debate in this respect (setting guiding principles vs. restricting individual freedoms for goals which benefit the whole of society).

The challenge for Swiss Post is to give its customers flexibility by offering them a balance of physical and digital products and to recognize the opportunities for playing new roles in sectors such as mobility solutions or the circular economy. Its ambition is to grow, but without jeopardizing sustainable development.

Economic factors

Technology leaders with disruptive business models are increasing their presence in Swiss Post’s markets. They are expanding their product ranges horizontally so that their customers can consume a wide variety of products and services from one and the same corporate ecosystem. Economic pressure on Swiss Post is rising in its markets:

Logistics

Internationalization in digital commerce is leading to fiercer competition and greater price pressure in Switzerland.

Digital substitution in the mail and newspaper business is progressing and accelerating. Consignment volumes and demand for traditional over-the-counter services continue to decline, while the digitization of previously physical processes is strengthening the resilience of the Swiss economy and population and making them more resistant to crisis. In addition, competitive pressure is increasing in the open letters market outside the monopoly (over 50 grams). The market for small goods consignments and services over the last mile offer growth opportunities.

The ongoing internationalization in digital commerce is bringing international logistics competitors and price pressure to Switzerland. Parcel senders and recipients are price-sensitive and have high expectations as regards quality. There is a demand for rapid delivery, flexible recipient services and seamless processing (including customs clearance) of comprehensive logistics services. Consignment volumes from international and national customers continue to increase. The coronavirus pandemic is reinforcing this effect.

Communication

The need for the highest standard of data security will decisively shape the provider market.

Everyday life is becoming more and more digital, boosting the communication market as a result. Products and services for the simple and secure transmission, storage, processing and creation of information are needed. There is a constant rise in the need for maximum data security, traceability, inalterability and protection against misuse (cybersecurity), which is shaping the provider market. Great emphasis is also placed on these issues at a regulatory level. The Communication Services unit wants to keep pace with this requirement and help the Swiss population, SMEs and public authorities to get to grips with the digitized world by offering trustworthy, secure digital solutions and services.

Mobility

Environmentally sustainable mobility is growing in relevance.

In the public passenger transport market, it can be assumed that the mobility requirements of the population will continue to increase in the long term. The funds available from the Confederation and the cantons as purchasers of services are not increasing to the same extent. Turning points such as the coronavirus crisis create additional cost pressure. As a reduction in services is highly unlikely, services will have to be provided with greater efficiency and with less public-sector compensation. Changing customer requirements and new technical possibilities are encouraging the spread of flexible, sustainable and digitally networked mobility services such as on-demand solutions, alternative drive technologies or sharing models and multimodal approaches to mobility. The environmental sustainability of mobility continues to grow in relevance and is increasingly being promoted by regulatory frameworks.

Financial services

PostFinance is diversifying its income structure and tapping into new business areas.

As a result of the continued low interest rate environment, it is becoming increasingly difficult for PostFinance to find profitable investments for the customer deposits entrusted to it. Accordingly, its income is declining by a figure in the high double-digit millions each year. PostFinance is diversifying its income structure and tapping into new business areas where non-interest-related income can be generated. At the same time, the demands of private and business customers on their financial service providers are changing more rapidly and profoundly than ever due to digitization. New market participants are intensifying competition on the Swiss banking market.

Legal and political factors

The future of universal service will be the subject of political debate.

In mid-2021, the Federal Council published its dispatch on the partial revision of the Postal Services Organization Act, which proposes to Parliament the lifting of the prohibition on the issuing of loans and mortgages and the possibility of privatizing PostFinance. Owing to PostFinance's universal service obligation, the future structure and financing of the universal service in payment transactions also has to be established in relation to the proposal to privatize PostFinance.

To accompany implementation of the new "Swiss Post of tomorrow" Group strategy, the owner and politicians need to set out a vision for the structure of a future modern public service in conjunction with the universal postal service. To draw up the basic principles for the forthcoming political debate on the universal service of the future, DETEC and the FFA have appointed an independent, interdisciplinary expert committee.

Impact of the coronavirus pandemic on Swiss Post's operations

The effects of the coronavirus pandemic on Swiss Post were many and varied. Swiss Post faced major challenges in coping with the huge increase in parcel volumes at a time of limited staff resources and organizational measures to protect employees. The volume growth in parcels, which continued in 2021, proved challenging for Swiss Post in terms of meeting the delivery times stipulated by law. Within passenger transport, the impact of the coronavirus pandemic continued to be felt, though to a lesser extent than in the previous year. Over the entire year, passenger demand went from –25 percent (2020) to –19 percent (2021) compared with 2019. Demand is unlikely to return to its pre-coronavirus level until at least 2024.

In the financial services business area, the decline in demand for cash in over-the-counter transactions and Postomat withdrawals accelerated sharply. The impact of the coronavirus pandemic declined considerably overall in the 2021 financial year, which is also reflected in the results of the Group units (see section on segment results, ➔ pages 42 to 48).

“Swiss Post of tomorrow” strategy

A dynamic country needs an equally dynamic postal service.

The “Swiss Post of tomorrow” strategy is based on Swiss Post’s traditional strengths. It came into force on 1 January 2021. Its horizon is more long-term and extends over almost ten years. The focus is on Swiss Post’s core competencies: the transport of goods, information and people, as well as the provision of financial services. Swiss Post wants to strengthen and expand its range of services through targeted investments in infrastructure and new services, and acquisitions and partnerships in logistics and communication. This will enable it to generate new revenue streams. The growth that is essential to generating future profits requires substantial investments – including in neighbouring countries. This is the only way in which Swiss Post can continue to guarantee a self-financed universal service in Switzerland.

To ensure optimum implementation of the strategy, Swiss Post has adapted its Group structure to the new strategic focus. PostMail and PostLogistics were merged on 1 January 2021 and logistics competencies were pooled in the Logistics Services unit, while digital communication competencies were pooled in the Communication Services segment. Mobility Services, PostalNetwork, PostFinance and Swiss Post Solutions remain largely unchanged in organizational terms. As a result of these structural adjustments and to enable a comparison with the previous year, the following figures relating to 2020 have been restated.

Swiss Post’s strategy is based on its statutory mandate, the strategic goals set by the Federal Council and the Swiss Post vision.

Statutory mandate and strategic goals set by the Federal Council

Swiss Post’s activity is based on the Postal Services Act, the Postal Services Organization Act and the related ordinances. As the owner, the Confederation defines strategic goals for Swiss Post every four years.

Statutory mandate

The revised postal legislation was adopted by the Swiss Parliament in December 2010 and has been in force since October 2012. 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 respectively. In the Postal Services Ordinance, the Federal Council differentiates between the two mandates, paving the way for a customer-oriented, financially viable service in line with market needs. Swiss Post’s monopoly on domestic letters up to 50 grams is a 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 is to take into account the needs of recipient customers. High demands are placed on Swiss Post for home delivery (delivery method and nationwide coverage). Priority and non-priority individual items (A and B Mail, as well as Priority and Economy parcels) are universal service products for which much stricter guidelines regarding delivery times must be met than in other countries. Postal legislation stipulates that 97 percent of addressed domestic letters and 95 percent of domestic parcels must be delivered by Swiss Post on time. Priority items must be delivered to their destination by the following day, while non-priority individual items must be delivered within three working days after the day of posting. Individual universal service items are available in branches and 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. Besides what it offers under the universal service, Swiss Post may also provide additional services outside the universal service.

The universal service for payment transactions includes opening an account and making transfers, inpayments and outpayments. These services must be accessible to 90 percent of the population within 20 minutes on foot or by public transport.

Classification of services

2021

	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 outside the universal service	–	e.g. unaddressed items, express and courier consignments, savings accounts

Strategic goals set by the Federal Council

The Confederation, as Swiss Post's owner, manages the company through the designation of strategic goals. In December 2020, the Federal Council set out the strategic goals for Swiss Post for the years 2021 to 2024. Here, it was guided by the key principles of the last strategy period. The financial targets were adjusted in view of the huge transformation challenges. Explicit reporting on the implementation of the strategy was also carried out and a goal of network stabilization and opening was added.

With its strategic requirements for the 2021 to 2024 period, the Federal Council is supporting the strengths of Swiss Post and, in turn, the "Swiss Post of tomorrow" strategy: transporting goods, information and people in a trustworthy manner.

Swiss Post is required to continue to offer a high standard of competitive, innovative products, services and solutions in both physical and electronic forms in its core business in the business fields of communication and logistics, financial services and passenger transport. For the current four-year period, the Federal Council also wants Swiss Post to stabilize the number of branches, provided this is economically justifiable, to commit itself to an environmentally sound corporate strategy and to operate a modern compliance management system.

With the new financial objectives, the Federal Council recognizes that Swiss Post is in a challenging phase of transformation. The Council is adjusting its expectations accordingly, but Swiss Post is expected over the next four years to establish the conditions required to allow it to safeguard the value of the company sustainably in the medium term. In addition, all business areas (with the exception of the subsidized area of PostBus) must achieve an industry-standard level of profitability. With its human resources policy, Swiss Post is required to continue offering attractive, competitive employment conditions and help employees to balance work and family commitments.

Regulatory accounting and companies under individual supervision

Net costs arising from the universal service obligation

Swiss Post must present its accounts in such a way that costs and revenue can be identified for individual services (article 19, para. 2 of the Postal Services Act of 17 December 2010). The Postal Services Ordinance substantiates these requirements and regulates how net costs for the universal service obligation are to be calculated.

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 231 million francs for 2020. The calculation was approved by the regulatory authority PostCom in May 2021. Following the approval of the net costs by PostCom in the second quarter of the year, the figures were 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. This 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.

Each year, the auditing firm checks for PostCom the calculation of net costs, net cost compensation, regulatory accounting and compliance with the ban on cross-subsidies.

Reduction in the delivery prices of newspapers and magazines eligible for subsidies

Under Article 16 of the Postal Services Act, newspapers and magazines eligible for subsidies benefit from reduced delivery prices. To enable this, the Confederation makes annual contributions amounting to 50 million francs. Since 1 January 2013, these contributions are no longer credited to Swiss Post’s newspaper account. Instead, they are passed on to eligible titles in the form of a price reduction per copy.

In May 2020, the Federal Council resolved to provide emergency aid for print media in connection with coronavirus, limited until the end of November. The temporary measures for the print media were then extended until the end of 2021.

With the extension of the temporary measures, the currently subsidized subscription daily and weekly newspapers from the regional and local press will be delivered free of charge via Swiss Post’s daily channel. In addition, the Confederation will contribute to the costs of daily delivery of subscription daily and weekly newspapers with a total circulation of more than 40,000 copies per issue. In total, the Federal Council is providing emergency financial aid amounting to 20.44 million francs to support print media. These measures are in addition to indirect press funding.

PostFinance Ltd

Since 2013, PostFinance has been a private limited company under private law wholly owned by Swiss Post Ltd. PostFinance was granted a banking licence as a bank and securities dealer on 26 June 2013 and is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA). Postal legislation and the strategic goals of the Federal Council remain relevant to PostFinance’s business activities. In particular, postal legislation specifies that PostFinance must provide a universal service for payment transactions throughout Switzerland. It also states that PostFinance may not issue loans and mortgages to third parties. In the summer of 2015, the Swiss National Bank (SNB) declared PostFinance to be a systemically important bank. In this regard, FINMA sets out specific requirements to be met by PostFinance. PostFinance issues annual financial statements in accordance with the accounting rules under banking law (articles 25–28 of the Banking Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”). The statutory auditor audits the financial statements of PostFinance Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes.

PostBus Ltd

Since 2005, PostBus Ltd has been a private limited company under private law wholly owned by Swiss Post Ltd. The passenger transport company is subject to supervision by the Federal Office of Transport (FOT). The strategic goals set by the Federal Council remain relevant to PostBus's business activities. PostBus Ltd issues annual financial statements in accordance with accounting regulations under commercial law (article 957 et seq. of the Swiss Code of Obligations). The statutory auditor audits the financial statements of PostBus Ltd, which comprise the balance sheet, income statement and notes, and now also conducts the audit under subsidy law, examining in particular compliance with DETEC's ordinance relating to the accounting system of licensed companies and compliance with other enactments subject to a special statutory regime. The FOT audits, periodically or as required, the approved financial accounts of companies that receive financial assistance or compensatory payments from the Confederation in accordance with the Railways Act or the Passenger Transport Act. The findings of the audit are not yet available at the time of publication of the Business Report.

Raison d'être, vision and values

In its "Swiss Post of tomorrow" strategy, Swiss Post defined its raison d'être and set itself a Group-wide reference point for its future development:

Swiss Post's raison d'être

Everyone has the power to make a difference.
From small to large scale. No matter where. And in their own personal way.
That's why we at Swiss Post do our very best, day in and day out.
Every day, we perform valuable work and are actively involved in the community, helping to bring Switzerland together.
We create new opportunities to ensure that everyone can achieve their goals and dreams.
Individually, in teams and as a company. Yesterday, today and tomorrow, too.

Because we are Swiss Post:
Bringing Switzerland together – every day since 1849.

Swiss Post's vision

Something special is created when we can focus on essentials. This is why people and companies need as much freedom as possible.
At Swiss Post, we create this freedom. We do so by moving goods, information, assets and people.
We get Switzerland moving. With trustworthy services in the physical and digital worlds.
At home, during leisure time and at work. In the countryside and in the city. At any time and across all borders.
To ensure that Switzerland can focus on the important issues in the future, too.

Thanks to Swiss Post: powering a modern Switzerland.

When implementing its vision, Swiss Post focuses on its core values: "customer-centric", "trustworthy" and "committed".

Implementation of the "Swiss Post of tomorrow" strategy

As part of its "Swiss Post of tomorrow" strategy, Swiss Post focuses on the following priorities:

- **Remaining relevant and fostering growth through new business by developing and transforming the core business**
  Swiss Post is developing its existing core business and transforming its business models to adapt to technological, social, economic, regulatory and political changes (with levers such as digitization, data and the solutions business) so it can continue meeting customer requirements in future. As well as developing its core postal activities, Swiss Post is also opening up new business areas and markets through organic and inorganic growth. In particular, it is focusing on the transition of postal and mail secrecy to the digital age (portfolio of communication services), the opening-up of the network and new logistics solutions.

- **Underpinning economic viability through efficiency and pricing measures**
  To ensure Swiss Post can continue providing the universal service from its own resources in future and invest in core and new business areas, greater cost efficiency (productivity increase or stabilization) and new price models are required. Efficiency measures were identified throughout the entire Group which will be implemented by 2030 with the focus on reducing expenditure and improving EBIT. By implementing pricing measures for letters, parcels and newspapers, Swiss Post is ensuring it can continue to provide a comprehensive public service on all working days at competitive prices throughout Switzerland.

- **Making a social contribution by adopting a sustainable approach**
  Swiss Post makes a relevant contribution to Switzerland's sustainable development. It assumes responsibility for the direct and indirect consequences of its business activities on various stakeholders and on the environment. The CR goals are being implemented in five priority areas of action across the value chain: responsible procurement, environment/climate and energy, socially responsible employer, sustainable customer solutions (circular economy) and the common good (details on the CR strategy are set out from page 24).

Market strategies

The strategies of the executive business units form the link between Group strategy and Swiss Post's activities in its segments.

Logistics Services

Comprehensive one-stop logistics services.

In the Logistics Services Group unit, Swiss Post pools its logistics competencies. The new Logistics Services unit was created from the PostMail and PostLogistics units, including relevant parts of Development & Innovation.

The expectations of business customers and consumers are significantly higher, especially with regard to

- Expansion of the range of goods (from small envelopes to bulky goods/goods requiring installation)
- Speed and timeframe ("anytime and immediately"), track and trace and manageability (place, time slot)
- Convenience and value-added services (including returns)
- System integration
- Sustainability
- Cost reduction

Taking advantage of a nationwide organization and infrastructure, the Logistics Services Group unit is developing existing and new services and solutions, and extending the last mile in a targeted way. Logistics Services is integrating the physical services in document and goods transport and in the media and advertising market into a world driven by digitization. It offers one-stop industry and customer solutions, helping to give Switzerland a competitive edge. In the goods transport sector, Swiss Post is consolidating its position as a market leader, while expanding the goods logistics service beyond national borders, ensuring that Switzerland is connected to national and international flows of goods. Through its range of services, partnerships and participations (including in Asendia and logistics platforms), Swiss Post is actively involved in the growth of e-commerce and shaping the digitization of logistics.

Communication Services

Transporting information securely and confidentially.

The needs and day-to-day life of people in Switzerland are changing. Handling sensitive data carefully will become even more important in the future. At the same time, customers – whether private individuals, companies or public authorities – want a positive digital experience. At Communication Services, the focus is on these customer needs. Swiss Post believes that secure and simple handling of digital information is vital for a progressive Switzerland. To reach this goal, Swiss Post is building on the experience it has gained as a trustworthy, neutral intermediary for sensitive information. It is packaging this experience into powerful digital solutions and services.

PostalNetwork

Expanding access points and opening the network to partners.

Swiss Post already offers the densest network of postal services in Europe. The branches and other access points remain a central pillar of the services offered by Swiss Post. Swiss Post continues to develop and expand its numerous and diverse access points. PostalNetwork is increasingly opting for formats and new services that customers can easily integrate into their everyday lives, both digitally and physically. Swiss Post is also opening up its network to service companies and public authorities and stabilizing the number of self-operated branches. This means that partners with access to the network benefit from Swiss Post’s service provision and the opportunity to offer their customers a physical point of contact in this digital age through Swiss Post’s branch network.

Mobility Services

Networked and sustainable road-based mobility solutions.

The demand for mobility in Switzerland is continuing to rise. Mobility trends are characterized by digitization, sharing and environmentally-friendly drive systems. Mobility is part of Swiss Post’s DNA. Within Mobility Services, PostBus and Post Company Cars realize synergies across unit boundaries. Together, current services are required to be provided more cost-effectively and a simple, efficient, sustainable and digitally connected range of mobility services needs to be developed. This covers personal mobility, fleet management and sharing solutions. Particular emphasis is placed on transforming the fleet to alternative drive systems.

PostFinance

Assuring the universal service for payment transactions and expanding digital solutions.

The tightening of framework conditions owing to growing margin pressure, greater statutory and regulatory requirements, the universal service obligation in payment transactions and the lending prohibition are forcing PostFinance to create strategic entrepreneurial freedom. Only by pursuing this approach can it meet expectations in terms of return on equity and its capital base, and remain attractive to its customers in future.

As a leading Swiss financial institution, PostFinance is consistently driving the digital transformation in the business areas of payment transactions and retail banking. In retail banking, PostFinance is focusing on its core business and operates a hybrid business model to serve its customers via physical and digital channels as required. In payment solutions, PostFinance is a reliable partner for simple, efficient and increasingly digital payment solutions. In addition to its core business activities, PostFinance is establishing diversified and non-interest-related revenue flows by providing innovative solutions in digital first banking (Yuh) and new services in platform business (Valuu) in the areas of finance, insurance and retirement planning.

A key element of successful strategy implementation is a modified operating model with autonomous business units, which maintain entrepreneurial freedom and responsibility. By focusing on its core business, investing in new innovative solutions and running an efficient organization, PostFinance remains relevant to its customers while ensuring economic viability.

Swiss Post Solutions

Swiss Post will sell its subsidiary Swiss Post Solutions in 2022.

Swiss Post Solutions (SPS) has evolved into a leading global outsourcing partner for business process solutions and innovative services in digital document management. SPS's growth in recent years has focused on customers in Europe, Asia and the USA. Swiss Post, on the other hand, wants to focus on services related to its core business – always with the aim of further developing the public service for Switzerland in an economically viable way. For this reason, Swiss Post decided to sell its Group subsidiary SPS to a private equity firm in 2022.

Corporate responsibility strategy

Swiss Post is aware of its special corporate responsibility as one of the largest employers and as the market leader in postal services, payment transactions and road-based public passenger transport in Switzerland.

It strives to ensure an appropriate balance between economic success, environmental action and social responsibility, while taking account of the needs of current and future generations.

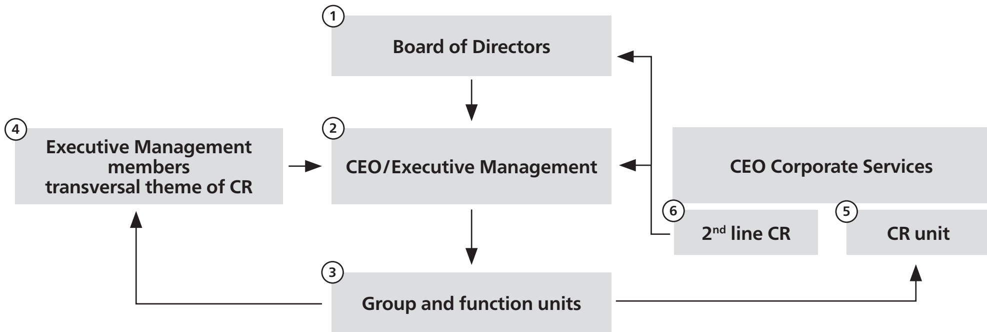
Corporate responsibility governance

As a company with a universal service obligation, Swiss Post takes setting an example and its corporate responsibility (CR) very seriously and sees it as a voluntary commitment.

The Board of Directors, the most senior governing body, adopts the vision and Group strategy, including Swiss Post's long-term corporate goals. This also includes the climate and energy target, which forms part of the strategic goals set by the owner, the Confederation. By adopting the CR charter, the Board of Directors is highlighting its firm commitment to the CR strategy with its strategic thrusts and areas of action.

CR governance at Swiss Post

31.12.2021



1. The Board of Directors adopts the vision and Group strategy, including Swiss Post's long-term corporate goals and CR charter, and mandates Executive Management with implementing them. This includes the climate and energy target, which is part of the strategic goals set by the owner, the Confederation.
2. Executive Management guides and coordinates with the units to achieve the CR/sustainability targets. Executive Management members responsible for the transversal theme of CR focus on the climate and energy target as a key transformation element of the Swiss Post of tomorrow.
3. CR is integrated into line management responsibility. Together with the CR organizational unit as part of Corporate Development, Swiss Post's Group and function units also make up the CR function. The units report to the CR unit, which monitors target attainment.
4. Executive Management members responsible for the transversal theme of CR focus on the climate and energy target as a key transformation element of the Swiss Post of tomorrow.
5. The CR unit aims to ensure relations between the Group/units and their stakeholders are as efficient and effective as possible in relation to CR in order to make optimal use of opportunities (e.g. innovations), to identify risks at an early stage and to address them in the best possible way. It advises and positions Swiss Post in relation to CR/sustainability, focusing on strategic areas of action across the value chain, and proposes measurable CR targets, which are integrated into the Group strategy (including the climate and energy target).
6. 2nd line CR under development.

Executive Management has decided not to delegate responsibility for CR. This means the individual Executive Management members and Group and function unit heads are responsible for implementing the CR directives. Responsibility for cross-unit matters lies with Executive Management.

Executive Management is responsible for guiding and coordinating with the units to achieve the climate and energy target.

Executive Management is responsible for guiding and coordinating with the units to achieve the climate and energy target and has defined a transversal theme for Swiss Post for this purpose. The relevant Executive Management members as well as experts focus on the climate and energy target as a key part of CR and a central transformation element of the Swiss Post of tomorrow.

CR is integrated into line management responsibility. In addition to the CR organizational unit as part of Corporate Development, Swiss Post's Group and function units also make up the CR function. They work together to achieve the CR targets. The units are responsible for implementing the measures to attain the CR targets in their areas and report to the CR unit. This unit provides services in three dimensions: firstly, management, secondly, specialist leadership and, thirdly, reporting and raising awareness across the entire Group. It advises and positions Swiss Post in relation to CR/sustainability, focusing on strategic areas of action across the value chain, sets measurable CR targets, which are integrated into the Group strategy (including the climate and energy target), and monitors target attainment.

The CR unit aims to ensure relations between the Group and the units with their stakeholders (owner, general public, existing and potential customers and employees) are as efficient and effective as possible in relation to CR in order to make optimal use of opportunities (e.g. innovations), to identify risks at an early stage and to address them in the best possible way.

Swiss Post's Executive Management and Board of Directors have made a commitment to implementing the CR goals. This commitment is a voluntary obligation. The fulfilment of this voluntary obligation will be ensured using the same instruments and methods as those applied when monitoring the meeting of obligations based on laws and internal regulations as part of compliance. This is why Swiss Post is setting up 2^{nd} line CR. A 2^{nd} line report will give the Executive Management and Board of Directors the assurance that the precautionary measures taken are suitable for achieving the targeted CR goals with an adequate degree of certainty.

Priority areas of action

In the strategy period 2021 to 2024, Swiss Post will promote sustainable development by acting as a socially responsible employer in the labour market and creating added value for the economy and society through its core activities. It is pursuing a science-based best practice climate and energy target, and also plans to be carbon neutral from 2030 for delivery and from 2040 for the company as a whole. It is committed to responsible procurement and is developing new products and competencies in line with customer requirements for a resource-efficient, circular and socially responsible economy.

Responsible procurement

Sustainability principles play a key role in the entire procurement process.

Our objectives:
- Incorporate sustainability criteria into all service tenders
- Draw up a risk evaluation for strategic suppliers
- Integrate the circular economy and climate neutrality as future-oriented norms into procurement practice

Swiss Post wants to continue to structure its procurement in a sustainable manner. The central focus is on the entire supply chain, and the activities of suppliers are being placed more firmly in the spotlight. For its part, Swiss Post advocates socially acceptable working conditions and environmental measures at its suppliers. Since 2017, sustainability criteria have been taken into account in public service tenders, and by the end of 2020, defined suppliers had undergone a risk evaluation, improvement measures were agreed with them and their implementation was verified. In more extensive procurement processes, life cycle considerations will in future be included in the contracting decision. In addition, the procurement of recyclable products is given preference. As a member of the Fair Wear Foundation, Swiss Post has also been committed to comprehensive social standards in the manufacture of its clothing since 2012. It has been awarded "leader" status for the seventh time.

Climate and energy

Swiss Post pursues ambitious climate and energy targets.

Our objectives:
- Carbon-neutral delivery from 2030 and a carbon-neutral Swiss Post from 2040

Swiss Post aims to cut CO_2 emissions from its own operations by 46 percent between 2019 and 2030, and to also reduce CO_2 emissions in its value chain. The company as a whole is required to become carbon-neutral from 2040. This will entail removing residual emissions in 2040 from the atmosphere via climate projects. Swiss Post's ambitious climate target is in line with the United Nations' goal of limiting global warming to a maximum of 1.5°C.

Information about the measures and target attainment can be found on pages 57 to 59.

Responsible employer

Swiss Post upholds its social and societal responsibility in every respect.

Our objectives:
- The working environment at Swiss Post fosters strong individual performance and a good balance between work and other aspects of life
- Swiss Post integrates people from all backgrounds and does not tolerate discrimination
- Swiss Post offers fair, attractive and financially viable employment conditions

Swiss Post considers maintaining a healthy work-life balance essential at every stage of life. It therefore creates attractive framework conditions, which not only take account of contract-related but also cultural aspects in order to promote diversity and prevent discrimination.

The “Professionally Fit” initiative, which focuses on improving employability, was driven forward in 2021 by designating the vision ambassadors for the units and creating the first programmes. In relation to the key issue of health, the “Healthy management” measures were extended and developed in collaboration with the units. Web based training was provided for all managers and further preventative measures were implemented for employees.

A broad-based communication campaign to combat discrimination was run in 2021 and the “Protection of personal integrity at the workplace” guidelines were extended. To promote the inclusion of all employees, and especially those with disabilities, Swiss Post is participating in the “Inclusion Champion Switzerland” research project as an initial member. The aim is to contribute to the study by providing real-life input and to then implement key scientific findings in the company. Regarding the inclusion of people from all backgrounds, the integration pre-apprenticeship for refugees introduced in 2016 is worth highlighting. It has proven successful and is now a firmly established programme in the cantons of Vaud, Solothurn and Zurich.

To achieve sustainable employment conditions in Switzerland, Swiss Post – together with other large logistics companies – is committed to concluding an industry-wide collective employment contract (CEC). To attain this goal, the parties involved decided to found the new employer association “Zustellung Schweiz” and CEC negotiations got under way in 2021. The aim is to be able to declare this CEC generally binding. In terms of participations and cooperations abroad, framework conditions and processes are being drawn up to ensure sustainable employment conditions.

More information on the responsible employer area of action can be found in the “Employees” section on pages 52 to 57.

Sustainable customer solutions

Swiss Post taps into market potential with sustainable – i.e. resource-saving and socially acceptable – customer solutions.

Our objectives:
– To define strategic goals and identify potential
– To position Swiss Post as a provider of complete solutions for the circular economy
– To establish Swiss Post as a logistics link in reuse

Swiss Post integrates aspects of sustainability into the development of its current services. With its huge capacity for innovation, Swiss Post develops new products to make a contribution towards tackling current environmental and social challenges. It does this by positioning itself as a provider of complete solutions for the operational implementation of the circular economy in Switzerland. It is establishing itself in the fields of reverse logistics and the recirculation of recyclable materials. It collects PET items on behalf of PET-Recycling Schweiz and electrical items from the doorstep for professional recycling. For Swisscom and UPC, Swiss Post collects disused Internet routers and passes them on for reconditioning for reuse. When exchanging e-food orders, Swiss Post returns PET bottles and packaging material and works together with Nespresso on the return of coffee capsules. Working with innovative customers, it piloted reusable packaging such as the kickbag and the delivery of consignments in their original packaging, i.e. with no outer packaging, to reduce packaging waste. Swiss Post also recognizes its social responsibility as a consumer and seeks new ways of ensuring responsible consumption: for instance, the company is closing the loop by sending scooter batteries back to manufacturers. It has developed an innovative recycling technology for scooter batteries, making the majority of the materials in them reusable. In addition, Swiss Post is committed to the targeted management of its own day-to-day waste – and to turning used Swiss Post clothing into laptop cases and gym bags.

Common good

Swiss Post wants to create added value for the economy and society.

Our objectives:
– Creating value for the economy
– Creating value for society

With its social commitments, such as the Santa Claus campaign, Swiss Post specifically allocates part of its resources to benefit society as a whole. Swiss Post has been supporting the common good for years, for example by providing logistics services free of charge for the “2 × Christmas” distribution campaign organized by the Swiss Red Cross (SRC), and delivering Christmas gifts to people in need. The upcycling of collected work clothes is carried out by the social organization Berufliche Eingliederung und Werkstätte Oberburg (BEWO). Swiss Post also has a cultural commitment, supporting Swiss artists with its own art collection and integrating numerous “art in architecture” works in its buildings. As the founder of the Museum of Communication, it creates a space for exploring the history of the postal service and the manifold aspects of public and personal communication. Foundations and projects with a social, cultural or historical background or a focus on youth work are promoted by Swiss Post – via the postage stamp fund or the issue of special stamps with a surcharge such as Pro Patria or Pro Juventute. The latter make an important contribution to raising funds and conveying messages.

Financial management

Establishing the conditions required to secure economic value added.

The aim of financial controlling at Swiss Post Group is essentially to achieve the financial goals set by the owner. Under the goals of the current strategy period, Swiss Post must create the conditions to sustainably secure economic value added in future. 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 finance its investments from the generated cash flow.

In order for the above goals to be achieved, financial controlling within Swiss Post Group generally covers the results of all segments, with which relevant targets are agreed. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration (also see "Determination of remuneration" on page 80), operating profit is an important financial goal. The segments have a large degree of freedom within the framework of strategic financial planning. For investments, projects or acquisitions of interests 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.

Swiss Post's financial reporting is based on two main instruments: internal financial reporting and the consolidated financial statements. The internal financial reporting shows the contribution of the units and business units to the result. It indicates the financial success of the products and product groups, and provides information on the attainment of the annual goals as well as the implementation of the strategic measures. This serves the management of the units and the Group. It is largely 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. Reporting is divided into segments and national/international or by region in accordance with IFRS 8.

Swiss Post Group and the segments are managed based on the following instruments:

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

- Key figures
  The key figures are divided up into finances, customers, employees, strategic measures and processes. They reflect the business and financial performance of the units and the Group. They also provide a basis for the annual targets. The development of the key figures is set out in monthly and quarterly reporting.

- Annual goals
  They are required to contribute towards achieving the financial and non-financial goals set out in the strategies of the segments and the Group. The success in meeting the annual goals is measured semi-annually.

– Commentary
The analyses and evaluations are an integral component of the reporting at all levels. They aim to provide an insight into the major developments, projects and challenges and to set out the relevant measures of the unit concerned. As well as showing the change from the previous year and any deviation from planned values, they describe the expectations for the current year. The periodicity of the commentary depends on the key figure on which it is based and the variance.

Business performance

Operating profit and Group profit significantly above previous year.

In 2021, Swiss Post generated normalized Group profit of 457 million francs, up 279 million francs on the previous year. Normalized operating profit of 515 million francs reflects Swiss Post's recovery after the huge impact of the coronavirus pandemic in 2020 and the initial successes associated with implementation of the "Swiss Post of tomorrow" strategy. The prior-year figure stood at 258 million francs. See the section "One-off item in 2021" on page 41 for information about the term 'normalization".

The three segments PostFinance, Mobility Services and PostalNetwork increased their operating profit most significantly. At PostFinance, foreign exchange earnings and greater income from the commission business and services led to a higher contribution to the result. Mobility Services benefited from coverage of coronavirus-related revenue losses, while PostalNetwork further reduced losses in the branch network through continued efficiency measures. The operating profit generated by Logistics Services remained stable overall and continues to make a significant contribution to the Group's operating profit. The new Communication Services segment, which was created at the beginning of 2021, is in the development phase with a focus on inorganic growth. The central Functions and Management segment saw an improvement in its operating result, due in particular to the absence of coronavirus-related expenses compared to the previous year.

Discontinued operation – Swiss Post Solutions

The Swiss Post Solutions segment was classed as held for sale in mid-December 2021. Since then, this operation has been shown separately in the consolidated income statement under discontinued operations. It is therefore no longer included in the segment disclosure and no notes on the result are provided. The previous year was adjusted for the purposes of comparison. The effects of the retroactive change on the consolidated income statement for the period from January to December 2020 are shown in the Notes to the Group annual financial statements in Note 2.2, Accounting changes (page 93).

Group | Key figures

2021 with previous year for comparison		2020	2021
Results			
Operating income [1]	CHF million	6,548	6,877
Generated abroad and crossborder [1, 2]	CHF million	622	685
	% of operating income	9.5	10.0
Reserved services [3]	CHF million	994	957
	% of operating income	15.2	13.9
Operating profit [1, 5]	CHF million	258	515
As a share of operating income	%	3.9	7.5
Generated abroad and crossborder [1, 2]	CHF million	42	57
	% of operating profit	16.3	11.1
Group profit [5]	CHF million	178	457
Employees			
Headcount at Swiss Post Group [1, 6]	Full-time equivalents	32,696	33,207
Abroad [1, 6]	Full-time equivalents	215	400
Financing			
Total assets	CHF million	124,274	128,397
Customer deposits (PostFinance)	CHF million	109,337	94,110
Equity	CHF million	6,906	8,832
Investments			
Investments	CHF million	401	670
Other property, plant and equipment, intangible assets	CHF million	199	270
Operating property	CHF million	152	85
Investment property	CHF million	26	65
Investments	CHF million	24	250
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities	CHF million	–7,995	8,252
Value added [1, 4, 5]	CHF million	4,180	4,376
Economic value added [1, 5]	CHF million	–125	–19

1 The figure has been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes).
2 Definition of “abroad” in accordance with the segmentation in the Financial Report.
3 Letters up to 50 g.
4 Value added = operating profit + personnel expenses + depreciation – gain / loss on the sale of property, plant and equipment, intangible assets and interests.
5 Normalized figures for 2021, see the “One-off item in 2021” section on page 41.
6 Figure excludes the discontinued operation Swiss Post Solutions (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes).

Additional key figures and explanatory notes can be found in the Annual Report key figures (for reference source, see page 258).

Value drivers

The Swiss economy

The coronavirus pandemic is continuing to shape the global economic situation. The Swiss economic recovery weakened somewhat in the second half of 2021 due to waves of infection in certain areas and supply bottlenecks in various industries in the manufacturing sector. In addition to supply chain problems, higher energy prices also played a role in this respect. Given the current development of the pandemic, no new far-reaching containment measures appear to be necessary at present, which means that the economic recovery looks set to continue. Supply bottlenecks are likely to persist for some time yet, leading to price increases for the affected goods relevant for Swiss Post. In the medium term, however, this situation is likely to ease, with inflation in Switzerland stabilizing at a more moderate level. In its baseline scenario for Switzerland, the Swiss National Bank expects the economic recovery to continue in the next twelve months.

Segments

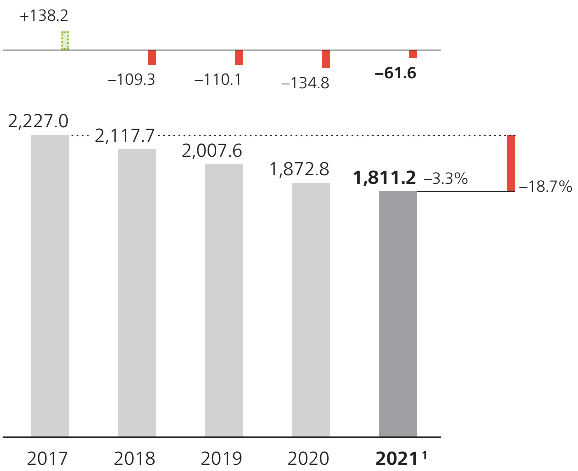
Logistics Services

Downward trend in demand for letter mail continues.

With around 5.9 million letters at home and abroad every day, we are one of Switzerland's leading logistics companies. Our products for private and business customers range from physical, hybrid or electronic letters and goods consignments to value-added services such as cash on delivery, registered letters and promotional mail. We face challenges because demand for physical services is falling. At the end of 2021, for example, the number of letters handled was down 3.3 percent on the previous year. The reliability and quality of these services continue to be guaranteed by the use of the latest technology and a mix of traditional and new access points.

Letter volumes continue to fall in the second year of the pandemic

Logistics Services | Letters in millions
2017 to 2021
2017 = 100%



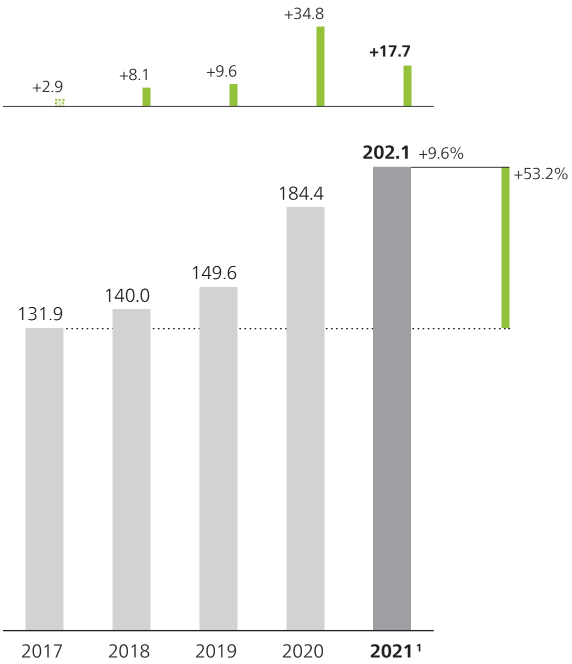
1 The definition of letter volumes has been modified. It now also includes letter volumes from cross-border traffic. The figures for 2017 to 2020 have been adjusted.

Upward trend in demand for parcel services continues unabated.

We deliver almost 800,000 parcels in Switzerland each working day on average, making us the market leader in Switzerland. Our comprehensive range of services in the national and international parcel business, digital commerce, freight and warehousing, Innight, Courier and Express, fleet management, customs clearance and valuables logistics is experiencing higher demand. We are pleased to meet this demand by investing in new parcel centers, for example. Domestic parcel volumes carried saw a strong increase year-on-year (+9.6 percent). Import and export volumes rose by 7.5 percent. The overall increase stood at 9.4 percent.

New record parcel volumes reinforced by coronavirus pandemic

Logistics Services | Parcels in millions
2017 to 2021
2017 = 100%



1 The definition of parcel volumes was modified for 2021. It includes the number of domestic/international parcels excluding Courier and Express consignments. The figures for 2017 to 2020 have been adjusted.

PostFinance

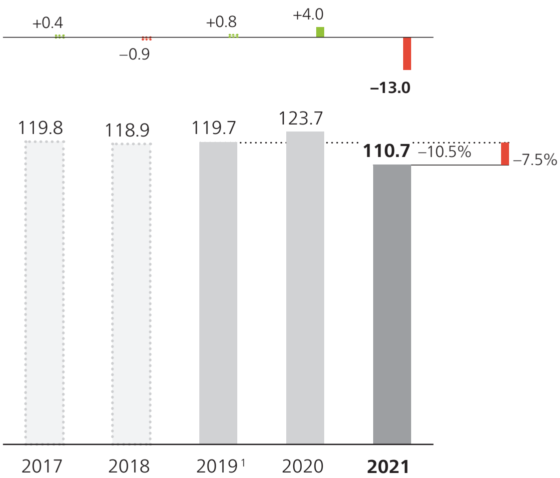
Regulatory framework impairs future prospects.

We make a significant contribution to the functioning of the Swiss economy with payment transactions from PostFinance. In addition, we have a business relationship with virtually every household and SME in Switzerland. This obliges us to provide top performance, but also represents the basis for our motivation. The banking arm of Swiss Post is taking the current interest rates and changing customer requirements as an opportunity to consistently gear its strategy towards the transformation into a digital powerhouse. The SpeedUp strategy, launched in 2020, will continue to drive the development of PostFinance into a diversified, innovation-driven financial services provider with a clear focus on consistent customer experiences. The aim is to help customers manage their money as easily as possible.

No short-term measures can compensate for PostFinance’s competitive disadvantage in not being able to issue loans and mortgages independently. In the medium to long term, PostFinance is tapping into new sources of revenue through innovation and the targeted expansion of business activities, particularly in the investment area. Swiss Post is following the debate on the prohibition on issuing loans and mortgages initiated by the Federal Council with great interest, and is prepared to state its case as a directly affected party.

Declining customer assets due to reduced exemption thresholds for customer asset fees

PostFinance | Customer assets in CHF billion monthly avg.
2017 to 2021
2019 = 100%

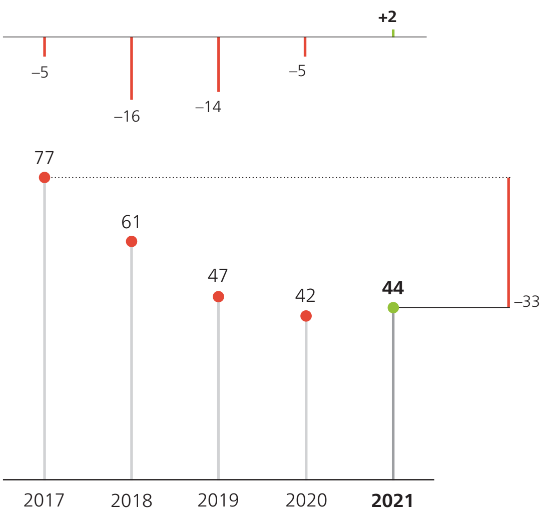


1 The year 2019 was adjusted due to a change in the definition of average customer assets. The years 2017–2018 are not comparable.

The interest differential business is the most important source of income for PostFinance. Special attention needs to be paid to the current low interest rate situation and prevailing operating framework. PostFinance has announced and implemented pricing measures for key services as an appropriate way to respond to the above-mentioned operating framework. Customer confidence remains intact, although customer assets fell by 13.0 billion francs (–10.5 percent) year-on-year as a result of the pricing measures. An investment crisis continues on the assets side of the balance sheet, as reflected in the very high levels of liquidity at the Swiss National Bank. While the interest margin rose by 2 basis points to 44 basis points year-on-year, it remains at a low level.

Slight increase in interest margin at continuing low level

PostFinance | Interest margin in basis points
2017 to 2021
2017 = 100%



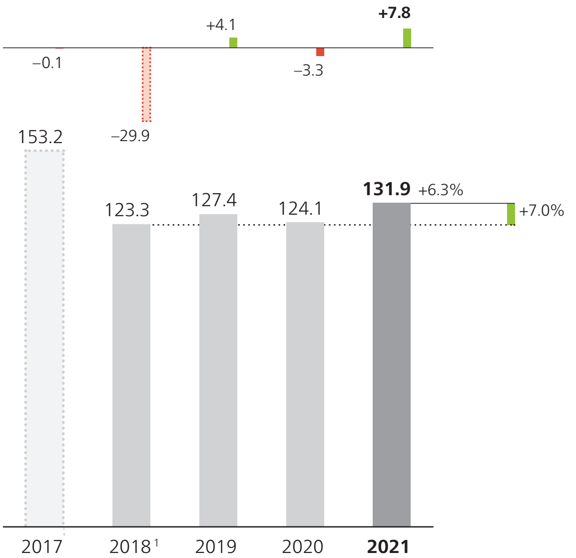
Mobility Services

Demand for passenger transport rises again after hitting a low.

PostBus, which is part of Mobility Services, is the market leader in public bus transport in Switzerland. It offers high-quality regional passenger transport services, innovative mobility solutions and system services aligned with the changing needs of today's customers. PostBus is recording a substantial increase in passenger numbers after most of the restrictions and measures put in place to combat the coronavirus pandemic were lifted in the course of 2021. The transport services provided by PostBus increased by 6.3 percent to around 131.9 million kilometres covered.

Significant increase in vehicle kilometres after coronavirus low

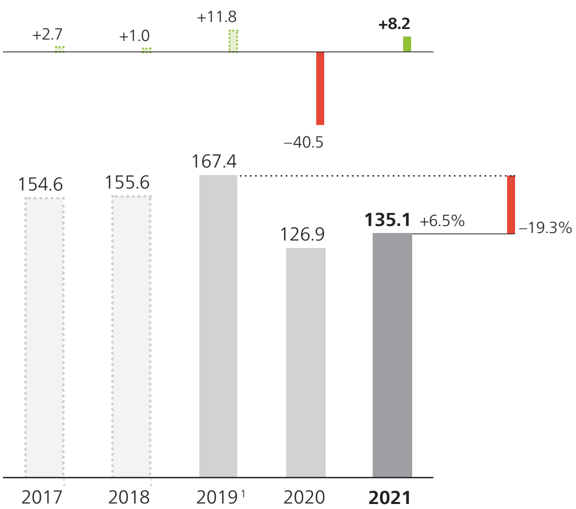
Mobility Services | Vehicle kilometres in million km
2017 to 2021
2018 = 100%



1 In 2018, the CarPostal France Group was reclassified as a disposal group held for sale and a discontinued operation and subsequently sold. From 2018, vehicle kilometres are reported without the CarPostal France Group. The year 2017 is not comparable.

Passenger numbers rising again after temporary low

Mobility Services | Number of domestic passengers in millions
2017 to 2021
2019 = 100%



1 A modified calculation basis and method of calculating was used for the first time in 2019. This means that a comparison with previous years is not possible.

Innovation and sustainability continue to play an important role in the development of the PostBus network. For some time now, PostBus has been making increasing use of vehicles with alternative drives, such as purely electrically powered vehicles in Sarnen and Saas-Fee, as well as a school bus in Western Switzerland. By 2024, PostBus aims to operate at least 100 vehicles with alternative drive systems. PostBus is thereby contributing to the social, economic and ecological benefits of public transport and the high quality of life in Switzerland. Post Company Cars, which is part of Mobility Services, continues to evolve as a partner for efficient and sustainable fleet management for its internal and external customers.

PostalNetwork

Physical access points remain important for Swiss Post despite declining over-the-counter transactions.

In 2021, PostalNetwork recorded around 350,000 customer transactions per day and continues to face the challenge of declining demand for traditional over-the-counter transactions. For example, the number of payments at the counter fell by 12.1 percent year-on-year. The reliability and quality of the services offered by PostalNetwork continue to be guaranteed by a mix of traditional and new access points. Swiss Post is opening up its branch network to service companies and public authorities and stabilizing the number of self-operated branches. This means that partners with access to the network benefit from Swiss Post's service provision and the opportunity to offer their customers a physical point of contact in this digital age through the branch network.

Communication Services

Development of new digital solutions for companies, authorities and the general public.

With the newly created Communication Services segment, Swiss Post guarantees the established principle of mail secrecy in the digital world too. It is building on its many years of experience as a trustworthy carrier of sensitive information – with new digital solutions for companies, public authorities and the general public, allowing them to exchange confidential data securely via a trustworthy Swiss provider. As a public service company owned by the Confederation, Swiss Post supports Switzerland, and SMEs in particular, with their digital transformation and with the secure exchange of information with customers and the general public. The first phase of development is focused on establishing business in specific markets, including through acquisitions.

Profit situation

Economic value added

Framework conditions lead to negative economic value added.

With the financial objectives set by the owner for the 2021–2024 strategy period, the Federal Council recognizes that Swiss Post is in a challenging phase of transformation. The Council is adjusting its expectations accordingly and expects it over the next four years to establish the conditions required to allow it to safeguard economic value added sustainably in the medium term. 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. When assessing target achievement for economic value added, the owner has the option of including further aspects – in particular the financial burden of the universal service.

The method for measuring economic value added has been agreed with the owner. It places the focus on operating performance. The main elements in the method for measuring economic value added are as follows:

- PostBus Ltd is not taken into account to determine economic value added, as no profits may be generated in regional passenger transport.
- The cost of capital is determined on the basis of returns expected in the long term. The weighted total cost of capital applied is based on an industry-specific business risk in individual segments and a target capital structure derived from comparable companies.

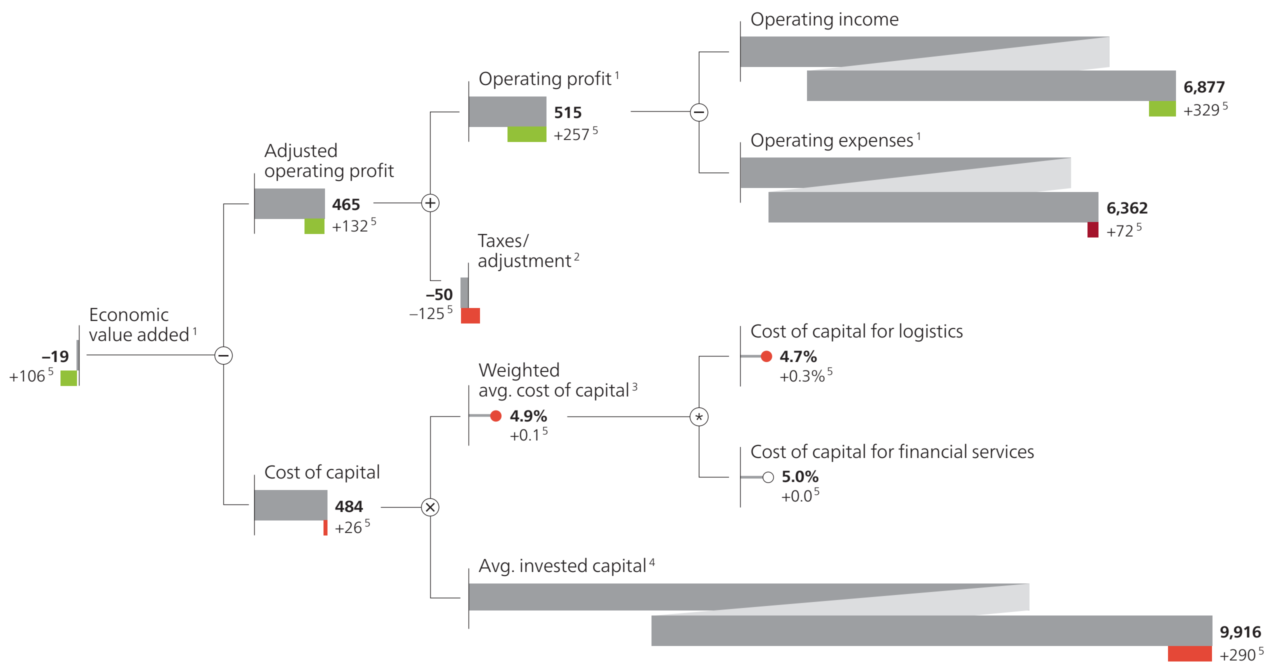
- Employer contributions as per OPA are used instead of employee benefit expenses in accordance with IAS 19 to calculate economic value added.
- Tied equity capital is taken into account to determine the economic value added produced in all segments.
- Only the liquid assets required for operational purposes are used to determine this.

Economic value added in the logistics unit is calculated from adjusted operating profit (NOPAT) minus capital costs (cost of capital for logistics multiplied by average invested capital, or NOA). In the financial services market, economic value added is calculated from earnings before tax (EBT) in accordance with IFRS minus capital costs (cost of capital in the financial services market multiplied by the relevant average capital amount).

Economic value added totalled –19 million francs, exceeding the previous year's total by 106 million francs. This increase is primarily attributable to the improved operating profit and, in turn, the higher NOPAT. The rise was reduced by a 26 million franc increase in capital costs.

Higher operating profit improves economic value added compared to previous year

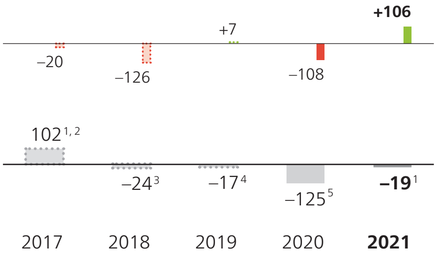
Group | Economic value added in CHF million
2021



⊛ Weighted with the average invested capital in logistics and in the financial services market (PostFinance).
1 Normalized figures. See section "One-off item in 2021" on page 41.
2 Part of the adjustment is the deduction for NOPAT and PostBus Ltd capital costs.
3 Corresponds to weighted average cost of capital after taxes (WACC) for logistics and cost of equity for the financial services market.
4 At PostFinance corresponds to average equity in accordance with IFRS of 5,884 million francs and in logistics units to the average net operating assets (NOA) of 4,032 million francs.
5 The figures have been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes).

Improvement in economic value added after coronavirus crisis

Group | Economic value added in CHF million
2017 to 2021



1 Normalized figures.
2 The figure has been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).
3 The figure has been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operations).
4 The comparability with the prior-year figures for 2017 and 2018 is limited due to an adjustment in the calculation method in 2019.
5 The figure has been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes).

Income statement

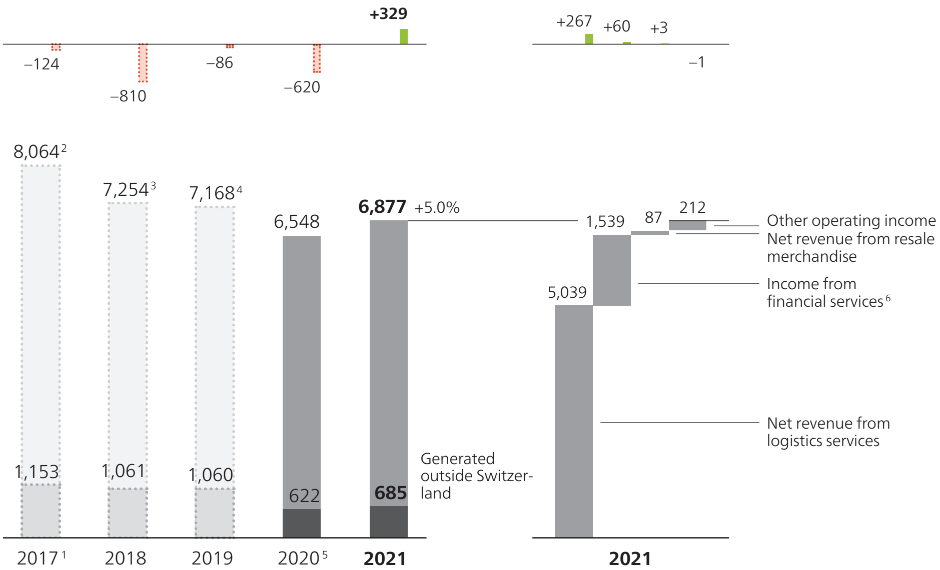
Operating income

Higher overall operating income due to additional income in core business.

Operating income stood at 6,877 million francs in 2021. This represents an increase of 329 million francs year-on year. The main reason for the increase in revenue is the additional income from logistics services, particularly from the Logistics Services and Mobility Services segments. Higher income from financial services also contributed to the increase in revenue, with foreign exchange earnings and income from commission and services in particular seeing a rise. Declining volumes of addressed letters and decreases in revenue from interest operations are among the reasons that operating income did not increase more sharply.

Increase in operating income due in particular to higher income from logistics services

Group | Operating income in CHF million
2017 to 2021
2020 = 100%



1 Normalized figure.
2 The figure has been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).
3 The figure has been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operations).
4 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes). The year 2017 is not comparable with the years 2018 to 2021.
5 The figures have been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes). The years 2017 to 2019 are not comparable with the years 2020 and 2021.
6 Including "Other revenue from financial services" as at 31 December 2021: 784 million francs (as at 31 December 2020: 768 million francs).

Net revenue from logistics services increased by 267 million francs, reflecting higher parcel volumes at Logistics Services and higher compensatory payments at Mobility Services, and despite a continued decline in letter volumes. Income from financial services rose by 60 million francs year-on-year to 1,539 million francs. This was mainly due to an increase of 51 million francs in income from foreign exchange transactions. Income from commission and services rose by 46 million francs, which also contributed to the increase. The increase was reduced by lower income from financial assets, at 33 million francs, and lower interest income, at 14 million francs. Net revenue from resale merchandise rose by 3 million francs following modifications to the product range. Other operating income decreased by 1 million francs year-on-year to 212 million francs.

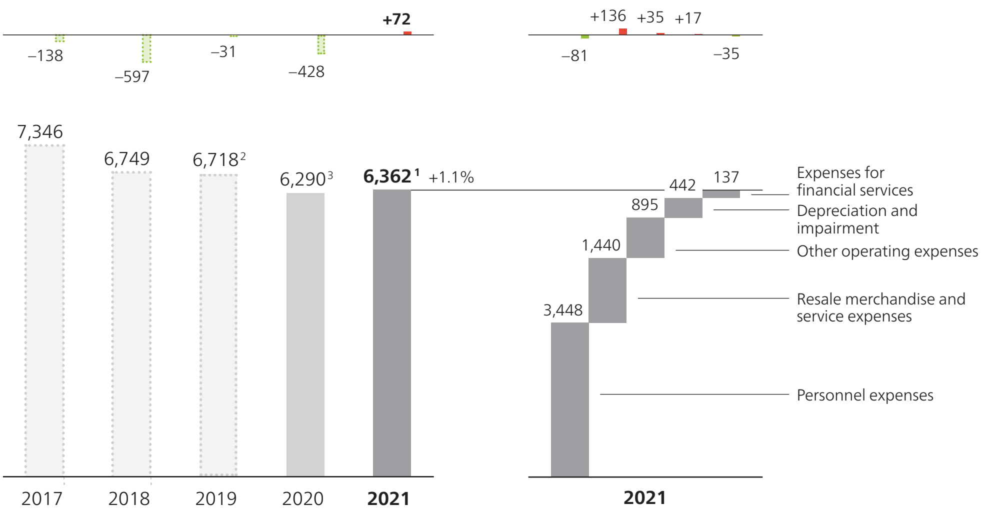
Operating expenses

Slight increase in operating expenses due to higher service expenses.

Operating expenses increased by 72 million francs to 6,362 million francs year-on-year (previous year: 6,290 million francs). At the same time, personnel expenses in relation to total operating expenses fell by 2 percent to 54 percent in 2021 (previous year: 56 percent).

Operating expenses rise due to additional expenditure for services

Group | Operating expenses in CHF million
2017 to 2021
2020 = 100%



1 Normalized figures. See section "One-off item in 2021" on page 41.
2 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes). The years 2017 and 2018 are not comparable with the years 2019 to 2021.
3 The figures have been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes). The years 2017 to 2019 are not comparable with the years 2020 and 2021.

The decrease in personnel expenses compared to the previous year's figure was the result of lower expenses for wages and salaries, reduced employee benefit expenses and a reduction in other personnel expenses. By contrast, resale merchandise and service expenses increased by 136 million francs to 1,440 million francs, the result, among other things, of higher expenses for compensation paid to forwarding companies and higher service expenses. The decrease in expenses for financial services of 35 million francs was primarily due to impairment on financial assets in the previous year as well as lower interest expenses on customer deposits in 2021. Other operating expenses increased by 35 million francs in 2021. Expenses for depreciation and impairment rose by 17 million francs year-on-year to 442 million francs.

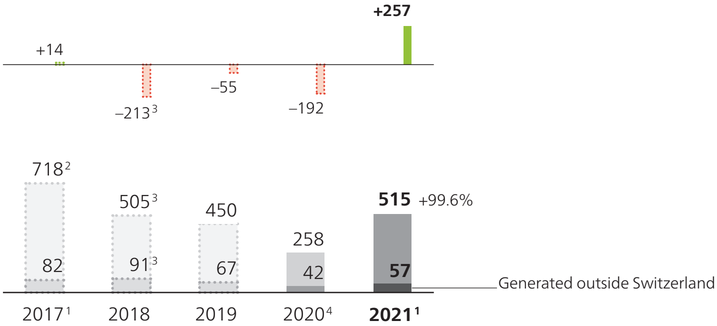
Operating profit

Positive trend in operating profit.

Swiss Post generated normalized operating profit of 515 million francs in 2021. This represents an increase of 257 million francs year-on-year. The increase reflects the recovery in Swiss Post's core markets and the successful launch of the "Swiss Post of tomorrow" strategy. The uninterrupted growth in parcel volumes in the Logistics Services segment and increased income from PostFinance's financial services business in 2021 continued to make a substantial contribution to operating profit. However, successful efficiency measures, necessitated by the decline in letter mail volumes in the Logistics Services segment and at PostalNetwork, also contributed to the positive trend in operating profit.

Significantly improved operating profit after coronavirus crisis

Group | Operating profit in CHF million
2017 to 2021
2020 = 100%



1 Normalized figures. See section "One-off item in 2021" on page 41.
2 The figure has been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).
3 The figure has been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operations). The year 2017 is not comparable with the years 2018 to 2021.
4 The figures have been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes). The years 2017 to 2019 are not comparable with the years 2020 and 2021.

Group profit

Increase in Group profit due to higher operating profit and increased financial income.

Financial income totalled 44 million francs, with financial expenses standing at 41 million francs. Net income from associates and joint ventures stood at 23 million francs, up 2 million francs over the previous year's level. Expenses for income taxes rose by 18 million francs in comparison with the prior-year figure to 96 million francs. This resulted in normalized Group profit of 457 million francs for 2021, which is 279 million francs higher than Group profit for 2020.

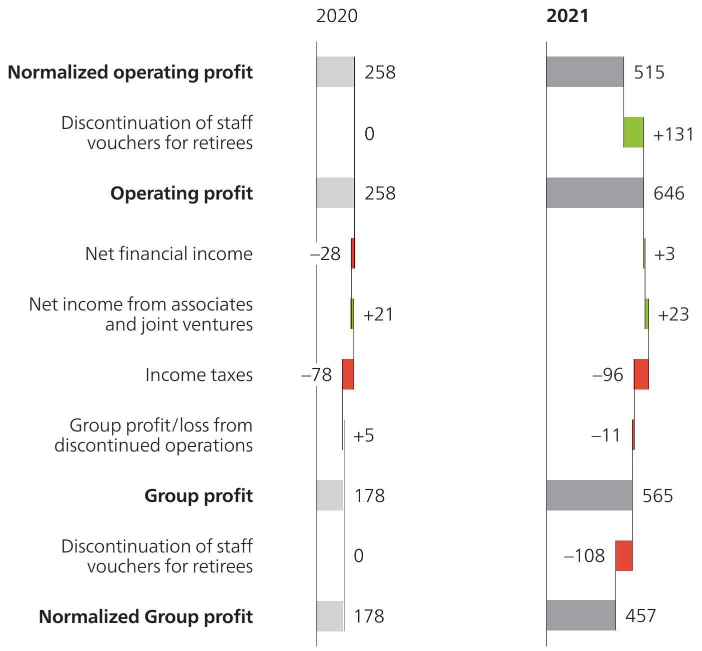
One-off item in 2021

Swiss Post's financial result as at 31 December 2021 included the following one-off item, which has been normalized in the management report to improve comparability with previous years:

By annulling the regulation on issuing staff vouchers to retirees from 2022, provisions from other long-term employee benefits of 131 million francs were released to income. This was accompanied by a reduction of deferred tax assets of 23 million francs in profit or loss. Due to the amended regulation and without normalization, a comparison with the prior-year operating profit and Group profit would be limited. The two items recognized in profit or loss are therefore normalized in the notes on the result as at 31 December 2021. Reconciliation to operating profit as per IFRS and Group profit as per IFRS, respectively, is shown in the table below.

Operating profit and Group profit affected by a one-off item

Group | One-off item in operating profit and Group profit in CHF million
1.1. to 31.12. in 2020 and 2021



Segment results

Overview

Group | Segment results 1.1. to 31.12.2021 with prior-year period CHF million, percent, full-time equivalents	Operating income [1] CHF million 2020 [5]	Operating income [1] CHF million 2021	Operating result [1, 2] CHF million 2020 [5]	Operating result [1, 2] CHF million 2021 [6]	Margin [3] Percent 2020 [5]	Margin [3] Percent 2021 [6]	Headcount [4] Full-time equivalents 2020 [5]	Headcount [4] Full-time equivalents 2021
Logistics Services	4,049	4,176	470	465	11.6	11.1	19,667	20,291
PostalNetwork	631	613	–101	–68			3,911	3,509
Communication Services	23	38	–68	–80			146	247
Mobility Services [7]	975	1,083	–63	18			2,594	2,764
PostFinance [8]	1,566	1,624	162	272			3,260	3,237
Functions and Management [9]	933	953	–151	–111			3,118	3,159
Consolidation [10]	–1,629	–1,610	9	19				
Group	**6,548**	**6,877**	**258**	**515**	**3.9**	**7.5**	**32,696**	**33,207**

1 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
2 Operating result corresponds to earnings before net non-operating financial income/expenses and taxes (EBIT).
3 PostFinance uses the indicator return on equity; no EBIT margin is reported for Mobility Services with regard to its business model; no margin is calculated for "Functions and Management"; negative margins are not reported.
4 Average expressed in terms of full-time equivalents (excluding trainees).
5 The figures have been adjusted (see Notes to the Financial Report 2021, Note 2.2, Accounting changes).
6 Normalized figures.
7 Within the field of regional public transport, PostBus Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (ALEO). There are differences between the ALEO and the IFRS results.
8 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks". There are differences between the results in accordance with "Accounting – banks" and those as per IFRS.
9 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
10 The consolidation effects also include the IC items for the discontinued operation Swiss Post Solutions. Operating income 2021: 38 million francs (operating income 2020: 33 million francs); operating profit 2021: 20 million francs (operating profit 2020: 10 million francs).

Logistics Services

Stable operating profit across the entire service portfolio.

In 2021, Logistics Services generated an operating profit of 465 million francs, down 5 million francs year-on-year. The operating profit was broadly based across the entire portfolio of services offered by the logistics unit. Growth in the parcel segment and in goods and industry logistics, an advertising market characterized by catch-up effects and continued consistent cost management almost offset the decline in earnings from letters.

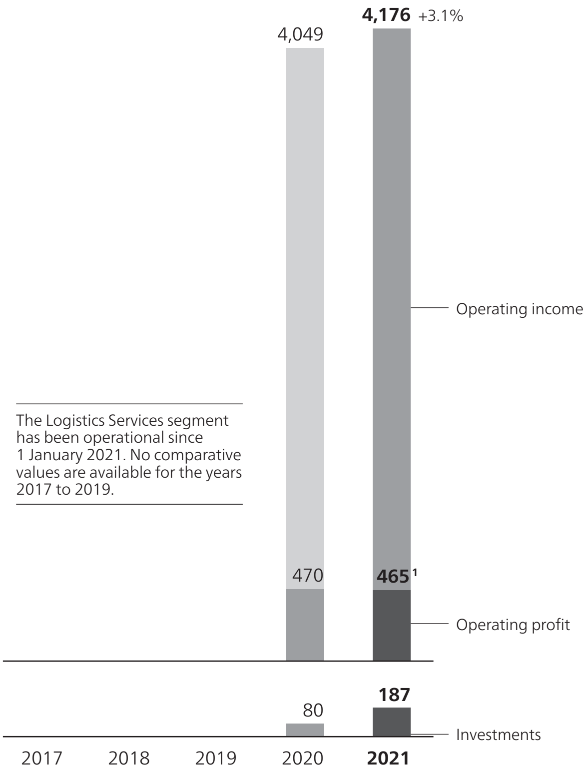
Operating income stood at 4,176 million francs, up 127 million francs or 3.1 percent year-on-year. The increase is mainly due to continued high volumes in the domestic and international parcel segments, which again rose by 9.5 percent over the already high figure for the previous year, producing an increase in revenue of around 124 million francs. In addition to the positive change in customer behaviour, the new lockdown at the beginning of 2021 also had a favourable impact on volume trends in the parcel segment. Strong order volumes and inorganic growth in goods logistics led to an increase in revenue of around 40 percent or 88 million francs in this segment. As a result, the result in goods logistics increased disproportionately. In the domestic and international letter segment, the decline in volumes for structural reasons continued, although the lower volumes in the previous year as a result of the coronavirus crisis eased the decline somewhat in 2021. The volume of domestic addressed letters fell by 3.0 percent overall, resulting in a decline in domestic revenue of 46 million francs. In the media and advertising market, income increased by 25 million francs, due, in particular, to inorganic growth. In contrast, the sale of the subsidiary SecurePost led to a decline in income of 46 million francs.

Operating expenses increased by a total of 132 million francs year-on-year to 3,711 million francs. The two main reasons for the increase were the higher expenses associated with increased volumes, particularly for additional staff and transport, totalling 97 million francs, and the costs incurred for capacity expansion in production for the core parcel and letter products. The acquisitions made also resulted in one-off acquisition and integration costs.

Average headcount increased by 624 to 20,291 full-time equivalents due to the growth in volumes and the acquisitions made.

Acquisitions and parcel volume lead to higher income

Logistics Services | Operating income, operating profit and investments in CHF million
2020 to 2021



1 Normalized figure.

In 2021, Logistics Services continued to invest heavily in infrastructure and service provision, but also in future growth. With investments to maintain ongoing business operations, the development of sorting infrastructure for small goods consignments and small parcels at the Zurich-Mülligen letter center, and with the start of construction and expansion of regional parcel centers, Logistics Services has invested substantially in the universal service and the public service. With the expansion of parcel sorting capacities, Swiss Post aims to meet future market requirements in order to secure its performance in the future.

In the year under review, the first step towards implementing the “Swiss Post of tomorrow” strategy was taken with inorganic growth. The acquisitions in the advertising market segment expanded the range of digital services and now complements the physical core services in direct marketing. Acquisitions in the area of goods logistics in both Switzerland and in neighbouring countries further enhanced Switzerland's connection to national and international goods flows.

PostalNetwork

Network development and efficiency improvements drive the improvement in operating profit.

Thanks to development of the branch network and the consistent adaptation of resources to meet volume trends, combined with efficiency increases, losses in the core business of letters and over-the-counter inpayments were more than offset. As a result, PostalNetwork significantly improved its operating result by 33 million francs to achieve a negative operating result of –68 million francs in 2021.

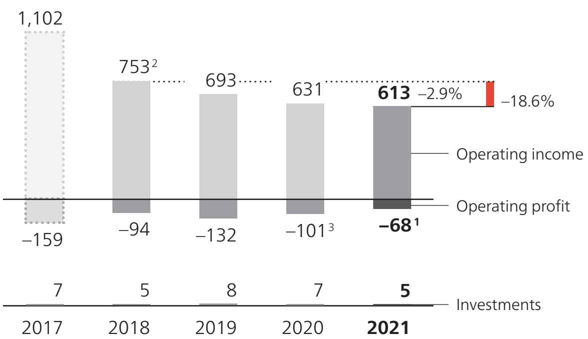
PostalNetwork generated operating income of 613 million francs in 2021, down 18 million francs year-on year. The impact of the coronavirus pandemic remained clear. Income from logistics products fell by 20 million francs. This was primarily due to declining letter volumes, which were not offset by a rise in parcel volumes at PostalNetwork. The decline in payment transactions as a result of substitution by e-banking, which has been evident for quite some time, has been further reinforced by the coronavirus pandemic (–12 percent). Despite declining volumes in payment transactions, revenue remained stable with growth of 1 million francs due to higher transfer prices for financial products. Net revenue from resale merchandise remained at the previous year's level due to adjustments to the product range and despite a reduction in the branch network.

At 681 million francs, operating expenses were cut by 51 million francs year-on-year. Personnel expenses were 44 million francs below the previous year's level, due largely to a drop in full-time equivalents attributable to development of the branch network and efficiency increases. Resale merchandise and service expenses fell by 4 million francs, as did other operating expenses. Depreciation increased by 1 million francs due to the capitalization of new lease contracts.

Headcount fell by 402 full-time equivalents year-on-year to 3,509 full-time equivalents due to development of the branch network and efficiency increases.

Improvement in results continues as a result of efficiency measures

PostalNetwork | Operating income, operating profit and investments in CHF million
2017 to 2021



1 Normalized figure.
2 The figure has been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operation). The year 2017 is not comparable with the years 2018 to 2021.
3 The figure has been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Group structure changes).

The PostalNetwork operating result has improved since 2017, from –159 million francs that year to –68 million francs in 2021. The focus during the period under review was on reducing the negative contribution to results. The decline in operating income was absorbed by the measures introduced in the past few years, and additional efficiency improvements in the branch network led to significant improvements in results.

Constant investments in recent years have ensured that PostalNetwork meets part of the universal service obligation.

Communication Services

Expenses for acquisitions as part of the development strategy lead to negative operating profit.

The Communication Services operating result was –80 million francs in 2021. The result reflects the growth path of the new Communication Services segment, which was created on 1 January 2021. In the long term, acquisitions and development work will lead to higher revenues from future-oriented digital services.

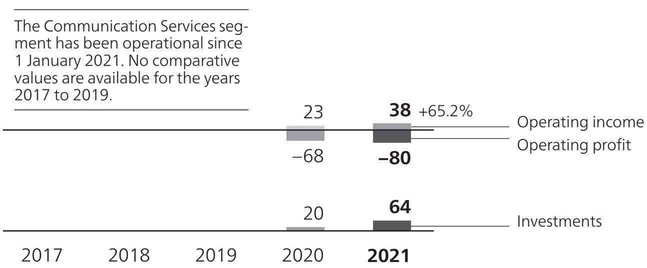
Operating income totalled 38 million francs. Compared to the previous year, this represents an increase of around 15 million francs. The acquisitions of the Tresorit Group, the SwissSign Group and DIALOG VERWALTUNGS-DATA AG in the second half of 2021 contributed to this increase. The acquisition of KLARA Business Ltd in the fourth quarter of 2020 and higher capitalization of own work also had a positive effect on operating income in 2021.

Operating expenses amounted to 118 million francs, up 27 million francs year-on-year. The acquisition of the above companies led to higher expenses of 30 million francs. In addition, the IT expenses incurred in developing the designated ecosystems rose by 10 million francs year-on-year. These higher expenses were partially offset by a 9 million franc decline in depreciation and a 4 million fall in consulting expenses year-on-year.

Average headcount increased by 101 full-time equivalents to 247 full-time equivalents due to the acquisitions of the above companies and the new strategic focus.

Operating profit shaped by development strategy and acquisitions

Communication Services | Operating income, operating profit and investments in CHF million
2020 to 2021



With an outlay of 64 million francs, Communication Services invested for the first time in the development strategy for the newly created segment in 2021. The investments relate primarily to the acquisition of new companies, With these investments, Communication Services is focusing on individual companies that complement our services in the core market of communication, while also adhering to guidelines derived from the strategic goals set by the owner.

PostFinance

Increase in foreign exchange earnings and income from commission and services results in higher operating profit.

In 2021, PostFinance recorded an operating profit of 272 million francs, representing an increase of 110 million francs year-on-year. Operating profit suffered a negative impact of 19 million francs as a result of the coronavirus pandemic, as travel restrictions led to fewer foreign currency transactions among customers, and as a result of the continued and accelerated decline in inpayments.

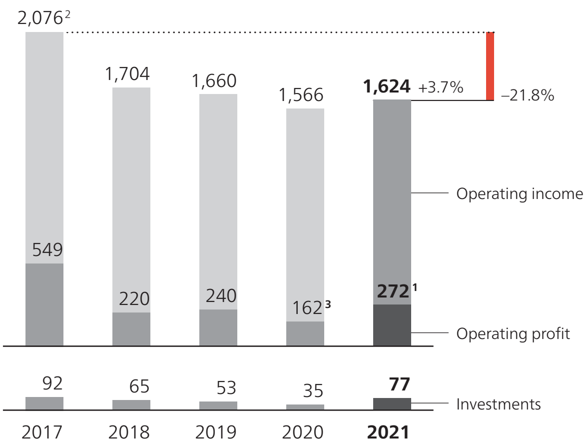
Operating income was up 58 million francs to 1,624 million francs. Interest income on financial assets continued to decline significantly due to market conditions. This decline was not fully offset despite increased activity in the interbank market and higher customer asset fees. Overall, interest income fell by 14 million francs. Income from financial investments fell by 33 million francs, because of the positive impact in the previous year of early repayments of financial investments and the associated one-off gains. PostFinance has worked hard on its positioning as an investment bank over recent years. It has developed competencies, extended its product range and launched new, digital investment solutions. By adopting this approach and thanks to the new banking package fees introduced in 2021, PostFinance achieved an improvement of 46 million francs in its result from commission business and services last year. The result from trading activities also developed positively. As a result of rising income from e-trading, funds and credit cards, as well as changes in the fair value of funds held for trading, foreign exchange earnings rose by 51 million francs.

Operating expenses fell by 52 million francs year-on-year to 1,352 million francs. Personnel expenses decreased by 22 million francs due to restructuring provisions in the previous year. Expenses for financial services were down 25 million francs year-on-year due to lower impairments and interest expenses. General and administrative expenses fell by a total of 6 million francs as a result of lower operating costs.

Average headcount stood at 3,237 full-time equivalents, down by 23 full-time equivalents year-on-year. As part of its strategic focus, PostFinance is placing an emphasis on the simplification and digitization of its processes. Vacant positions were therefore only partly filled, while PostFinance is focusing its investments on new business areas and the skills and resources they require.

Growth in operating profit boosted by foreign exchange earnings

PostFinance | Operating income, operating profit and investments in CHF million
2017 to 2021



1 Normalized figure.
2 The figure has been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).
3 The figure has been adjusted (see Notes to the 2021 Group annual financial statements, Note 2.2, Group structure changes).

PostFinance is operating in a challenging economic and regulatory environment. As interest rates have been low or even negative for years, the interest margin is being eroded. The interest income earned on financial investments in the core business has therefore been falling for a number of years due to market conditions. The interest differential business is the most important source of revenue for PostFinance. The competitive disadvantage of not being allowed to grant loans and mortgages independently is accentuated and is reflected in lower operating income and operating profit over the last five years.

Despite declining earnings, PostFinance successfully implemented numerous projects during the previous strategy period and is well positioned to speed up the digital transformation. PostFinance has one of the most modern core banking systems in the Swiss financial center. This will enable it to bring innovations to market even more rapidly in future. In addition, PostFinance is focusing more consistently on customer requirements with investments as part of the new SpeedUp strategy.

Mobility Services

Coverage of coronavirus-related revenue losses increases operating profit

The 81 million franc improvement in operating profit is primarily due to accruals of additional compensatory payments as part of the announced deficit coverage by the purchasers of franchised transport businesses. PostBus claimed revenue losses resulting from the coronavirus pandemic from the Confederation and the cantons. The remaining reserves subject to a special statutory regime were taken into account. The fleet management services for third-party customers provided by Post Company Cars achieved a 35 percent improvement in their results, despite the coronavirus crisis and delivery delays. Ancillary business at PostBus and the fuel income of Post Company Cars also contributed to the positive trend in operating profit.

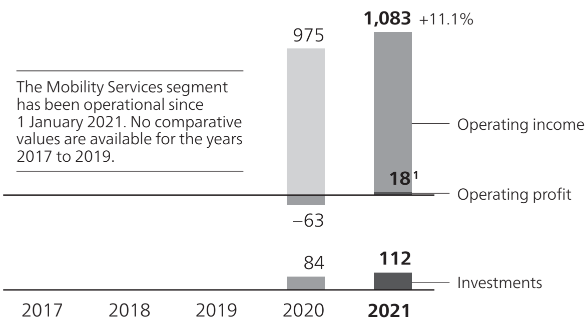
Operating income increased by 108 million francs compared to the prior-year period. The most important factors were the accrual of deficit coverage contributions, an increase in rail replacement services and additional income in the third-party business of Post Company Cars.

Operating expenses rose by 27 million francs year-on-year. The increase is mainly due to the additional services provided.

The number of full-time equivalents rose by 170 year-on-year. In addition to the transfer of PostBus operators to municipal operations, this increase is due to the expansion of services. The rise in headcount is due in particular to the increased number of bus services in Ticino in connection with the opening of the Ceneri Base Tunnel.

Deficit coverage of revenue losses leads to positive operating profit

Mobility Services | Operating income, operating profit and investments in CHF million
2020 and 2021



1 Normalized figure.

Investments in the last two years averaged 98 million francs. The investments mainly concerned replacements and new acquisitions in the vehicle fleet. Cyclical vehicle procurement and the expansion of services at PostBus led to the increase compared to the previous year. As a result of the bottlenecks in semiconductors and other raw materials, not all planned investments came to fruition.

Functions and Management

Elimination of expenses related to coronavirus pandemic reduces deficit.

The operating result for the function units improved by 40 million francs year-on-year to –111 million francs. In contrast to the previous year, less high expenses were incurred in 2021 in connection with the coronavirus pandemic.

In addition to a positive earnings performance of 20 million francs, operating expenses at Functions and Management were down 20 million francs compared to the previous year. The biggest increase in income was due to higher demand for IT services. Higher income was generated accordingly via the implementation of more IT projects. The lower expenses incurred this year are mainly due to the thank-you bonuses for employees included in the previous year and other extraordinary expenses in connection with the coronavirus pandemic.

Average headcount rose by 1.3 percent to 3,159 full-time equivalents. This was mainly driven by the internalization of staff. In Informatics, in particular, the number of external temporary employees was reduced in favour of direct employment (67 full-time equivalents). In Real Estate, the headcount was reduced by 50 full-time equivalents. The fall is mainly due to efficiency improvements in the area of maintenance cleaning and building servicing, as well as adjustments to headcount as a result of the loss of third-party mandates.

Assets and financial situation

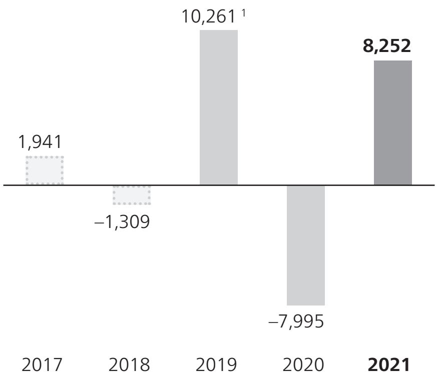
Cash flow and investments

Cash flow from operating activities totalled 8,252 million francs in 2021. Cash flow from operating activities of –7,995 million francs was recorded in the 2020 comparison period. The inflow of funds in 2021 mainly concerned the financial services business. For more information on changes in the consolidated cash flow statement, see page 90.

Financing transactions from banking business lead to cash inflow despite significant outflow of customer deposits

Group | Cash flow in CHF million
2017 to 2021

Pillar level reduced by a factor of 10 in relation to the standard benchmark.

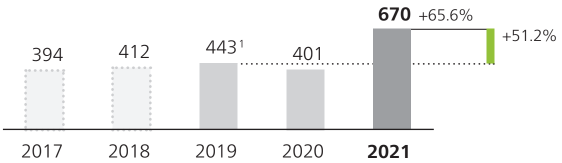


1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting and Accounting changes). The years 2017 and 2018 are not comparable with the years 2019 to 2021.

Overall, investments in property, plant and equipment (299 million francs, mainly in operating property and vehicles), as well as in investment property (65 million francs), intangible assets (56 million francs) and interests (250 million francs) were up 269 million francs on the previous year. In the coming year, Swiss Post will continue to take steps to automate its processes to improve efficiency and invest in the “Swiss Post of tomorrow” strategy. Investments will be made primarily in Switzerland in the area of property, plant and equipment, as well as in interests.

Implementation of the "Swiss Post of tomorrow" strategy leads to increased investment in acquisitions

Group | Investments in CHF million
2017 to 2021



1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting and Accounting changes). The years 2017 and 2018 are not comparable with the years 2019 to 2021.

Net debt

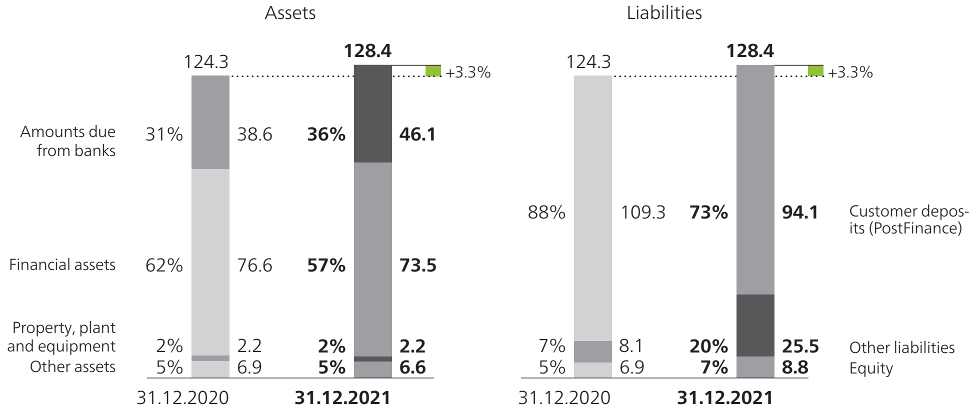
Swiss Post has been set a strategic goal by the owner that the ratio of net debt to EBITDA (operating profit before depreciation and amortization) may not exceed a maximum value of 1. Customer deposits and financial investments of PostFinance Ltd are not included in the calculation of this indicator. Values above the maximum are possible in the short term. Values below the target indicate financial leeway for Swiss Post. The target was met in 2021.

Consolidated balance sheet

Compared with 31 December 2020, amounts due from banks increased by 7.5 billion francs due to borrowing of short-term funds from the financial services business.

Financing transactions lead to balance sheet expansion

Group | Balance sheet structure in CHF billion
As at 31.12.2020 and 31.12.2021



Financial assets

In comparison with the end of 2020, financial assets decreased by 3.1 billion francs. The financial assets are primarily attributable to PostFinance.

Property, plant and equipment

The carrying amount for property, plant and equipment has not changed compared with 31 December 2020. The constant high value is explained by increased investment activity, particularly in new processing centers at Logistics Services.

Customer deposits

Since the end of the previous year, customer deposits at PostFinance have fallen by 15.2 billion francs to 94.1 billion francs. As at 31 December 2021, customer deposits accounted for around 73 percent of the Group’s total assets (previous year: 88 percent).

Other liabilities

Other liabilities increased significantly as at 31 December 2021. The increase is mainly due to the development of other financial liabilities from banking transactions. These are current liabilities from PostFinance repo transactions. Provisions excluding employee benefits decreased by 228 million francs, stabilizing at 0.3 billion francs. The reduction is due in particular to the release of the provision for staff vouchers for retirees, but also to the utilization of restructuring provisions. Employee benefit obligations decreased by 2,042 million francs to around 0.9 billion francs due to assumption adjustments and a plan amendment.

Equity

Consolidated equity as at 31 December 2021 (8.8 billion francs) was calculated net of the appropriation of profit for 2020.

Non-financial results of a material nature

As well as financial and market-based goals, Swiss Post also pursues the following strategic goals set by the Federal Council (see page 18):

- Customer satisfaction: at least 80 points on a scale of 0 – 100
- Employees:
  - Swiss Post pursues a progressive and socially responsible human resources policy, offers attractive employment conditions that ensure its competitiveness, and is committed to measures that enable its employees to achieve a healthy work-life balance.
  - Thanks to its management style, its employee development and its communication, Swiss Post establishes trust among employees, offers modern basic vocational training and boosts the employability of its staff by means of sustainable training and development measures.
  - Swiss Post conducts negotiations on the conclusion of a collective employment contract on behalf of Swiss Post and its subsidiaries in Switzerland.
  - In return for extraordinary contributions to the pension fund, Swiss Post ensures that insured persons make a reasonable contribution to the financing of the pension fund and informs the owner in good time.
- Corporate responsibility: carbon-neutral delivery from 2030, a carbon-neutral Swiss Post from 2040.

Customer satisfaction

Customers have been very satisfied with Swiss Post for years.

Customers were very satisfied with Swiss Post's products and services again this year. As in the previous year, the overall satisfaction score was 81 points. This confirms that Swiss Post is successfully continuing to adapt its services to customer needs.

Customer satisfaction is indexed on a scale from 0 to 100 (interpretation of scores: 0–64 = dissatisfied, 65–79 = satisfied, 80–100 = very satisfied).

Group | Customer satisfaction

2020–2021
Index 100 = maximum

	2020	2021
Swiss Post Group	81	81
Logistics Services business customers[1]	–	78
PostMail[1]	80	76
PostLogistics[1]	81	81
Communication Services business customers[2]	–	–
PostalNetwork		
Business customers	77	75
Private customers	78	78
PostBus private customers	82	81
PostFinance		
Business customers	78	77
Private customers	81	80
Swiss Post Solutions business customers	88	90

1 The new Logistics Services unit was created in 2021. The surveys for PostMail and PostLogistics were carried out separately up to and including summer 2021. From summer 2021, no differentiation between the results of the former letter and parcel units is possible but instead the result of Logistics Services is presented.
2 The new Communication Services unit did not conduct a customer satisfaction survey in 2021 as the unit was still being set up.

The results for business customers deteriorated slightly overall compared to the previous year. Overall, the new Logistics Services unit achieved a good score of 78 points. This includes the parcel unit PostLogistics, whose score of 81 points was the same as in the previous year. Logistics Services also includes the PostMail letter unit. Its customers awarded a score of 76 points, 4 less than in the previous year. Satisfaction amongst PostFinance business customers stood at 77 points, down by 1 point. The Swiss Post Solutions unit improved its very strong performance in the previous year by a further 2 points to achieve a score of 90 points. PostalNetwork's result – which indicates satisfied business customers at 75 points – fell by 2 points compared to the previous year.

Satisfaction amongst private customers remained very stable compared to the previous year. At 78 points, satisfaction among PostalNetwork customers is just as high as in the previous year. PostFinance private customers rated their satisfaction a point lower than in the previous year (2021: 80 points). At PostBus, overall satisfaction amongst passengers was 81 points, but no comparison with the previous year can be made owing to changes to the sample.

The customer satisfaction surveys were carried out by the independent market research institutes LINK Marketing Services AG (for the Logistics Services, previously PostMail and PostLogistics, Swiss Post Solutions, PostFinance and PostBus units) and Intervista AG (for the PostalNetwork unit). Around 12,500 customers were surveyed.

Employees

Employee satisfaction

Stable at a high level and slightly better than in the previous year.

Swiss Post carried out the annual employee survey from 19 May to 11 June 2021 – in the revised, short and modern format for the second time. The postponement of the 2020 employee survey due to coronavirus meant the interval to last year's survey was shorter than usual. The stable high response rate of over 73 percent is pleasing. Swiss Post expanded the participation criteria, giving additional employees access to the employee survey. 31,663 employees took the time to share their views on working at Swiss Post. At 95.8 percent, online participation reached a record high (previous year: 57.2 percent): all employees from operations were invited to participate via QR code and a link to the employee survey.

Group | Employee survey

2020, Index 100 = maximum[1]	2020	2021
My work	78	78
My team	80	81
My direct manager	83	84
Our corporate culture	77	77
Our Swiss Post	77	77
My commitment	79	79
Our employee survey	76	78

1 Survey model: 0–49 points: negative score; 50–64 points: low positive score; 65–84 points: average positive score; 85–100 points: high positive score.

The results of the employee survey 2021 are stable and at a high level, with a slight tendency towards improvement compared to the previous year. This is despite the ongoing challenges presented by the pandemic (very high volumes in operations, working from home) and organizational changes due to the new strategy. Teams, direct managers and personal commitment are rated particularly highly.

All topics in the main survey at Group level received an average positive score overall. The highest ratings – and both up by a point compared to the 2020 survey – go to "My direct manager" (84 out of a possible 100 points) and "My team" (81 points). The participating employees indicated that they enjoy their work, and this is reflected in a score of 79 points in the "My commitment" index. "My work" received a score of 78 points. "Our corporate culture" and "Our Swiss Post" each achieve 77 points. More specifically, the participating employees reported a slight improvement in customer centricity and indicated that communication at Swiss Post is open and transparent. The majority also believe lessons are learned from mistakes at Swiss Post and new approaches are boldly pursued. The "Our employee survey" index scored 78 points, up by 2 points on the previous year. This value indicates that the results of last year's employee survey were generally discussed and measures were taken where necessary. The additional "Health and social aspects" survey is conducted every 2 years, which means it will not be carried out until 2022.

Development of employees and leaders

Swiss Post promotes collaborative learning formats.

Swiss Post is successful when its employees understand the corporate strategy and put it to practical use in their daily work with high motivation and professionalism. To achieve this, Swiss Post relies on exemplary employment conditions and provides employees at every level and of every age with opportunities for development. The overall portfolio comprises lots of internal programmes based on various learning formats and networks, which support and promote a collaborative learning culture. Individual training measures costing 7.7 million francs with external providers were also started in the year under review, to which Swiss Post contributed 5.8 million francs.

Around 250 employees from various company units have taken up the role of vision ambassador. They encourage their colleagues to regularly reflect on their own professional and personal situation to retain a fit and attractive profile in the world of work in times of rapid change. This complements the continuous dialogue between leaders and employees, where development is increasingly being discussed instead of relying solely on employee evaluations.

Support for apprentices and young talent

An average of 1,860 apprentices received training in 18 professions at Swiss Post in Switzerland in 2021. This represents around 5.5 percent of Swiss Post’s headcount in Switzerland. The range of apprenticeships covers a broad spectrum from the one-year logistics integration pre-apprenticeship to a four-year programme for IT technicians with a Federal VET Diploma.

Swiss Post is Switzerland’s third largest training company. The success rate for final examinations was 98 percent in 2021. Four out of five newly-qualified professionals who were eager to stay with Swiss Post have found employment with the company. Furthermore, Swiss Post has enabled 27 university graduates to enter the working world as part of its in-house trainee programme, with 90 percent of this young talent subsequently remaining with the company.

749 apprentices commenced their training with Swiss Post in August 2021. Swiss Post filled almost all of its apprenticeship vacancies again this year despite a challenging environment.

Competencies

The competencies required by staff are changing as a result of the digital transformation. Core competencies were defined and a leadership map was drawn up to implement the new strategy and shape the culture of the Swiss Post of tomorrow. Both instruments provide guidance for the development of employees and leaders at Swiss Post. Communities, such as the Culture Community or Leadership Community, now contribute to the development of competencies and the culture. In particular, the newly designed leadership programme “En viadi” is worth highlighting. This programme aims to support management at Swiss Post during the transformation and to develop a common understanding of leadership.

Human resources policy

With its human resources policy, Swiss Post acknowledges its social and societal responsibilities as both a systemically important institution in Switzerland and as an employer in other countries. Swiss Post’s human resources policy was comprehensively revised in 2021. It builds on the human resources policy goals of the Federal Council and provides the framework for implementing the human resources policy in the Swiss Post of tomorrow (swisspost.ch/human-resources-policy). It also defines the human resources policy framework for collaborations and participations.

Personnel availability and attractiveness as an employer

As Switzerland's third largest employer, being perceived as an attractive, modern employer on the labour market is of strategic relevance to Swiss Post. Conveying knowledge about innovative forward-looking topics, cultural change and the vast array of job and development opportunities plays a vital role in raising the profile of and generating enthusiasm for Swiss Post as an employer. By doing so, Swiss Post wants to attract employees with the skills and abilities it needs.

Swiss Post needs to actively position itself on the internal and external labour markets at a time when there is a shortage of specialists and a wave of staff retirements, growing competition on the employment market, the advance of digitization and rising professional mobility. Against this background, Swiss Post launched its new image on the internal and external labour markets in 2021. Its positioning is based on the claim "Paint the future yellow". Swiss Post's investment in its positioning on the IT labour market is clearly having an impact. According to the Universum Professional Talent Survey 2021, Swiss Post improved its ranking: 21st position amongst students (previous year: 24th), 13th position amongst professionals (previous year: 29th). The result amongst women – who are underrepresented in this field of employment – was especially pleasing. They put Swiss Post in 3rd place as an IT employer.

Swiss Post advertised around 3,300 vacancies in 2021 and received more than 62,000 applications (excluding apprenticeships, PostFinance jobs and temporary positions). Just over half of these jobs were accounted for by the Logistics Services unit, while the others are distributed across the various Group and function units. On average, the number of Swiss Post vacancies advertised in each area was 300 to 350.

Recruitment		2021
Quantity		
Vacancies	Number	3,300
Applications	Number	62,000
Time period		
Average duration from submission of application to filling of the vacancy	Days	28
Quality		
Share of applications classified as very good in the pre-selection stage	Percent	Around 10%
Satisfaction		
Share of applicants who would apply to Swiss Post again[1]	Percent	62%

1 Regardless of whether the applicants were accepted or rejected.

Social Counselling Service, Swiss Post Personnel Fund, Job Center, Case Management

The Social Counselling Service supports employees facing difficult times privately and professionally. It also relieves the workload on line managers and HR advisors in complex employee situations, when conflicts arise in teams and in crisis situations. It also provides a wide range of training opportunities.

2,130 people used the advisory service in 2021 and 1,400 line managers and employees attended the prevention seminars (including addiction, bullying, sexual harassment, respect and benevolence).

Around 615 apprentices received training on managing their finances at the jump-in events (sometimes held online). Both the latter and the budget advisory courses for employees are financed by the Swiss Post Personnel Fund. The Social Counselling Service runs Swiss Post's crisis helpline, which is available 24/7. There were 69 crisis interventions in 2021. The calls received mainly concerned mental health issues and serious workplace-related problems.

In 2021 the Swiss Post Personnel Fund granted 316 non-repayable support contributions amounting to 1,007,860 francs and 24 loans totalling 241,993 francs in order to provide financial relief to employees and pensioners in social plight on a case-by-case basis.

The Job Center supports and advises Swiss Post employees on professional development. With 670 career guidance sessions and 519 consultations on professional reorientation, the Job Center made a major contribution to the professional development and improving the employability of Swiss Post employees. The Job Center provides employees with a range of workshops that aim to improve their employability. In 2021, workshops were held on the following topics (number in brackets): Professionally Fit "Where do I stand?" (17), Professionally Fit "Vision ambassadors" (19), personal branding (41), interviews (12) and applications (7).

Case Management (CM) supports Swiss Post employees who are ill or have suffered accidents and face complex health situations on the path back to work. CM also advises internal and external partners on reintegration. Internally, CM works closely with line managers and HR advisors, and externally with insurance companies, disability insurance offices and doctors. Group Case Management excluding PostFinance registered 530 support cases in 2021, which is around 24 percent more than in the previous year. 497 support cases were closed by Group Case Management excluding PostFinance in 2021, which represents an increase of more than 16 percent year-on-year.

Employment conditions

Collective employment contract

Swiss Post as an employer is assuming a pioneering role with the new CEC.

The new Post CH and PostFinance company collective employment contracts and the new umbrella CEC agreement, which governs collaboration between the social partners, entered into force on 1 January 2021. This agreement applies to around 75 percent of the workforce in Switzerland – that is around 31,500 employees at Swiss Post Ltd and the subsidiaries Post CH Ltd, Post CH Network Ltd, Post CH Communication Ltd, PostBus Ltd and PostFinance Ltd. The new Post CH company CEC defines the employment conditions for employees of Swiss Post Ltd and the subsidiaries Post CH Ltd, Post CH Network Ltd and Post CH Communication Ltd. PostFinance Ltd employees received a separate company CEC, based on the new umbrella CEC agreement, which takes account of the sector-specific elements and operating framework. These contracts apply for a period of three years.

The negotiations at PostBus Ltd and PostLogistics Ltd on new company collective employment contracts were successfully concluded in summer 2021. Both contracts entered into force on 1 January 2022 and apply for a period of three years. The early-morning delivery CEC of Presto Presse-Vertriebs AG was extended at an early stage by twelve months and applies until the end of 2022.

The new company collective employment contracts provide major improvements for employees, in particular family-friendly employment conditions, good work-life balance, gender equality and protection from discrimination.

As an employer, Swiss Post attaches great importance to fair employment conditions. Together with other major logistics providers and associations in the logistics sector, it is committed to an industry-wide collective employment contract for delivery in Switzerland. Neither an umbrella association nor a generally binding collective employment contract (CEC) for the industry has existed to date. This is why the CEP associations and the major logistics providers, including Swiss Post, decided to jointly found the new employer association "Zustellung Schweiz". The new association will enter into negotiations with the trade union syndicom and the staff association transfair on an industry-wide CEC for postal services and the delivery of unaddressed advertising. If the negotiations are successfully concluded, the social partners intend to apply to the Federal Council to make the CEC generally binding. Negotiations began in November 2021.

Equal pay

In 2021, Swiss Post carried out its equal pay analysis for the fourth time – but for the first time based on the revised Gender Equality Act. The analysis covers all nine subsidiaries which employed over 100 staff as at the reporting date. Swiss Post used the Swiss Confederation's 'Logib' tool to carry out the analysis. The results were audited by the certified company Mazars.

Eight subsidiaries performed well to very well in terms of the results, specifically the value covering inexplicable pay differences: Post CH Ltd, PostBus Ltd, PostFinance Ltd, Swiss Post Solutions Ltd, SecurePost Ltd, PostLogistics Ltd, Presto Presse-Vertriebs AG and Notime AG. Their values were below the Confederation's tolerance threshold of 5 percent, significantly in some cases. By contrast, Post Real Estate Management and Services Ltd recorded inexplicable pay differences above the tolerance threshold (–8.9 percent) – targeted corrective measures are being implemented here.

The 2021 equal pay analysis was based on salary data from October 2020 and reflects the organization at that time.

Group | Equal pay analysis[1] – inexplicable pay difference

By subsidiary in percent (Confederation's tolerance limit: +/– 5 percent)	2019	2021
Post CH Ltd	–2.7%	–1.8%
PostBus Ltd	–0.3%	–0.7%
PostFinance Ltd	–3.8%	–2.3%
Swiss Post Solutions Ltd	–9.7%	–4.8%
SecurePost Ltd	–1.7%	–0.9%
Post Real Estate Management and Services Ltd	–8.9%	–8.9%
PostLogistics Ltd[2]	–[3]	+0.2%
Presto Presse-Vertriebs AG[2]	–[3]	–2.8%
notime AG[2]	–[3]	–0.4%

1 The equal pay analysis was carried out in 2021 based on salary data from October 2020. The results reflect the organization of Swiss Post Group on the date of data collection in October 2020 and not the current organization.
– means unexplained pay difference (higher pay for men).
+ means unexplained pay difference (higher pay for women).
Swiss Post will carry out the next equal pay analysis in 2023 based on pay data from October 2022.
2 Part of the Logistics Services business unit since 1 January 2021.
3 Not collected for 2019.

Diversity and inclusion at Swiss Post

As an employer, Swiss Post firmly believes that promoting diversity and inclusion results in social and economic benefits. Diversity and inclusion includes the aspects of generations, gender+[1], language, origin, disability and world views in an integral way. Swiss Post adopts a conscious approach to diversity and inclusion so that opportunities can be taken and an innovative, respectful and discrimination-free working environment is ensured across the Group. The key foundations for equality are laid with flexible working time models, mobile working, job and topsharing opportunities, paternity and adoption leave, external childcare services and a strong commitment to equal pay and wage transparency.

Retirement planning, social security

Stability at the Swiss Post pension fund.

The Group's own employee benefits institution, the Swiss Post pension fund, with total assets of around 17.7 billion francs insures around 39,500 Swiss Post employees in Switzerland and pays 647 million francs in pensions to around 29,500 people each year. The Foundation Board, formed jointly by employer and employee representatives, is responsible for the management of the foundation. Swiss Post employer contributions represent around 270 million francs per year.

The level of cover in accordance with the revised Swiss Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) stood at 109.6 percent (provisional) as at 31 December 2021.

1 Gender+ covers social, psychological and biological gender. Gender refers to everything deemed typical of a particular gender in a culture (e.g. clothing, profession etc.). It does not refer directly to physical gender characteristics. The + signifies the inclusion of sexual orientation and gender identity.

In the 2021 financial year, Swiss Post Ltd and the social partners agreed measures to further strengthen the pension fund. They aim to secure the projected old-age benefits. Swiss Post Ltd made a contribution of 200 million francs from the employer contribution reserve (as at 31 December 2021) and will increase the employer's risk premium by 1 percentage point (as at 1 January 2024). At the same time, insured persons will have to pay slightly higher contributions from 2024, and the conversion rate will be reduced by 0.1 percentage points to 5.0 percent at the age of 65 from 1 January 2024. From the point of view of all partners, these measures result in a fair overall package with equitable effects for those who are insured.

More information on employees can be found in the Annual Report on pages 52 to 57.

Corporate responsibility: best-practice climate and energy targets

Swiss Post pursues ambitious climate and energy targets.

Swiss Post's greenhouse gas emissions rose in the previous financial year. This is mainly due to the performance of the markets, particularly the rise in kilometres covered at PostBus, the increase in vehicles rented to third-party customers by Company Cars and the growth in goods transport at Logistics Services.

Swiss Post aims to cut CO_2 emissions from its own operations by 46 percent between 2019 and 2030, and to also reduce CO_2 emissions in its value chain (see illustration on page 58). The company as a whole is required to become carbon neutral from 2040. This will entail removing residual emissions in 2040 from the atmosphere via climate projects. Swiss Post's ambitious climate target is in line with the United Nations' climate target of limiting global warming to a maximum of 1.5° C. Swiss Post is participating in Exemplary Energy and Climate, a Swiss Confederation initiative, and is fully harnessing the economic potential of photovoltaic systems.

In order to reduce its CO_2 emissions, Swiss Post has implemented a comprehensive package of measures.

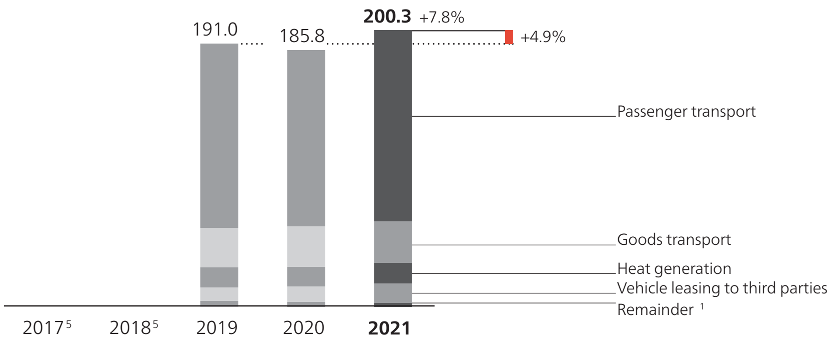
- As a transport-intensive company, it is constantly testing alternative drive systems and fuels, and utilizing them wherever possible. Biodiesel and eco-electricity have already become standard fuels for Swiss Post's vehicle fleet. Around half of the energy-efficient vehicle fleet already uses alternative drive systems – such as electric or hybrid engines – and is run entirely on naturemade star-certified eco-electricity. 260 parcel delivery vans now run on electricity. PostBus operates 56 hybrid buses on Swiss roads and has been gathering experience with electric buses on scheduled services since 2017. Today, 5 of these vehicles are in operation. By 2025, Swiss Post aims to carry out the majority of parcel deliveries in urban centers using e-vehicles. Swiss Post joined the international initiative "100% Electric Vehicles" (EV100) in January 2019. Alongside other companies, it is committed to making electromobility the norm by 2030. Post Company Cars Ltd petrol stations offer diesel containing 7 percent biodiesel made from residues from edible oil production. In addition, the use of vehicle capacities and routes are continually being optimized. Rail transport is used for carrying letter and parcel consignments between the sorting centers. Using combined transport, yellow containers are quickly and conveniently reloaded from trucks to carrier wagons and vice versa. This combined solution enables business partners to achieve a better eco-audit and lower transport costs, and the environment is spared thousands of vehicle kilometres on a daily basis. With 30 double-decker trucks for large shipments, Swiss Post transports up to 50 percent more freight than with the usual trucks.

- Potential energy savings in buildings have been systematically identified and measures introduced. For new buildings and modernization projects, Swiss Post generally applies the integrated and sustainable DGNB construction standard as adapted for Switzerland. It uses energy-efficient building services and recovers waste heat from its data centers. By 2030, Swiss Post aims to replace 80 percent of all fossil-fuel powered heating systems in its own buildings in Switzerland with alternative systems that use renewable energy sources.

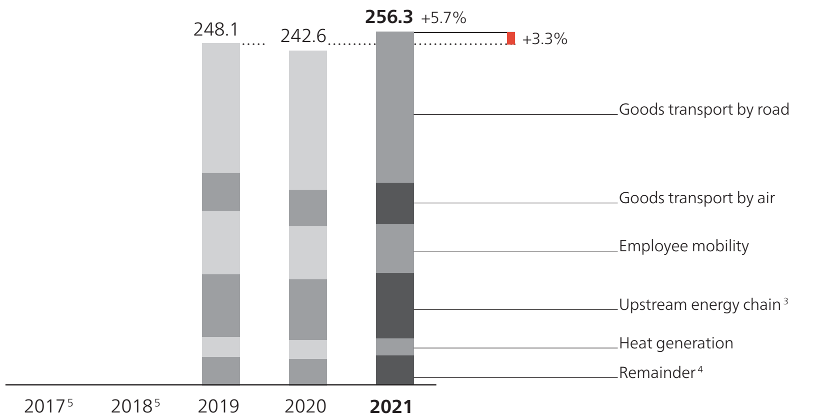
Greenhouse gas performance is affected by market growth

Group | Greenhouse gas emissions in 1,000 t of CO_2 equivalents
2019 to 2021, 2019 = 100%

Scope 1 and 2 emissions
(direct emissions from own vehicles and buildings)



Scope 3 emissions
(indirect emissions from the value chain (e.g. subcontractors and leased property, plant and equipment)[2]



1 Includes emissions from all company vehicles as well as electricity and cooling system consumption in buildings.
2 The emissions of purchased goods and services as well as financed emissions of PostFinance investments are not included. A comprehensive analysis of corporate loans indicated financed emissions of 1.393 million tonnes of CO_2 equivalents for 2021.
3 Includes emissions from all fuel and energy-related activities in fuel procurement.
4 Includes emissions from goods transport by rail and water, leased property, plant and equipment and waste disposal.
5 Data for subsidiaries acquired during the period from 2019 was re-entered retroactively for 2019 and 2020 as 2019 is used as the base year for the 2024 and 2030 goals. There was no re-entry for the years 2017 to 2018, which is why these years are not shown.

– Swiss Post covers 100 percent of its electricity requirements with renewable energy from Switzerland, which contains 20 percent of “naturemade star” certified green power. Swiss Post operates 27 photovoltaic systems on its roofs with a total panel area of around 66,000 square metres, producing around 10.3 gigawatt hours of solar electricity each year. That equates to 7 percent of Swiss Post’s power consumption. The regional parcel centers are equipped with photovoltaic systems, like Swiss Post’s other large sites. A total of 5.2 gigawatt hours of electricity are produced each year by the regional parcel centers alone. A third of the energy produced is used by the centers themselves.

– Since 1 January 2021, Swiss Post has delivered all mailing products with carbon offsetting, without a surcharge for customers. This means they carry the “pro clima” label. Swiss Post has been delivering all domestic letters with the “pro clima” shipment service since 2012 and offsetting carbon emissions on unaddressed PromoPost consignments without a surcharge for customers since 2017. Swiss Post funded the construction of the first gold standard Swiss Post climate protection project in Switzerland: it consists of 27 biogas plants on farms that reuse manure and other organic waste to generate electricity.

- Sustainable employee mobility is promoted by providing staff with free Half Fare Travelcards or discounted GA Travelcards for rail travel. Employees are able to charge electric vehicles at Swiss Post locations and the infrastructure is continually being upgraded. Swiss Post supports the bike to work initiative, and employees can take advantage of the services provided by PubliBike or carvelo2go for the rental of electric cargo bikes at a reduced rate. Pool vehicles, including electric and hybrid cars, are available for business travel.

In 2010, Swiss Post decided to use the annual funds from the redistribution of the CO_2 levy on fuels for climate protection and energy efficiency measures in the "pro clima – We're acting now" sustainability programme: since 2010, over 20 million francs from Swiss Post's internal climate fund alone have been invested in measures such as electric and hybrid buses, electric delivery vans, electric charging infrastructure, biogas and biodiesel, replacement of fossil fuel heaters, LED lighting, awareness-raising and many other measures.

More information on the corporate responsibility strategy can be found on pages 24 to 27.

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). Risk management can make an important contribution to the achievement of corporate goals and quality of decisions and help increase the company's value. It also promotes a company-wide risk culture and risk awareness among all employees across all hierarchical levels.

Risk management system

The Board of Directors sets out the primary guidelines and principles for the risk management system, defines risk policy at Swiss Post Ltd and approves the risk strategy. Risk strategy is derived from the corporate strategy and defines Swiss Post's general attitude towards risk detection, risk-taking and risk management. This makes it an integral part of entrepreneurial activities. It forms the basis for the design and operational implementation of risk management at Swiss Post. The risk strategy comprises the protection objectives and qualitative and quantitative statements about risk appetite as fundamental elements.

The risk management system complies with the applicable laws and the Swiss Code of Best Practice for Corporate Governance. It is based on the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management) and ISO standard 31000:2018.

Risk definition

Swiss Post understands "risk" to mean each possibility of an event or development occurring and exerting a positive or negative impact on the achievement of corporate goals. Risk is thus the umbrella term for a threat (negative target deviation) or opportunity (positive target deviation).

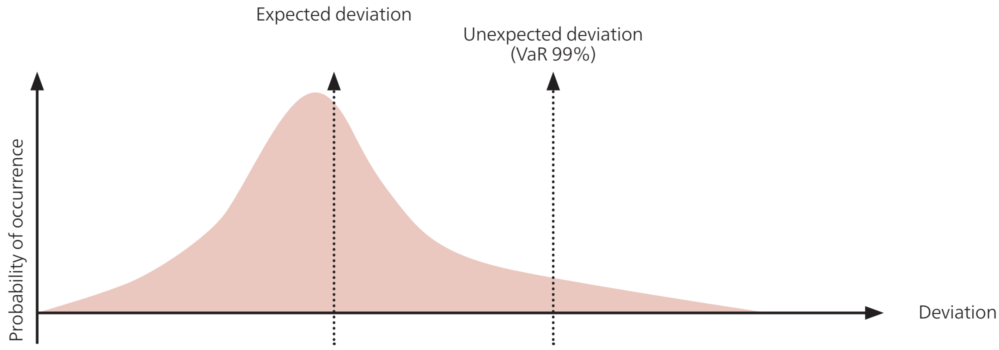
Successful entrepreneurial action is based on adequately controlling or avoiding material threats and taking advantage of opportunities that arise in a value-enhancing way. Risk assessment is carried out as part of operational planning for a four-year planning period (2021–2024). Risks are assessed according to scenario analyses and by incorporating historic event data.

Risk indicators

Risk management uses Monte Carlo simulation techniques to calculate risk indicators. The probability distribution of the Group's overall risk portfolio is calculated, taking account of correlations from the probability distributions of the individual risks. The expected loss/gain potential (expected value, EV) and the maximum loss potential with a confidence interval of 99 percent (value at risk, VaR) are derived from this distribution as risk indicators.

Expected value shows the expected cashflow deviation for the next four years from a risk perspective, while value at risk (99 percent) is used for unexpected cumulative cashflow deviations. This means that just 1 percent of the simulated values has a higher cashflow deviation than the VaR of 99 percent.

Risk indicators



Quantitative risk appetite

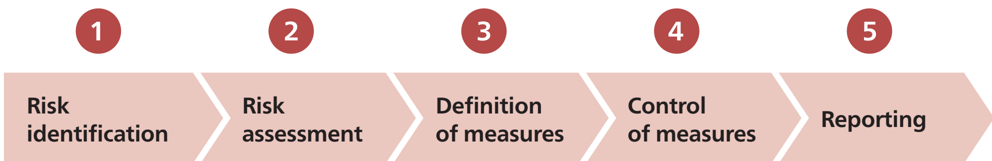
The quantitative risk appetite requirements are checked using the indicators determined. Three criteria are taken into account for quantitative risk appetite: financial viability (evidence that the strategy pursued can be financed taking account of the expected deviations), risk capacity (evidence that there is sufficient equity capital to cover unexpected deviations) and economic viability (evidence that the benefits outweigh the risks assumed).

Risk management process

The risk management process is implemented in all Group and function units. It is based on the strategy and financial planning processes in which the business objectives are defined. It helps to mitigate threats that prevent these objectives from being achieved and to implement identified opportunities. Individual units conduct, consolidate and direct the risk evaluations to the next-highest hierarchical level.

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

Risk management process



– Risk identification
  Risk management comprises all risks associated with the business activity. Alongside financial risks, it also takes reputational, personal, environmental and compliance risks into account. Group and unit strategies and a company-wide basic catalogue of causes form the basis for risk identification, among other factors.

– Risk assessment
  Threats and opportunities are defined in the assessment as potential deviations from planned business objectives. An individual scoring model is created at Group and unit level that enables the risk probability of occurrence and the scale of impact to be easily evaluated using clear definitions of different characteristics. In addition to financial impact, consideration is also given to

reputational impact, compliance and personal and environmental damage, which is shown in a complete overview.

The scoring model allows the risk impact to be quantitatively and qualitatively recorded. The scoring model also defines the unit’s own risk strategy by setting out the limit from which measures need to be defined for identified risks.

At least once a year, managers and specialists measure the risks that have been identified. This measurement is carried out according to a credible worst-case or best-case scenario on the basis of event data, analyses or expert estimates. A management assessment of the Swiss Post risk map is added to this bottom-up process at Group level.

– 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 threats to third parties.

– Control of measures
  Comprehensive checks are carried out to ensure that risks are being controlled effectively by implementation and the effectiveness of the measures in place. Additional measures are defined if necessary.

– Reporting
  Reports are submitted yearly to unit management, Executive Management, the Board of Directors’ Audit, Risk & Compliance Committee and the Board of Directors. They summarize the threats and opportunities identified together with the planned and implemented measures and the risk indicators, and outline the actions that need to be taken.

Networking of risk management

Swiss Post aims to take an integral approach to risk management. Risk management is therefore combined with the Strategy, Accounting, Controlling, Insurance, Security, Internal Control System and Crisis Management units as well as with Group Audit and Compliance.

Swiss Post’s 2nd line of defence functions support one another and form an assurance community led by Group risk management. The aim is to regularly share information and knowledge with one another and coordinate their activities, terminology, assessment logic, awareness-raising activities and reporting. The assurance community thereby promotes coordination, mutual foundations and the exploitation of integration and synergy potential.

Risk situation

The individual risks for all the units identified using the Monte Carlo simulation procedure are combined to establish the overall risk position of the Group. As well as calculating the average expected loss/gain potential, the maximum annual loss potential is determined with a confidence interval of 99 percent.

Based on the latest calculations, the Group has an expected loss potential of 1,050 million francs in relation to the 2021–2024 business period. The unexpected four-year loss potential (VaR 99 percent) for the Group totals 3,330 million francs. This means the Group’s risk capacity is ensured so that sufficient equity capital would be available at the end of the evaluation period (2024) even in the event of an unexpected cumulative cashflow deviation (VaR 99 percent).

The greatest threats comprise transport risks, the profit trend at PostFinance, problems implementing the new strategy, service provision outages and the effects of a serious pandemic. Positive effects could occur as a result of business optimization measures, customer acquisitions and the implementation of transformation projects.

According to current estimates and taking into account the present circumstances, no risks have been identified that could jeopardize the future of the Group either on their own or in combination with other risks. The possibility cannot be ruled out that additional risks that are not yet known or that have currently been classed as immaterial could have an unexpected negative influence on the achievement of the desired corporate objectives. In addition, new opportunities could arise that have not yet been identified, or current opportunities could become irrelevant.

For more information on risk management at Swiss Post, see pages 156 to 179.

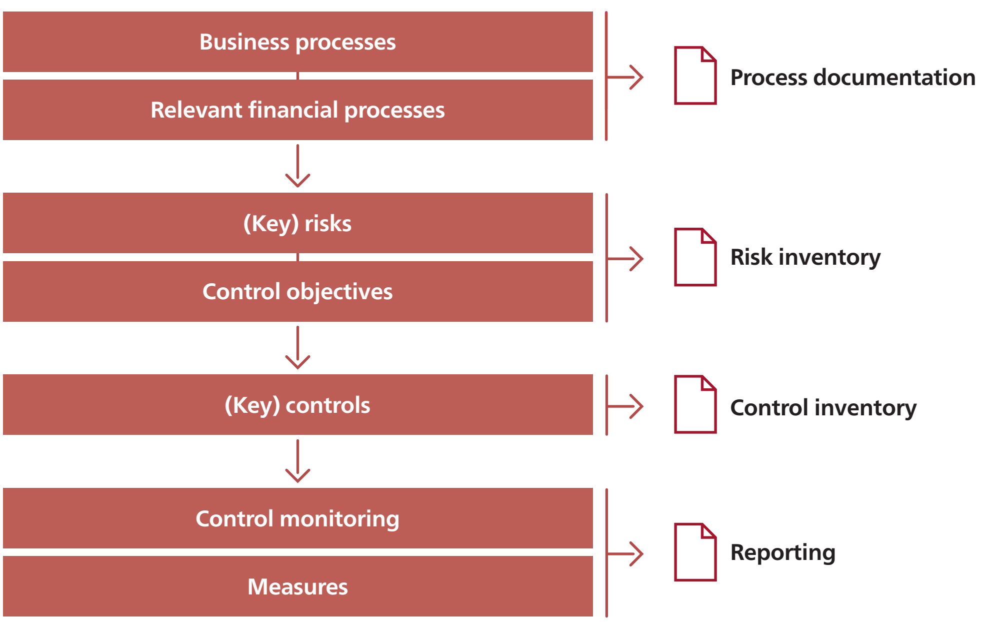
Internal control system

The Board of Directors and Executive Management are responsible for establishing and maintaining appropriate internal controls. The internal control system (ICS) at Swiss Post Ltd is required to provide reasonable assurance that the financial reporting is in accordance with the relevant accounting regulations and corresponding internal guidelines. It therefore encompasses principles, procedures and measures to ensure proper bookkeeping and rendering of accounts. In accordance with article 728 a, paragraph 1, section 3 of the Swiss Code of Obligations, the external auditors check that an ICS is in place in conducting their regular audit each year.

Design of the internal control system

The Swiss Post ICS is established in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation of the ICS-relevant positions (income statement/balance sheet), known as scoping, is carried out in a standardized manner throughout the Group on the basis of the previous year's financial reporting. Once the ICS-relevant positions have been identified, their risks are assessed. In addition to the quantitative dimension, qualitative factors are also taken into account. These key risks are given priority treatment by ICS Finance and are covered by appropriate key controls. Only those controls (concepts, procedures and practices) are included that ensure an adequate reduction of the risk and the creation of a degree of certainty that the control targets can be met and that undesired events can be prevented or detected and corrected.

ICS



Monitoring and effectiveness of the internal control system

The key controls undergo an annual maturity assessment. An assessment is carried out to determine whether the controls are suitable to effectively reduce or eliminate the risk described (design effectiveness, walkthrough tests) and whether the control activities are carried out according to the documentation (operating effectiveness, sampling inspection). The controls are only deemed effective when both have been confirmed.

The minimum maturity level pursued by Finance function management is “3 – standardized”. Basic principles on the operation of ICS finance are defined and ICS-relevant risks and controls are documented. The controls carried out are clearly documented and regularly updated to take account of changes to risks. The maturity evaluation is based on a self-assessment by the person responsible for controls.

Assessment of the internal control system on 31 December 2021

All ICS-relevant key controls were formally assessed at the end of the financial year as part of the control monitoring procedure. No systematic control weaknesses were identified. As a result of inherent limitations, the internal control system may however not completely prevent or detect misstatements in the financial reports.

Ernst & Young Ltd, the independent auditors for Swiss Post, verified and unreservedly confirmed that an internal control system is in place for financial reporting as at 31 December 2021.

Outlook

Coronavirus continues to shape the global economy in the second year after the outbreak of the pandemic. The Swiss National Bank anticipates economic growth of up to 3 percent for 2022. The SNB assumes that extensive containment measures will not have to be introduced again, this despite the developments regarding the pandemic. The economic recovery should thus continue, albeit somewhat subdued. Supply bottlenecks are likely to persist for some time yet, leading to price increases for the goods concerned. The future, however, remains uncertain.

In Switzerland, the economic recovery has continued. There was a further robust increase in gross domestic product (GDP) in the second half of the year, thus lifting it above its pre-crisis level for the first time. GDP is likely to grow by around 3.5 percent in 2021. The economy has lost momentum again somewhat, of late.

In these challenging times for society as a whole, it has become clear that Swiss Post's services are central to the economy and the public. To ensure that Swiss Post can continue to play this important role in Switzerland in the future, the company is taking a very close look at its fundamental and still challenging operating framework. Its aspiration, to be able to continue to provide the universal service without external funding, remains unchanged.

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.

Basic principles

Corporate governance refers to all of the principles and rules under which a company is managed. The goal of corporate governance is to achieve effective and transparent management in order to create sustainable value. It is important to ensure that tasks and responsibilities are set out clearly and consistently.

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 pages 188 to 191 outlines the investments.

Control by the Confederation

The Confederation controls Swiss Post by setting strategic goals and checking that these are being met, using for this purpose Swiss Post's annual reporting to its owner and a report on staff (Public Officials Act/Ordinance on Executive Pay). See also the information policy section on page 83.

Capital structure

Swiss Post has Group equity comprising 1.3 billion francs of fully paid-in share capital plus capital reserves and retained earnings of around 7.5 billion francs. External debt amounted to around 0.8 billion francs on the reference date.

The General Meeting will be asked to approve a dividend distribution of 50 million francs for the 2021 financial year (resolution in 2020: 50 million francs, distribution in 2021). Total equity on the reference date stood at 8.8 billion francs (previous year: 6.9 billion francs).

Board of Directors

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 ensuring that Swiss Post fulfils the universal service obligation. It is entitled to enlist the help of subsidiaries to do so.

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.

Composition as at 31 December 2021

On the reference date (31 December 2021), the Board of Directors had nine members.

Education, professional activities and interests

The following section sets out the most important details on the education, professional background and key posts of each of the members of the Board of Directors. Before accepting a new post outside the Group, the members of the Board of Directors are obliged to consult the Chairman of the Board of Directors. If the Chairman of the Board is affected, the Board of Directors' Audit, Risk & Compliance Committee must be consulted. These posts are reviewed to ensure compatibility with the post held at Swiss Post.

After the Chairman of the Board, the other Board members are listed in alphabetical order.

Christian Levrat

Chairman of the Board of Directors, member since 2021
Switzerland, 1970, lic. iur. / MA

Committees
– Organisation, Nomination & Remuneration
– Audit, Risk & Compliance
– Investment, Mergers & Acquisitions

Professional background
– Member of the Council of States (FR/SP, 2012–2021), Member and Chair of the Committee for Economic Affairs and Taxes, Member and Chair of the Foreign Affairs Committee, Member of the Committee for Legal Affairs, Member of the Finance Committee
– Member and Chair of the Swiss Delegation to the French-speaking Parliamentary Assembly, Chair of the Committee for Education, Culture and Communication, Chair of the Parliamentary Network for the Fight Against AIDS, Tuberculosis and Malaria
– President of the Swiss Social Democratic Party (2008–2020)
– National Councillor (FR/SP 2003–2012), Member of the Committee for Transportation and Telecommunications, Member of the Finance Committee
– Communications Union, General Secretary and Chair (2000–2008)
– Swiss Refugee Council (SRC), Head of the Legal Service, Member of the Executive Board (1997–2000)

Key posts
– Swiss Labour Assistance (SLA) Fribourg (Member of the Committee)
– Communal Parliament of Vuadens (Member of the General Council)

Thomas Bucher

Member of the Board of Directors, member since 2019
Switzerland, 1966, lic. oec. University of St. Gallen

Committees
– Audit, Risk & Compliance

Professional background
– Archroma Management GmbH, CFO, Member of the Executive Committee (since 2021)
– Alpiq Holding Ltd, CFO, Member of the Executive Board (2015–2021)
– Gategroup, CFO, Member of the Executive Board (2008–2014)
– Ciba Specialty Chemicals, Regional CFO, Head of Business Support Center EMEA and Divisional CFO, Head of Business Support Center CEMEA (1992–2008)

Key posts
– TARENO Ltd, Member of the Board of Directors

Ronny Kaufmann

Member of the Board of Directors, human resources representative, member since 2018
Switzerland, 1975, lic. rer. publ. University of St. Gallen

Committees
– Organisation, Nomination & Remuneration

Professional background
– Swisspower AG, CEO (since 2014)
– Swiss Post, Head of Public Affairs & CSR (2006–2014)
– Mediapolis AG für Wirtschaft und Kommunikation, Co-owner and Partner (2003–2006)

Key posts
– None

Bernadette Koch

Member of the Board of Directors, member since 2018
Switzerland, 1968, certified public accountant, business economist, Higher School of Economics and Administration

Committees
– Audit, Risk & Compliance (Chair)

Professional background
– Ernst & Young AG, People Partner, Member of the Management Committee of Assurance Switzerland, Partner/Head of the Public Sector market area, Auditor (1993–2018)

Key posts
– PostFinance Ltd, Member of the Board of Directors and Member of the Organisation, Nomination & Remuneration Committee
– Energie Oberkirch AG, Member of the Board of Directors
– Geberit AG, Member of the Board of Directors
– Mobimo Holding AG, Member of the Board of Directors
– EXPERTsuisse, Member of the Professional Ethics Committee

Denise Koopmans

Member of the Board of Directors, member since 2019
Netherlands, 1962, Master of Law

Committees
– Investment, Mergers & Acquisitions

Professional background
– Wolters Kluwer, Managing Director Legal & Regulatory Division (2011–2015)
– LexisNexis Business Information Solutions, CEO (2007–2011)
– Altran Group, various management roles (2000–2007)

Key posts
– Royal BAM Group NV (Netherlands), Member of the Board of Directors
– cVGZ (Netherlands), Member of the Supervisory Board (stood down in 2021)
– Sanoma Corporation (Finland), Member of the Board of Directors
– Enterprise Chamber of the Amsterdam Court of Appeal (Netherlands), lay judge/expert
– Swiss Data Alliance, Member of the Expert Committee

Nadja Lang

Member of the Board of Directors, member since 2014
Switzerland, 1973, degree in business economics UAS

Committees
– Organisation, Nomination & Remuneration (Chair)

Professional background
– Cooperative of ZFV companies, CEO (since 2021)
– Max Havelaar Foundation Switzerland, Managing Director (2012–2017)
– Fairtrade International, Chair of the Global Account Management Steering Committee, Member of the Finance Committee (2010–2014)
– Max Havelaar Foundation Switzerland, Commercial Director and Deputy Managing Director (2005–2011)
– General Mills Europe Sarl, European Marketing Manager (2003–2005)
– The Coca-Cola Company, various (management) positions in brand management and the Innovation department (1999–2003)

Key posts
– Metron AG, Vice-Chair of the Board of Directors (stood down in 2021)
– Energie 360 Grad AG, Member of the Board of Directors (stood down in 2021)
– Cooperative of ZFV Companies, Chair of the Board of Directors
– Zurich University Winterthur (ZHAW), School of Management and Law (Member of the International Advisory Board)
– Pax Holding (Cooperative), Member of the Board of Directors

Philippe Milliet

Member of the Board of Directors, member since 2010, Vice-Chairman, since 2018
Switzerland, 1963, degree in pharmacy, MBA

Committees
– Audit, Risk & Compliance
– Investment, Mergers & Acquisitions (Chair)

Professional background
– PMAdvices SA (since 2021)
– BOBST GROUP, Member of Group Executive Committee, Head of Business Unit Sheet-fed (2011–2020)
– Galenica Ltd, Head of Health Division, Member of the Corporate Executive Committee (2003–2011)
– Unicible, CEO (2002–2003)
– Galenica Ltd, responsible for distribution centers, responsible for operations and CEO of Galexis AG (1996–2001)
– McKinsey, Associate, Engagement Manager (1992–1996)
– Pharmatic Ltd, Analyst/Programmer and Project Manager (1991)
– Galenica Holding AG, Analyst/Programmer and Assistant to the Chairman of the Corporate Executive Committee (1988–1991)

Key posts
– Conseil consultatif des Jurassiens de l’extérieur du canton (CCJE), Member of the Advisory Board
– Financière SYZ SA, Member of the Board of Directors
– Cendres+Métaux Holding SA, Chairman of the Board of Directors
– Banque Cantonale du Jura SA, Member of the Board of Directors
– Perrin Holding SA, Member of the Board of Directors

Corrado Pardini

Member of the Board of Directors, human resources representative, member since 2020
Switzerland/Italy, 1965, former National Councillor, degree in NPO Management, University of Fribourg

Committees
– Investment, Mergers & Acquisitions

Professional background
– pardini consulting gmbh, Self-Employed Management Consultant (since 2020)
– Labour Court of the Canton of Bern, Specialist Judge (since 2000)
– National Council: Committee for Economic Affairs and Taxes (CEAT), Committee for Legal Affairs (CLAG), Committee for Science, Education and Culture (CSEC) (2011–2019)
– Swiss Trade Union Federation (SGB), Member of the Presidential Committee (2014–2020)
– Unia, Member of the Management Board and Head of Industry Sector (National Head of Pharmaceutical and Chemical Industry, Regional Secretary for Biel-Seeland, Canton of Solothurn) (1997–2020)
– Foundation Board of the pension funds for the carpentry industry (2005–2016)
– Member of the Cantonal Parliament, Canton of Bern (2002–2011)

Key posts
– Tripartite Commission of the Confederation for matters arising from the International Labour Organization (ILO), Member of the Extraparliamentary Committee of the Swiss Confederation
– Suva Council, Member
– Volkshaus AG Bern, Chair of the Board of Directors
– Freienhof Thun AG, Chair of the Board of Directors
– Employment Market Inspectorate Bern, Chair of the Board
– Trade Union Federation for the Canton of Bern, Chair of the Executive Board
– Biel-Seeland Regional Association of the Swiss Social Democratic Party, Chair of the Board (stepped down in 2021)
– CEC Execution Competence Center, Bern, Chairman of the Board (stepped down in 2021)
– Swiss Trade Union Federation, Advisor
– Unia Central Secretariat, Advisor
– Syndicom Central Secretariat, Advisor, Chair

Dirk Reich

Board of Directors, member since 2021
Germany/Switzerland, 1963, qualified business economist, WHU – Otto Beisheim School of Management

Committees
– Investment, Mergers & Acquisitions

Professional background
– Cargolux Airlines International S.A. (Luxembourg), President and CEO (2014–2016)
– Kühne + Nagel International AG, Member of the Management Board (1994–2013)
– VIAG AG, Head of Investment Controlling, Transport and Logistics (1993–1994)
– German Cargo Services GmbH, Route Manager, America & West Africa (1986–1992)

Key posts
– Imperial Logistics Limited, Gauteng, South Africa, Member of the Supervisory Board (Non-Executive Director)
– Primafrio Group SL, Member of the Supervisory Board (Non-Executive Director)
– Det Forenede Dampskibs-Selskab (DFDS) A.S., Member of the Board of Directors (Non-Executive Director)
– InstaFreight GmbH, Member of the Supervisory Board
– SkyCell AG, Member of the Board of Directors
– Log-hub Ltd, Chair of the Board of Directors
– Turkish Airlines Cargo, Member of the Advisory Board

Roger Schoch

General Secretary, member since 2018
Switzerland, 1971, Lawyer, Executive M.B.L. HSG

Professional background
– Alpiq Holding Ltd, General Secretary of the Board of Directors (2013–2018)
– Swiss federal railways SFR Ltd, Secretary to the Board of Directors/Vice General Counsel (2003–2012); Secretary to the Board of Directors/Chief Compliance Officer (2012–2013)

Key posts
– None

Changes in the year under review

With effect from 1 December 2021, there was a change at the top of the Swiss Post Board of Directors: Chairman of the Board Urs Schwaller, who stepped down after five years in office, was succeeded by Christian Levrat. The former SP member of the Council of States, who was proposed by the Federal Council, was confirmed by the Swiss Post General Meeting in April 2021. In addition, the Extraordinary General Meeting held in June 2021 also elected Dirk Reich to the Board of Directors. Dirk Reich succeeded Peter Hug, member of the Board of Directors and Vice-Chairman, who had decided at the end of April not to stand for re-election to the Swiss Post Board of Directors for personal reasons. The position of Vice-Chairman continues to be held by Philippe Milliet.

Election and term of office

The Federal Council elects the Chairman of the Board of Directors and the other members of the Board of Directors for a period of two years. Re-election is possible. All members of the Board are subject to a twelve-year limit for terms of office and an age limit of 70 years.

In accordance with the Postal Services Organization Act, employees have the right to appropriate representation on the Board of Directors. In 2021, this employee representation was provided by Ronny Kaufmann and Corrado Pardini.

Role and internal organization

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 goals. Its remit includes authorizing the basic structure of the Group, accounting standards, the budget, reports to the owner, OFCOM and PostCom, and large and strategic projects. It also mandates the members of the Board of Directors for PostFinance Ltd. 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 held a total of 22 meetings (of which 11 were ordinary day-long sessions and 11 were extraordinary half-day meetings). The meetings took place either in person or via video conference. The CEO and Head of Finance attend Board meetings in an advisory capacity.

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.

Board of Directors’ Committees

The Board of Directors establishes a standing committee for each of the following areas of responsibility: Audit, Risk & Compliance, Investment, Mergers & Acquisitions and Organisation, Nomination & Remuneration. It may also appoint non-standing committees at any time. The Board of Directors appoints the members of these committees independently. As a rule, the committees consist of three to four members of the Board of Directors who have relevant experience in the area of responsibility in question. The role of the committees is to advise the Board of Directors, prepare business for the Board and implement Board resolutions where necessary. To a limited extent, the committees also have decision-making authority.

Board of Directors’ Audit, Risk & Compliance Committee

The Board of Directors’ Audit, Risk & Compliance Committee assists the Board in, among other things, the supervision of the accounts and financial reporting operations. It also supports the Board of Directors in the supervision of risk management and assesses Swiss Post’s risk control at regular intervals. The committee is responsible for the creation and development of appropriate internal supervisory structures and ensures compliance with legal provisions (Compliance). It checks the findings and recommendations of Group Audit and the external audit teams and submits corresponding proposals to the Board as appropriate. The committee met eight times during the year under review. The CEO, the Head of Finance and the Head of Group Audit attend the meetings.

Board of Directors’ Investment, Mergers & Acquisitions Committee

The Board of Directors’ Investment, Mergers & Acquisitions Committee deals with M&A strategy and individual strategic alliances. It identifies and assesses opportunities for participations, mergers and acquisitions, as well as for investments and alliances. In addition, it oversees the formation, liquidation and sale of subsidiaries, associates and interests. The committee met 12 times during the year under review. In 2021, the committee addressed various innovative, long-term projects at Swiss Post on forward-looking topics within the above framework. The CEO and the Head of Finance attend the meetings.

Board of Directors’ Organisation, Nomination & Remuneration Committee

The Board of Directors’ Organisation, Nomination & Remuneration Committee met eight times in the period under review. It has a pre-advisory role vis-à-vis the Board of Directors as a whole with regard to appointing and removing the members of Executive Management and deciding their remuneration. It also submits a recommendation for setting the negotiating mandate for the annual round of pay negotiations with the employee associations. It prepares all strategic organizational decisions for the Board of Directors, evaluates the size and composition of the Board of Directors and identifies and nominates new Board members. In addition, the committee reviews the independence rules for members of the Board of Directors on an annual basis. The CEO and the Head of Human Resources attend the meetings.

Independence

None of the members of the Board of Directors has 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.

There is no contractually agreed reciprocal occupation of seats on boards between Swiss Post and any other commercial company.

Information and supervisory tools

Reporting

The Board of Directors receives monthly reports on 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 Board of Directors' Audit, Risk & Compliance Committee about compliance with planning, strategic financial planning and the Federal Council's strategic goals.

The Chair of the Board of Directors receives Executive Management meeting minutes. The Board of Directors receives reports from Risk Management (see pages 60 to 64 and 156 to 164), Compliance, Treasury, Communication and Group Audit. At each Board of Directors meeting, the CEO and the Head of Finance provide information on the company's current business situation.

Risk management

Swiss Post operates a risk management system in line with COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management) and the ISO standard 31000:2018 (see pages 156 to 164).

Internal control system

As part of its risk management, 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 receives a report on the progress of the ICS once a year.

Compliance

Swiss Post operates a compliance management system based on the ISO standard 37301:2021. The compliance management system is continually adapted to new requirements and circumstances. It makes appropriate allowance for the strategy and specific business activities and the risks associated with them. In addition, Swiss Post promotes a culture in which all parties conduct themselves ethically and lawfully.

Group Audit

Group Audit monitors compliance with internal and external directives, the efficiency and effectiveness of risk management, controls and governance and monitoring processes. This also includes IT processes and project management. It submits ongoing reports to the Board of Directors' Audit, Risk & Compliance Committee and an annual report to the whole Board of Directors. Group Audit works in accordance with international standards and adheres to principles relating to integrity, objectivity, confidentiality, technical expertise and quality assurance. To guarantee maximum independence, Group Audit is a separate organizational unit which reports to the Board of Directors.

Executive Management

Composition as at 31 December 2021

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

The Chief Executive Officer of PostFinance Ltd participates in Executive Management meetings as an observer.

Education, professional activities and interests

The following section sets out the most important information on the education, professional background and key posts of each of the members of Executive Management. Before accepting a new post outside the Group, the members of Executive Management are obliged to consult the Chairman of the Board of Directors. These posts are reviewed to ensure compatibility with the post held at Swiss Post.

After the CEO, the other members of Executive Management are listed in alphabetical order. The list concludes with the CEO of PostFinance Ltd.

Roberto Cirillo

CEO, member since 2019
Switzerland/Italy, 1971, ETH graduate in mechanical engineering, Advanced Management Program, Columbia Business School, New York, USA

Professional background
- Optegra Eye Health Care (United Kingdom), Group CEO (2014–2018)
- Sodexo Group (France), CEO France, COO, various management positions (2007–2014)
- McKinsey & Company (Zurich and Amsterdam), Associate Principal (1999–2007)
- ETH Zurich, Researcher and Lecturer (1995–1999)

Key posts
- Croda International Plc (United Kingdom), Board of Directors, Non-Executive Director

Thomas Baur

Head of PostalNetwork, member since 2016, Deputy CEO since 2021
Switzerland, 1964, MBA ETH in Supply Chain Management

Professional background
- PostBus Ltd, Interim Head of PostBus Ltd (2018)
- Swiss Post Ltd, PostMail, Head of Delivery (2005–2016); Head of Logistics (2001–2005); Head of Business Development for ExpressPost (1994–2001)
- PTT, Electronic Data Center, Balico Project Manager (Construction & Real Estate) (1992–1994); Head of Quality Assurance (1989–1990); Programmer/Analyst (1983–1988)

Key posts
- None

Nicole Burth

Head of Communication Services, member since 2021
Switzerland, 1972, MA in Economics, University of Zurich; Global Leadership Program, IESE Business School

Professional background
- The Adecco Group, Head of Austria, Luxembourg, Belgium, Switzerland; CEO The Adecco Group Switzerland; Head of EMEA Pontoon Solutions; CFO Pontoon Solutions; Head of M&A The Adecco Group; Business Executive The Adecco Group Germany; Head of Investor Relations & Special Projects The Adecco Group (2005–2020)
- Lombard Odier Darier Hentsch, Head of Technology & Business Service Equity Research (2002–2005)
- Deutsche Bank (Switzerland), Equity Research Analyst (2000–2002)
- UBS Switzerland & UK, Junior Equity Research Analyst (1998–2000)

Key posts
- Advance, Member of the Board of Directors
- Ascom Holding Ltd, Board Member and Chairperson of the Compensation & Nomination Committee
- Veraison Capital Ltd, Vice-Chair of the Board of Directors (stepped down in 2021)

Johannes Cramer

Head of Logistics Services, member since 2021
Germany, 1981, Dr. rer. pol. Friedrich–Alexander University Erlangen–Nürnberg

Professional background
- Digitec Galaxus Ltd, COO (logistics, branch operations, customer service and B2B service, after-sales services) (2015–2020)
- Petobel GmbH, Co-Founder and Co-CEO (purchasing, logistics, finance, business development, content development) (2013–2014)
- McKinsey & Company, Engagement Manager (portfolio management, post-merger integration, strategy development, store operations) (2007–2013)

Key posts
- None

Alex Glanzmann

Head of Finance, member since 2016, Deputy CEO since 2021
Switzerland, 1970, lic. rer. pol. University of Bern, Executive MBA HSG in Business Engineering

Professional background
- Post CH Ltd, PostLogistics, Head of Finance (2010–2016); Head of Central Distribution Zone (2008–2010); Head of Strategic Projects & Business Controlling for the Goods Logistics unit (2006–2008); Project Portfolio Manager for the Goods Logistics unit (2005–2006)
- BDO Visura, Head of Management & HRM advisory unit and Vice-Director (2004–2005); Chief Management Consultant (1999–2004)
- Office for Information Technology and Organization at the Canton of Solothurn, Research Assistant (1998–1999)

Key posts
- PostFinance Ltd, Member of the Board of Directors, Member of the Risk and Organisation, Nomination & Remuneration Committees

Christian Plüss

Head of Mobility Services, member since 2018
Switzerland, 1962, Dr. sc. ETH Zurich

Professional background
– Alpiq AG, Head of Hydro Power Generation (2014–2018)
– MeteoSchweiz, Director (2011–2014)
– Erdgas Ostschweiz AG, CEO (2005–2011)
– SBB AG, Head of Offer Management (2002–2005)
– Cap Gemini SA, Managing Consultant (2000–2002)

Key posts
– Swiss Association of Public Transport, APT cooperative, Member of the Committee
– LITRA (Ligue suisse pour l'organisation rationnelle du trafic), Member of the Management Committee
– Alliance SwissPass, Vice-President of the Strategy Council
– Swiss Association for Technical Inspections (SVTI), Member of the Board of Directors
– öV Preis- und Vertriebssystemgesellschaft AG, Chair of the Board of Directors
– Schweizer Reisekasse (Reka) Cooperative, Member of the Management Board (stepped down in 2021)

Valérie Schelker

Head of Human Resources, member since 2017
Switzerland, 1972, lic. rer. pol. University of Bern, CAS "Certified Strategy Professional" certificate programme at St. Gallen University

Professional background
– PostFinance Ltd, Head of Working Environment, HR & Facility Management (2014–2017); Head of Management & Organizational Development, Human Resources & Logistics (2010–2014)

Key posts
– Swiss Employers' Association, Member of the Board

Jörg Vollmer

Head of Swiss Post Solutions, member since 2015
Germany, 1967, banker, qualified business economist, Executive MBA

Professional background
– Hewlett-Packard, Vice-President BPO EMEA, various management positions in Finance, Management and Operations (1992–2014)
– Triaton GmbH (Hewlett-Packard), Managing Director (2004–2005)
– Commerzbank, Advisor (1983–1988)

Key posts
– None

Hansruedi Köng

CEO of PostFinance Ltd [1], member since 2012
Switzerland, 1966, lic. rer. pol. University of Bern, Business Administration and Economics, Advanced Executive Program, Swiss Finance Institute

Professional background
– PostFinance Ltd, Head of Treasury (2003–2006); Head of Finance (2007–2011)
– BVgroup Bern, Deputy Managing Director (2001–2003)
– PricewaterhouseCoopers Ltd, Senior Manager (1999–2001)
– Basler Kantonalbank, Member of Executive Management (1996–1999)
– Schweizerische Volksbank, Head of Asset & Liability Management (1992–1995)

Key posts
– Yuh Ltd, Vice-Chair of the Board of Directors

1 As CEO of PostFinance Ltd, Hansruedi Köng is not a member of Executive Management, but attends Executive Management meetings as an observer.

Changes in the year under review and after the reporting period

Swiss Post Executive Management was reconstituted with effect from 1 January 2021. Former Deputy CEO Ulrich Hurni stepped down from Executive Management and took over as Head of Operations at Logistics Services. Thomas Baur and Alex Glanzmann succeeded him as Deputy CEO on 1 January 2021. The Board of Directors also elected Johannes Cramer (as Head of Logistics Services) and Nicole Burth (as Head of Communication Services) to Executive Management with effect from 1 January 2021. In addition, “Extended Executive Management” was abolished, i.e. in future there will be only one Executive Management committee.

Wolfgang Eger, Head of Informatics/Technology (CIO), also joined Executive Management with effect from 1 January 2022.

Management contracts

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

Remuneration

Policy

Corporate risk, scope of responsibility and its strategic importance and the Confederation's Ordinance on Executive Pay are taken into account by the Board of Directors when determining the remuneration due to members of Executive Management. The variable remuneration component rewards sustainable conduct and behaviour on the part of management in line with the strategy applicable to Swiss Post and its associated organizations, enabling managers to share in the company's success. The Board of Directors has regulated the remuneration and fringe benefits for its members in the BoD remuneration regulations.

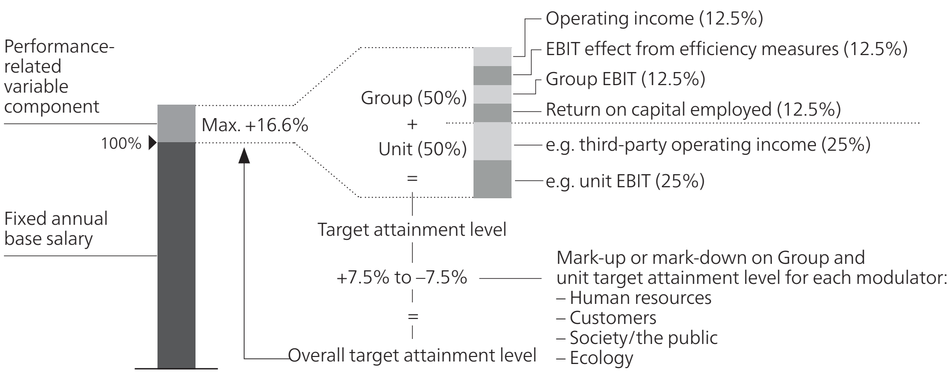
Determination

Remuneration for the CEO and members of Executive Management is comprised of a fixed annual base salary and a variable performance-related component. This may be a maximum of 16.6 percent of the gross annual base salary and is paid annually. Every year, the Board of Directors sets quantitative and qualitative targets with a focus on Group objectives and taking into account the activities of the units. Target achievement is assessed by the Board of Directors and is identical for all management levels. In addition to the objectives at the level of the Group as a whole, the Board of Directors decides each year whether targets should be set for individual units or subsidiaries and what emphasis they are to be given. It may delegate the setting of unit goals, their weighting and their assessment to the CEO. At PostFinance Ltd, the PostFinance Ltd Board of Directors sets the annual quantitative and qualitative goals. The personal performance of employees is not taken directly into account.

For the period 2021, the Board of Directors has defined the following benchmarks for Group level: operating income, EBIT effect from efficiency measures, Group EBIT and return on capital employed (RoCE) (each weighted at 12.5 percent). As a rule, the benchmarks for the unit level are third-party operating income and unit EBIT (each weighted at 25 percent). For Group companies or subsidiaries, different benchmarks can be defined for unit level. In the determination of overall target achievement, additional qualitative supplementary values (so-called modulators) are taken into account, with consideration given to the aspects of human resources, customers, society/the public and ecology. Depending on the assessment of the qualitative factors, overall target achievement can be marked up or marked down for each modulator. Both mark-ups and mark-downs can amount to a maximum of 7.5 percent for each modulator. In all cases, however, overall target achievement may be a maximum of 100 percent.

The performance-related variable salary component is a maximum of 16.6 percent of the fixed annual base salary

Executive Management | Breakdown of remuneration
2021



Members of Executive Management also receive a first-class GA Travelcard or a company car, a mobile phone and a monthly expense account. 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 fixed annual base salary and the variable performance-related component are insured for members of Executive Management up to a maximum of 341,280 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 disproportionally to the contributions for employee benefits. Employment contracts are based on the Swiss Code of Obligations. The notice period for members of Executive Management is six months. No agreements exist regarding possible severance payments.

Level of remuneration

Members of the Board of Directors

In 2021, the 11 members of the Board of Directors (including the Chair) received remuneration (fees and fringe benefits) totalling 976,190 francs. The fringe benefits totalling 64,170 francs are shown in the total remuneration. In 2021, the Chairman of the Board's fee totalled 223,041 francs. The fringe benefits amounted to 28,170 francs.

The upper fee limit of 1,082,200 francs in total (including employer contributions to employee benefits), which was determined by the General Meeting, was respected.

Executive Management

The members of Executive Management who were paid during the year under review and the CEO received remuneration totalling 4,905,794 francs in 2021. The fringe benefits of 231,475 francs are shown in the total remuneration. The performance-related variable salary component calculated for the members of Executive Management for the period 2021, which is based on attainment of targets in 2020 and 2021, amounts to 670,798 francs. A decision regarding the approval (entitlement and calculation) of the performance-related component for the former CEO and former Head of PostBus will not be reached until the investigations into the subsidy law breaches in the regional passenger transport segment have been completed.

The fixed annual base salary of the CEO totalled 671,527 francs. The additional calculated performance-related variable salary component for the period 2021 amounts to 111,473 francs.

The upper limit of 5,970,202 francs for the total remuneration amount (including employer contributions to employee benefits), which was determined by the General Meeting, was respected.

Remuneration

CHF	2021
Chairman of the Board of Directors (2) [1]	
Fees	223,041
Fringe benefits	28,170
Expenses and representation allowances	22,500
First-class GA Travelcard	5,670
Total remuneration	**251,211**
Other members of the Board of Directors (9) [2]	
Fees	688,979
Base remuneration	550,063
Remuneration of committees	138,916
Fringe benefits	36,000
Expenses and representation allowances	36,000
Additional fringe benefits	–
Total remuneration	**724,979**
Entire Board of Directors (11)	
Fees	912,020
Fringe benefits	64,170
Total remuneration	**976,190**
CEO	
Fixed annual base salary	651,527
Performance-related variable salary component (reference period 2021) [3]	111,473
Fringe benefits	38,285
Expenses and representation allowances	30,000
Additional fringe benefits [4]	8,285
Additional payments [5]	–
Total remuneration	**821,285**
Other members of Executive Management (7)	
Fixed annual base salary	3,331,994
Performance-related variable salary component (reference period 2021) [3]	559,325
Fringe benefits	193,190
Expenses and representation allowances	134,400
Additional fringe benefits [4]	58,790
Additional payments [5]	–
Total remuneration	**4,084,509**
All members of Executive Management (8)	
Fixed annual base salary and performance-related variable salary component [3]	4,674,319
Fringe benefits	231,475
Total remuneration	**4,905,794**

1 Change of Chairman of the Board of Directors as of 1 December 2021.
2 Eight active members and one member who stepped down in 2021.
3 For this period, the performance-related components generated in the current year under review are reported.
4 Other fringe benefits include: first-class GA Travelcard or company car; mobile phone.
5 No agreements on severance payments are in place.

Auditor

The statutory auditors are appointed annually by the General Meeting. Since 16 April 2019, Ernst & Young Ltd has been responsible for auditing at Swiss Post Ltd and the majority of its subsidiaries.

The fee agreed upon for the 2021 audit and the fees for services provided in the financial year 2021 total 4.1 million francs.

Information policy

A report on strategic goals and a report on staff are submitted to the owner annually (see page 68). 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. Swiss Post additionally 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 prepared in accordance with International Financial Reporting Standards (IFRS) and meet the requirements of the Postal Services Organization Act.

Consolidated income statement

Group | Income statement

CHF million	Notes	2020[1]	2021
Continuing operations			
Revenue	7	6,335	6,665
of which interest income as per effective interest method		376	302
Other operating income	9	213	212
Total operating income	7, 8	**6,548**	**6,877**
Personnel expenses	10, 11	−3,529	−3,317
Resale merchandise and service expenses	12	−1,304	−1,440
Expenses for financial services	8	−172	−137
Depreciation and impairment	21–24	−425	−442
Other operating expenses	13	−860	−895
Total operating expenses		**−6,290**	**−6,231**
Operating profit	6	**258**	**646**
Financial income	14	22	47
Financial expenses	15	−50	−44
Net income from associates and joint ventures	16	21	23
Group profit before tax from continuing operations		**251**	**672**
Income taxes	17	−78	−96
Group profit from continuing operations		**173**	**576**
Discontinued operations			
Group profit/loss from discontinued operations	18	5	−11
Group profit		**178**	**565**
Group profit attributable to			
Swiss Confederation (owner)		180	572
Non-controlling interests		−2	−7

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2020	2021
Group profit		**178**	**565**
Other comprehensive income			
Revaluation of employee benefit obligations	11	–69	2,070
Change in unrealized gains/losses from fair value reserves in equity instruments FVTOCI		25	102
Change in share of other comprehensive income from associates and joint ventures	16	0	1
Change in deferred income taxes	17	–20	–354
Items not reclassifiable in the consolidated income statement, after tax	26	**–64**	**1,819**
Change in currency translation reserves		–5	–20
Change in share of other comprehensive income from associates and joint ventures	16	–1	0
Change in unrealized gains/losses from fair value reserves in debt instruments FVTOCI		34	–155
Unrealized gains/losses from cash flow hedges		128	291
Realized gains/losses from cash flow hedges reclassified to the income statement		–134	–217
Change in deferred income taxes	17	–4	15
Reclassifiable items in consolidated income statement, after tax	26	**18**	**–86**
Total other comprehensive income		**–46**	**1,733**
Total comprehensive income		**132**	**2,298**
Total comprehensive income attributable to			
Swiss Confederation (owner)		134	2,304
Non-controlling interests		–2	–6

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2020	31.12.2021
Assets			
Cash	19	1,510	1,157
Amounts due from banks	19	38,574	46,139
Interest-bearing amounts due from customers	19	878	910
Trade accounts receivable	19	707	667
Contract assets		208	235
Other receivables	19	839	755
Inventories	20	57	32
Assets held for sale	18	6	415
Current income tax assets		0	2
Financial assets	19	76,563	73,475
Investments in associates and joint ventures	16	149	62
Property, plant and equipment	21	2,238	2,222
Investment property	22	342	409
Intangible assets and goodwill	23	483	592
Right-of-use assets	24	692	711
Deferred income tax assets	17	1,028	614
Total assets		**124,274**	**128,397**
Liabilities			
Customer deposits (PostFinance)	19	109,337	94,110
Other financial liabilities	19	2,868	22,546
Trade accounts payable	19	312	261
Contract liabilities		283	276
Other liabilities	19	761	642
Liabilities associated with assets held for sale	18	–	211
Current income tax liabilities		3	5
Provisions	25	492	264
Employee benefit obligations	11	2,971	929
Deferred income tax liabilities	17	341	321
Total liabilities		**117,368**	**119,565**
Share capital		1,300	1,300
Capital reserves		2,279	2,229
Retained earnings		3,959	4,201
Gains and losses recorded directly in other comprehensive income		–626	1,106
Equity attributable to the owner		**6,912**	**8,836**
Non-controlling interests		–6	–4
Total equity	26	**6,906**	**8,832**
Total equity and liabilities		**124,274**	**128,397**

Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Share capital	Capital reserves	Retained earnings	Gains and losses recorded directly in other comprehensive income	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2020		**1,300**	**2,279**	**3,834**	**–580**	**6,833**	**1**	**6,834**
Group profit				180		180	–2	178
Other comprehensive income	26				–46	–46	–	–46
Total comprehensive income				**180**	**–46**	**134**	**–2**	**132**
Distributions	26			–50		–50	–	–50
Changes from non-controlling interests	5			–5		–5	–5	–10
Capital increase from non-controlling interests						–	0	0
Total transactions with the owner				**–55**		**–55**	**–5**	**–60**
Balance as at 31.12.2020		**1,300**	**2,279**	**3,959**	**–626**	**6,912**	**–6**	**6,906**
Balance as at 1.1.2021		**1,300**	**2,279**	**3,959**	**–626**	**6,912**	**–6**	**6,906**
Group profit				572		572	–7	565
Other comprehensive income	26				1,732	1,732	1	1,733
Total comprehensive income				**572**	**1,732**	**2,304**	**–6**	**2,298**
Reclassification of realized losses from equity instruments FVTOCI	19			–11		–11	–	–11
Distributions	26		–50			–50	–	–50
Changes from non-controlling interests	5			0		0	3	3
Changes from non-controlling interests in associates	16			–292		–292	–	–292
Capital increase from non-controlling interests						–	8	8
Put options on non-controlling interests	28			–27		–27	–3	–30
Total transactions with the owner			**–50**	**–330**		**–380**	**8**	**–372**
Balance as at 31.12.2021		**1,300**	**2,229**	**4,201**	**1,106**	**8,836**	**–4**	**8,832**

Consolidated cash flow statement

Group | Cash flow statement

CHF million	Notes	2020[1]	2021
Group profit before tax from continuing operations		251	672
Group profit before tax from discontinued operations	18	13	3
Interest expense/income and dividends		–534	–538
Depreciation and impairment	21–24, 27	471	453
Net income from associates and joint ventures		–21	–23
Net gains on disposal of property, plant and equipment, and interests	5, 9, 13–16	–32	–30
Gains on the sale of financial assets		–36	–4
Net increase / (decrease) in provisions		80	–156
Currency translation differences, net		25	171
Other non-cash expenses/(income)		3	–4
Change in net current assets:			
(Increase)/decrease in receivables, inventories and other assets		226	–65
Increase/(decrease) in accounts payable and other liabilities		–43	–116
Items from financial services:			
Change in amounts due from banks (term of more than 3 months)		10	–
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		326	–15,325
Change in other financial liabilities, derivatives		–9,092	19,638
Change in financial assets FVTPL including derivatives		159	115
Acquisition of financial assets at amortized cost		–25,034	–9,718
Disposal and reimbursement of financial assets at amortized cost		24,616	12,108
Acquisition of financial assets FVTOCI		–1,077	–423
Disposal and reimbursement of financial assets FVTOCI		1,074	891
Interest and dividends received		696	637
Interest paid		–28	–14
Income taxes paid		–48	–20
Cash flow from operating activities		**–7,995**	**8,252**
Purchases of property, plant and equipment	21	–314	–299
Acquisition of investment property	22	–26	–65
Purchases of intangible assets (excl. goodwill)	23	–37	–56
Purchases of subsidiaries, net of cash and cash equivalents acquired	5	–21	–229
Purchases of associates and joint ventures	16	–3	–21
Purchases of other financial assets		–705	–1,073
Proceeds from disposal of property, plant and equipment	21	46	57
Proceeds from disposal of subsidiaries, net of cash proceeds	5	0	–
Proceeds from disposal of parts of companies, net of cash proceeds	5	–	–4
Proceeds from disposal of associates and joint ventures	16	0	5
Proceeds from disposal of other financial assets		311	1,009
Dividends received (excl. financial services)		3	10
Interest received (excl. financial services)		8	9
Cash flow from investing activities		**–738**	**–657**

Continued

CHF million	Notes	2020 [1]	2021
Increase in other financial liabilities		553	592
(Decrease) in other financial liabilities		–661	–731
Interest paid (excl. financial services)		–26	–25
Payment from capital increase of non-controlling interests		0	8
Payment from sale of non-controlling interests		1	–
Payment from purchase of non-controlling interests		–5	0
Distributions paid to the owner	26	–50	–50
Cash flow from financing activities		**–188**	**–206**
Foreign exchange gains / (losses) on cash and cash equivalents		–1	0
Change in cash and cash equivalents		**–8,922**	**7,389**
Cash and cash equivalents as at 1.1		47,886	38,964
Cash and cash equivalents at the end of the reporting period		**38,964**	**46,353**
Cash and cash equivalents include:			
Cash		1,510	1,157
Amounts due from banks with an original term of less than 3 months		37,454	45,169
Receivables held for sale that are due from banks with an original term of less than three months		–	27
Cash and cash equivalents do not include:			
Amounts due from banks with an original term of more than 3 months		1,120	970

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Notes

1 | Business activities

Swiss Post Ltd is a company limited by shares subject to a special statutory regime with its head office at Wankdorfallee 4 in 3030 Bern (Switzerland) 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 6, Segment information).

The 2021 consolidated annual financial statements were approved for publication on 7 March 2022 by the Board of Directors of Swiss Post Ltd and will be presented to the General Meeting of 3 May 2022 for approval.

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 Services Organization Act (PSOA).

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 FVTOCI are recognized at fair value.

To take account of the characteristics of the financial services and their importance for Swiss Post, the result from financial services is shown separately in Note 8, 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 in the non-operating financial result (excluding financial services) and the relevant cash flows as investment or financing transactions.

Individual report figures are rounded for publication, while calculations are carried out using the non-rounded figures. Rounding differences may therefore occur.

2.1 | Revised and new International Financial Reporting Standards (IFRS)

PostFinance Ltd has applied the changes to IFRS 9, IAS 39 and IFRS 7 in relation to the effects of the IBOR reform (phase 2) since 1 January 2021. PostFinance Ltd has verified all contracts, systems and models affected by the replacement of LIBOR with alternative reference interest rates. The work required for contract amendment, system and model adjustments and the conversion of business transactions to alternative reference rates is completed, with the exception of interest rate swaps. Based on the current commitment and business model, PostFinance Ltd is less severely affected by the replacement of LIBOR than other institutions. PostFinance has adopted the ISDA standards for interest rate swaps. The expected impact of the changeover of the interest rate swaps that have not yet been converted from LIBOR to alternative reference interest rates is less than 1 million francs at PostFinance.

2.2 | Accounting changes

Group structure changes

The new "Swiss Post of tomorrow" strategy is based on Swiss Post's core competencies – the transport of goods, information and people, as well as the provision of financial services. It came into force on 1 January 2021. To ensure optimum implementation of the strategy, Swiss Post has adapted its Group structure to the new strategic focus. The former PostMail and PostLogistics segments were merged with effect from 1 January 2021 and logistics competencies were pooled in the Logistics Services segment. Communication competencies from the former PostMail and Other segments have been transferred to the Communication Services segment. The Mobility Services (formerly PostBus), PostalNetwork, PostFinance, Swiss Post Solutions and Functions and Management (formerly Others) segments remain largely unchanged in organizational terms. As a result of these structural adjustments and to enable a comparison with the previous year, the segment information and revenue for 2020 have been restated.

Plan amendment for Swiss Post pension fund

At its meeting on 9 June 2021, the Foundation Board of the Swiss Post pension fund decided on sustainable measures to ensure the stability of the pension scheme, in particular a reduction of the technical interest rate from 1.75 percent to 1.5 percent, a reduction of the conversion rates from 5.1 percent to 5 percent from 1 January 2024 and an increase of 1 percent in employer risk contributions and 0.5 percent in employee risk contributions to 1.5 percent in each case from 1 January 2024. As a compensation measure for the reduction in conversion rates, Swiss Post Ltd has decided to contribute a deposit of 200 million francs from the existing employer contribution reserve. In addition, a temporary higher voluntary interest rate on savings capital as compared to the current model was also defined, provided that an excess return is achieved.

The new technical basis of OPA 2020 for pension funds was published in December 2020. The new basis shows that people insured in Swiss employee benefits schemes are living longer, although the increase is less pronounced than in the past. At the same time, the trend towards fewer and fewer cases of disability is confirmed. To take account of more recent observations in employee benefits, the Foundation Board of the Swiss Post pension fund has approved a switch to the new technical basis.

At the time of the Foundation Board's decision, a recalculation of employee benefit obligations is therefore required in accordance with IAS 19.99, taking into account the switch of the technical basis to OPA 2020. The resulting effect, amounting to 640 million francs, is recognized under other comprehensive income (OCI) and reduces pension benefit obligations. The risk-sharing assumptions applied, taking into account the assumption adjustment, lead to a reduction of pension benefit obligations of 1,001 million francs. Without an assumption adjustment, the reduction would amount to 1,148 million francs.

The decision to amend the regulations to reduce the conversion rates from 1 January 2024 and to increase the risk contributions from employer and employees from 1 January 2024 leads to a plan amendment in accordance with IAS 19.8 or IAS 19.103 respectively. The resulting recalculation of employee benefit expenses (service cost including past service cost) removes 11 million francs from the income statement.

Discontinuation of staff vouchers for retirees

By annulling the regulation on issuing staff vouchers to retirees from 2022, Swiss Post released to income provisions from other long-term employee benefits of 131 million francs. The amount was recognized in the income statement in the same way as the creation of this provision in the personnel expenses item as income. A reduction of deferred tax assets of 23 million francs was also made in profit or loss.

Discontinued operation

The Swiss Post Solutions segment was classed as held for sale in mid-December 2021. Since then, this operation has been shown separately in the consolidated income statement under discontinued operations and is no longer included in the segment disclosure or in revenue. The previous year was adjusted for the purposes of comparison. The effect of the retroactive change on the consolidated income statement for the period from January to December 2020 is shown below:

Group | Income statement
1.1. to 31.12.2020

CHF million	Reported		Adjustment	Adjusted
Revenue	6,834	./. discontinued operation	–499	6,335
Other operating income	220	./. discontinued operation	–7	213
Total operating income	**7,054**		**–506**	**6,548**
Personnel expenses	–3,833	+ discontinued operation	304	–3,529
Resale merchandise and service expenses	–1,417	+ discontinued operation	113	–1,304
Expenses for financial services	–172	+ discontinued operation	–	–172
Depreciation and impairment	–448	+ discontinued operation	23	–425
Other operating expenses	–912	+ discontinued operation	52	–860
Total operating expenses	**–6,782**		**+492**	**–6,290**
Operating profit	**272**		**–14**	**258**
Financial income	23	./. discontinued operation	–1	22
Financial expenses	–52	+ discontinued operation	2	–50
Net income from associates and joint ventures	21		–	21
Group profit before tax from continuing operations	**264**		**–13**	**251**
Income taxes	–86	+ discontinued operation	8	–78
Group profit from continuing operations	**178**		**–5**	**173**
Group profit from discontinued operations	–	+ discontinued operation	5	5
Group profit	**178**		**–**	**178**

Swiss Post pension fund cash flows

As part of a short-term financing plan, Swiss Post transferred 100 million francs to the Swiss Post pension fund in the second quarter of 2020. The sum was paid back in the same period. Reporting in the cash flow statement did not reflect this item; the figures from the previous year have been adjusted.

The effects of the retroactive changes on the consolidated cash flow statement for the period from January to December 2020 are shown below.

Foreign currency effects from financial instruments of PostFinance Ltd

In the fourth quarter of 2021, Swiss Post made an adjustment to the disclosure of cash flow from operating activities without affecting profit or loss. Foreign currency effects from financial instruments of PostFinance Ltd were partly disclosed in the line "Other non-cash expenses / (income)" and partly in the line "Items from financial services" up to 30 September 2021. From the fourth quarter of 2021, these foreign currency effects can be allocated more precisely within cash flow from operating activities and the previous year's figures can be adjusted accordingly.

The adjustments will have no effect on the balance sheet or income statement. The effects on the cash flow statement for the period from January to December 2020 are shown below.

Cash flows from fixed-term deposits

In the course of 2020, Swiss Post took out fixed-term deposits amounting to 600 million francs and received 200 million francs in reimbursement. These transactions were disclosed on a net basis in the cash flow statement for the previous year under "Purchases of other financial assets". From the fourth quarter of 2021, these transactions are disclosed on a gross basis in the cash flow statement under the items "Purchase and proceeds from disposal of other financial assets". The previous year has been adjusted accordingly.

The effects of the retroactive changes on the consolidated cash flow statement for the period from January to December 2020 are shown below.

Group | Cash flow statement
1.1. to 31.12.2020

CHF million	Reported		Adjustment	Adjusted
Group profit before tax from continuing operations	264	./. discontinued operation	–13	251
Group profit before tax from discontinued operations	–	+ discontinued operation	13	13
Currency translation differences (net)	–	+ foreign currency effects	25	25
Other cash expenses/(income)	241	./. Foreign currency effects	–238	3
Items from financial services:				
Change in customer deposits (PostFinance)/ interest-bearing amounts due from customers	291	+ foreign currency effects	35	326
Change in other financial liabilities, derivatives	–9,197	+ foreign currency effects	105	–9,092
Change in financial assets FVTPL including derivatives	85	+ foreign currency effects	74	159
Interest and dividends received	697	./. Foreign currency effects	–1	696
Cash flow from operating activities	**–7,995**		–	**–7,995**
Purchases of other financial assets	–405	./. Swiss Post pension fund cash flow	–100	
		./. Cash flows from fixed-term deposits	–200	–705
Proceeds from disposal of other financial assets	11	+ Swiss Post pension fund cash flow	100	
		+ Cash flows from fixed-term deposits	200	311
Cash flow from investing activities	**–738**		–	**–738**

Outlook

Certain new IFRSs or supplements thereto enter into force for financial years beginning on or after 1 January 2022:

Standard	Title	Valid from
Miscellaneous	Annual improvements to IFRSs, 2018 – 2020 Cycle	1.1.2022
IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1.1.2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1.1.2022
IAS 1	Classification of Liabilities	1.1.2023
IAS 1	Disclosure of Accounting Policies	1.1.2023
IAS 8	Definition of Accounting Estimates	1.1.2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1.1.2023
IFRS 17	Insurance Contracts	1.1.2023

Swiss Post will not be applying the specified standards ahead of schedule. Hence, this consolidated financial reporting does not contain any further effects resulting from these changes. No significant financial effects are expected from the supplements and revisions planned for 1 January 2022.

3 | Consolidation methods

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 intercompany 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 interest's value is calculated based on the acquisition 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. Interests of less than 20 percent are presented as financial assets in the FVTPL category (fair value through profit or loss) or, in the case of strategic long-term interests, as FVTOCI (fair value through other comprehensive income).

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. Proceeds from the disposal of subsidiaries, associates and joint ventures are recorded in the financial result, unless this concerns a discontinued operation, in which case they are recognized in the result from discontinued operations.

Please see Note 29 (Consolidated Group) for an overview of Swiss Post subsidiaries, associates and joint ventures.

The accounting policies are explained in the individual notes on the items in the consolidated annual financial statements and are specially highlighted.

3.1 | 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 FVTOCI 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, cash flow statement 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.

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

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2020	31.12.2021	31.12.2020	31.12.2021
1 euro	EUR	1.08	1.03	1.07	1.08
1 US dollar	USD	0.88	0.91	0.94	0.91
1 pound sterling	GBP	1.20	1.23	1.20	1.26

4 | Estimation uncertainty

Preparation of the consolidated annual 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. The consequences of the COVID-19 pandemic and its effects were taken into account in the review of assumptions made. At Swiss Post Group, these effects did not lead to any material adjustments to previous assumptions by the end of 2021.

The estimation uncertainty in accounting policies that may have a material impact on the consolidated annual financial statements as a result of Executive Management's judgements are explained in the notes below.

Significant estimation uncertainty in accounting policies

Description	Uncertainty	Note
Employee benefit obligations	Actuarial assumptions	11
Deferred tax assets	Recoverable amount	17
Financial instruments	Fair values	19
Credit losses	Amount of expected losses	19
Property, plant and equipment	Useful life	21
Intangible assets	Useful life	23
Goodwill	Recoverable amount	23
Leases	Contract duration	24
Provisions	Management estimate	25
Other long-term employee benefits	Actuarial assumptions	25

5 | Acquisitions and disposals of subsidiaries

Accounting policies

In the event of a business combination, the identifiable assets and liabilities in the acquiree are recognized and measured at fair value in applying the acquisition method. Any non-controlling interests are measured at the proportionate share of the identifiable net assets. Any excess over the purchase price is capitalized as goodwill at acquisition cost less impairment. Any gain on an acquisition made at a price below fair value is recognized directly in the income statement as a reversal of impairment.

If, in the course of business combinations with sale options, the Group does not obtain economic ownership, the non-controlling interests will continue to be attributed to profit or loss. At the end of each reporting period, this share of profit or loss will be recognized as a financial liability as if the acquisition had taken place on this date. Any surplus in relation to the reclassified amount and all changes in the fair value of the financial liability will be recognized in retained earnings.

5.1 | Additions and disposals of subsidiaries

Full year 2020

SPS Holding Ltd, based in Zurich, was founded on 18 June 2020. Swiss Post Ltd, based in Bern, holds 100 percent of the shares.

Post CH Communication Ltd, based in Bern, was founded on 29 June 2020. Swiss Post Ltd, based in Bern, holds 100 percent of the shares.

Post CH Network Ltd, based in Bern, was founded on 29 June 2020. Swiss Post Ltd, based in Bern, holds 100 percent of the shares.

Post CH Ltd, based in Bern, acquired the remaining 42.97 percent of the shares in notime AG, based in Zurich, on 31 August 2020. At the same time, notime AG sold 21.28 percent of its shares in notime (Schweiz) AG, based in Zurich.

Post CH Ltd, based in Bern, acquired a further 41.27 percent of shares in KLARA Business Ltd, based in Lucerne, on 9 October 2020, in addition to the 8.83 percent already held. With the acquisition of further shares and the capital increase with transfer of assets of the "E-Post" section of the company, Swiss Post now has a majority stake in the company (50.1 percent). From this date, KLARA Business Ltd will be included in the consolidated financial statements as a fully consolidated subsidiary. KLARA Business Ltd fully automates administrative processes of small and medium-sized enterprises (SMEs) and links all areas of companies on a uniform data basis. With its acquisition of a majority stake in the company, Swiss Post is investing in the expansion of its digital business areas and driving the implementation of its growth strategy forward. Swiss Post wants to support small and medium-sized enterprises in their digital transformation, with a view to further strengthening the Swiss economy. The company employs around 71 people (equivalent to 64 full-time equivalents).

Full year 2021

On 1 January 2021, Swiss Post Solutions Holding Pte. Ltd., based in Singapore (SG), and Swiss Post Solutions Ltd, based in Richmond (UK), acquired operations of Kodak Services for Business, Asia Pacific Region in China and Hong Kong from the Eastman Kodak Company. The associated expansion of document management services strengthens the market positioning and growth of Swiss Post Solutions in Asia. Elements of the takeover include customer contracts and the operating resources required to fulfil them, as well as around 350 employees.

On 18 January 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in Asendia Press EDS AG (from 30 March 2021, EDS Media AG), based in Meilen. The company offers logistics solutions for the national and international mailing of publications and employs nine people.

On 1 April 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in Ost-West Cargo Holding GmbH, based in Stuttgart (DE). Ost-West Cargo Holding GmbH owns 100 percent of the shares in Ost-West Cargo Europe GmbH Internationale Spedition, based in Stuttgart (DE), and 75 percent of the shares in Ost-West Cargo Baltic UAB and Ost-West Cargo Transport UAB, both based in Panevezys (LT). The remaining 25 percent of the shares in Ost-West Cargo Transport UAB were acquired in the course of the reporting period. With the acquisition of the Ost-West-Cargo Group, Swiss Post is responding to the rapidly growing cross-border transport market in Europe by expanding its links to the German market and building up its presence in Eastern and Western Europe. The companies operate in the goods logistics sector and employ around 45 people.

On 30 April 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in Iemoli Trasporti S.r.l., based in Cadorago (IT), and Iemoli Trasporti SA, based in Balerna. The services offered by Iemoli include intermodal and cross-border transport. The number of people employed is around 50. With the acquisition of the Iemoli Group, Swiss Post is further expanding its range of services in goods logistics and strengthening its coverage of the north-south axis with its enhanced presence in southern Switzerland and northern Italy.

On 28 June 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in Otto Schmidt AG, based in Basel. Otto Schmidt AG owns 67 percent of the shares in OSA Logistik GmbH, based in Hamburg (DE), and around 91 percent of the shares in OSA Spedition GmbH, based in Efringen-Kirchen (DE). OSA Spedition GmbH holds 26 percent of the shares in Weliver Logistik GmbH, based in Grossbeeren (DE). The Otto-Schmidt Group offers services such as freight forwarding, road and rail freight transport, warehousing and customs clearance, and employs around 70 people. With the acquisition of the Otto-Schmidt Group, Swiss Post's Goods Logistics is reinforcing its presence in the Basel border area, supplementing its services with regular cross-border traffic from Switzerland to Germany and strengthening combined transport by operating the route from Basel to Hamburg.

On 1 July 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in InTraLog Hermes AG, based in Pratteln. InTraLog Hermes AG owns 100 percent of the shares in InTraLog Overseas AG, based in Kloten. The acquisition of the InTraLog Group will enhance the presence and relevance of Swiss Post Goods Logistics in the Basel border area and supplement its services, in particular with regular cross-border traffic from Switzerland to Spain, Italy, Portugal, France and Germany. The number of people employed is 58.

On 1 July 2021, Post CH Ltd, based in Bern, acquired 100 percent of the shares in Livesystems Group AG, based in Köniz. Livesystems Group AG owns 100 percent of the shares in Livesystems AG and Livesystems dooh AG, both based in Köniz. The Livesystems Group offers digital advertising spaces on public transport and the display of digital outdoor advertising in real time in Switzerland. With the acquisition, Swiss Post is strengthening its position in the advertising market and will in future offer digital and hybrid (online/offline) advertising solutions in addition to physical products in direct marketing. The number of people employed is around 89.

On 6 July 2021, Post CH Communication Ltd, based in Bern, acquired around 90 percent of the shares in Tresorit S.A., based in Luxembourg (LU). Tresorit S.A. owns 100 percent of the shares in Tresorit Kft., based in Budapest (HU), Tresorit AG, based in Zurich, Tresorit GmbH, based in Munich (DE) and the shell company Tresorit Inc., based in Newark (US). The Tresorit Group specializes in a highly secure yet easy-to-use service for the storage and sharing of data. With the acquisition of these companies, Swiss Post is developing its position in the communication market as the leading provider of secure, efficient and confidential transport of sensitive information. The number of people employed is around 120.

On 15 September 2021, Post CH Ltd, based in Bern, acquired a further 75 percent stake in Bring! Labs AG, based in Zurich, in addition to the 6 percent already held. With the acquisition of the additional shares, Swiss Post now holds a majority stake (around 81 percent) in the company. Bring! Labs AG owns 100 percent of the shares in Bring! Labs Deutschland GmbH, based in Berlin (DE). The companies are included in the consolidated financial statements as fully consolidated subsidiaries from the date of acquisition. Bring! Labs AG is a technology company specializing in advertising on mobile devices and operator of the shopping planning app of the same name. With the majority takeover, Swiss Post is expanding its range of advertising services in mobile marketing for retailers and brand manufacturers. The company employs around 28 people.

On 1 October 2021, Swiss Post Solutions Ltd, based in Richmond (UK), acquired 100 percent of the shares in Mitie Business Services Limited, based in London (UK, now Swiss Post Solutions Business Services Limited, based in Richmond), and Mitie Business Services UK Limited, based in London (UK, now Swiss Post Solutions Business Services UK Limited, based in Richmond). With the acquisition of the two companies, Swiss Post Solutions is strengthening its position in document management and business process services in the British and Irish markets. The number of people employed is around 900.

On 1 October 2021, Post CH Ltd, based in Bern, acquired 65 percent of the shares in Steriplus AG, based in Kaltbrunn. From April 2022, the company will prepare surgical instruments for customers in Switzerland and deliver them together with consumables directly to operating theatres. The company currently employs three people. When it starts operations in 2022, the workforce will be gradually expanded.

On 1 October 2021, Post CH Communication Ltd, based in Bern, acquired the remaining 83 percent of the shares in SwissSign Group Ltd., based in Opfikon. With the acquisition of the remaining shares, Swiss Post has taken over the company in full. SwissSign Group Ltd. owns 100 percent of the shares in SwissSign AG, based in Opfikon, and SwissSign AG, based in Vaduz (LI). SwissSign provides digital services, such as SwissID, certificate and signature solutions. The services strengthen Swiss Post's digital range and its position as a trustworthy partner for people, companies and public authorities in the area of secure data transfer. The number of people employed is around 100.

On 15 November 2021, Post CH Communication Ltd., based in Bern, acquired around 82 percent of the shares in DIALOG VERWALTUNGS-DATA AG, based in Hochdorf. The company develops software and cloud solutions for public administrations in Switzerland and is a specialist in the secure digital exchange of information. Swiss Post already supports municipalities and public authorities with numerous physical services and in future also intends to support public administrations with their digital transformation and the protection of sensitive data. The number of people employed is around 63.

5.2 | Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated, based on temporary figures, in connection with acquisitions of subsidiaries and parts of companies. Temporary figures were used because the acquisition balance sheets had not yet been fully audited as at 31 December 2021.

Assets and liabilities arising from acquisitions	Total [1]				Total
CHF million	2020	Livesystems Group	Tresorit Group	Others [2,3]	2021
Cash and cash equivalents [4]	2	1	4	32	37
Trade accounts receivable and other receivables	3	5	4	39	48
Inventories	–	0	–	0	0
Property, plant and equipment, intangible assets, right-of-use assets and financial assets	1	24	10	60	94
Other financial liabilities	–7	–9	–1	–13	–23
Trade accounts payable	–3	–2	0	–17	–19
Provisions and other liabilities	–5	–8	–9	–51	–68
Fair value of net assets	**–9**	**11**	**8**	**50**	**69**
Goodwill	32	97	43	94	234
Cash and cash equivalents acquired [4]	–2	–1	–4	–32	–37
Fair value of existing investments	–6	–	–	–2	–2
Non-controlling interests	5	–	–1	–3	–4
Purchase price payments falling due at a later date (earn-outs and purchase price retentions)	–	–19	–	–14	–33
Payment of liabilities from acquisitions in previous years	1	–	–	1	1
Foreign currency translation differences	–	–	1	0	1
Net cash outflow for acquisitions	**21**	**88**	**47**	**94**	**229**

1 Composition: KLARA Business Ltd.
2 Composition: business premises for Kodak Services for Business Asia Pacific Region, EDS Media AG, Ost-West Cargo Group, Iemoli Trasporti S.r.l., Iemoli Trasporti SA, Otto Schmidt Group, InTraLog Group, Bring! Labs Group, Swiss Post Solutions Business Services Limited, Swiss Post Solutions Business Services UK Limited, Steriplus AG, SwissSign Group and DIALOG VERWALTUNGS-DATA AG.
3 As at 31 December 2021, the assets and liabilities for the acquired companies and sections of the discontinued operation Swiss Post Solutions are recorded under "Assets held for sale" and "Liabilities associated with assets held for sale".
4 Composition: cash and current amounts due from banks.

In the case of the Livesystems Group, the purchase price payments due at a later date (earn-outs and purchase price retentions) depend on the future economic development of the companies. The goodwill arising from the transaction consists of assets that are not separately identifiable or cannot be reliably determined, primarily synergies expected within the Group, acquired expertise and growth potential. Goodwill is not tax deductible. The directly attributable acquisition expense amounts to less than 1 million francs and is recognized in the income statement under "Other operating expenses". Since the acquisition date, the Livesystems Group has contributed 17 million francs to operating income and 4 million francs to operating profit.

In the case of the Tresorit Group, there are no purchase price payments falling due at a later date (earn-outs and purchase price retentions). The goodwill arising from the transaction consists of assets that are not separately identifiable or cannot be reliably determined, primarily synergies expected within the Group, acquired expertise and growth potential. Goodwill is not tax deductible. The directly attributable acquisition expense amounts to 1 million francs and is recognized in the income statement under "Other operating expenses". Since the acquisition date, the Tresorit Group has contributed 6 million francs to operating income and a negative amount of less than 1 million francs to operating profit.

For the other companies acquired in 2021, the purchase price payments (earn-outs and purchase price retentions) falling due at a later date depend on the future economic development of the companies. The goodwill arising from these transactions consists of assets that are not separately identifiable or cannot be reliably determined, primarily synergies expected within the Group, acquired expertise and growth potential. Goodwill is not tax deductible. The directly attributable acquisition expense amounts to 1 million francs and is recognized in the income statement under "Other operating expenses". Since the acquisition date, the acquired companies have contributed 69 million francs to operating income and 1 million francs to operating profit (excluding the acquired companies and parts of companies of the discontinued operation Swiss Post Solutions).

5.3 | Assets and liabilities arising from disposals

The following assets and liabilities were deconsolidated in connection with disposals of subsidiaries and parts of companies:

Assets and liabilities arising from disposals	Total carrying amount	Total carrying amount [1]
CHF million	2020	2021
Cash and cash equivalents [2]	–	41
Trade accounts receivable and other receivables	–	3
Property, plant and equipment, intangible assets, right-of-use assets and financial assets	–	21
Provisions and other liabilities	–	–29
Carrying amount of net assets disposed of	**–**	**36**
Cash and cash equivalents disposed of [2]	–	–41
Net profit from disposals [3]	–	1
Net cash outflow from disposal	**–**	**–4**

1 Composition: section of the company SecurePost Ltd.
2 Composition: cash and current amounts due from banks.
3 The net profit from disposals was reported in net financial income in the income statement.

Sales proceeds arising from disposals stood at less than 1 million francs in 2021.

For more information, see Note 18, Non-current assets held for sale and discontinued operations.

6 | Segment information

6.1 | Basic principles

The segments were determined based on the organizational units for which information is reported to the management (the main decision-making body is Executive Management) of the Group. In doing so, no segments were aggregated. Transactions between the segments are based on a range of services and a transfer pricing concept. The transfer prices are calculated on the basis of commercial criteria, which means that transactions between the segments are subject to the same conditions as for third parties. For information on the composition of segment assets and liabilities, please see the separate section "Composition of segment assets and liabilities".

Note 29, Consolidated Group, shows the segments to which Swiss Post and its subsidiaries have been assigned.

6.2 | Segmentation

Swiss Post has adjusted the segment information to the new Group structure as of 1 January 2021, see Note 2.2, Accounting changes. The segmentation is as follows:

Segmentation	Description
Logistics Services	Services relating to addressed letters (domestic, import and export), newspapers, unaddressed items, digital commerce, parcels (domestic, import and export), freight and warehousing, customs clearance, Innight/Express/Courier/SameDay in Switzerland and cross-border
PostalNetwork	Sales channel for postal products/services and additionally for third-party products for private customers and small and medium-sized enterprises.
Communication Services	Full range of digital services in the healthcare sector, electronic services for secure and verifiable data transmission and digital assistant services
Mobility Services	Regional, municipal and urban transport as well as system services in Switzerland and in selected countries abroad
Swiss Post Solutions	Document management and postal-related business process outsourcing solutions in Switzerland and internationally
PostFinance	Payments, savings, investments, retirement planning, financing and insurance independently, in cooperation or as an intermediary
Functions and Management	Units that cannot be assigned to the segments such as function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
Consolidation	Effects of intra-Group elimination

6.3 | 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 (Switzerland or "International and cross-border"). The "International and cross-border" segment includes revenue from all foreign subsidiaries.

6.4 | 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 monitor 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 Logistics Services segment.

6.5 | State compensatory payments

PostBus Ltd received compensatory payments totalling 247 million francs from the Swiss Confederation (previous year: 206 million francs), 210 million francs from cantons (previous year: 201 million francs) and 8 million francs from municipalities (previous year: 8 million francs) for providing legally required public passenger transport services. These compensatory payments are included in net revenue from logistics services.

6.6 | 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 "Functions and Management" column mainly includes the following items in the segment's assets and liabilities:

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

Unallocated assets and liabilities comprise non-operating assets (principally financial assets and deferred income tax assets) and non-operational liabilities (mainly other financial liabilities and deferred tax liabilities).

6.7 | Changes in segment assets and liabilities

Assets in the PostFinance segment were up 4,474 million francs to 121,620 million francs compared with 31 December 2020. The large amount of liquidity held at the Swiss National Bank due to the investment crisis resulted in an increase of 7,793 million francs in amounts due from banks. A decrease in financial investments such as obligations and loans due to earlier than scheduled sales led to a reduction of 3,118 million francs in this amount. The segment liabilities of PostFinance increased by 4,215 million francs to 115,528 million francs in comparison with 31 December 2020. Although customer deposits declined by 15,215 million francs in July 2021 due to pricing measures (introduction of banking package fees), this was more than offset by an increase in other financial liabilities, in particular from repurchase transactions, amounting to 19,626 million francs.

The segment liabilities of Logistics Services fell by 1,599 million francs to 1,069 million francs in comparison with 31 December 2020. Of this, 974 million francs resulted from a decrease in provisions – primarily in the area of employee benefit obligations due to assumption adjustments and a plan amendment, as well as the favourable development of plan assets. The reduction was also partly attributable to a decrease in current account liabilities of 474 million francs following the capitalization of Post CH Ltd as part of the new "Swiss Post of tomorrow" strategy.

6.8 | More information

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

6.9 | Results by business segment and region

6.9.1 | Results by business segment

Result by business segment Up to or as at 31.12.2020 CHF million	Notes	Logistics Services	Postal-Network	Commu-nication Services	Mobility Services[1]	Swiss Post Solutions[2]	Post-Finance[3]	Functions and Manage-ment[4]	Consoli-dation[5]	Group
Revenue										
from customers[2, 6]		3,951	64	17	796	–	1,479	28		6,335
from other segments[2, 6]		85	565	2	73	–	5	508	–1,238	–
Other operating income[2, 6]		13	2	4	106	–	82	397	–391	213
Total operating income[2, 6, 7]		**4,049**	**631**	**23**	**975**	**–**	**1,566**	**933**	**–1,629**	**6,548**
Operating profit[2, 6, 7]		**470**	**–101**	**–68**	**–63**	**–**	**162**	**–151**	**9**	**258**
Net financial income[2]	14, 15									–28
Net income from associates and joint ventures[6]	16	23	–	–	0	–	–2	–		21
Income taxes[2]	17									–78
Group profit from continuing operations[2]										**173**
Segment assets[6]		1,406	108	29	795	348	117,146	4,358	–1,148	123,042
Associates and joint ventures[6]	16	139	–	–	2	–	8	–		149
Unallocated assets[8]										1,083
Total assets										**124,274**
Segment liabilities[6]		2,668	697	59	805	200	111,313	704	–1,148	115,298
Unallocated liabilities[8]										2,070
Total liabilities										**117,368**
Investment in property, plant and equipment, investment property and intangible assets[6]	21-23	79	7	–	84	8	32	167		377
Depreciation and impairments / (reversal of impairments) on property, plant and equipment, investment property, intangible assets and right-of-use assets[2, 6]	21–24	56	6	14	84	–	80	185		425
Impairments (and reversal of impairments) on financial assets[2, 6]	27	–	–	–	0	–	24	1		25
Other non-cash (expenses)/income[6]		–21	0	–	–51	–16	–72	–304		–464
Headcount[2, 6, 9]		19,667	3,911	146	2,594	–	3,260	3,118		32,696

1 Within regional public transport, PostBus Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (ALEO). There are differences between the ALEO and the IFRS results.
2 The Swiss Post Solutions segment has been classified as a disposal group and discontinued operation (see Notes 2.2, Accounting changes, Discontinued operation, and 18.3, Discontinued operations).
3 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”. There are differences between the results in accordance with “Accounting – banks” and those as per IFRS.
4 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
5 The IC items of the discontinued operation Swiss Post Solutions are also included in the consolidation effects: total operating income: 33 million francs, operating profit: 10 million francs.
6 Figures have been adjusted (see Notes 2.2, Accounting changes, Group structure changes).
7 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
8 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. The unallocated assets comprise financial assets (excluding PostFinance) of 55 million francs and deferred income tax assets of 1,028 million francs. The unallocated liabilities comprise other financial liabilities (excluding PostFinance) of 1,729 million francs and deferred income tax liabilities of 341 million francs. The unallocated assets and liabilities are eliminated via internal Group transactions.
9 The average is expressed in terms of full-time equivalents (excluding trainees).

Result by business segment

Up to or as at 31.12.2021 CHF million	Notes	Logistics Services	Postal-Network	Commu-nication Services	Mobility Services [1]	Swiss Post Solutions [2]	Post-Finance [3]	Functions and Manage-ment [4]	Consoli-dation [5]	Group
Revenue										
from customers		4,108	64	32	900	–	1,539	22		6,665
from other segments		56	548	1	82	–	8	523	–1,218	–
Other operating income		12	1	5	101	–	77	408	–392	212
Total operating income [6]		**4,176**	**613**	**38**	**1,083**	**–**	**1,624**	**953**	**–1,610**	**6,877**
Operating profit [6]		**538**	**–36**	**–80**	**19**	**–**	**281**	**–95**	**19**	**646**
Net financial income	14, 15									3
Net income from associates and joint ventures	16	26	–	–	0	–	–3	–		23
Income taxes	17									–96
Group profit from continuing operations										**576**
Segment assets		1,693	281	151	872	410	121,620	3,658	–1,049	127,636
Associates and joint ventures	16	34	–	–	2	–	26	–		62
Unallocated assets [7]										699
Total assets										**128,397**
Segment liabilities		1,069	318	138	581	218	115,528	661	–1,049	117,464
Unallocated liabilities [7]										2,101
Total liabilities										**119,565**
Investment in property, plant and equipment, investment property and intangible assets	21-23	58	5	5	112	11	56	173		420
Depreciation and impairments / (reversal of impairments) on property, plant and equipment, investment property, intangible assets and right-of-use assets	21–24	65	7	7	84	–	83	196		442
Impairments (and reversal of impairments) on financial assets	27	–	–	–2	–	–	–8	0		–10
Other non-cash (expenses)/income		–78	–4	–12	–45	–21	–39	–31		–230
Headcount [8]		20,291	3,509	247	2,764	–	3,237	3,159		33,207

1 Within regional public transport, PostBus Ltd is subject to the DETEC ordinance on the accounting of licensed businesses (ALEO). There are differences between the ALEO and the IFRS results.
2 The Swiss Post Solutions segment has been classified as a disposal group and discontinued operation (see Notes 2.2, Accounting changes, Discontinued operation, and 18.3, Discontinued operations).
3 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks". There are differences between the results in accordance with "Accounting – banks" and those as per IFRS.
4 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
5 The IC items of the discontinued operation Swiss Post Solutions are also included in the consolidation effects: total operating income: 38 million francs, operating profit: 20 million francs.
6 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
7 Unallocated assets and liabilities comprise those that essentially contribute to net financial income rather than to operating profit and are therefore not assigned to segment assets or segment liabilities. The unallocated assets comprise financial assets (excluding PostFinance) of 85 million francs and deferred income tax assets of 614 million francs. The unallocated liabilities comprise other financial liabilities (excluding PostFinance) of 1,780 million francs and deferred income tax liabilities of 321 million francs. Unallocated assets and liabilities are eliminated in intra-Group transactions.
8 The average is expressed in terms of full-time equivalents (excluding trainees).

6.9.2 | Results by region

Result by region

Up to or as at 31.12.2020 CHF million	Notes	location of the revenue-generating subsidiary					location at which the revenue is generated			
		Europe	Americas	Asia	Consoli-dation	Group	Switzer-land	Interna-tional and cross-border	Consoli-dation	Group
Revenue from customers [1]		6,335	–	–		6,335	5,729	606		6,335
Operating profit [1, 2, 3]		248	–	–	10	258	206	42	10	258
Segment assets		123,003	64	5	–30	123,042	122,448	748	–154	123,042
Investment in property, plant and equipment, investment property and intangible assets	21–23	374	3	0		377	369	8		377

1 The figures have been adjusted (see Note 2.2, Accounting changes, Discontinued operation).
2 Operating profit by segment is reported before management, licence fees and net cost compensation.
3 The IC items of 10 million francs for the discontinued operation Swiss Post Solutions are also included in the consolidation effects.

Result by region

Up to or as at 31.12.2021 CHF million	Notes	according to the location of the revenue-generating subsidiary					according to the location at which the revenue was generated			
		Europe	Americas	Asia	Consoli-dation	Group	Switzer-land	Interna-tional and cross-border	Consoli-dation	Group
Revenue from customers		6,665	–	–		6,665	5,995	670		6,665
Operating profit [1, 2]		626	–	–	20	646	569	57	20	646
Segment assets		127,581	80	5	–30	127,636	126,852	964	–180	127,636
Investment in property, plant and equipment, investment property and intangible assets	21–23	420	0	0		420	407	13		420

1 Operating profit by segment is reported before management, licence fees and net cost compensation.
2 The IC items of 20 million francs for the discontinued operation Swiss Post Solutions are also included in the consolidation effects.

7 | Revenue

Accounting policies

Recognition of revenue from contracts with customers

Revenue from contracts with customers is realized when control over an item or a service is transferred to the customer. Revenue is measured on the basis of the contractually agreed transaction price, i.e. a revenue amount is recognized which is equal to the consideration Swiss Post can expect to receive in exchange for the transfer of goods or the provision of services (performance obligations assumed).

Performance obligations are met either on a specific date or over a period of time. When performance obligations are met over a period of time, the performance progress and hence the pro rata revenue recognition specific to the contract is determined either on an input basis (recognition of revenue on the basis of the efforts of the company to meet their performance obligations) or on an output basis (recognition of revenue on the basis of the direct determination of value of the products or services transferred so far in relation to the outstanding contractually agreed products or services).

A contract asset is recognized if a performance obligation from a contract with a customer has been met, but an unconditional claim to consideration or a receivable does not yet exist. Contract assets equivalent to the expected consideration are recognized and checked for indications of impairment using the simplified impairment model in accordance with IFRS 9.

A contract liability is recognized when a customer meets its contractual obligation by making the payment for the consideration they have been promised before Swiss Post has satisfied the corresponding performance obligation.

Swiss Post earns revenue from contracts with customers in connection with logistics services, the sale of resale merchandise and financial services and the commission business.

Revenue from logistics services

Logistics Services

Addressed letters and national parcels generate the largest proportion of revenue at Logistics Services. Addressed letters include priority items, non time-critical individual items and bulk mailings as well as letters with barcode. National parcels include all the services in the national parcel and express business, particularly PostPac Priority and PostPac Economy. Customers pay for services when handing over letters or parcels on the basis of the published list prices. For business customers, parcel prices are agreed contractually. For customers who post letters and parcels regularly, Swiss Post invoices these services collectively on a monthly basis, or every two weeks at the customer's request. The standard payment term is 30 days. The performance obligation is met when letters or parcels are delivered or, if they are undeliverable, when they are returned to the sender. Letters or parcels are regarded as delivered if Swiss Post has notified the recipient, handed them to the recipient or deposited them in the letter box or in another place specified for this purpose. The production time – between the acceptance and the delivery of letters or parcels – is taken into account on the balance sheet date via accruals/deferrals.

Communication Services

Services provided as part of the digital healthcare range such as the "electronic patient record (EPR)" and "Medbase", trust-based information services such as "IncaMail" and digital assistant services such as "KLARA" are responsible for the largest share of revenue at Communication Services.

The EPR is a collection of personal documents containing health-related information that can also be accessed by health professionals. Swiss Post provides the core communities with a secure and EPR-compliant platform and ensures its ongoing operation. Medbase is a healthcare provider offering medical, therapeutic, pharmaceutical and dental services. Swiss Post provides IT managed services for the physicians, pharmacists, specialists, therapists, dentists and other health professionals belonging to Medbase. For the EPR and Medbase, the price is contractually agreed and is fixed. The service is invoiced monthly or annually as agreed. The standard payment term is 30 days. The performance obligation is fulfilled over the period of the contract. Revenue is recognized on the basis of the progress of service provision.

IncaMail is the Swiss Post e-mail encryption service ensuring simple and secure e-mailing of sensitive messages and documents. Customers pay a price per message sent or a flat rate for unlimited use of the service. Partners who connect the IncaMail solution to their system receive commissions for the e-mails sent. Invoicing is on a quarterly basis after provision of the service. The standard payment term is 30 days. The performance obligation is fulfilled either at the time the message is sent or over the period during which the service is available.

KLARA automates administrative processes of small and medium-sized enterprises (SMEs) and links all areas of companies on a uniform data basis, generally offering various modules as monthly or annual subscriptions at a fixed price for unlimited use. The payment term is 30 days. The performance obligation is fulfilled uniformly over the period of the subscription, which is why revenue is recognized on a straight-line basis.

Mobility Services
PostBus passenger transport services generate the largest share of revenue at Mobility Services. PostBus is a franchised transport business and provides passenger transport services for the Swiss Confederation, cantons and municipalities. Each concession is issued for ten years and entitles PostBus to offer regular journeys for the commercial transport of passengers. Services are ordered by the public sector every two years and annual tender agreements are drawn up with the company that is awarded the tender for the advertised routes. PostBus undertakes to operate the routes in accordance with the agreement and is allowed to use public sector stops. In exchange for the services provided, PostBus receives a proportion of passenger revenue each month, as well as quarterly compensatory payments from the public sector for uncovered costs in accordance with the agreement. The performance obligation is met on a linear basis over the performance period. The concession is treated in accordance with IFRIC 12 Service Concession Arrangements, and the resulting revenue including compensatory payments is recorded in accordance with IFRS 15 Revenue from Contracts with Customers.

Revenue from resale merchandise

PostalNetwork
Resale merchandise at PostalNetwork consists mainly of lotteries, motorway tax stickers, mobile phones including accessories and gift cards. The products offered can be purchased in branches and in the online shop. If products are sold in a branch, the transaction is processed simultaneously, and both the payment and the fulfilment of the performance obligation take place on conclusion of the transaction. Sales in the online shop are usually paid for immediately on completion of the order. The payment term for payments by invoice is usually 30 days. In the case of purchases in the online shop, the performance obligation is met when the order is delivered to the customer. If PostalNetwork does not supply the product or provide the service itself and thus acts as an agent, only the margin (commission) is recognized as revenue.

Revenue from financial services and the commission business

PostFinance
Revenue from financial services and the commission business at PostFinance includes income from payments, savings, investments, retirement planning, financing and insurance services, which PostFinance offers independently, in partnerships or as an intermediary. Customers pay for services on the basis of contractually agreed prices. The performance obligation is met either with the provision of the service over the performance period or on the date of the transaction.

Breakdown of net revenue from contracts with customers

Up to or as at 31.12.2020 CHF million	Logistics Services	Postal-Network	Communica-tion Services	Mobility Services	PostFinance	Functions and Management	Consoli-dation	Group
Net revenue from contracts with customers								
of which logistics services [1]	4,033	565	19	850	–	536	– 1,230	4,773
of which resale merchandise [1]	3	64	0	19	–	–	– 3	83
of which financial services and commission business	–	–	–	–	716	–	– 5	711
Total net revenue from contracts with customers [1]	**4,036**	**629**	**19**	**869**	**716**	**536**	**– 1,238**	**5,567**
Other revenue from financial services [2]								768
Total revenue [1]								**6,335**
Other operating income [1]								213
Total operating income [1]								**6,548**

1 The figures have been adjusted (see Note 2.2, Accounting changes).
2 Other revenue from financial services mainly comprises income from financial assets, interest income and net income from foreign exchange trading at PostFinance.

Breakdown of net revenue from contracts with customers

Up to or as at 31.12.2021 CHF million	Logistics Services	Postal-Network	Communica-tion Services	Mobility Services	PostFinance	Functions and Management	Consoli-dation	Group
Net revenue from contracts with customers								
of which logistics services	4,162	546	33	959	–	545	– 1,206	5,039
of which resale merchandise	2	66	0	23	–	–	– 4	87
of which financial services and commission business	–	–	–	–	763	–	– 8	755
Total net revenue from contracts with customers	**4,164**	**612**	**33**	**982**	**763**	**545**	**– 1,218**	**5,881**
Other revenue from financial services [1]								784
Total revenue								**6,665**
Other operating income								212
Total operating income								**6,877**

1 Other revenue from financial services mainly comprises income from financial assets, interest income and net income from foreign exchange trading at PostFinance.

7.1 | Future revenue from remaining performance obligations

The total transaction price amount arising from performance obligations that exist as at 31 December 2021 and have not yet been met stands at 298 million francs (prior year, adjusted: 342 million francs). 116 million francs of this amount is expected to be recorded as revenue in the next year, 110 million francs within two to three years and 72 million francs in more than three years. It includes contracts whose original term was expected to last more than one year. It does not include future revenue from performance obligations for which Swiss Post is entitled to receive consideration from a customer which corresponds directly to the value of the service already provided to the customer by Swiss Post. The previous year’s figure was adjusted given that future revenue from contracts with customers (tender agreements) at PostBus Ltd is no longer shown since these contracts have a term of only one year.

7.2 | Revenue recorded from contract balances

Revenue declined by 5 million francs during the reporting period (prior year: 1 million francs) due to performance obligations met in prior periods (e.g. due to changes in the transaction price or a reassessment of the performance obligation fulfilled). An additional 250 million francs (prior year: 244 million francs) of revenue was recorded during the reporting period, which had been included in the balance of contract liabilities at the beginning of the period.

8 | Net income from financial services

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

Net income from financial services

CHF million	2020	2021
Interest income on financial instruments – amortized cost, incl. effects from hedging transactions	526	512
Interest income on financial assets FVTOCI, incl. effects from hedging transactions	43	38
Net interest income from financial instruments FVTPL incl. effects from hedging transactions	1	1
Dividend income on financial assets	8	12
Interest and dividend income	**578**	**563**
Interest expense on financial instruments – amortized cost	–26	–12
Interest expense	**–26**	**–12**
Net interest and dividend income	**552**	**551**
Impairment/reversal of impairment on amounts due from banks, interest-bearing amounts due from customers and financial assets	–26	11
Net interest and dividend income, net of impairment/reversal of impairment	**526**	**562**
Commission income on lending business	19	19
Commission income on securities and investment business	80	96
Commission income on other services	87	96
Commission expenses	–51	–52
Net income from services	467	485
Net services and commission income	**602**	**644**
Net trading income FVTPL and mandatory	164	215
Net income from the disposal of financial assets FVTOCI	31	7
Net income from the disposal of financial assets – amortized cost	5	–3
Losses on payment transactions	–11	–10
Other fees and duties	–10	–13
Net income from financial services	**1,307**	**1,402**
Reported in Note 7, Revenue and in the consolidated income statement:		
Net revenue from contracts with customers, financial services and commission business	711	755
Other revenue from financial services	768	784
Expenses for financial services	–172	–137

In 2021, interest income from the deposit-taking business of 231 million francs (prior year: 173 million francs) was generated. Interest expense from financial assets stands at 1 million francs (prior year: 2 million francs).

9 | Other operating income

Other operating income

CHF million	2020[1]	2021
Rental income	123	116
Rental income from subleases	1	0
Profits on the sale of property, plant and equipment	33	31
Other income	56	65
Total other operating revenue	**213**	**212**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Most rental income was generated in Switzerland. The rental arrangements are in line with market practices. Other income mainly consists of fees for management services in public transport, sale of advertising space and charges for the collection of VAT and customs duties.

10 | Personnel expenses

10.1 | Composition

Breakdown

CHF million	Notes	2020[1]	2021
Wages and salaries		2,819	2,677
Social security benefits		297	295
Employee benefit expenses	11	330	302
Other personnel expenses		83	43
Total personnel expenses		**3,529**	**3,317**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

10.2 | Headcount

Headcount

Number of employees[1]	2020[2]	2021
Employees at Swiss Post Group (excluding trainees)	32,696	33,207
Trainees at Swiss Post Group	1,863	1,860

1 Average expressed in terms of full-time equivalents.
2 The figures have been adjusted (see Note 2.2, Accounting changes).

11 | Staff pension plan

Estimation uncertainty

Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan in accordance with IAS 19. 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 salary trends. The amount to be recognized in the balance sheet as a liability or asset corresponds to the present value of the defined benefit employee benefit obligation (actuarial reserves 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 actuarial reserves for active contributors and pensioners).

Employee benefit entitlements acquired (current service cost), past service cost, gains and losses 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.

Risk sharing characteristics are taken into account in two stages when determining financial assumptions. These characteristics limit the employer's share in the costs of future benefits and integrate the employee into the obligations to pay any additional contributions needed to correct underfunding. Both stages are incorporated directly into the calculation of defined employee benefit obligations (DBO) and therefore have an impact on future service cost in accordance with IAS 19. The assumptions are based on the formal regulations of the plan which, for a Swiss employee benefits plan, include the regulations of the employee benefits institution as well as the relevant laws, ordinances and directives on employee benefits, and above all the provisions contained in them regarding funding and measures to correct underfunding of employee benefits institutions.

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

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 (38,221 active contributors and 37,043 pensioners as at 31 December 2021). 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 and retirement assets. On taking retirement, insurees can choose between drawing a lifetime 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. Insurees 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 (OPA) and its regulations on execution must be taken into account. The OPA 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 2021, the rate is 1.00 percent (previous year: 1.00 percent).

Due to plan arrangements and the legal provisions of the OPA, 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.

The benefits paid by the Swiss Post pension fund exceed the statutory minimum level. The standard retirement age is 65. The pension paid is calculated on the basis of the conversion rate, which is applied to the retirement assets saved by each insured person by the date of retirement. The conversion rate currently applicable for retirement at the age of 65 is 5.10 percent (5.00 percent from 2024). The saved retirement assets are made up of the employer and employee contributions paid into the individual savings account of each insured person, together with any interest credited to the retirement assets. The interest rate applicable to retirement assets is determined by the Foundation Board each year.

Swiss Post Group believes there to be a strong likelihood that the Swiss Post pension fund will need to implement further stabilization measures in the future. Assumptions were therefore made on the level of future financial contribution shares of the employer and employees to funding gaps in the Swiss Post pension fund (risk sharing).

Companies in Germany (SPS Group) have corporate retirement provision based on various regulations and works agreements. There are also individual retirement solutions for senior staff. As a rule, 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.

11.1 | Actuarial assumptions

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

Actuarial assumptions made in calculating annual employee benefit expenses

Percent	2020	2021
Imputed interest rate	0.25	0.17

Actuarial assumptions as at 31.12

Percent	2020	2021
Imputed interest rate	0.17	0.30
Expected change in salaries	1.00	1.00
Pension indexation	0.00	0.00
Interest on retirement assets	1.00	1.25
Staff turnover	3.46	4.89
Lump-sum capital withdrawal ratio	25.00	30.00
Employee share of funding gap	25.00	25.00
years		
Current average life expectancy for a man / woman aged 65	23/25	22/24
Mortality table	OPA 2015 GT	OPA 2020 GT

The financial assumptions related to risk sharing are taken into account in two stages: with the implicit assumption of a future pension equal to the discount rate, the regulatory recurring contributions are insufficient to ensure the correct funding of the regulatory benefits promised by the Swiss Post pension fund. This results in a structural funding gap. In its assessment, Swiss Post anticipates that the measures taken by the Swiss Post pension fund so far are insufficient to cover the funding deficits that can be expected in the future. For the purpose of the actuarial calculations, it was assumed during the first stage that the Foundation Board would decide on measures to correct this funding gap in line with the formal regulations (reduction in the conversion rate to 4.69 percent by 2033 (previous year: 4.89 percent by 2030); expected compensation of 75 percent of the reduction calculated in relation to the retirement assets available). This assumption involves taking a technical interest rate of 1.50 percent (1.25 percent from 2033) as a basis and is conditional on a gradual reduction in future pensions at the age of 65 over ten years being decided on by the Foundation Board. Even assuming a future reduction in benefits, there is still a structural funding gap, which is divided mathematically between the employer and the employee in a second stage. It is assumed that the employer’s obligation is legally restricted to 50 percent and effectively limited to 75 percent of the funding gap. The statutory provisions for correcting underfunding and the specific past conduct and measures taken by both the employer and the Foundation Board form the basis for this assumption.

The estimate process to establish the financial assumptions, taking risk sharing aspects into account, was modified in the 2017 financial year and first applied as at 30 April 2017, in order to provide a more realistic picture of the costs of the employee benefits plan to be expected by the company in the future.

With the introduction of the CMI model (1.50 percent), the fact of a less pronounced increase in longevity than presumed in the assumptions of OPA 2020 GT is also taken into account. The assumption of longevity within OPA 2020 GT is supplemented by that of the CMI model.

Other long-term employee benefits are shown and described under Note 25, Provisions.

11.2 | Employee benefit expenses

Employee benefit expenses

CHF million	2020[1]	2021
Current service cost	334	328
Service cost to be recognized	–	–1
(Gains) / losses from plan settlements	–	–20
Administrative costs	8	9
Additional employee benefits	2	1
Other plans, reclassifications, other expenses	–14	–15
Total employee benefit expenses recognized in personnel expenses	**330**	**302**
Interest expense arising from employee benefit obligations	47	44
Interest income on assets	–41	–40
Total net interest expense recognized in financial expenses	**6**	**4**
Total employee benefit expenses recognized in the income statement	**336**	**306**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Revaluation elements recorded in the statement of comprehensive income

CHF million	2020	2021
Actuarial losses		
due to the adjustment of demographic assumptions	–	–1,102
due to the adjustment of financial assumptions	180	–197
due to experience adjustments	355	268
Income from plan assets (excluding interest income)	–467	–1,021
Other	1	–18
Total revaluation gains recorded in other comprehensive income (OCI)	**69**	**–2,070**
Total employee benefit expenses[1]	**405**	**–1,764**

1 The figure for 2020 has been adjusted (see Note 2.2, Accounting changes).

The effect resulting from the adjustment of demographic assumptions includes the change to OPA 2020 GT, the introduction of the CMI model (1.50 percent), the increase in the assumed capital withdrawal ratio and amended fluctuation assumptions.

For 2021, employee benefit expenses fell by 28 million francs (previous year: 55 million francs) and employee benefit obligations declined by 442 million francs (previous year: 967 million francs) as at 31 December 2021 due to the application of risk sharing characteristics.

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

11.3 | 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. The values as at 31 December 2021 are shown without the discontinued operation Swiss Post Solutions, as these are part of the liabilities associated with assets held for sale in the consolidated balance sheet.

Summary of cover status

CHF million	31.12.2020	31.12.2021
Present value of employee benefit obligations including assets set aside	20,094	18,149
Benefit plan assets at fair value	– 17,137	– 17,223
Shortfall	**2,957**	**926**
Employee benefit obligations excluding assets set aside	5	2
Total recognized employee benefit obligations arising from defined benefit plans	**2,962**	**928**
Employee benefit obligations arising from other benefit plans	9	1
Total recognized employee benefit obligations	**2,971**	**929**

11.4 | Performance of recognized employee benefit obligations from defined benefit plans

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

CHF million	2020	2021
Balance as at 1.1	**2,818**	**2,962**
Employee benefit expenses arising from defined benefit plans	357	329
Revaluation gains recognized in other comprehensive income	69	– 2,070
Employer contributions	– 285	– 284
Pension payments by the employer	– 1	– 1
Translation differences	0	– 1
Company acquisitions, disposals or transfers	4	18
Disposals arising from reclassifications (IFRS 5)	–	– 25
Balance as at 31.12	**2,962**	**928**
of which:		
current, i.e. payments falling due within the next twelve months	280	272
non-current	2,682	656

11.5 | Change in employee benefit obligations

Change in employee benefit obligations

CHF million	2020	2021
Balance as at 1.1	**19,880**	**20,099**
Current service cost	342	335
Employee contributions	217	218
Interest expense arising from employee benefit obligations	48	45
Actuarial (gains)/losses	535	–1,031
Plan settlements	–	–85
Company acquisitions, disposals or transfers	14	82
Additional employee benefits	2	1
Benefits paid from plan assets	–938	–923
Pension payments by the employer	0	–1
Plan amendments	–	–1
Transfers, reclassifications and other	–	–359
Disposals arising from reclassifications (IFRS 5)	–	–228
Translation differences	–1	–1
Balance as at 31.12	**20,099**	**18,151**
Employee benefit obligations including assets set aside	20,094	18,149
Employee benefit obligations excluding assets set aside	5	2
Total employee benefit obligations	**20,099**	**18,151**

11.6 | Change in plan assets

Change in fair value of plan assets

CHF million	2020	2021
Balance as at 1.1	**17,062**	**17,137**
Interest income on assets	42	41
Income from plan assets (excluding interest income)	467	1,021
Employee contributions	217	218
Employer contributions	285	284
Plan settlements	–	–65
Company acquisitions, disposals or transfers	11	64
Benefits paid from plan assets	–938	–923
Administrative costs	–9	–9
Transfers, reclassifications and other	–	–341
Disposals arising from reclassifications (IFRS 5)	–	–203
Translation differences	0	–1
Balance as at 31.12	**17,137**	**17,223**

11.7 | Asset categories

Asset allocation			31.12.2020			31.12.2021
CHF million	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds	4,529	2,712	7,241	4,014	2,765	6,779
Shares	5,064	–	5,064	5,211	–	5,211
Real estate	7	2,301	2,308	7	2,481	2,488
Alternative investments	479	1,658	2,137	529	1,712	2,241
Qualified insurance paper	–	14	14	–	16	16
Other financial assets	–	13	13	–	10	10
Cash and cash equivalents	–	360	360	–	681	681
Total	**10,079**	**7,058**	**17,137**	**9,761**	**7,665**	**17,426**
Disposals arising from reclassifications (IFRS 5)			–			–203
Total incl. disposals arising from reclassifications as per IFRS 5			**17,137**			**17,223**

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. OPA 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.

11.8 | Sensitivities

The effect of a rise or fall in the underlying material actuarial assumptions on the present value of pension obligations as at 31 December 2020 and 2021:

Sensitivity of pension obligations to changes in actuarial assumptions		Resulting change in present value			Resulting change in present value	
CHF million	Deviation	31.12.2020	31.12.2021	Deviation	31.12.2020	31.12.2021
Imputed interest rate	+0.25 percentage point	–565	–463	–0.25 percentage point	606	489
Expected change in salaries	+0.25 percentage point	46	36	–0.25 percentage point	–45	–36
Pension indexation	+0.25 percentage point	411	339	–0.25 percentage point	–	–
Interest on retirement assets	+0.25 percentage point	69	54	–0.25 percentage point	–67	–53
Capital withdrawal ratio	+5.00 percentage point	–90	–61	–5.00 percentage point	90	61
Employee share of funding gap	+10.00 percentage point	–313	–96	–10.00 percentage point	313	96
Life expectancy at age 65	+1 year	888	524	–1 year	–888	–537

11.9 | Information on employer contributions

The following table shows the employer contributions for the previous financial year, as well as the expected contributions for 2022.

Employer contributions

CHF million	Effective	Expected
2021	284	280
2022		272

11.10 | Maturity profile of the defined benefit employee benefit obligation

The weighted average term of the defined benefit employee benefit obligation is 14.6 years as at 31 December 2021 (previous year: 16.0 years).

11.11 | Expected future pension payments

The following table summarizes the expected cash flows for pension payments based on the maturity profile for the next ten years.

Cash flows resulting from employee benefits

CHF million	Nominal payment of benefits (estimation)
2022	1,007
2023	998
2024	990
2025	969
2026	953
2027–2031	4,496

12 | Resale merchandise and service expenses

Resale merchandise and service expenses

CHF million	2020 [1]	2021
Working materials, semi-finished and finished goods	8	7
Resale merchandise expenses	45	48
Service expenses	172	219
Compensation paid to PostBus operators	338	339
Compensation paid to forwarding companies	391	481
Compensation paid for international postal traffic	122	103
Temporary employees	228	243
Total resale merchandise and service expenses	**1,304**	**1,440**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

13 | Other operating expenses

Other operating expenses

CHF million	2020 [1]	2021
Premises	55	50
Maintenance and repairs of property, plant and equipment	121	127
Energy and fuel	47	47
Operating materials	32	31
Consulting, office and administrative expenses	376	391
Marketing and communications	76	80
Loss on disposal of property, plant and equipment	2	1
Other expenses	151	168
Total other operating expenses	**860**	**895**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

14 | Financial income

Financial income

CHF million	Notes	2020 [1]	2021
Interest income on financial assets at amortized cost	27	4	8
Interest income on leases		4	4
Foreign currency gains		9	19
Other financial income		5	16
Total financial income		**22**	**47**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Income from the financial services business is recorded as revenue in the consolidated income statement.

15 | Financial expenses

Financial expenses

CHF million	Notes	2020 [1]	2021
Interest expense on financial liabilities at amortized cost		12	11
Interest expense for employee benefit obligations	11	6	4
Interest charges on leases		12	13
Foreign currency losses		15	15
Other financial expenses		5	1
Total financial expenses		**50**	**44**

1 The figures have been adjusted (see Note 2.2, Accounting changes).

Expenses arising from the financial services business are recorded as “Expenses for financial services” in the consolidated income statement.

16 | Associates and joint ventures

Accounting policies

Associates and joint ventures of Swiss Post Group may in turn hold their own interests. If an associate or joint venture controls a company, but holds less than 100 percent of the interests, the non-controlling interests in the participation may be acquired over the course of time. Conversely, if all the interests are held, shares may be sold while nevertheless retaining control of the company. Gains or losses from such acquisitions and disposals of non-controlling interests are recognized directly in equity (retained earnings) for the Group without affecting profit or loss in accordance with the selected accounting method.

16.1 | Additions and disposals of associates and joint ventures

Full year 2020

Post CH Ltd, based in Bern, sold its shares (25 percent) in Prime Data AG, based in Brugg, on 6 August 2020.

Full year 2021

On 3 May 2021, PostFinance Ltd, based in Bern, acquired 50 percent of the shares in Yuh Ltd, based in Gland.

Through the acquisition of 100 percent of the shares in Otto Schmidt AG, based in Basel, on 28 June 2021, Post CH Ltd, based in Bern, holds around 91 percent of the shares in OSA Spedition GmbH, based in Efringen-Kirchen (DE), which, in turn, holds 26 percent of the shares in Weliver Logistik GmbH, based in Grossbeeren (DE). For further information, see Note 5.1, Additions and disposals of subsidiaries.

Swiss Post Ltd, based in Bern, sold its shares (25 percent) in Liechtensteinische Post AG, based in Schaan (LI), on 26 November 2021.

16.2 | Investments in associates and joint ventures

In early March, Swiss Post Ltd provided Asendia Holding Ltd with a loan of around 217 million francs for the acquisition of non-controlling interests in a subsidiary of the Asendia Group. The repayment of the loan is neither planned nor likely in the foreseeable future and therefore represents, in substance, an increase in the net investment in the Asendia Group, which is recognized as an associate. The acquisition of the non-controlling interests resulted in an effect of –292 million francs for Swiss Post Group, which was recognized in retained earnings without affecting profit or loss in accordance with the selected accounting method (112 million francs as a reduction of the investments in associates and joint ventures and 180 million francs as a reduction of the loan).

Otherwise there were no material transactions between the Group and its associates and joint ventures (see also Note 30, Transactions with related companies and parties).

Investments in associates and joint ventures

CHF million	2020	2021
Balance as at 1.1	**132**	**149**
Additions	4	21
Disposals	0	–5
Changes to non-controlling interests	–	–112
Dividends	–7	–10
Share of net profit (after taxes) recognized in the income statement	21	23
Share of net profit (after taxes) recorded in other comprehensive income	–1	1
Foreign currency translation differences	0	–5
Balance as at 31.12	**149**	**62**

In 2021, the Asendia Group generated consolidated revenue of 2,340 million francs (previous year: 1,913 million francs) and a profit of 55 million francs (previous year: 36 million francs). As at 31 December 2021, assets stood at 787 million francs (previous year: 757 million francs) and liabilities at 663 million francs (previous year: 476 million francs). Swiss Post holds a 40 percent interest in the Asendia Group.

No further substantial investments in associates or joint ventures exist.

Swiss Post has not recognized losses totalling 11 million francs (previous year: 8 million francs) in respect of its interests in associates and joint ventures as it has no obligation in respect of these losses.

16.3 | Comprehensive income from associates

Net income from associates

CHF million	2020	2021
Share of net profit (after taxes) recognized in the income statement	21	26
Share of net profit (after taxes) recorded in other comprehensive income	–1	1
Comprehensive income from associates	**20**	**27**

16.4 | Comprehensive income from joint ventures

Net income from joint ventures

CHF million	2020	2021
Share of net profit (after taxes) recognized in the income statement	0	–3
Share of net profit (after taxes) recorded in other comprehensive income	–	–
Comprehensive income from joint ventures	**0**	**–3**

17 | Income taxes

Accounting policies

In accordance with Article 10 of the Postal Services Organization Act (PSOA), 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 assets and liabilities in the consolidated financial statements and their tax base (balance sheet liability method).

Estimation uncertainty

Deferred income tax assets based on temporary differences and 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. The possibility of realizing deferred tax assets is assessed by the management on every balance sheet date.

Income taxes recognized in the income statement

CHF million	2020[1]	2021
(Expense) for current income taxes	–28	–55
(Expense) for deferred income taxes	–50	–41
Total (expense) for income taxes recognized in the income statement	**–78**	**–96**

1 Figures have been adjusted (see Note 2.2, Accounting changes).

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

Income taxes recorded in other comprehensive income

CHF million	2020	2021
Revaluation of employee benefit obligations	–15	–336
Fair value reserves of equity instruments FVTOCI	–5	–18
Fair value reserves of debt instruments FVTOCI	–5	28
Hedging reserves	1	–13
Total income taxes recorded in other comprehensive income	**–24**	**–339**

17.1 | Deferred taxes relating to balance sheet items

Deferred taxes relating to balance sheet items			31.12.2020			31.12.2021
CHF million	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
Financial assets	39	–98	–59	26	–80	–54
Investments in subsidiaries, associates and joint ventures	2	–107	–105	2	–112	–110
Property, plant and equipment	176	–1	175	171	–1	170
Intangible assets	99	–1	98	86	–4	82
Right-of-use assets	–	–112	–112	–	–112	–112
Lease liabilities	113	–	113	115	–	115
Other liabilities	2	0	2	0	0	0
Provisions	27	–3	24	2	–4	–2
Employee benefit obligations	471	–	471	155	–	155
Other balance sheet items	7	–19	–12	5	–8	–3
Deferred taxes arising from temporary differences	**936**	**–341**	**595**	**562**	**–321**	**241**
Tax assets recognized for loss carryforwards	92		92	52		52
Deferred tax assets/liabilities, gross	**1,028**	**–341**	**687**	**614**	**–321**	**293**
Deferred tax assets/liabilities, prior year	–1,073	310	–763	–1,028	341	–687
Disposals arising from reclassifications as per IFRS 5	–	–	–	16	–20	–4
Discontinued operation	2[1]	1[1]	3[1]	10	0	10
Deferred taxes recorded in other comprehensive income	15	9	24	350	–11	339
Changes in the composition of the Group	–1	0	–1	–7	15	8
Deferred taxes recognized in the income statement	**–29**[1]	**–21**[1]	**–50**[1]	**–45**	**4**	**–41**

1 Figures have been adjusted (see Note 2.2, Accounting changes).

Deferred tax assets of 614 million francs (previous year: 1,028 million francs) are comprised mainly of temporary differences on financial assets, property, plant and equipment and intangible assets, lease liabilities, employee benefit provisions in accordance with IAS 19 that are not accepted for tax purposes as well as other provisions and tax loss carryforwards.

Deferred tax liabilities of 321 million francs (previous year: 341 million francs) are mainly the result of temporary differences between the valuations of Group assets and the tax base of financial assets, interests and right-of-use assets.

As at 31 December 2021, temporary differences in relation to interests amounted to 686 million francs (previous year: 314 million francs) for which no deferred tax liabilities were recognized, given that Swiss Post is able to control the reversal of temporary differences and that it is unlikely that the temporary differences will be reversed in the foreseeable future.

17.2 | Unused tax loss carryforwards

Unused loss carryforwards			31.12.2020			31.12.2021
CHF million	Capitalized	Not capitalized	Total	Capitalized	Not capitalized	Total
Maturing within 1 year	0	0	0	–	0	0
Maturing in 2 to 6 years	423	578	1,001	240	534	774
Maturing in more than 6 years	54	226	280	45	111	156
Total unused loss carryforwards	**477**	**804**	**1,281**	**285**	**645**	**930**

Tax loss carryforwards of 645 million francs (previous year: 804 million francs) were not capitalized within Swiss Post Group, as it seems uncertain that they will be utilized in the future.

17.3 | Analysis of the expense for income taxes

The following breakdown shows the reconciliation from Group profit before tax with the income tax expense accounted for. The weighted average tax rate to be applied is 8.2 percent (previous year, adjusted: 27.5 percent). The 19.3 percent decrease in the Group tax rate is due to a change in the composition of positive and negative contributions to the results by the individual subsidiaries.

Reconciliation from Group profit before tax to provision for income taxes accounted for		
CHF million	2020 [1]	2021
Group profit before tax from continuing operations	251	672
Weighted average tax rate	27.5%	8.2%
Tax expense at weighted average tax rate	**69**	**55**
Reconciliation with expenses for income taxes accounted for:		
Effect of change in tax status/tax rates	14	0
Effect from interests/impairment of goodwill	5 [2]	–6
Effect of back taxes and tax refunds from previous years	–4	0
Effect of change in impairment for deferred income tax assets	2	0
Effect of fiscally non-relevant income/expenses	0 [2]	0
Effect of loss carryforwards	–8	9
Other effects	0	38
Expenses for income taxes accounted for	**78**	**96**

1 Figures have been adjusted (see Note 2.2, Accounting changes).
2 Swiss Post has adjusted the disclosure of tax-exempt income from interests (deduction from interests). This is now included in the item “Effect from interests/impairment of goodwill”. Previously, this income was disclosed in the item “Effect of fiscally non-relevant income/expenses”. The figures for the previous year have been adjusted accordingly.

18 | Non-current assets held for sale and discontinued operations

Accounting policies

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. The disposal is expected to take place within a year.

A disposal group is classed as a discontinued operation if it represents a separate major line of business or geographical business unit or if it is part of a single coordinated plan to dispose of a separate major line of business or geographical business unit. Discontinued operations are not included in the result from continuing operations and are reported separately in the income statement as profit/loss after tax from discontinued operations. The prior period amounts in the income statement are adjusted for comparison purposes.

18.1 | Non-current assets held for sale and associated liabilities

Non-current assets held for sale CHF million	Notes	Property, plant and equipment	Subsidiaries	Total
As at 1.1.2020		**1**	**–**	**1**
Additions arising from reclassifications in accordance with IFRS 5		20	–	20
Disposals		–15	–	–15
As at 31.12.2020		**6**	**–**	**6**
As at 1.1.2021		**6**	**–**	**6**
Additions arising from reclassifications in accordance with IFRS 5		19	473	492
Disposals	5	–18	–65	–83
As at 31.12.2021		**7**	**408** [1]	**415**

1 Including 2 million francs for the disposal group PubliBike AG.

Liabilities associated with assets held for sale

CHF million	Notes	Subsidiaries	Total
As at 1.1.2020		**–**	**–**
Additions arising from reclassifications in accordance with IFRS 5		–	–
Disposals		–	–
As at 31.12.2020		**–**	**–**
As at 1.1.2021		**–**	**–**
Additions arising from reclassifications in accordance with IFRS 5		240	240
Disposals	5	–29	–29
As at 31.12.2021		**211** [1]	**211**

1 Including PubliBike AG disposal group: 11 million francs.

18.2 | Disposal group sold

In March 2021, the Swiss Post Board of Directors decided for strategic reasons to sell the business operations of SecurePost Ltd, based in Oensingen (Logistics Services segment). As a result, the assets and liabilities concerned were classified as “held for sale” from the end of March 2021. Due to the classification as “held for sale”, an impairment loss of less than 1 million francs was recognized as at 31 March 2021 and the carrying amount of the assets held for sale was reduced to fair value less costs to sell. The sale took place on 3 May 2021. The profit from the sale is not material in nature.

Disposal group – SecurePost | Balance sheet

CHF million	3.5.2021
Assets	
Cash	41
Other receivables	3
Property, plant and equipment and intangible assets	21
Total disposed assets of disposal group	**65**
Liabilities	
Other liabilities	29
Total liabilities associated with disposed assets of disposal group	**29**
Net assets from the disposal group	**36**

18.3 | Discontinued operations

In mid-December 2021, the Swiss Post Board of Directors decided to sell SPS Holding Ltd, based in Zurich, and its subsidiaries for strategic reasons. As a result, the Swiss Post Solutions segment was classified as a disposal group and a discontinued operation as at 31 December 2021. Swiss Post Solutions is shown separately in the consolidated income statement under discontinued operations and is no longer included in the segment disclosure or in revenue. The sale is expected to take place in the first quarter of 2022.

SPS Holding Ltd holds the following subsidiaries directly or indirectly:

- Swiss Post Solutions Ltd, Zurich
- Swiss Post Solutions S.p.A., Milan (IT)
- Swiss Post Solutions Ltd., Ho Chi Minh City (VN)
- Swiss Post Solutions SAS, Paris (FR)
- Swiss Post US Holding Inc., New York (US)
- Swiss Post Solutions Inc., New York (US)
- Swiss Post Solutions Ltd, Richmond (UK)
- Swiss Post Solutions Business Services Ltd, Richmond (UK)
- Swiss Post Solutions Business Services UK Ltd, Richmond (UK)
- Swiss Post Solutions Holding Pte. Ltd., Singapore (SG)
- Swiss Post Enterprise Services (SHA) Co., Ltd., Shanghai (CN)
- Swiss Post Solutions GmbH, Bamberg (DE)
- Swiss Post Solutions GmbH, Prien (DE)

The proceeds from the sale are expected to exceed the carrying amount of net assets. Consequently, no impairment losses were recognized when classifying the Swiss Post Solutions segment as “held for sale”.

Intra-Group transactions were fully eliminated. Eliminations were allocated to the continuing operations and the discontinued operation in such a way that each elimination was recorded where the affected item was disclosed (e.g. the receivable with the creditor and the liability with the debtor).

Swiss Post Solutions segment | Income statement

CHF million	2020 1.1 to 31.12	2021 1.1 to 31.12
Net revenue from contracts with customers	499	565
Other operating income	7	5
Operating income	**506**	**570**
Operating expenses	–492	–563
Operating profit	**14**	**7**
Net financial income	–1	–4
Group profit before tax from discontinued operations	**13**	**3**
Income tax associated with profit before tax from usual business activities during the reporting period	–8	–14
Group profit/loss after tax from discontinued operations	**5**	**–11**

As at 31 December 2021, the cumulative gains recognized in other comprehensive income in relation to the discontinued operation amounted to –42 million francs (of which –52 million francs are currency translation reserves).

Swiss Post Solutions segment | Net cash flows

CHF million	2020 1.1 to 31.12	2021 1.1 to 31.12
Cash flow from operating activities	–55	31
Cash flow from investing activities	–2	–52
Cash flow from financing activities	–8	–9
Change in cash and cash equivalents	**–65**	**–30**

Swiss Post Solutions segment | Balance sheet

CHF million	31.12.2021
Assets	
Amounts due from banks	27
Trade accounts receivable	112
Other receivables	25
Inventories	3
Property, plant and equipment	20
Intangible assets and goodwill	186
Right-of-use assets	18
Income tax assets	15
Total assets held for sale for the discontinued operation	**406**
Liabilities	
Other financial liabilities	19
Trade accounts payable	32
Other liabilities	75
Provisions	54
Income tax liabilities	20
Total liabilities associated with assets held for sale for the discontinued operation	**200**
Net assets of discontinued operation	**206**

19 | Financial assets and liabilities

Accounting policies

Cash

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

Financial receivables

Amounts due from banks and interest-bearing amounts due from customers are measured at amortized cost using the effective interest method, which usually corresponds to the face value. Amounts due from banks are comprised principally of current account balances, money market instruments and reverse repurchase transactions. In amounts due from banks, high cash reserves are held, which are mostly invested at the Swiss National Bank (SNB). Interest-bearing amounts due from customers consist of technically overdrawn postal accounts of postal account holders, the COVID-19 bridging loans issued on a temporary basis in connection with the coronavirus crisis from 26 March 2020, credit card receivables, reverse repurchase transactions with third parties and receivables from recourse factoring and reverse factoring (working capital management products from PostFinance).

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognized at amortized cost, which usually corresponds to the face value. The future expected default is calculated and impaired using the simplified impairment model in accordance with IFRS 9.

Financial assets

Recognition and initial measurement

Purchases and sales of financial assets are entered based on trade date accounting. At the time of initial recognition, a financial asset is allocated to the appropriate category in accordance with the requirements of IFRS 9 and measured at the fair value of the consideration received, including transaction costs directly attributable to the purchase. For financial assets in the FVTPL category, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement of debt instruments

The classification and measurement approach for debt instruments is driven by the business model applicable for the management of the debt instruments provided that the financial instruments fulfil the cash flow conditions (SPPI test – solely payments of principal and interest). IFRS 9 consists of three main classification categories for debt instruments:

- Amortized cost
- FVTOCI (fair value through other comprehensive income)
- FVTPL (fair value through profit or loss)

Debt instruments in the amortized cost category are therefore measured at amortized cost. Debt instruments in the FVTPL or FVTOCI categories are measured at fair value through profit or loss or in other comprehensive income. Interest income from financial assets in the amortized cost and FVTOCI categories is recorded in the income statement using the effective interest method. The effective interest method spreads the difference between acquisition 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. Book gains/losses on debt instruments in the FVTOCI category are transferred from other comprehensive income to the income statement after their repayment or sale.

Classification and subsequent measurement of equity instruments

Equity instruments are assigned either as FVTPL or FVTOCI (FVTOCI option) depending on the business model. As a rule, interests in start-ups are classified as FVTPL, whereas all other interests (particularly financial infrastructure interests) are measured at FVTOCI.

The fair value of interests is reviewed annually or when there is an indication of a change in value. The carrying amount is adjusted if sufficient information is available to establish a new fair value. If there are no indications of any changes in fair value, the carrying amount is maintained.

Changes in the fair value of financial infrastructure interests (FVTOCI) are recognized in other comprehensive income. There is no reclassification to the income statement on derecognition. At the same time, the fair value reserves accrued are reclassified from the equity item “Gains and losses recorded directly in other comprehensive income” to retained earnings. Dividend income from this category is recorded in the income statement.

The mandatory FVTPL classification in accordance with IFRS 9 is applied for all other equity instruments. Changes in fair value and dividend income are recognized in the income statement.

Business model

Swiss Post differentiates between its core and non-core portfolio. The core portfolio aims to generate interest income to cover the interest expense of deposit products. The core portfolio consists of interest-bearing capital market investments, money market transactions and associated hedging transactions. The non-core portfolio is used to generate supplementary income. Investments are also made outside the traditional interest business, for instance in shares or funds.

Swiss Post defines the business models as follows:

Financial instruments for achieving contractual cash flows (held to collect) –at amortized cost
Debt instruments in the core and non-core portfolios intended for generating contractual cash flows and for holding positions to maturity.

The following sales are compatible with the business model:

- Sales made as a result of increased risk of default (credit risk)
- Sales are only made in isolated cases (even if material) or they are individually and jointly immaterial (even if frequent).
- Sales are made close to the maturity of the debt instruments and the sales proceeds essentially match the outstanding contractual cash flows.

Financial instruments for achieving contractual cash flows and sales revenue (held to collect and sell) – FVTOCI
Debt instruments in the core and non-core portfolios intended for generating contractual cash flows and sales revenue.

Other business models – FVTPL
Financial instruments that are not held in the “held to collect” or “held to collect and sell” business models are held in one of the following business models: “held for trading” or “management of financial instruments based on fair value”.

Cash flow conditions

The fair value of a debt instrument is defined the first time it is used as principal. Interest is defined as compensation for the time value of money, as compensation for the credit risk entered into and other general lending risks taken.

Swiss Post takes into account the terms of the contract for the financial instrument when assessing whether the contractual cash flows solely lead to payments of principal and interest (SPPI test – solely payments of principal and interest). This also involves assessing whether the financial asset includes a contractual provision which could influence the date or the amount of contractual cash flows. A provision of this kind could result in non-compliance with this test. Swiss Post takes the following points into account in its evaluation:

- Conditional events which could influence the amount and the date of cash flows
- Components with a leverage effect
- Early repayment clauses and extension provisions
- Provisions according to which cash flows from the financial asset may only be realized by pre-defined assets of the debtor (non-recourse asset arrangements)
- Components with an impact on the time value of money (e.g. regular redefinition of the interest rate where the definition period does not correspond to the definition frequency)

If the contractual cash flows change substantially, there is an indication that previous cash flows will expire. In this case, the previous financial asset will be derecognized and a new financial asset will be recognized at fair value. If the contractual cash flows of an adjusted financial asset have not changed substantially and the instrument was previously assigned to the amortized cost or FVTOCI category, the asset is not derecognized. In this case, Swiss Post recalculates the gross carrying amount and enters the difference between the previous and the new carrying amounts as an adjustment gain/loss in the income statement. If the contractual cash flows are adjusted due to financial difficulties experienced by the debtor, the difference identified between the old and new carrying amounts is recorded together with impairment losses.

Financial guarantees

Financial guarantees are contractual agreements that oblige the guarantor to make certain payments in order to compensate the guaranteed party for a loss arising when a certain debtor fails to make the payments due under the terms of a debt security.

Financial guarantees issued are measured at fair value on initial recognition. After that, the higher value of the impairments for expected losses or the original value less remuneration received is recognized.

Impairment losses on financial assets

Under IFRS 9, impairment losses on financial assets are determined using a forward-looking expected credit loss model. This model requires an assessment of how the development of economic factors will influence the need for value adjustments. Historical and future input factors such as default probabilities, credit loss ratios and credit exposure at the time of default are taken into account in particular. The impairment model applies to financial assets and contract assets measured at amortized cost and to debt instruments measured at FVTOCI.

Depending on the change in credit risk since acquisition, each financial asset belongs to one of three levels. Depending on the level, the impairment loss matches the expected loss over the next year (level 1) or the expected losses over the remaining term to maturity of an instrument (levels 2–3).

Calculation method and allocation to levels
12-month expected credit losses (level 1):
The expected losses over the next year depend on the exposure of the position for the relevant year included in the default risk, on the probability of default of the instrument due to economic trends, and on an expected loss given default.

Lifetime expected credit losses: (levels 2–3):
The lifetime expected losses depend on the probability of default of the position due to economic trends over the remaining term to maturity, on its future exposure included in the default risk, and on an expected loss given default.

Debt instruments measured at amortized cost and FVTOCI
Allocation of the positions in the three levels:

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

If a position has been allocated to levels 2 or 3, this can again be transferred to level 1 or 2 as soon as the criteria for that level have been satisfied.

Parameters for measuring expected credit loss (ECL)
The expected credit loss of an instrument is measured using the following parameters: default probability, credit loss ratio and credit exposure at the time of default. Default probabilities are derived from migration matrices from external sources. These derived default probabilities are adjusted periodically based on the expected economic trends. The model parameters for the credit loss rate are derived from various external sources by means of an expert opinion. Credit exposure at the time of default generally corresponds to amortized cost or forecasted amortized cost plus outstanding interest.

The ECL for amounts due from banks are measured based on the default risk of outstanding loans or their credit rating.

Impairment losses are calculated on interest-bearing amounts due from customers and associated limits on a collective basis. The portfolios used were generated on the basis of the characteristics applied in product management. Receivables are allocated to level 1 on initial recognition. They are allocated to levels 2 or 3 when the overdue period defined for the relevant level has been exceeded. The default rate used to determine the calculation of expected loss is calculated using historical data for a switch to level 2 or level 3. On the balance sheet date the previously calculated default probability is verified in order to determine whether an adjustment is needed on the basis of current and forward-looking information.

The simplified approach permitted in accordance with IFRS 9 is applied to determine expected credit loss on trade accounts receivable, contract assets, amounts due from leases and other receivables. A historical default rate is calculated for each item in the balance sheet at accounting unit level. An additional risk premium is recorded to take into account future changes in debtor solvency. Bandwidths apply when calculating expected defaults on overdue receivables.

Financial guarantees issued
Impairment losses for expected credit losses are also estimated on financial guarantees issued.

Presentation
Impairment losses for expected loan defaults on financial assets in the at amortized cost category are presented as a deduction from the gross carrying amount. In the case of debt instruments held in the FVTOCI category, the carrying amount corresponds to fair value. Impairment losses for these debt instruments are recorded directly in equity in other comprehensive income instead of reducing the carrying amount of the instruments. Impairment losses on financial guarantees issued are reported in other provisions. A financial asset is definitively derecognized once there are firm indications that it is no longer recoverable.

Netting

Financial assets and financial liabilities are presented on a net basis if Swiss Post is entitled to offset the amounts against each other and has the intention to settle or collect the net amount or to collect the asset and settle the liability at the same time.

Income and expenses are only shown on a net basis if explicitly permitted by IFRS or in the case of gains and losses arising from a group of similar transactions such as that of Swiss Post's trading activities.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized at fair value as positive or negative replacement values. They are used mainly to hedge currency and interest rate risks and to a small extent for trading.

For hedge accounting, Swiss Post applies the requirements of IFRS 9. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged items. The effectiveness of these hedges is reviewed on a monthly basis.

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 in "Result from FVTPL trading portfolio assets and mandatory" and in "Interest income on financial instruments at amortized cost including effects from hedging transactions".

Cash flow hedges are used to hedge anticipated future transactions and variable cash flows. 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 in "Result from FVTPL trading portfolio assets and mandatory". As soon as the hedged item has been recognized in profit or loss, the cumulated changes in fair value recorded in other comprehensive income are stated in "Result from FVTPL trading portfolio assets and mandatory" and in "Interest income from financial assets FVTOCI including effects from hedging transactions".

Derivatives which are not accounted for under the hedge accounting rules or which are held for trading purposes are treated as instruments held for trading. Changes in fair value are reported in "Result from FVTPL trading portfolio assets and mandatory" and net interest income in "Net interest income from financial instruments, FVTPL including effects from hedging transactions" or "Interest income on financial instruments at amortized cost including effects from hedging transactions".

Replacement value

The replacement value corresponds to the fair 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 replacement 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 replacement values correspond to the maximum amount the counterparty would lose in the event of default in performance by Swiss Post.

Contract volume

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

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 liability in a standard transaction between market participants 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 non-performance 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 comparable instruments with the same maturity.

Repurchase, reverse repurchase and securities lending transactions

Cash outflows arising from reverse repurchase transactions are presented as amounts due from banks or interest-bearing amounts due from customers (other). Financial assets obtained from transactions as collateral are not recognized in the balance sheet. Transactions are recognized 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.

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. Deposits from banks are reported under other financial liabilities. Interest expenses are accounted for using the accrual-based accounting principle.

Other financial liabilities

Other financial liabilities comprise amounts due to banks measured at amortized cost, lease liabilities, liabilities from repurchase transactions, private placement and Other, as well as derivatives measured at fair value and deferred purchase price payments (earn-outs).

Estimation uncertainty

Fair values of financial instruments

Fair values of financial assets 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 FVTOCI financial assets. The discounted cash flows are calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account. The discounted cash flow method or venture capital method is used to determine the fair value of unlisted equity instruments.

Expected credit losses

The level of expected credit losses depends on several factors. The most important assumptions are:

– the general assessment of future economic development (even taking into account and weighting various scenarios)
– the prompt recognition of significant changes in credit risks
– evaluations of the model parameters "probability of default" and "loss rates"

Carrying amounts

31.12.2020 CHF million	FVTPL, incl. derivatives	FVTOCI, debt instruments	FVTOCI, equity instruments	Amortized cost	Total
Cash holdings				1,510	1,510
Amounts due from banks				38,574	38,574
Interest-bearing amounts due from customers				878	878
Trade accounts receivable				707	707
Other receivables [1]				839	839
of which receivables from finance lease				143	143
Financial assets	381	8,187	212	67,783	76,563
Derivatives	232				232
Bonds	3	8,187		52,626	60,816
Shares	20		212		232
Funds	126				126
Loans				15,157	15,157
Total financial assets	**381**	**8,187**	**212**	**110,291**	**119,071**
Customer deposits (PostFinance)				109,337	109,337
Other financial liabilities	336			2,532	2,868
Liabilities relating to banks				1,090	1,090
Derivatives	334				334
Lease liabilities				702	702
Repurchase transactions				22	22
Private placements				710	710
Other	2			8	10
Trade accounts payable				312	312
Other liabilities [1]				761	761
Total financial liabilities	**336**	**–**	**–**	**112,942**	**113,278**

1 Includes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.

Carrying amounts

31.12.2021 CHF million	FVTPL, incl. derivatives	FVTOCI, debt instruments	FVTOCI, equity instruments	Amortized cost	Total
Cash holdings				1,157	1,157
Amounts due from banks				46,139	46,139
Interest-bearing amounts due from customers				910	910
Trade accounts receivable				667	667
Other receivables [1]				755	755
of which receivables from finance lease				164	164
Financial assets	609	7,353	301	65,212	73,475
Derivatives	460				460
Bonds	2	7,353		50,909	58,264
Shares	24		301		325
Funds	123				123
Loans				14,303	14,303
Total financial assets	**609**	**7,353**	**301**	**114,840**	**123,103**
Customer deposits (PostFinance)				94,110	94,110
Other financial liabilities	134			22,412	22,546
Liabilities relating to banks				1,218	1,218
Derivatives	105				105
Lease liabilities				731	731
Private placements				810	810
Repurchase transactions				19,593	19,593
Other	29			60	89
Trade accounts payable				261	261
Other liabilities [1]	29			613	642
Total financial liabilities	**163**	**–**	**–**	**117,396**	**117,559**

1 Includes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.

Receivables from PostFinance's working capital management services (factoring) are reported in interest-bearing amounts due from customers (as at 31 December 2021: 180 million francs, as at 31 December 2020: 85 million francs) and other receivables (as at 31 December 2021: 14 million francs, as at 31 December 2020: 14 million francs).

The emergency loans fully guaranteed by the Confederation are also included in the interest-bearing amounts due from customers. As at 31 December 2021, limits amounting to 671 million francs were provided, of which 354 million francs had been used by the reference date.

The carrying amount of financial assets pledged as collateral stood at 317 million francs on 31 December 2021 (prior year: 490 million francs).

The loan granted by Swiss Post Ltd to Asendia Holding Ltd. in early March 2021 for the acquisition of non-controlling interests is included in the loans. Following the recognition of the resulting effect directly in equity, 180 million francs of this loan were reclassified directly as retained earnings. Information on this can be found in Note 16.2, Investments in associates and joint ventures.

PostFinance's interests in connection with the processing of payments and securities transactions and long-term strategic interests in other segments are disclosed in FVTOCI, equity instruments. As these equity instruments were not acquired in order to generate short-term gains, they are reported in equity through other comprehensive income (FVTOCI option). Dividend income from these interests amounts to around 5 million francs in the current year (previous year: 3 million francs).

On 1 October 2021, the remaining 83 percent of the interests in the SwissSign Group Ltd. were acquired, making the company wholly owned. Up to this point, the previous financial investment (17 percent) was held in the FVTOCI category, equity instruments. In this regard, the losses accrued in other comprehensive income of 11 million francs were reclassified within equity from other comprehensive income to retained earnings. For further information, see Note 5.1, Additions and disposals of subsidiaries.

20 | Inventories

Accounting policies

Inventories comprise resale merchandise, fuel, and operating, working and production materials. They are measured at the lower of weighted average cost or net realizable value. Impairment losses are recognized for inventories that are not easily marketable.

Inventories

CHF million	31.12.2020	31.12.2021
Resale merchandise	12	8
Fuel and operating materials	17	18
Production materials	28	7
Work in progress and finished goods	0	–
Impairment loss for inventories which are not easily marketable	0	– 1
Total inventories	**57**	**32**

21 | Property, plant and equipment

Accounting policies

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 lives of items of property, plant and equipment	
Land	indefinite
Operating property	20–60 years
Operating equipment	3–20 years
Machinery	3–15 years
IT equipment	3–10 years
Furnishings	3–20 years
Railway rolling stock	10–30 years
Other vehicles	3–15 years

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

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

Property, plant and equipment 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.

Estimation uncertainty

The useful life is defined on the basis of current technical conditions and past experience. As a result of technological change and market conditions, the actual useful life may differ from the original useful life. If there are differences, they are adjusted on a prospective basis or the property, plant and equipment may be sold.

Investment commitments for property, plant and equipment amount to 159 million francs (previous year: 187 million francs).

As at 31 December 2021, as in the previous year, no property, plant and equipment had been pledged in relation to mortgages.

As in the previous year, no borrowing costs were capitalized in 2021.

Property, plant and equipment 2020 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 1.1.2020	**4,601**	**139**	**1,238**	**749**	**83**	**6,810**
Additions to the consolidated Group	–	–	0	0	–	0
Additions	– 1 [1]	152	45	58	122	376
Disposals	– 91	– 2	– 83	– 25	– 3	– 204
Reclassifications	151	– 152	78	79	– 144	12
Disposals arising from reclassifications (IFRS 5)	– 59	–	–	– 54	0	– 113
Foreign currency translation differences	0	0	– 1	– 1	0	– 2
As at 31.12.2020	**4,601**	**137**	**1,277**	**806**	**58**	**6,879**
Cumulative amortization						
As at 1.1.2020	**3,468**	**–**	**856**	**362**	**8**	**4,694**
Depreciation	76	–	76	81	–	233
Impairment	–	–	0	1	–	1
Disposals	– 85	–	– 77	– 23	– 3	– 188
Reclassifications	0	–	1	– 1	– 5	– 5
Disposals arising from reclassifications (IFRS 5)	– 55	–	–	– 38	–	– 93
Foreign currency translation differences	0	–	0	– 1	–	– 1
As at 31.12.2020	**3,404**	**–**	**856**	**381**	**–**	**4,641**
Carrying amount as at 1.1.2020	**1,133**	**139**	**382**	**387**	**75**	**2,116**
Carrying amount as at 31.12.2020	**1,197**	**137**	**421**	**425**	**58**	**2,239**

1 Includes less than 1 million francs from subsidies for railway track installations for 2020.

Property, plant and equipment 2021 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 1.1.2021	**4,601**	**137**	**1,277**	**806**	**58**	**6,879**
Additions to the consolidated Group	5	–	4	2	0	11
Additions	0 [1]	85	62	80	68	295
Disposals	– 119	– 1	– 64	– 60	0	– 244
Reclassifications	51	– 92	54	39	– 90	– 38
Disposals arising from reclassifications (IFRS 5)	– 12	–	– 117	– 69	0	– 198
Foreign currency translation differences	– 1	0	0	0	0	– 1
As at 31.12.2021	**4,525**	**129**	**1,216**	**798**	**36**	**6,704**
Cumulative amortization						
As at 1.1.2021	**3,404**	**–**	**856**	**381**	**–**	**4,641**
Depreciation	81	–	83	82	–	246
Impairment	0	–	1	0	0	1
Disposals	– 115	–	– 58	– 54	–	– 227
Reclassifications	– 24	–	0	– 8	–	– 32
Disposals arising from reclassifications (IFRS 5)	– 10	–	– 86	– 51	0	– 147
Foreign currency translation differences	0	–	0	0	–	0
As at 31.12.2021	**3,336**	**–**	**796**	**350**	**0**	**4,482**
Carrying amount as at 1.1.2021	**1,197**	**137**	**421**	**425**	**58**	**2,238**
Carrying amount as at 31.12.2021	**1,189**	**129**	**420**	**448**	**36**	**2,222**

1 Includes less than 1 million francs from subsidies for railway track installations for 2021.

22 | Investment property

Accounting policies

Investment property comprises land, buildings and/or parts of buildings, held by the owner to earn rentals and/or for capital appreciation. 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. Such costs 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.

Investment property			2020			2021
CHF million	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
Acquisition cost						
Balance as at 1.1	**344**	**51**	**395**	**358**	**67**	**425**
Additions	0	27	27	–	64	64
Disposals	2	–	2	0	0	0
Reclassifications	12	–11	1	21	12	33
Balance as at 31.12	**358**	**67**	**425**	**379**	**143**	**522**
Cumulative amortization						
Balance as at 1.1	**67**	**–**	**67**	**83**	**–**	**83**
Depreciation	14	–	14	14	–	14
Impairment	–	–	–	–	–	–
Disposals	2	–	2	0	–	0
Reclassifications	–	–	–	16	–	16
Balance as at 31.12	**83**	**–**	**83**	**113**	**–**	**113**
Carrying amount as at 1.1	**277**	**51**	**328**	**275**	**67**	**342**
Carrying amount as at 31.12	**275**	**67**	**342**	**266**	**143**	**409**

Information on fair values can be found in Note 28, Fair value disclosures.

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

– Rental income: 28 million francs (previous year: 29 million francs)
– Direct operating expenses (including depreciation) that generated rental income during the reporting period: 23 million francs (previous year: 22 million francs)

On 31 December 2021, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale.

There are investment commitments for investment property of 18 million francs (previous year: 43 million francs).

23 | Intangible assets and goodwill

Accounting policies

Purchased or internally generated intangible assets with a finite useful life are recognized at acquisition or production cost and amortized on a straight-line basis over their useful life. Intangible assets from business combinations (excluding goodwill) are recognized at fair value and amortized on a straight-line basis over their useful life. Amortization begins as soon as the asset is fit for use. The estimated useful lives of intangible assets are usually less than ten years.

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.

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

The recoverable amount of goodwill is reviewed at least annually or if there are indications of impairment. An impairment is applicable where the carrying amount of the cash-generating unit or units to which the goodwill was assigned exceeds the recoverable amount.

Estimation uncertainty

Management estimates the period over which future economic benefits from intangible assets with a finite useful life will flow to the company. The estimated useful lives of intangible assets are reviewed on a regular basis.

The allocation of goodwill to the cash-generating units and the calculation of the recoverable amount are at the discretion of management. The discount rates include specific risk premiums depending on the risk assessment of the relevant cash-generating unit. The expected future cash flows and the assumptions applied are based on historical data from both internal and external sources of information.

Intangible assets and goodwill

CHF million	2020 Goodwill [1]	2020 Other intangible assets	2020 Other intangible assets under construction	2020 Total	2021 Goodwill [1]	2021 Other intangible assets	2021 Other intangible assets under construction	2021 Total
Acquisition cost								
Balance as at 1.1	**283**	**559**	**19**	**861**	**311**	**559**	**21**	**891**
Additions to the consolidated Group	32	0	–	32	234	69	0	303
Additions	–	17	20	37	–	21	35	56
Disposals	–	–36	–1	–37	–7	–12	0	–19
Reclassifications	–	19	–17	2	–	11	–10	1
Disposals arising from reclassifications (IFRS 5)	–	0	–	0	–157	–109	–4	–270
Foreign currency translation differences	–4	0	0	–4	–1	0	0	–1
Balance as at 31.12	**311**	**559**	**21**	**891**	**380**	**539**	**42**	**961**
Cumulative amortization								
Balance as at 1.1	**34**	**342**	**1**	**377**	**49**	**359**	**–**	**408**
Amortization	–	53	–	53	–	57	–	57
Impairment	14 [2]	0	–	14	0	1	0	1
Disposals	–	–36	–1	–37	–7	–12	–	–19
Reclassifications	–	0	–	0	–	0	–	0
Disposals arising from reclassifications (IFRS 5)	–	0	–	0	–21	–57	0	–78
Foreign currency translation differences	1	0	–	1	0	0	–	0
Balance as at 31.12	**49**	**359**	**–**	**408**	**21**	**348**	**–**	**369**
Carrying amount as at 1.1	**249**	**217**	**18**	**484**	**262**	**200**	**21**	**483**
Carrying amount as at 31.12	**262**	**200**	**21**	**483**	**359**	**191**	**42**	**592**

1 Goodwill relating to fully consolidated companies. Goodwill arising from the acquisition of interests in associates and joint ventures is included in the disclosed value of these equity interests (see Note 16, Associates and joint ventures).
2 See following table "Goodwill by segment".

Other intangible assets essentially comprise purchased standard and banking software.

Investment commitments for intangible assets amount to 10 million francs (previous year: 2 million francs).

23.1 | 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 and tested in the fourth quarter of each year for impairment. A cash-generating unit is usually a segment.

As part of the new "Swiss Post of tomorrow" strategy (see Note 2.2, Accounting changes, Group structure changes), the management structure in the Group was adjusted. Along with the change in management structure, the reporting structure was also revised, resulting in a change to the composition of the cash-generating units to which goodwill is allocated. The monitoring of goodwill for internal management purposes takes place largely at the segment level. The following tables have been adjusted accordingly.

The goodwill refers to the following segments or cash-generating units:

Goodwill by segment	31.12.2020						31.12.2021					
CHF million	Total goodwill	Logistics Services	Commu-nication Services	Mobility Services	Swiss Post Solutions	Functions and Man-agement	Total goodwill	Logistics Services	Commu-nication Services	Mobility Services	Swiss Post Solutions[3]	Functions and Man-agement
PostMail segment	68	68	–	–	–	–	–	–	–	–	–	–
PostLogistics	27	27	–	–	–	–	–	–	–	–	–	–
BPS Group	14	14	–	–	–	–	–	–	–	–	–	–
notime Group	9	9	–	–	–	–	–	–	–	–	–	–
Logistics Services segment	–	–	–	–	–	–	271	271	–	–	–	–
SPS Germany Group	39	–	–	–	39	–	–	–	–	–	–	–
SPS USA Group	31	–	–	–	31	–	–	–	–	–	–	–
Swiss Post Solutions AG	29	–	–	–	29	–	–	–	–	–	–	–
Swiss Post Solutions Ltd	21	–	–	–	21	–	–	–	–	–	–	–
KLARA Business Ltd[1]	19	–	19	–	–	–	–	–	–	–	–	–
Communication Services segment	–	–	–	–	–	–	88	–	88	–	–	–
Other cash-generating units[2]	5	4	–	0	1	–	0	–	–	0	–	–
Total	**262**	**122**	**19**	**0**	**121**	**–**	**359**	**271**	**88**	**0**	**–**	**–**

1 Goodwill of 13 million francs was impaired in the previous year.
2 Goodwill of 1 million francs was impaired in the previous year.
3 The Swiss Post Solutions segment has been classified as a disposal group and discontinued operation (see Note 2.2, Accounting changes, Discontinued operation and Note 18.3, Discontinued operations).

The recoverable amount of a cash-generating unit is based on a calculation of its value in use via the discounted cash flow method, in turn based on the strategic financial planning approved by the management. The calculation of value in use reflects the cash flows for the next five years, discounted to present value at the weighted average cost of capital (WACC), and an estimated residual value. This includes a growth component at the level of country-specific inflation. WACC is determined using the capital asset pricing model and comprises weighted equity costs and borrowing costs. The return on 10-year government bonds of the country in which the cash-generating unit operates is taken as the risk-free interest rate.

The following discount rates were used per cash-generating unit to determine the recoverable amount of goodwill.

Discount rates	WACC before taxes	
Percent	2020	2021
PostMail segment	6.8	–
PostLogistics	6.9	–
BPS Group	8.2	–
notime Group	7.4	–
Logistics Services segment	–	6.7
SPS Germany Group [1]	8.1	–
SPS USA Group [1]	8.3	–
Swiss Post Solutions AG [1]	6.5	–
Swiss Post Solutions Ltd [1]	7.0	–
KLARA Business AG	7.6	–
Communication Services segment	–	6.6
Other cash-generating units	7.4	7.1

1 The Swiss Post Solutions segment has been classified as a disposal group and discontinued operation (see Note 2.2, Accounting changes, Discontinued operation and Note 18.3, Discontinued operations).

Results of the verification of the recoverable amount of goodwill

As at 31 December 2021, all goodwill items remain recoverable (previous year: impairment of 14 million francs). The recoverable amount (value in use) of these cash-generating units exceeds the carrying amount on the date of measurement. Swiss Post believes that no reasonably possible changes would result in a material assumption that the carrying amount of the cash-generating units exceeds the recoverable amount.

24 | Right-of-use assets (leases)

Accounting policies

As a lessee, Swiss Post determines upon conclusion of a contract whether a lease exists in accordance with IFRS 16. If this is the case, a right-of-use asset and lease liability are recognized. As an exception, short-term leases (less than twelve months) and leases for assets with a replacement value of less than 5,000 francs are charged to expenses in the income statement.

Total lease liabilities are calculated according to the present value of future lease payments at the start of the lease agreement. Payments are discounted using the interest rate implicit in the lease contract or – if that rate cannot be readily determined – Swiss Post’s incremental borrowing rate in the relevant market.

Right-of-use assets are initially recognized at cost. The cost is derived mainly from the above-mentioned present value of future lease payments plus any advance payments made, reconversion obligations or initial direct costs, less lease incentives received. Right-of-use assets are depreciated on a linear basis over the useful life or the term of the lease, if shorter, and impairment losses are recognized if necessary.

Management makes an estimate of the future lease term, taking into account any extension or termination options in place. This estimate may differ from the actual term of lease.

As a lessor, Swiss Post determines upon conclusion of a contract whether all risks and rewards incidental to ownership are transferred to the lessee. In this case, the lease is treated as a finance lease. Otherwise, it is treated as an operating lease.

An impairment test is carried out if there are indications of impairment, in particular in the event of vacant properties.

Estimation uncertainty

The term of the lease determines the amount of the right-of-use assets and the lease liabilities. Management makes an estimate of the future lease term, taking into account any extension or termination options in place. This estimate may differ from the actual term of lease.

Right-of-use assets 2020 CHF million	Land and buildings	Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Total
Acquisition cost					
Balance as at 1.1	**115**	**690**	**17**	**33**	**855**
Additions to the consolidated Group	–	1	–	–	1
Additions	1	154	2	2	159
Disposals	–3	–62	0	0	–65
Disposals arising from reclassifications (IFRS 5)	–	–	–	–	–
Foreign currency translation differences	–	–1	–1	0	–2
Balance as at 31.12	**113**	**782**	**18**	**35**	**948**
Cumulative amortization					
Balance as at 1.1	**4**	**118**	**4**	**7**	**133**
Depreciation	4	118	4	7	133
Impairment	–	–	–	–	–
Disposals	0	–10	0	0	–10
Disposals arising from reclassifications (IFRS 5)	–	–	–	–	–
Foreign currency translation differences	–	0	0	0	0
Balance as at 31.12	**8**	**226**	**8**	**14**	**256**
Carrying amount as at 1.1	**111**	**572**	**13**	**26**	**722**
Carrying amount as at 31.12	**105**	**556**	**10**	**21**	**692**

Right-of-use assets 2021 CHF million	Land and buildings	Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Total
Acquisition cost					
Balance as at 1.1	**113**	**782**	**18**	**35**	**948**
Additions to the consolidated Group	–	7	5	1	13
Additions	1	216	15	2	234
Disposals	–1	–93	–3	0	–97
Disposals arising from reclassifications (IFRS 5)	–	–24	–7	–4	–35
Foreign currency translation differences	–	0	0	0	0
Balance as at 31.12	**113**	**888**	**28**	**34**	**1,063**
Cumulative amortization					
Balance as at 1.1	**8**	**226**	**8**	**14**	**256**
Depreciation	4	119	6	8	137
Impairment	–	7	–	–	7
Disposals	–1	–27	–2	–1	–31
Disposals arising from reclassifications (IFRS 5)	–	–12	–3	–2	–17
Foreign currency translation differences	–	0	0	0	0
Balance as at 31.12	**11**	**313**	**9**	**19**	**352**
Carrying amount as at 1.1	**105**	**556**	**10**	**21**	**692**
Carrying amount as at 31.12	**102**	**575**	**19**	**15**	**711**

As part of its business activities, Swiss Post leases properties for the performance of operations. Operating equipment and vehicles are leased depending on the situation, but this is nevertheless the exception. Residual value guarantees and extension and termination options are measured upon conclusion of contract in relation to their likelihood of occurrence or exercise and are remeasured in the event of indications of a change in general conditions. No significant remeasurements had taken place as at 31 December 2021. The volume of contractually agreed lease contracts, which had not yet entered into force, stood at 39 million francs as at 31 December 2021 (previous year: 2 million francs). There are no significant sale-and-leaseback transactions, restrictions or covenants in the entire portfolio.

25 | Provisions

Accounting policies

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.

Estimation uncertainty

The level of provisions is determined according to the best-estimate principle. Under this calculation method, management makes estimates regarding the probability of occurrence and other considerations. The actual liabilities may differ from the balance sheet values as a result of new findings. Provisions for other long-term employee benefits (loyalty bonuses for long years of service) are determined in the same way as the provisions for sabbaticals taken by senior management and top management using the projected unit credit method. Past service cost, net interest income and remeasurements are recognized directly in the income statement.

Provisions

CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks	Other	Total
As at 1.1.2020	**218**	**78**	**46**	**9**	**135**	**486**
Additions to the consolidated Group	–	–	–	–	–	–
Recognition	46	43	14	1	19	123
Present value adjustment	0	–	–	–	–	0
Use	–19	–48	–11	–2	–19	–99
Reversal	0	–5	–3	–2	–8	–18
Reclassifications	–	–	–	–	–	–
Disposals arising from reclassifications (IFRS 5)	–	–	–	–	–	–
Foreign currency translation differences	–	0	–	0	0	0
As at 31.12.2020	**245**	**68**	**46**	**6**	**127**	**492**
of which short term	16	13	24	4	11	68
As at 1.1.2021	**245**	**68**	**46**	**6**	**127**	**492**
Additions to the consolidated Group	–	–	–	–	2	2
Recognition	11	15	19	5	23	73
Present value adjustment	0	–	–	–	–	0
Use	–16	–39	–11	–1	–35	–102
Reversal	–139	–2	–16	–1	–12	–170
Reclassifications	1	–	–	–	–1	0
Disposals arising from reclassifications (IFRS 5)	–2	–8	–	–2	–19	–31
Foreign currency translation differences	0	0	–	0	0	0
As at 31.12.2021	**100**	**34**	**38**	**7**	**85**	**264**
of which short term	15	14	23	4	7	63

Provisions of 15 million francs were recognized for planned and communicated restructuring plans (previous year: 43 million francs). The amount consists of benefits due based on the collective employment contract redundancy plan as well as additional benefits. Other provisions were recognized in the period under review, amongst other things in connection with onerous contracts.

25.1 | Contingent liabilities: guarantees and guarantee obligations

There were no guarantees or guarantee obligations at the end of 2021.

25.2 | Contingent liabilities: legal cases

As regards claims or legal cases for which no reliable estimate of the amount of the obligation can be made, no provision is 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 43 million francs (previous year: 9 million francs).

25.3 | 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). The arrangement for staff vouchers for retirees was abolished in 2021. The performance can be found in the following breakdown.

The following parameters were applied:

Assumptions for the calculation	Loyalty bonuses		Staff vouchers	
As at	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Imputed interest rate	0.10%	0.26%	0.22%	–
Annual change in salaries	1.00%	1.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	–
Leave share	55.80%	55.80%	–	–
Voluntary turnover	8.41%	9.80%	3.48%	–
Average remaining service in years	9.45	8.70	11.23	–

25.4 | Change in other long-term employee benefits

Other long-term employee benefits	Loyalty bonuses		Staff vouchers		Total	
CHF million	2020	2021	2020	2021	2020	2021
Balance as at 1.1	**78**	**108**	**136**	**136**	**214**	**244**
Accrued claims	9	10	4	2	13	12
Benefits paid	–12	–13	–4	–2	–16	–15
Interest on employee benefit obligations	0	0	0	0	0	0
Expenses/income from plan amendments	33	–1	–	–131	33	–132
(Gains)/losses resulting from changes in assumptions	0	–5	1	–2	1	–7
Actuarial (gains)/losses	0	1	–1	–3	–1	–2
Disposals arising from reclassifications (IFRS 5)	–	–1	–	–	–	–1
Balance as at 31.12	**108**	**99**	**136**	**0**	**244**	**99**

In addition to loyalty bonuses, sabbaticals and staff vouchers, other benefits amounting to 1 million francs (previous year: 1 million francs) are also included in provisions for other long-term employee benefits. The income from plan amendments amounting to 132 million francs in 2021 relates primarily to the discontinuation of the arrangement for staff vouchers for retirees.

25.5 | Other long-term employee benefits recognized in the income statement

Expenses recognized in the income statement	Loyalty bonuses		Staff vouchers	
CHF million	2020	2021	2020	2021
Accrued claims	9	10	4	2
Interest on employee benefit obligations	0	0	0	0
Expenses from plan amendments	33	–1	–	–131
Actuarial (gains)/losses	0	–4	0	–5
Total expenses for other long-term employee benefits	**42**	**5**	**4**	**–134**

26 | Equity

26.1 | 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 Services Organization Act on 26 June 2013 with retroactive effect to 1 January 2013. The Confederation remains the full owner of Swiss Post.

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

26.2 | Gains 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 changes in assumed (estimated) amounts and differences between the assumed (estimated) amounts and their actual realizations.

Fair value reserves

Fair value reserves comprise fluctuations in the value of financial assets FVTOCI, which are caused mainly by fluctuations in capital market interest rates. The cumulative gains/losses from the sale of debt instruments are transferred to the income statement. In the case of equity instruments held within the FVTOCI option, a reclassification to retained earnings is undertaken on the date of sale.

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 in 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. In the event of the sale of a company with a functional currency in a foreign currency, the corresponding reserve is released to profit or loss.

Other gains and losses

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

26.3 | Distributions paid to the owner

The General Meeting of Swiss Post Ltd held on 27 April 2021 decided to distribute a total of 50 million francs from capital reserves (previous year: 50 million francs from retained earnings), or 38.46 francs per share (previous year: 38.46 francs per share). The payment was made on 10 May 2021.

According to the proposal submitted by the Board of Directors to the General Meeting of Swiss Post Ltd, 50 million francs will be distributed for the 2021 financial year. Further details can be found in the Swiss Post Ltd annual financial statements.

Other comprehensive income includes the following:

Group | Gains and losses recorded directly in other comprehensive income CHF million	Notes	Revaluation of employee benefit obligations	Fair value reserves	Hedging reserves	Currency translation reserves	Other gains and losses	Equity attributable to the owner	Non-controlling interests	Total
Balance as at 1.1.2020		**–706**	**323**	**–148**	**–54**	**5**	**–580**	**–**	**–580**
Revaluation of employee benefit obligations	11	–69	–	–	–	–	–69	–	–69
Change in fair value reserves of equity instruments FVTOCI		–	25	–	–	–	25	–	25
Change in share of other comprehensive income from associates and joint ventures	16	–	–	–	–	0	0	–	0
Change in deferred income taxes	17	–15	–5	–	–	–	–20	–	–20
Items not reclassifiable in the consolidated income statement, after tax		**–84**	**20**	**–**	**–**	**0**	**–64**	**–**	**–64**
Change in currency translation reserves		–	–	–	–5	–	–5	–	–5
Change in share of other comprehensive income from associates and joint ventures	16	–	–	–	–	–1	–1	–	–1
Change in fair value reserves of debt instruments FVTOCI, net		–	34	–	–	–	34	–	34
Change in hedging reserves, net[1]		–	–	–6	–	–	–6	–	–6
Change in deferred income taxes	17	–	–5	1	–	–	–4	–	–4
Reclassifiable items in income statement, after tax		**–**	**29**	**–5**	**–5**	**–1**	**18**	**–**	**18**
Other comprehensive income		**–84**	**49**	**–5**	**–5**	**–1**	**–46**	**–**	**–46**
Balance as at 31.12.2020		**–790**	**372**	**–153**	**–59**	**4**	**–626**	**–**	**–626**
Balance as at 1.1.2021		**–790**	**372**	**–153**	**–59**	**4**	**–626**	**–**	**–626**
Revaluation of employee benefit obligations	11	2,069	–	–	–	–	2,069	1	2,070
Change in fair value reserves of equity instruments FVTOCI		–	102	–	–	–	102	–	102
Change in share of other comprehensive income from associates and joint ventures	16	–	–	–	–	1	1	–	1
Change in deferred income taxes	17	–336	–18	–	–	–	–354	–	–354
Items not reclassifiable in the income statement, after tax		**1,733**	**84**	**–**	**–**	**1**	**1,818**	**1**	**1,819**
Change in currency translation reserves		–	–	–	–20	–	–20	–	–20
Change in share of other comprehensive income from associates and joint ventures	16	–	–	–	–	0	0	–	0
Change in fair value reserves of debt instruments FVTOCI, net		–	–155	–	–	–	–155	–	–155
Change in hedging reserves, net[1]		–	–	74	–	–	74	–	74
Change in deferred income taxes	17	–	28	–13	–	–	15	–	15
Reclassifiable items in consolidated income statement, after tax		**–**	**–127**	**61**	**–20**	**0**	**–86**	**–**	**–86**
Other comprehensive income		**1,733**	**–43**	**61**	**–20**	**1**	**1,732**	**1**	**1,733**
Balance as at 31.12.2021		**943**	**329**	**–92**	**–79**	**5**	**1,106**	**1**	**1,107**

1 Additional information can be found in the consolidated statement of comprehensive income.

27 | Risk management and risk assessment

27.1 | Risk management (corporate risk management)

Organization

Swiss Post operates a comprehensive risk management system whose structure is based on ISO 31000:2018. This system was certified by the external auditor SQS in December 2019. According to the SQS report, Swiss Post's risk management system has reached a high maturity level and is appropriate for the complexity of the organization. The scope covers all Group and function units of Swiss Post. Subsidiaries and affiliates are integrated into the risk management processes of the Group units to which they are organizationally assigned. The Board of Directors sets out the primary guidelines and principles for the risk management system, defines risk policy at Swiss Post Ltd and approves the risk strategy. The implementation of risk management lies with line management. Unit management members of the different Group units are responsible for their own risk portfolio in order to identify, assess and control risks by taking appropriate measures.

Group risk management runs the process, develops Group-wide risk management methods and ensures that all detectable significant risks are identified and recorded in full in the risk analysis and reporting systems and documented in the reporting for Executive Management and the Board of Directors. Group risk management also monitors the necessary measures, controls and limits as well as the potential risks.

Swiss Post aims to take an integral and comprehensive approach to risk management. Risk management is therefore combined with the Strategy, Accounting, Controlling, Insurance, Security, Internal Control System, Finance and Crisis Management units as well as with Group Audit and the Compliance department. Swiss Post's 2nd line functions support one another and form an assurance community. The aim is to regularly share information and knowledge with one another and coordinate their activities, terminology, assessment logic, awareness-raising activities and reporting. The assurance community promotes coordination, mutual foundations and the exploitation of integration and synergy potential.

Risk situation

Swiss Post understands "risk" to mean the possibility of an event or development occurring and exerting a positive or negative impact on the achievement of corporate goals. Risk is thus the umbrella term for a threat (negative target deviation) or opportunity (positive target deviation).

Successful entrepreneurial action is based on adequately controlling or avoiding material threats and taking advantage of opportunities that arise in a value-enhancing way. Risk assessment is carried out as part of operational planning for a four-year planning period (2021 to 2024).

Every year, managers and specialists measure the risks that have been identified (threats and opportunities). This measurement is carried out according to a credible worst-case scenario (threats) or credible best-case scenario (opportunities) on the basis of event data, analyses or expert estimates. The credible worst-case scenario constitutes the worst-possible case (threats), and the credible best-case scenario the best-possible case (opportunities) that is still realistic.

The credible worst-case and best-case scenarios are evaluated using the scoring model and an assessment of the following parameters:

– The extent of impact accumulated over the next four years. To evaluate this impact, at least one of the following impact dimensions is assessed: finances, reputation, personal/environmental damage, compliance.
– The likelihood of the identified accumulated impact occurring.

The probability distribution of the Group's overall risk portfolio is calculated using the Monte Carlo simulation process, taking account of the correlations from the probability distributions of the individual risks. The expected loss/gain potential and the maximum loss potential with a confidence interval of 99 percent are derived from this distribution as risk indicators.

Based on the latest calculations, the Group has an expected loss potential of –1,050 million francs in relation to the 2021 to 2024 business period. The unexpected four-year loss potential (VaR 99 percent) for the Group totals –3,330 million francs. This means the Group's risk capacity is ensured so that sufficient equity capital would be available at the end of the evaluation period (2024) even in the event of an unexpected cumulative cashflow deviation (VaR 99 percent).

The greatest threats comprise transport risks, the profit trend at PostFinance, problems implementing the new strategy, service provision outages and the effects of a serious pandemic. Positive effects could occur as a result of business optimization measures, customer acquisitions and the implementation of transformation projects.

27.2 | Financial risk management in logistics

Following the introduction of the standard IFRS 9 Financial Instruments, and due to the fundamentally different business models within Swiss Post Group, financial risk management is disclosed in two parts (logistics and PostFinance). The logistics part comprises all Swiss Post's business activities with the exception of the PostFinance segment.

The Swiss Post consolidated balance sheet as at 31 December 2020 and 2021 is broken down between the logistics and PostFinance business models as follows:

Condensed balance sheet, divided according to business model

CHF million	PostFinance 31.12.2020	Logistics 31.12.2020	Group 31.12.2020	PostFinance 31.12.2021	Logistics 31.12.2021	Group 31.12.2021
Cash	1,414	96	1,510	1,156	1	1,157
Amounts due from banks	37,090	1,484	38,574	44,883	1,256	46,139
Interest-bearing amounts due from customers	878	–	878	910	–	910
Trade accounts receivable	2	705	707	3	664	667
Contract assets	16	192	208	26	209	235
Other receivables [1]	388	451	839	348	407	755
Financial assets	76,508	55	76,563	73,390	85	73,475
Amortized cost	67,747	36	67,783	65,158	54	65,212
FVTPL including derivative financial instruments	363	18	381	579	30	609
FVTOCI equity instruments	211	1	212	300	1	301
FVTOCI debt instruments	8,187	–	8,187	7,353	–	7,353
Other assets [2]	1,081	3,914	4,995	1,008	4,051	5,059
Total assets	**117,377**	**6,897**	**124,274**	**121,724**	**6,673**	**128,397**
Customer deposits (PostFinance)	109,337	–	109,337	94,110	–	94,110
Other financial liabilities	937	1,931	2,868	20,563	1,983	22,546
Liabilities relating to banks	530	560	1,090	815	403	1,218
Derivatives	330	4	334	105	–	105
Lease liabilities	53	649	702	48	683	731
Private placements	–	710	710	–	810	810
Repurchase transactions	22	–	22	19,593	–	19,593
Other	2	8	10	2	87	89
Trade accounts payable [3]	22	290	312	21	240	261
Other liabilities [1]	97	664	761	80	562	642
Other equity and liabilities [2]	6,984	4,012	10,996	6,950	3,888	10,838
Total equity and liabilities	**117,377**	**6,897**	**124,274**	**121,724**	**6,673**	**128,397**

1 Includes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities associated with taxes, social insurance schemes and dividends.
2 The other assets and liabilities are not financial instruments. For the purposes of reconciliation with the balance sheet, they are reported here.
3 Includes advance payments.

Risk management information on PostFinance can be found from page 164 onwards. The following explanations refer to financial risk management in the logistics business model.

Credit risks

Credit risks arising from the provision of logistics services include the default risk on cash holdings, amounts due from banks (current account balances, fixed-term deposits), trade accounts receivable, contract assets and other receivables (financial instruments), as well as on financial assets measured at amortized cost. The maximum credit risk corresponds to the amounts reported in the balance sheet.

Impairment losses required for potential future defaults on current account balances, fixed-term deposits and amounts due from banks are calculated taking into account the historical probability of default and an estimation of the probability of default in the future. To calculate expected credit loss in the logistics business model, the same ECL model is applied as in the PostFinance business model.

The creditworthiness of major counterparties is constantly monitored. A limit is set for each counterparty for risk control purposes. The counterparty limit is recalculated at regular intervals. Outstanding amounts due from major counterparties are constantly monitored and documented.

The trade accounts receivable recognized originate mainly from the invoicing of services provided by Logistics Services to business customers. Around 40 percent of receivables are collected from the customer on the due date automatically by direct debit. The creditworthiness of all new customers and customers experiencing payment difficulties is determined by means of a creditworthiness check. Outstanding receivables are subsequently monitored on a permanent basis by the Finance Service Center. Customer-specific credit limits are set in order to minimize risks. Compliance with these limits is checked automatically on an ongoing basis. In the event of major payment delays, services are provided exclusively upon payment in advance.

The simplified approach permitted in accordance with IFRS 9 is applied to determine expected credit loss on trade accounts receivable, contract assets and other receivables (financial instruments). A historical default rate is calculated for these in the balance sheet at accounting unit level. An additional risk premium is recorded to take into account future changes in debtor solvency. Bandwidths apply when calculating expected defaults on overdue receivables. If a receivable is 1 to 90 days overdue, an impairment loss of a maximum of 10 percent of the receivable amount is recorded (91 to 180 days: up to max. 75 percent, 181 to 360 days: up to max. 100 percent and more than 360 days: up to max. 100 percent). Information from the dunning system (on customer payment behaviour and creditworthiness) and from the sales department (on the sector and the market) is taken into account to determine the impairment loss. The receivable is definitively derecognized once there are firm indications that it is no longer recoverable.

On the reference date, the following impairment losses on financial instruments were recognized in the logistics business model:

Logistics | Impairment losses on financial instruments		31.12.2020			31.12.2021	
CHF million	Gross	Impairment	Net	Gross	Impairment	Net
Cash	96	–	96	1	–	1
Amounts due from banks	1,484	0	1,484	1,256	0	1,256
Trade accounts receivable	712	–7	705	670	–6	664
Contract assets	192	–	192	209	–	209
Other receivables [1]	144	–2	142	168	–2	166
Financial assets						
Amortized cost	42	–6	36	54	0	54
Total financial instruments	**2,670**	**–15**	**2,655**	**2,358**	**–8**	**2,350**

1 Excludes accruals (tax, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.

The following receivables are overdue on the reference date:

Logistics | Overdue receivables			31.12.2020				31.12.2021	
CHF million	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
Trade accounts receivable	74	10	4	4	33	2	11	6
Total receivables	**74**	**10**	**4**	**4**	**33**	**2**	**11**	**6**

Impairment losses on amounts due from banks, financial assets at amortized cost, trade accounts receivable, and other receivables (financial instruments) are broken down as follows between levels 1 to 3 as at 31 December 2020 and 31 December 2021:

Logistics | Impairment losses on financial instruments				31.12.2020				31.12.2021
CHF million	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
ECL on amounts due from banks	0	–	0	–	0	–	0	–
ECL on financial assets at amortized cost	–6	0	–	–6	0	0	–	–
The following impairments were calculated based on the simplified approach								
ECL on trade accounts receivable [1]	–7				–5			
ECL on other receivables [1]	–2				–2			

1 In each case, the figure matches the expected loss over the remaining term to maturity.

Liquidity risks

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time in full. Liquidity management ensures that Swiss Post has sufficient liquidity available at all times to meet its payment obligations, even in stress situations, without losses or reputational damage.

Liquidity is monitored daily by Group Treasury and reported each month to the decision-makers at Group level. A Group cash flow plan is drawn up each quarter. The minimum level of liquidity (minimum liquidity/cash burn rate) is defined as cash expenses for the current month and the subsequent two months. The short-term cash flow planning is constantly updated and monitored. The following due dates exist for financial instruments in the logistics business model:

Logistics | Due dates of financial instruments

31.12.2020 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	None	Total
Financial assets						
Cash holdings	96	–	–	–	–	96
Amounts due from banks	614	660	210	–	–	1,484
Trade accounts receivable	697	8	0	0	–	705
Other receivables [1]	0	22	77	43	–	142
Financial assets						
Amortized cost	0	5	31	0	–	36
FVTPL incl. derivative financial instruments	1	0	–	–	17	18
FVTOCI equity instruments	–	–	–	–	1	1
Total financial assets	**1,408**	**695**	**318**	**43**	**18**	**2,482**
Financial liabilities						
Other financial liabilities						
Liabilities relating to banks	560	–	0	–	–	560
Derivatives	–	–	4	–	–	4
Lease liabilities	4	106	306	233	–	649
Private placements [2]	–	35	35	640	–	710
Other	5	0	3	–	–	8
Trade accounts payable [3]	275	0	0	–	–	275
Other liabilities [1, 4]	41	–	–	–	–	41
Total financial liabilities	**885**	**141**	**348**	**873**	**–**	**2,247**

1 Excludes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Swiss Post Ltd has several outstanding private placements totalling 710 million francs. Nine tranches overall, expiring between 2021 and 2032, are outstanding on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to these private placements is 1.19 percent, and the average remaining maturity of the outstanding tranches as at the end of 2020 is eight years.
3 Excludes advance payments.
4 Includes liabilities from refund claims.

Logistics | Due dates of financial instruments

31.12.2021 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	None	Total
Financial assets						
Cash holdings	1	–	–	–	–	1
Amounts due from banks	596	380	280	–	–	1,256
Trade accounts receivable	664	0	0	–	–	664
Other receivables [1]	7	24	82	53	–	166
Financial assets						
Amortized cost	0	3	1	25	25 [2]	54
FVTPL incl. derivative financial instruments	2	0	9	–	19	30
FVTOCI equity instruments	–	–	–	–	1	1
Total financial assets	**1,270**	**407**	**372**	**78**	**45**	**2,172**
Financial liabilities						
Other financial liabilities						
Liabilities relating to banks	301	100	2	–	–	403
Lease liabilities	6	107	313	257	–	683
Private placements [3]	–	35	35	740	–	810
Other	63	–	21	3	–	87
Trade accounts payable [4]	231	0	0	–	–	231
Other liabilities [1, 5]	17	–	17	17	–	51
Total financial liabilities	**618**	**242**	**388**	**1,017**	**–**	**2,265**

1 Excludes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Loans to Asendia Holding Ltd; see also Notes 16.2, Investments in associates and joint ventures and 19, Financial assets and liabilities.
3 Swiss Post Ltd has several outstanding private placements totalling 810 million francs. Ten tranches overall, expiring between 2022 and 2061, are outstanding on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to these private placements is 1.05 percent, and the average remaining maturity of the outstanding tranches as at the end of 2021 is ten years.
4 Excludes advance payments.
5 Includes liabilities from refund claims.

Logistics | Present value of the commitments from lease liabilities

	31.12.2020			31.12.2021		
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	120	– 11	109	124	– 11	113
Due within 1 to 5 years	332	– 28	304	342	– 30	312
Due date longer than 5 years	297	– 61	236	317	– 59	258
Total	**749**	**– 100**	**649**	**783**	**– 100**	**683**

The other financial liabilities with changes in cash flow from financing activities (Group perspective) are as follows:

Group | Changes in other financial liabilities

CHF million	Due to banks	Derivative financial instruments	Lease liabilities	Repurchase transactions	Private placements	Other	Total
As at 1.1.2020	**1,017**	**342**	**728**	**9,125**	**845**	**7**	**12,064**
Other financial liabilities with change in cash flow from operating and investment activities	615	339	–	9,125	–	1	10,080
Other financial liabilities with change in cash flow from financing activities as at 1.1.2020	**402**	**3**	**728**	**–**	**845**	**6**	**1,984**
Cash changes	158	–	–129	–	–135	–2	–108
Changes to scope of consolidation	0	–	1	–	–	5	6
Foreign currency translation differences	0	–	–1	–	–	–1	–2
Other non-cash changes	–	1	103	–	–	–	104
Other financial liabilities with change in cash flow from financing activities as at 31.12.2020	**560**	**4**	**702**	**–**	**710**	**8**	**1,984**
Other financial liabilities with change in cash flow from operating and investment activities	530	330	–	22	–	2	884
As at 31.12.2020	**1,090**	**334**	**702**	**22**	**710**	**10**	**2,868**
As at 1.1.2021	**1,090**	**334**	**702**	**22**	**710**	**10**	**2,868**
Other financial liabilities with change in cash flow from operating and investment activities	530	330	–	22	–	2	884
Other financial liabilities with change in cash flow from financing activities as at 1.1.2021	**560**	**4**	**702**	**–**	**710**	**8**	**1,984**
Cash changes	–159	–	–132	–	100	52	–139
Changes to scope of consolidation	4	–	13	–	–	4	21
Foreign currency translation differences	0	–	0	–	–	0	0
Other non-cash changes	–2	–4	148	–	–	23	165
Other financial liabilities with change in cash flow from financing activities as at 31.12.2021	**403**	**–**	**731**	**–**	**810**	**87**	**2,031**
Other financial liabilities with change in cash flow from operating and investment activities	815	105	–	19,593	–	2	20,515
As at 31.12.2021	**1,218**	**105**	**731**	**19,593**	**810**	**89**	**22,546**

The change in customer deposits (PostFinance) reported under financial liabilities is included in cash flow from operating activities.

Foreign currency risks

Foreign currency risk is monitored by Group Treasury on an ongoing basis. Foreign currency risk is constantly reduced via cash transactions or foreign exchange forward contracts. Foreign currency is only held to settle current liabilities in foreign currencies. Automated monitoring takes place; daily on the basis of balances transferred in real time. Subsidiaries with no automated connection immediately transfer excess liquidity in all currencies to the Group.

The following currency balances show foreign currency exposure as at 31 December 2020 and 31 December 2021:

Logistics | Financial instruments by currency 31.12.2020 CHF million	Functional currency	Foreign currencies CHF	EUR	USD	GBP	Other	Total
Assets							
Cash	88	0	8	0	0	–	96
Amounts due from banks	1,476	1	6	1	0	0	1,484
Trade accounts receivable	649	–	43	0	0	13	705
Other receivables [1]	142	–	–	–	–	–	142
Financial assets							
Amortized cost	10	–	0	26	–	–	36
FVTPL incl. derivative financial instruments	7	–	3	8	–	–	18
Liabilities							
Other financial liabilities							
Liabilities relating to banks	560	–	–	–	–	–	560
Derivatives	4	–	–	–	–	–	4
Lease liabilities	649	–	–	–	–	–	649
Private placements	710	–	–	–	–	–	710
Other	8	–	–	–	–	–	8
Trade accounts payable [2]	243	0	21	0	0	11	275
Other liabilities [1, 3]	41	–	–	–	–	–	41

1 Excludes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Excludes advance payments.
3 Includes liabilities from refund claims.

Logistics | Financial instruments by currency 31.12.2021 CHF million	Functional currency	Foreign currencies CHF	EUR	USD	GBP	Other	Total
Assets							
Cash	1	0	0	–	–	–	1
Amounts due from banks	1,239	1	16	0	0	–	1,256
Trade accounts receivable	602	–	45	0	0	17	664
Other receivables [1]	166	–	–	–	–	–	166
Financial assets							
Amortized cost	4	–	25	25	–	–	54
FVTPL incl. derivative financial instruments	17	–	6	8	–	–	31
Liabilities							
Other financial liabilities							
Liabilities relating to banks	403	–	–	–	–	–	403
Lease liabilities	683	–	–	–	–	–	683
Private placements	810	–	–	–	–	–	810
Other	35	–	52	–	–	–	87
Trade accounts payable [2]	185	–	40	2	0	4	231
Other liabilities [1, 3]	45	–	6	–	–	–	51

1 Excludes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Excludes advance payments.
3 Includes liabilities from refund claims.

Interest rate risks

All financing and refinancing is monitored daily. Variable interest-bearing items are replicated. Net present value, duration and change in present value are calculated with a parallel shift in the yield curve of one basis point (DV01) for quarterly treasury reporting. Interest rate risk is kept as low as possible.

Goods price risks

Goods price risks that are relevant to the Group are identified, evaluated and controlled via appropriate measures by risk management. Significant goods price risks include pressure on parcel margins at Logistics Services due to rising competition and the increase in fuel prices at PostBus.

27.3 | Risk management at PostFinance

Business model and risk profile

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

PostFinance defines three risk categories based on its business model.

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

Governance and reporting

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

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

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

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

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

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

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

Risk Control independently monitors all risks that are not monitored by Compliance or Governance. This applies in particular to financial risks, operational risks, security risks and strategic risks. Risk Control continuously monitors the risk situation in these areas, reviews central risk management processes, methods for risk measurement and assessment and risk monitoring systems in the 1st LoD, and monitors their correct implementation and application. Risk Control defines appropriate directives and processes for identifying, measuring, assessing and controlling the risks taken by PostFinance. Risk Control provides a suitable system for maintaining an inventory of all risks, risk management strategies, controls and events. As a unit in the 2nd LoD, it ensures that the 1st LoD units keep the inventory complete and up-to-date and validates the inventory on an ongoing basis with regard to completeness and correctness.

Compliance independently monitors adherence to legal, regulatory and internal provisions relating to money laundering, tax compliance and the provision of financial services. Governance independently monitors compliance by staff with the rules of governance as a whole and with the Code of Conduct. Both units inform the Board of Directors and the Executive Board about serious compliance breaches or matters of major significance.

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

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

Risk measurement methods

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

PostFinance measures and monitors financial risks both at individual portfolio level and with regard to the overall balance sheet. Risks are limited by means of a multi-dimensional limit system. A variety of methods of differing degrees of complexity are used by Risk Management to measure financial risks. In concrete terms, they include scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and stochastic models to determine value-at-risk or expected shortfall risk indicators (e.g. to measure fair value risks resulting from open foreign currency items or to quantify economic concentration risks in the credit portfolio). The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times.

All risks of PostFinance are assessed on the basis of a credible worst case scenario (CWC). The CWC represents a dire but nevertheless realistic loss scenario associated with a risk. The CWC covers both probability of occurrence and extent of loss in a quantitative and/or qualitative form. This assessment is undertaken for both gross and residual risk, i.e. after implementation of the risk management strategy. Individual risks are assessed using threshold values with regard to the obligation to record and the necessity of control measures. Approval limits for individual risks are used to ensure that risks and the associated risk management strategy are acknowledged and approved at the appropriate level. At a higher level, the risks in the risk inventory are used by the Executive Board and Board of Directors for the top-down definition of top risks that are of central importance to PostFinance and have a high level of management attention. Operational top risks are measured by aggregating the respective individual risk clusters. These top risks and other aggregated risk positions are assigned to a warning level which, if exceeded, triggers a notification to the Board of Directors.

Stress testing

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

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

Financial risk management at PostFinance

An overview of the breakdown of the financial instruments reported in the Swiss Post consolidated balance sheet as at 31 December 2020 and 2021 between PostFinance and the logistics business model (other companies) is given on ➔ page 158.

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

Interest rate risk and balance sheet structure risk

The term “interest rate risk” refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet, as well as the possible effect on the result from interest operations in the income statement, resulting mainly from maturity mismatches. PostFinance’s interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of customer deposits held by PostFinance are non-maturing and do not earn a fixed rate of interest. The interest rate of these deposits is therefore estimated using a replication method, which aims to map the most closely matching maturities of similar customer products while minimizing the interest margin volatility of each product. An additional liquidity buffer is used to cover short-term volume fluctuations. The maturities of money and capital market investments are determined on the basis of the target present value sensitivity of equity, and used to define the maturity transformation strategy. The resulting imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective.

The present value sensitivity covers the net effect of an adverse 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 shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other.

PostFinance | Absolute change in the present value of equity

CHF million	31.12.2020	31.12.2021
Flattener shock in accordance with FINMA Circular 2019/2[1]	–190	–279

1 The six standard shocks in accordance with FINMA Circular 2019/2 "Interest rate risks – banks" have been used to determine the present value sensitivity of equity since 1 January 2019. According to the flattener shock scenario, the shocks for short-term (one-day) and long-term (30-day) interest correspond to CHF +120 bp or –60 bp; EUR +200 bp or –60 bp; USD, CAD & SEK +240 bp or –90 bp; AUD +360 bp or –120 bp. The scenario resulting in the greatest negative change in the present value of equity is shown per reference date.

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

Credit risks

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance pursues a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. The cluster risk is deliberately limited by holding financial investments that are broadly diversified in terms of the sectors, countries and counterparties. A large proportion of customer deposits are invested as a sight deposit balance at the SNB. On 31 December 2021, this sight deposit balance stood at 44,835 million francs (previous year: 36,893 million francs).

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. In addition, a sharp decline in the creditworthiness of a counterparty can trigger additional impairment requirements for the creditor. Credit risk increases as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the creditworthiness or solvency of an entire group of otherwise unrelated counterparties.

To limit the credit risks taken, each year the Board of Directors of PostFinance sets a maximum figure not to be exceeded with regard to regulatory minimum capital to cover credit risks. It also determines directives on the investment rating structure, limits potential country risks and delegates responsibility for approving major counterparty limits to the Board of Directors' Risk Committee. Investments are only permitted if the debtor has a rating and its creditworthiness is classed as investment grade.

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

The directives for counterparty limits are based on publicly accessible ratings by recognized rating agencies and qualified banks, and on internal limit systems, with ESG criteria (environmental, social and governance) also being taken into account. Climate-related finance risks are also analysed and taken into account as part of the ESG criteria. PostFinance is publishing the climate-related financial risks for the first time for 2021 with a separate disclosure. By means of quantitative and risk-oriented qualitative analyses of balance sheet key figures and early warning indicators, publicly accessible ratings in the limit systems are examined critically and limits derived from them, taking into account the current portfolio. The Risk Management unit is responsible for developing and applying internal limit systems. These limit systems are approved and released by the Executive Board at least once a year. Changes in a counterparty's creditworthiness or of relevant key figures or ESG criteria result in the immediate adjustment of the directives. Compliance with prescribed limits is monitored on an ongoing basis and is verified by the Treasury unit before the closing of each transaction.

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

The cluster risk is deliberately limited by holding financial investments that are broadly diversified in terms of the counterparties. An overview of the three largest counterparties as at 31 December 2020 and 31 December 2021 is given below:

PostFinance | Breakdown of the largest counterparties [1]

CHF million	31.12.2020	31.12.2021
Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich	9,554	9,431
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	7,954	8,321
Swiss Confederation, Bern	2,159	1,819

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

Country risks are controlled by establishing country portfolio limits, which encourages a broad diversification of international financial assets. An overview of the three largest country exposures as at 31 December 2020 and 31 December 2021 is given below:

Summary of main country exposures [1]

CHF million	31.12.2020	31.12.2021
Switzerland	45,835	44,445
USA	5,910	5,980
Canada	3,428	3,413

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

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

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

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

Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. Concentrations of securities delivered (with the exception of cash collateral) are measured, monitored and reported to the Executive Board on a monthly basis. At the same time, wrong-way risks are assessed and risk control proposals submitted where concentrations have been identified.

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

Impairment and analysis of expected losses

On the reference date the following impairment losses on financial instruments were recognized in the PostFinance business model:

PostFinance | Value adjustments on financial instruments

CHF million	31.12.2020 Gross	31.12.2020 Impairment	31.12.2020 Net	31.12.2021 Gross	31.12.2021 Impairment	31.12.2021 Net
Cash	1,414	–	1,414	1,156	–	1,156
Amounts due from banks	37,136	−46	37,090	44,929	−46	44,883
Interest-bearing amounts due from customers	888	−10	878	918	−8	910
Trade accounts receivable	2	–	2	3	–	3
Contract assets	16	–	16	26	–	26
Other receivables [1]	248	0	248	229	0	229
Financial assets						
Amortized cost	67,781	−34	67,747	65,186	−28	65,158
FVTOCI debt instruments	8,187	−7 [2]	8,187	7,353	−5 [2]	7,353
Total financial instruments	**115,672**	**−97**	**115,582**	**119,800**	**−87**	**119,718**

1 Excludes accruals (tax, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 The impairment loss is reported and carried forward in other comprehensive income.

Impairment losses are calculated using an expected credit loss model. The approach is forward looking in accordance with the relevant paragraphs of the IFRS 9 standard and takes into account expectations regarding future trends in the business cycle.

As explained above with regard to the logistics business model, the simplified approach permitted in accordance with IFRS 9 is applied to determine expected credit loss on trade accounts receivable, contract assets and other receivables. Overall, these impairments are not material in nature in the PostFinance business model.

As at 31 December 2020 and 31 December 2021, ECL levels are broken down as follows within amounts due from banks, interest-bearing receivables, financial assets and financial guarantees:

PostFinance | Analysis of expected losses

CHF million	31.12.2020 12-month expected credit losses (level 1)	31.12.2020 Expected credit losses over remaining term to maturity (level 2)	31.12.2020 Expected credit losses over remaining term to maturity (level 3)	31.12.2020 Total	31.12.2021 12-month expected credit losses (level 1)	31.12.2021 Expected credit losses over remaining term to maturity (level 2)	31.12.2021 Expected credit losses over remaining term to maturity (level 3)	31.12.2021 Total
Amortized cost								
Amounts due from banks	37,090	–	46	37,136	44,883	–	46	44,929
Value adjustments	–	–	–46	–46	–	–	–46	–46
Carrying amount	**37,090**	**–**	**–**	**37,090**	**44,883**	**–**	**–**	**44,883**
Interest-bearing amounts due from customers	876	3	9	888	907	4	7	918
Value adjustments	–4	–1	–5	–10	–2	–2	–4	–8
Carrying amount	**872**	**2**	**4**	**878**	**905**	**2**	**3**	**910**
Bonds and loans								
AAA to AA–	46,800	–	–	46,800	46,044	–	–	46,044
A+ to A–	14,069	–	–	14,069	13,507	–	–	13,507
BBB+ to BBB–	6,195	–	–	6,195	5,486	–	–	5,486
BB+ to B–	222	1	–	223	36	0	–	36
Unrated	485	–	9	494	103	–	10	113
Total	**67,771**	**1**	**9**	**67,781**	**65,176**	**0**	**10**	**65,186**
Value adjustments	–25	0	–9	–34	–18	0	–10	–28
Carrying amount	**67,746**	**1**	**-**	**67,747**	**65,158**	**0**	**–**	**65,158**
FVTOCI								
Debt instruments								
AAA to AA–	1,731	–	–	1,731	1,946	–	–	1,946
A+ to A–	4,591	–	–	4,591	3,940	–	–	3,940
BBB+ to BBB–	1,865	–	–	1,865	1,467	–	–	1,467
Carrying amount	**8,187**	**–**	**–**	**8,187**	**7,353**	**–**	**–**	**7,353**
Value adjustments	–7	–	–	–7	–5	–	–	–5
Financial guarantees								
Financial guarantees	75	–	–	75	86	–	–	86
Provisions for expected losses	0	–	–	0	0	–	–	0

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

Potential offsetting of financial assets and financial liabilities

No offsetting took place. The financial assets and financial liabilities listed below were subject to offsetting agreements, enforceable global offsetting or similar agreements as at 31 December 2020 or 31 December 2021. Both the Swiss Framework Contract for Repo Transactions (Multilateral Version) and the Agreement on the Settlement of Repo Transactions (Triparty Service Agreement) apply to repurchase and reverse repurchase transactions. There is also a framework contract applicable to securities lending transactions, as well as agreements for Triparty Collateral Management (TCM) between SIX Group Ltd, third parties and PostFinance.

PostFinance | Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2020, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		
	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	Financial assets after considera-tion of offsetting options
Item in the balance sheet						
Positive replacement values	232	–	232	–	–35	197

PostFinance | Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2020, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		
	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	Financial liabilities after considera-tion of offsetting options
Item in the balance sheet						
Negative replacement values	334	–	334	–	–150	184
Repurchase transactions	22	–	22	–	–22	–
Securities lending and similar agreements	3,279	–	3,279	–	–3,460	–

PostFinance | Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2021, CHF million	Financial assets with offsetting agreements			Unrecognized offsetting options		
	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	Financial assets after considera-tion of offsetting options
Item in the balance sheet						
Positive replacement values	451	–	451	–	–365	86

PostFinance | Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements 31.12.2021, CHF million	Financial liabilities with offsetting agreements			Unrecognized offsetting options		
	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	Financial liabilities after considera-tion of offsetting options
Item in the balance sheet						
Negative replacement values	105	–	105	–	–15	90
Repurchase transactions	19,593	–	19,593	–	–19,595	–
Securities lending and similar agreements	3,339	–	3,339	–	–3,532	–

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:

PostFinance | Reverse repurchase transactions and securities lending and repurchase transactions

CHF million	31.12.2020	31.12.2021
Commitments		
Commitments from cash collateral in repurchase transactions	22	19,593
of which recognized in financial liabilities – other financial liabilities	22	19,593
Securities cover		
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	3,301	22,934
of which securities for which an unrestricted right to dispose of or pledge was granted	3,279	3,338
of which recognized in financial assets – amortized cost	3,269	3,337
of which recognized in financial assets – FVTOCI debt instruments	10	1
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions	3,460	3,532

Liquidity risks

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed with a one-day, a one-month and a long-term time horizon. To guarantee liquidity on a daily basis, liquidity figures are defined for the settlement of unforeseen payments. These 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. The minimum amount for the liquidity figures is based on high daily cash outflows with an extremely low probability of occurrence.

Liquidity over a one-month horizon is guaranteed and limited by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure.

PostFinance | Liquidity in the short term

Percent	31.12.2020	31.12.2021
Liquidity coverage ratio (LCR)	199%	156%

To ensure liquidity over a longer time horizon, liquidity stress scenarios are defined that last at least three months and must not lead to illiquidity. Long-term stable financing beyond a one-year horizon is ensured by the structural liquidity ratio (net stable funding ratio, NSFR).

PostFinance | Long-term stable financing

Percent	31.12.2020	31.12.2021
Net stable funding ratio (NSFR)	n/a	170%

There is an emergency plan to resolve any liquidity crises.

The following table shows an analysis of financial assets and financial liabilities in accordance with the maturities remaining as per the balance sheet date.

PostFinance | Maturities

31.12.2020 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	Total
Financial assets					
Cash holdings	1,414	–	–	–	1,414
Amounts due from banks	37,136	–	–	–	37,136
Interest-bearing amounts due from customers	888	–	–	–	888
Financial assets (excluding derivatives)					
Amortized cost	2,490	5,530	33,743	25,770	67,533
FVTOCI debt instruments	–	630	5,741	1,503	7,874
FVTPL debt instruments	–	0	4	–	4
Total non-derivative financial assets	**41,928**	**6,160**	**39,488**	**27,273**	**114,849**
Derivative financial instruments for trading purposes					
Outflow	–2,302	–411	–5	–	–2,718
Inflow	2,342	419	5	–	2,766
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–135	–48	–141	–368	–692
Inflow	127	11	27	353	518
Total derivative financial assets	**32**	**–29**	**–114**	**–15**	**–126**
Financial liabilities					
Postal accounts	73,682	–	–	–	73,682
Savings and investment accounts	35,642	–	–	–	35,642
Cash bonds for customers	1	3	8	–	12
Money market investments for customers	1	–	–	–	1
Total customer deposits	**109,326**	**3**	**8**	**–**	**109,337**
Liabilities relating to banks	530	–	–	–	530
Other financial liabilities	3	9	21	22	55
Repurchase transactions	22	–	–	–	22
Total other financial liabilities (excluding derivatives)	**555**	**9**	**21**	**22**	**607**
Issued financial guarantee contracts	3	27	35	10	75
Irrevocable credit commitments	–	0	0	431	431
Total off-balance-sheet positions	**3**	**27**	**35**	**441**	**506**
Total non-derivative financial liabilities	**109,884**	**39**	**64**	**463**	**110,450**
Derivative financial instruments for trading purposes					
Outflow	–3,159	–578	–5	–	–3,742
Inflow	3,133	573	5	–	3,711
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–104	–273	–817	–2,177	–3,371
Inflow	80	219	596	2,015	2,910
Total derivative financial liabilities	**–50**	**–59**	**–221**	**–162**	**–492**

PostFinance | Maturities

31.12.2021 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	Total
Financial assets					
Cash holdings	1,156	–	–	–	1,156
Amounts due from banks	44,929	–	–	–	44,929
Interest-bearing amounts due from customers	918	–	–	–	918
Financial assets (excluding derivatives)					
Amortized cost	1,735	6,199	31,683	25,344	64,961
FVTOCI debt instruments	129	966	4,972	1,122	7,189
FVTPL debt instruments	–	0	1	–	1
Total non-derivative financial assets	**48,867**	**7,165**	**36,656**	**26,466**	**119,154**
Derivative financial instruments for trading purposes					
Outflow	–4,878	–927	–3	–	–5,808
Inflow	4,952	942	3	–	5,897
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–142	–91	–245	–1,946	–2,424
Inflow	128	26	59	1,894	2,107
Total derivative financial assets	**60**	**–50**	**–186**	**–52**	**–228**
Financial liabilities					
Postal accounts	67,186	–	–	–	67,186
Savings and investment accounts	26,901	–	–	–	26,901
Cash bonds for customers	1	1	6	–	8
Money market investments for customers	15	–	–	–	15
Total customer deposits	**94,103**	**1**	**6**	**–**	**94,110**
Liabilities relating to banks	813	2	–	–	815
Other financial liabilities	2	9	19	20	50
Repurchase transactions	19,593	–	–	–	19,593
Total other financial liabilities (excluding derivatives)	**20,408**	**11**	**19**	**20**	**20,458**
Issued financial guarantee contracts	9	24	32	21	86
Irrevocable credit commitments	–	0	0	317	317
Total off-balance sheet positions	**9**	**24**	**32**	**338**	**403**
Total non-derivative financial liabilities	**114,520**	**36**	**57**	**358**	**114,971**
Derivative financial instruments for trading purposes					
Outflow	–734	–96	–3	–	–833
Inflow	729	95	3	–	827
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–57	–222	–406	–1,263	–1,948
Inflow	42	201	299	1,138	1,680
Total derivative financial liabilities	**–20**	**–22**	**–107**	**–125**	**–274**

PostFinance | Present value of commitments from finance leases

	31.12.2020			31.12.2021		
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	11	–1	10	10	–1	9
Due within 1 to 5 years	24	–3	21	21	–2	19
Due date longer than 5 years	39	–17	22	37	–17	20
Total	**74**	**–21**	**53**	**68**	**–20**	**48**

Market risks

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

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

- Open foreign currency items and changes in value arising from foreign currency derivatives affect the volatility of the income statement (foreign currency risks).
- Changes in the value of instruments that are recognized at fair value (including equity positions, fund investments in the banking book, fixed-interest items available for sale and the related hedging instruments) have an effect on the volatility of OCI and possibly of the income statement.

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

The following table shows the breakdown of market risks determined as at 31 December 2020 and 31 December 2021 respectively.

PostFinance | Value at risk from market risks

CHF million	31.12.2020	31.12.2021
Income statement value at risk, aggregated	**10**	**9**
Income statement value at risk from foreign currency risks	3	3
Income statement value at risk from equity price risks	–	–
Income statement value at risk from credit spread risks	6	5
Income statement value at risk from interest rate risks	1	1
OCI value at risk, aggregated	**268**	**204**
OCI value at risk from foreign currency risks	–1	0
OCI value at risk from equity price risks	–3	22
OCI value at risk from credit spread risks	125	90
OCI value at risk from interest rate risks	147	92

The following table shows the foreign currency exposure of the PostFinance business model as at 31 December 2020 and 31 December 2021:

PostFinance | Financial instruments by currency 31.12.2020 CHF million	Functional currency	Foreign currencies				
		EUR	USD	GBP	Other	Total
Assets						
Cash	1,304	110	–	–	–	1,414
Amounts due from banks	37,053	19	3	1	14	37,090
Interest-bearing amounts due from customers	860	7	11	0	0	878
Trade accounts receivable	2	–	–	–	–	2
Other receivables [1]	163	53	28	0	4	248
Financial assets						
Amortized cost	59,380	5,269	2,410	–	688	67,747
FVTOCI debt instruments	–	6,372	1,760	–	55	8,187
Liabilities						
Customer deposits (PostFinance)	106,208	2,523	505	49	52	109,337
Other financial liabilities excluding derivatives						
Liabilities relating to banks	516	9	5	–	0	530
Lease liabilities	53	–	–	–	–	53
Repurchase transactions	–	22	–	–	–	22
Other	2	–	–	–	–	2
Trade accounts payable [2]	20	1	0	0	–	21
Other liabilities [1]	6	0	0	–	0	6

1 Excludes accruals and deferrals (taxes, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Excludes advance payments.

PostFinance | Financial instruments by currency 31.12.2021 CHF million	Functional currency	Foreign currencies				
		EUR	USD	GBP	Other	Total
Assets						
Cash	1,068	88	–	–	–	1,156
Amounts due from banks	44,855	10	3	1	14	44,883
Interest-bearing amounts due from customers	899	7	4	0	0	910
Trade accounts receivable	3	–	–	–	–	3
Other receivables [1]	148	48	29	–	4	229
Financial assets						
Amortized cost	56,742	5,000	2,766	–	650	65,158
FVTOCI debt instruments	–	5,679	1,623	–	51	7,353
Liabilities						
Customer deposits (PostFinance)	91,234	2,284	496	47	49	94,110
Other financial liabilities excluding derivatives						
Liabilities relating to banks	800	14	1	0	0	815
Lease liabilities	48	–	–	–	–	48
Repurchase transactions	19,593	–	–	–	–	19,593
Other	2	0	–	–	–	2
Trade accounts payable [2]	17	2	0	0	–	19
Other liabilities [1]	4	0	–	–	–	4

1 Excludes accruals and deferrals (tax, other), downpayments for trade accounts receivable, receivables and liabilities relating to taxes, social insurance or dividends.
2 Excludes advance payments.

Operational and strategic risks

Definition

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

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

The risk appetite for operational risks is defined for the relevant sub-categories. Compliance, security and all other operational risks with the potential to lead to serious infringements of laws or regulations in plausible, adverse scenarios are not tolerated. In the area of behavioural risks, no activities that are unlawful or unethical or that otherwise jeopardize PostFinance’s reputation as a credible, reliable, trustworthy and responsible company are tolerated.

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

27.4 | Derivative financial instruments and hedge accounting (Group)

Swiss Post acquires derivative financial instruments predominantly for hedging purposes. PostFinance holds derivative financial instruments to manage current or future interest rate risks and to manage foreign currency risks. The derivatives held comprise interest rate swaps, cross-currency interest rate swaps and FX forwards. In the logistics business model, individual derivatives are held to hedge foreign currency and commodities price risks.

Hedge accounting and micro-hedges are applied at PostFinance only. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in replacement value or cash flows attributable to the hedged items.

Use of derivative financial instruments at PostFinance

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

The bond market in Swiss francs is not sufficient to cover PostFinance’s investment requirements. It therefore invests in foreign currency bonds. As a general rule, two methods are used to hedge the foreign currency risks taken. A proportion of the foreign currency bonds refinanced in Swiss francs are hedged by means of cross-currency interest rate swaps (CCIRS). PostFinance uses hedge accounting here. The advantage of this method is that the amounts of all future cash flows (coupons, nominal value repayment) are already known in Swiss francs on the date of conclusion of the transaction.

However, the above-mentioned method rules out the diversification benefits that can be associated with the varying amounts and performance of term spreads of different foreign currency yield curves. The second method is used to take advantage of diversification potential and access bond markets on which CCIRS are only available with high illiquidity discounts. The currency risks of certain foreign currency bonds are hedged economically by means of a currency overlay of rolling short-term foreign exchange forward contracts (FX forwards).

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

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

Economic relationship between hedged items and hedging transactions

PostFinance records the relationship between the hedging instrument and the hedged item on the date on which a financial instrument is classed as a hedging relationship. The information recorded includes the risk management objectives and strategy of the hedging transaction, and the methods used to measure the effectiveness of the hedging relationship. The economic relationship between the hedged item and the hedging transaction is constantly measured on a prospective basis in the course of effectiveness tests by measuring factors such as inverse performance and its correlation.

Effectiveness measurement:

Hedging is deemed to be highly effective if the following criteria are essentially met:

- Hedging is considered to be highly effective upon its initial recognition (on a prospective basis via the critical terms match method).
- There is a close economic relationship between the hedged item and the hedging transaction.
- There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.

Ineffectiveness

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

Derivatives entered into on behalf of customers of PostFinance are disclosed in the following overview as derivatives held for trading.

Group | Overview of derivative financial instruments	31.12.2020		31.12.2021	
CHF million	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Cash flow hedges				
Currency				
Cross-currency interest rate swaps	181	120	317	4
Other				
Completed non-fulfilled transactions	0	–	0	–
Fair value hedges				
Interest rate and currency risk				
Interest rate swaps	2	179	43	95
Derivatives for hedging, excluding application of hedge accounting				
Currency risk				
Foreign exchange forward contracts	45	28	89	3
Other				
Commodity swaps	–	4	9	–
Derivatives for trading purposes				
Currency risk				
Foreign exchange forward contracts	4	3	2	3
Total derivative financial instruments	**232**	**334**	**460**	**105**

Cash flow hedges

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

PostFinance | Contract volumes for cash flow hedges		Term to maturity			
CHF million	Total	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2020					
Currency risk					
Cross-currency interest rate swaps	8,129	–	679	5,909	1,541
Other					
Completed non-fulfilled transactions	1	1	–	–	–
31.12.2021					
Currency risk					
Cross-currency interest rate swaps	7,619	146	1,020	5,290	1,163
Other					
Completed non-fulfilled transactions	3	3	–	–	–

Positive replacement values are reported on the balance sheet in financial assets, while negative replacement values are recognized in other financial liabilities.

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

PostFinance | Change in hedging instruments

CHF million	Positive replacement values	Negative replacement values	Change in fair value in the year under review which was used for disclosure of ineffectiveness	Change in fair value of the hedging instrument, recorded in other comprehensive income	Ineffectiveness recorded in income statement	Net amount reclassified from other comprehensive income to income statement
31.12.2020						
Currency risk						
Cross-currency interest rate swaps	181	120	128	128	–	– 134
Other						
Completed non-fulfilled transactions	0	–	0	0	–	–
31.12.2021						
Currency risk						
Cross-currency interest rate swaps	317	4	291	291	–	– 217
Other						
Completed non-fulfilled transactions	0	–	0	0	–	–

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

PostFinance | Effects of hedged items in cash flow hedging

CHF million	Change in fair value which was used for disclosure of ineffectiveness	Hedging reserves
31.12.2020		
Currency risk		
FVTOCI		
Bonds	– 128	– 187
31.12.2021		
Currency risk		
FVTOCI		
Bonds	– 291	– 114

The hedging reserves in other comprehensive income underwent the following change in the reporting periods:

PostFinance | Hedging reserves

CHF million	2020	2021
Balance as at 1.1	**– 148**	**– 153**
Change in fair value of hedging instruments		
Currency risk	128	291
Other	0	0
Net amount reclassified from cash flow hedging reserve to income statement		
Currency risk	– 134	– 217
of which from discontinued hedging relationships	20	4
of which from changes in foreign currency basis spreads	3	– 3
Change in deferred income taxes	1	– 13
Balance as at 31.12	**– 153**	**– 92**

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

PostFinance | Cash flows (not discounted)

CHF million	Term to maturity 0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2020				
Cash inflows	6	29	90	12
Cash outflows	–28	–94	–320	–31
31.12.2021				
Cash inflows	6	27	67	9
Cash outflows	–27	–86	–243	–27

Fair value hedges

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

PostFinance | Contract volumes for fair value hedges

CHF million	Total	Term to maturity 0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2020					
Interest rate and currency risk					
Interest rate swaps	3,159	75	200	530	2,354
31.12.2021					
Interest rate and currency risk					
Interest rate swaps	3,553	40	200	290	3,023

Positive replacement values are reported on the balance sheet in financial assets, while negative replacement values are recognized in other financial liabilities.

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

PostFinance | Change in fair value hedges

CHF million	Positive replacement values	Negative replacement values	Change in fair value in year under review which was used for disclosure of ineffectiveness	Ineffectiveness recorded in income statement
31.12.2020				
Interest rate and currency risk				
Interest rate swaps	2	179	–18	–
31.12.2021				
Interest rate and currency risk				
Interest rate swaps	43	95	125	–

In the course of the reporting periods, the following amounts arose from designated hedged items (item in the balance sheet: financial assets):

PostFinance | Effects of hedged items in cash flow hedging CHF million	Carrying amount of hedged item	Accumulated expenses or income from fair value hedge adjustments that were recorded in the carrying amount of the hedged item	Change in fair value which was used for disclosure of ineffectiveness	Accumulated amount in the balance sheet from fair value hedge adjustments for hedged items that are no longer adjusted for gains and losses from hedging
31.12.2020				
Interest rate and currency risk				
Amortized cost				
Bonds	2,379	116	24	0
Loans	963	48	–6	–
31.12.2021				
Interest rate and currency risk				
Amortized cost				
Bonds	2,949	15	–101	0
Loans	664	24	–24	–

27.5 | Capital management at Swiss Post and PostFinance Ltd

Swiss Post endeavours to achieve a solid equity base in line with industry standards, taking into account the objectives set by the owner. It also considers the goals set by the owner with regard to maximum net debt and securing the company's value. The continued existence of the company should be ensured at all times, and the resources implemented should result in appropriate income.

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. External debt, in particular in the form of outstanding private placements currently totalling 810 million francs (31 December 2020: 710 million francs) can be fully offset with available liquid assets, meeting the target value. Customer deposits and financial investments of PostFinance Ltd are not included in the calculation of this indicator.

Economic value added is established on the basis of the earnings generated in relation to the economically accurate cost of invested capital, whereby the basis of capital costs is determined from a comparison with other companies in the sector.

The appropriation of profit is determined by legal provisions, by the goals set by the Federal Council, and by the requirements of the business. The key issues are a risk-appropriate capital structure and the financing of investments.

According to the decree issued by the Swiss National Bank on 29 June 2015, PostFinance Ltd was designated a systemically important financial group. As a result, the requirements set out in articles 124 to 133 of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO) also became relevant to PostFinance Ltd. A capital adequacy disclosure in accordance with the guidelines for systemically important banks can be found in the PostFinance Ltd statutory annual financial statements from page 213.

28 | Fair value disclosures

28.1 | Carrying amounts and fair values of financial instruments and other assets

The carrying amounts and corresponding fair values of financial assets and liabilities and investment property are as follows on 31 December 2020 and 31 December 2021:

Fair values and carrying amounts of financial instruments and other assets		31.12.2020		31.12.2021
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Financial assets				
FVTOCI				
Shares	212	212	301	301
Bonds	8,187	8,187	7,353	7,353
FVTPL mandatory				
Shares	20	20	24	24
Bonds	2	2	2	2
Funds	126	126	123	123
Positive replacement values	232	232	460	460
Financial assets not measured at fair value				
Financial assets				
Amortized cost				
Bonds	52,626	53,800	50,909	51,439
Loans	15,158	15,524	14,303	14,524
Financial liabilities measured at fair value				
Other financial liabilities				
Negative replacement values	334	334	105	105
Deferred purchase price payments (earn-outs)	2	2	29	29
Other liabilities				
Put options on non-controlling interests	–	–	30	30
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	710	789	810	870
Other assets not measured at fair value				
Investment property	341	595	409	719

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

28.2 | 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. For purposes of disclosure, the same applies to financial instruments that are excluded from fair valuation.

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 values are measured on the basis of similar assets and liabilities traded on active markets or using valuation techniques are classified as level 2. As a rule, recognized measurement 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 flows 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 instruments and other assets

	31.12.2020				31.12.2021			
CHF million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
FVTOCI								
Shares	212	117	–	95	301	206	–	95
Bonds	8,187	7,692	495	–	7,353	6,957	396	–
FVTPL mandatory								
Shares	20	0	–	20	24	0	–	24
Bonds	2	–	–	2	2	–	–	2
Funds	126	–	126	–	123	–	123	–
Positive replacement values	232	0	232	–	460	9	451	–
Amortized cost								
Bonds	53,800	46,720	7,080	–	51,439	45,637	5,802	–
Loans [1]	15,524	–	15,493	31	14,524	–	14,496	28
Negative replacement values	334	4	330	–	105	–	105	–
Deferred purchase price payments (earn-outs)	2	–	–	2	29	–	–	29
Put options on non-controlling interests	–	–	–	–	30	–	–	30
Private placements	789	–	789	–	870	–	870	–
Investment property	595	–	–	595	719	–	–	719

1 For the loans of 28 million francs (31 December 2020: 31 million francs) in level 3, the fair values listed above on the balance sheet date correspond approximately to the carrying amounts disclosed in the balance sheet.

For information on deferred purchase price payments (earn-outs) see Note 5.2, Assets and liabilities arising from acquisitions.

The liabilities arising from put options on non-controlling interests are related to the acquisitions made in the current financial year of Tresorit AG, Bring! Labs AG and DIALOG VERWALTUNGS-DATA AG. The financial liabilities arising from the put options are recognized at fair value and discounted to present value using cost of debt. The fair value calculations are based on the maximum number of shares that can be exercised at a price calculated on the basis of forecast profit trends.

Unlisted equity instruments in level 3 must be disclosed under either the FVTOCI or FVTPL mandatory category. A number of small investments, primarily in startup companies, are measured at fair value through profit or loss. In addition, the Group holds strategic long-term interests in infrastructure and service providers, which are measured at fair value with changes in fair value recorded in other comprehensive income. The fair value of these investments is determined using the DCF valuation method, the capitalized earnings method, or where appropriate on the basis of on the reported or published net asset value adjusted for any relevant factors. In a few cases (minor interests), acquisition costs less impairment losses are used as a reasonable estimate of fair value for simplification purposes.

The level 3 financial assets FVTOCI and FVTPL mandatory underwent the following changes in 2020 and 2021:

Fair value hierarchy: changes in level 3

CHF million	FVTOCI	FVTPL mandatory
Balance as at 1.1.2020	**101**	**25**
Gains/losses recorded in the income statement	–	–3
Gains/losses recorded in other comprehensive income	–6	–
Additions	0	7
Disposals	0	–7
Balance as at 31.12.2020	**95**	**22**
Balance as at 1.1.2021	**95**	**22**
Gains/losses recorded in the income statement	–	2
Gains/losses recorded in other comprehensive income	5	–
Additions	0	9
Disposals	–5	–7
Balance as at 31.12.2021	**95**	**26**

For level 3 instruments, the value is based on unobservable inputs, which within a reasonable range are at the discretion of management. The main factor for the valuation of equity instruments using the DCF valuation method is the discount rate at which future cash flows are discounted. A change in the net asset value of unlisted interests results in a proportionate change in the fair value of these shares.

Gains and losses from financial assets FVTPL are recorded under net financial income in the logistics business model and under the result from FVTPL trading portfolio assets and mandatory (income from financial services) in the PostFinance business model.

No reclassifications were carried out within the different levels as at 31 December 2020 and 31 December 2021 apart from those stated above. Reclassifications between the different levels are carried out at the end of each reporting period.

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

Investment property

Text, in percent, CHF million	Measurement method	Discount rate	Fair value
31.12.2020			
Bellinzona, Viale Stefano Franscini 30	Capitalized earnings	6.2	10
Bern PostParc, Schanzenstrasse 4/5	DCF	3.2	366
Delsberg [1], Postplatz	DCF	4.7	40
Dübendorf, Wilstrasse 13 + 15	DCF	2.8	23
Frauenfeld Cupola, Rheinstrasse 1	DCF	3.3	37
Interlaken, Marktgasse 1	DCF	3.4	19
Zurich [1], Franklinstrasse 27	DCF	3.7	64
Zurich, Molkenstrasse 8	DCF	2.4	32
Zollikofen [1], Schulhausstrasse 27	DCF	3.0	4
31.12.2021			
Bellinzona, Viale Stefano Franscini 30	Capitalized earnings	2.8	10
Bern PostParc, Schanzenstrasse 4/5	DCF	2.9	374
Delsberg [1], Postplatz	DCF	4.5	66
Dübendorf, Wilstrasse 13 + 15	DCF	2.7	23
Frauenfeld Cupola, Rheinstrasse 1	DCF	3.1	39
Interlaken, Marktgasse 1	DCF	3.3	19
Zurich [1], Franklinstrasse 27	DCF	3.3	80
Zurich, Molkenstrasse 8+10	DCF	2.3	33
Zollikofen [1], Schulhausstrasse 27	DCF	2.9	14
Martigny [1], Avenue de la Gare 34	DCF	3.3	26
Voketswil [1], Im Zentrum 14/16	DCF	2.8	15
Zug [1], Postplatz 1	DCF	3.2	20

1 Property under construction.

The rental income taken into account in the measurements reflects the current status of letting and reflects the local market situation of the individual properties.

The operating and maintenance costs are based primarily on past experience from the property accounts of the last few years and on benchmarks.

29 | Consolidated Group

29.1 | Subsidiaries

Swiss Post Ltd, as the Group’s parent company, holds 100 percent of the shares in Post CH Ltd, Post CH Communication Ltd, Post CH Network Ltd, PostBus Ltd, SPS Holding Ltd and PostFinance Ltd.

The companies listed below are fully consolidated.

Segment	Company	Domicile	Currency	Share capital in thousands	Equity interest in percent as at 31.12.2020	Equity interest in percent as at 31.12.2021
Switzerland						
1	PostLogistics Ltd	Dintikon	CHF	20,000	100	100
1	SecurePost Ltd in liquidation	Oensingen	CHF	4,000	100	100
1	Botec Boncourt S.A.	Boncourt	CHF	200	100	100
1	Relatra AG	Tägerwilen	CHF	180	100	100
1	DESTINAS AG	Tägerwilen	CHF	140	100	100
1	Walli-Trans AG	Leuk	CHF	100	100	100
1	BPS Speditions-Service AG	Pfungen	CHF	100	100	100
1	BPS Speditions-Service Basel AG, Arlesheim	Arlesheim	CHF	150	100	100
1	notime AG	Zurich	CHF	259	100	100
1	notime (Schweiz) AG	Zurich	CHF	115	79	79
1	BLUESPED LOGISTICS Sàrl	Boncourt	CHF	20	100	100
1	Presto Presse-Vertriebs AG	Bern	CHF	100	100	100
1	Epsilon SA	Lancy	CHF	100	100	100
1	Direct Mail Company AG	Basel	CHF	420	100	100
1	Direct Mail Logistik AG [1]	Basel	CHF	100	100	–
1	ASMIQ AG	Zurich	CHF	100	100	100
1	DMB Direct Mail Biel-Bienne AG [2]	Biel/Bienne	CHF	100	100	–
1	Bring! Labs AG [3]	Zurich	CHF	241	6	82
1	EDS Media AG [4]	Meilen	CHF	150	–	100
1	Iemoli Trasporti SA [5]	Chiasso	CHF	100	–	100
1	InTraLog Hermes AG [5]	Pratteln	CHF	100	–	100
1	InTraLog Overseas AG [5]	Kloten	CHF	200	–	100
1	Livesystems Group Ltd [5]	Köniz	CHF	130	–	100
1	Livesystems Ltd [5]	Köniz	CHF	100	–	100
1	Livesystems dooh Ltd [5]	Köniz	CHF	100	–	100
1	Otto Schmidt Ltd [5]	Basel	CHF	200	–	100
1	Steriplus AG [6]	Kaltbrunn	CHF	550	–	65
1	Post CH Ltd	Bern	CHF	10,000	100*	100*
2	Post CH Network Ltd	Bern	CHF	1,000	100*	100*
3	Post CH Communication Ltd	Bern	CHF	1,000	100*	100*
3	DIALOG VERWALTUNGS-DATA AG [7]	Hochdorf	CHF	1,000	–	82
3	KLARA Business Ltd	Lucerne	CHF	355	50	50
3	SwissSign Group Ltd [8]	Opfikon	CHF	12,500	17	100
3	SwissSign AG [5]	Opfikon	CHF	550	–	100
3	Tresorit AG [9]	Zurich	CHF	100	–	90
4	PostBus Ltd	Bern	CHF	1,000	100*	100*
4	PubliBike AG	Bern	CHF	200	100*	100*
4	Post Company Cars Ltd	Bern	CHF	100	100*	100*
5	SPS Holding Ltd	Zurich	CHF	5,000	100*	100*
5	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
6	PostFinance Ltd	Bern	CHF	2,000,000	100*	100*
7	Post Real Estate Management and Services Ltd	Bern	CHF	1,000	100	100
7	Post Real Estate Ltd	Bern	CHF	100,000	100*	100*

* Equity interest is held by Swiss Post Ltd.
1 Merger with BPS Speditions-Service Basel AG, Arlesheim.
2 Merger with Direct Mail Company AG.
3 Acquisition of shares and capital increase due to transfer of assets (around 76 percent).
4 Acquisition of shares in Asendia Press EDS AG (100 percent) and change of company name.
5 Acquisition of shares (100 percent).
6 Acquisition of shares (65 percent).
7 Acquisition of shares (around 82 percent).
8 Acquisition of shares (83 percent).
9 Acquisition of shares (around 90 percent).

Segment
1 = Logistics Services
2 = PostalNetwork
3 = Communication Services
4 = Mobility Services
5 = Swiss Post Solutions
6 = PostFinance
7 = Functions and Management

Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2020	Equity interest in percent as at 31.12.2021
China						
5	Swiss Post Enterprise Services (Shanghai) Co., Ltd.	Shanghai	CNY	16,085	100	100
Germany						
1	Zollagentur Imlig GmbH	Rheinfelden Baden	EUR	25	100	100
1	Bächle Logistics GmbH	Villingen-Schwenningen	EUR	326	100	100
1	Bring! Labs Deutschland GmbH [10]	Berlin	EUR	25	–	82
1	OSA Spedition GmbH [11]	Efringen-Kirchen	EUR	350	–	91
1	OSA Logistik GmbH [12]	Hamburg	EUR	100	–	67
1	Ost-West Cargo Holding GmbH [13]	Stuttgart	EUR	25	–	–
1	Ost-West Cargo Europe GmbH Internationale Spedition [14]	Stuttgart	EUR	50	–	100
1	LS Deutschland Holding GmbH [15]	Efringen-Kirchen	EUR	25	–	100
3	Tresorit GmbH [16]	Munich	EUR	25	–	90
5	Swiss Post Solutions GmbH	Bamberg	EUR	5,000	100	100
5	Swiss Post Solutions GmbH	Prien	EUR	1,050	100	100
France						
1	Tele Trans SAS	Saint-Louis	EUR	38	100	100
1	Botec Sàrl	Fêche-l'Église	EUR	15	100	100
1	BLUESPED France Sàrl	Delle	EUR	10	100	100
5	Swiss Post Solutions SAS	Paris	EUR	50	100	100
United Kingdom						
5	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100	100
5	Swiss Post Solutions Business Services Limited [17]	Richmond	GBP	325	–	100
5	Swiss Post Solutions Business Services UK Limited [17]	Richmond	GBP	219	–	100
Italy						
1	Iemoli Trasporti S.r.l. [14]	Cadorago	EUR	80	–	100
5	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
Liechtenstein						
3	SwissSign AG [14]	Vaduz	CHF	600	–	100
4	PostAuto Liechtenstein Anstalt	Vaduz	CHF	1,000	100	100
7	Swiss Post Insurance AG	Triesen	CHF	30,000	100*	100*
Lithuania						
1	Ost-West Cargo Baltic UAB [18]	Panevezys	EUR	10	–	75
1	Ost-West Cargo Transport UAB [14]	Panevezys	EUR	503	–	100
Luxembourg						
3	Tresorit S.A. [16]	Luxembourg	EUR	85	–	90
Singapore						
5	Swiss Post Solutions Holding Pte. Ltd.	Singapore	SGD	3,397	100	100
Hungary						
3	Tresorit Kft. [16]	Budapest	HUF	35,620	–	90

* Equity interest is held by Swiss Post Ltd.
10 Acquisition of shares (around 82 percent).
11 Acquisition of shares (around 91 percent).
12 Acquisition of shares (67 percent).
13 Acquisition of shares (100 percent) and merger with Ost-West Cargo Europe GmbH Internationale Spedition.
14 Acquisition of shares (100 percent).
15 Company founding (100 percent).
16 Acquisition of shares (around 90 percent).
17 Acquisition of shares in Mitie Business Services Limited and Mitie Business Services UK Limited (100 percent) and change of company name.
18 Acquisition of shares (75 percent).

Segment
1 = Logistics Services
3 = Communication Services
4 = Mobility Services
5 = Swiss Post Solutions
6 = PostFinance
7 = Functions and Management

Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2020	Equity interest in percent as at 31.12.2021
USA						
5	Swiss Post Solutions Inc.	New York	USD	55	100	100
5	Swiss Post US Holding Inc.	New York	USD	10,100	100	100
Vietnam						
5	Swiss Post Solutions Ltd.	Ho-Chi-Minh City	VND	1,821,557	100	100

Segment
5 = Swiss Post Solutions

29.2 | Associates and joint ventures

The companies listed below are accounted for using the equity method.

Segment	Company	Domicile	Currency	Share capital in thousands	Equity interest in percent as at 31.12.2020	Equity interest in percent as at 31.12.2021
Switzerland						
1	AZ Vertriebs AG	Aarau	CHF	100	25	25
1	SCHAZO AG	Schaffhausen	CHF	300	50	50
1	Somedia Distribution AG	Chur	CHF	100	35	35
1	Asendia Holding Ltd	Bern	CHF	125	40	40
1	TNT Swiss Post GmbH	Oftringen	CHF	1,316	38	38
4	Sensetalbahn AG	Bern	CHF	2,888	34	34
6	Finform Ltd	Bern	CHF	100	50	50
6	TWINT Ltd	Zurich	CHF	12,750	27	27
6	TONI Digital Insurance Solutions AG	Zurich	CHF	1,953	29	29
6	Tilbago AG	Lucerne	CHF	178	24	24
6	Ormera AG [1]	Bern	CHF	464	43	35
6	Yuh Ltd [2]	Gland	CHF	1,000	–	50
Germany						
1	GSF Spedition Schweiz GmbH	Gütersloh	EUR	25	50	50
1	Weliver Logistik GmbH [3]	Grossbeeren	EUR	38	–	24
6	moneymeets GmbH	Cologne	EUR	100	27	27
6	moneymeets community GmbH	Cologne	EUR	100	27	27
Liechtenstein						
1	Liechtensteinische Post AG [4]	Schaan	CHF	5,000	25*	–

* Equity interest is held by Swiss Post Ltd.
1 Capital increases with dilution (now around 35 percent).
2 Acquisition of shares (50 percent).
3 Acquisition of shares (around 24 percent).
4 Sale of shares (25 percent).

Segment
1 = Logistics Services
4 = Mobility Services
6 = PostFinance

30 | Transactions with related companies and parties

Within the meaning of the IFRSs, Swiss Post Group has relationships with related companies and parties. As the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

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 at market conditions with related companies and parties that are not part of the Group.

Transactions with related companies and parties	Sale of goods and services		Purchases of goods and services		Receivables and loans with related companies		Liabilities to related companies	
CHF million	2020	2021	2020	2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Swiss Confederation	253 [1]	300 [1]	4	8	215	275	603	321
Swisscom	59	60	12	18	357	158	179	261
Swiss Federal Railways SBB	48	68	45	37	110	128	198	72
RUAG	1	0	0	0	0	–	0	0
SKYGUIDE	3	3	0	0	200	0	14	13
Companies with joint management or significant influence	**364**	**431**	**61**	**63**	**882**	**561**	**994**	**667**
Associates and joint ventures	**133**	**133**	**35**	**34**	**64**	**255** [2]	**42**	**43**
Other related companies and parties	**1**	**1**	**8**	**4**	**0**	**3**	**23** [3]	**13** [3]

1 Includes compensation for public transport of 247 million francs for 2021 (previous year: 206 million francs).
2 Swiss Post granted Asendia Holding Ltd a loan of around 217 million francs for the acquisition of non-controlling interests in a subsidiary of the Asendia Group. More information on this loan can be found in Note 16.2, Investments in associates and joint ventures.
3 Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

30.1 | Remuneration paid to members of management

In the past financial year, compensation including fringe benefits of 5.36 million francs (previous year: 5.81 million francs) and pension benefits of around 0.84 million francs (previous year: around 0.87 million francs) was paid to members of management (Board of Directors and Executive Management). The performance-based component paid out to members of Executive Management in 2021 was based on target attainment in 2019 and 2020 and amounted to around 1.21 million francs (previous year: around 1.34 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

31 | Events after the reporting period

Swiss Post Ltd, based in Bern, sold 100 percent of the shares in PubliBike AG, based in Bern (Mobility Services segment), on 4 February 2022. The assets and liabilities of PubliBike AG were classified as held for sale as at 31 December 2021. The profit from the sale is not material in nature.

Prior to the approval of the 2021 consolidated annual financial statements by Swiss Post Ltd’s Board of Directors on 7 March 2022, no further 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.

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To the General Meeting of
Swiss Post Ltd, Berne

Berne, 7. March 2022

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the pages 86 to 193 of the financial report covering the consolidated financial statements of Swiss Post Ltd and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes as at 31 December 2021, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information in the financial report

The Board of Directors is responsible for the other information in the financial report. The other information comprises all information included in the financial report, but does not include the consolidated financial statements, the stand-alone financial statements of Swiss Post Ltd and PostFinance Ltd as well as our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the financial report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the 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.

Ernst & Young Ltd

Olivier Mange Licensed audit expert (Auditor in charge)	Michel Wälchli Licensed audit expert

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.

Income statement

Swiss Post Ltd | Income statement

CHF million	2020	2021
Operating income		
Trade income	61	819
Other operating income	–	0
Income from interests	–	130
Total operating income	**61**	**949**
Operating expenses		
Materials expenses	–	–1
Personnel expenses	–6	–450
Other operating expenses	–59	–337
Depreciation and impairment losses of property, plant and equipment	–	–13
Amortization of intangible assets	–67	–78
Total operating expenses	**–132**	**–879**
Operating profit	**–71**	**70**
Financial income	100	122
Financial expenses	–137	–73
Total net financial income	**–37**	**49**
Income from other accounting periods	–	1
Expenses from other accounting periods	0	–
Net annual profit/loss before tax	**–108**	**120**
Direct taxes	–	–
Net annual profit/loss	**–108**	**120**

Balance sheet

Swiss Post Ltd | Balance sheet

CHF million	31.12.2020	31.12.2021
Assets		
Current assets		
Cash and cash equivalents	1,441	559
Trade accounts receivable	0	15
Other current receivables	870	1,636
Inventories and unbilled services	–	3
Accrued income and prepaid expenses	29	72
Total current assets	**2,340**	**2,285**
Fixed assets		
Financial assets	760	1,312
Interests	7,701	7,709
Property, plant and equipment	–	29
Intangible assets	467	454
Total fixed assets	**8,928**	**9,504**
Total assets	**11,268**	**11,789**
Equity and liabilities		
Liabilities		
Trade accounts payable	19	31
Current interest-bearing liabilities	664	877
Other current liabilities	7	42
Accrued expenses and deferred income	2	41
Total current liabilities	**692**	**991**
Non-current interest-bearing liabilities	675	777
Provisions	0	50
Total non-current liabilities	**675**	**827**
Total liabilities	**1,367**	**1,818**
Equity		
Share capital	1,300	1,300
Statutory capital reserves		
Other capital reserves	8,685	8,635
Distributable profit / accumulated loss		
Profit/loss carried forward	24	–84
Net annual profit/loss	–108	120
Total equity	**9,901**	**9,971**
Total equity and liabilities	**11,268**	**11,789**

Notes

1 | Basic principles

1.1 | Legal form

Swiss Post Ltd was established as a company limited by shares subject to a special statutory regime. It is domiciled in Bern. As part of Swiss Post's new strategy (Swiss Post of tomorrow), there was a reorganization of the legal structure in 2021. This means comparison with the previous year's figures is only possible to an extent. In accordance with the asset transfer contract of 22 June 2021 and inventory as at 31 December 2020, assets of 179 million francs and liabilities (debt capital) of 179 million francs were transferred from Post CH Ltd to Swiss Post Ltd.

1.2 | General

A description is given below of any significant valuation policies applied that are not specified by law.

1.3 | Financial assets

Financial assets include long-term loans to subsidiaries of Swiss Post Ltd. They are measured at a maximum of acquisition cost less any necessary impairment losses. Loans granted in foreign currencies are measured at the current closing rate. Unrealized losses are recognized, whereas unrealized gains are not disclosed (imparity principle).

1.4 | Derivative financial instruments

Derivative financial instruments are recognized at fair value as positive or negative replacement values. They are used to hedge trading risks arising from subsidiaries (diesel swaps). The derivatives are recognized in other current receivables and liabilities, respectively.

1.5 | Interests

Swiss Post Ltd controls various subsidiaries. These interests are carried in the balance sheet at acquisition cost less any necessary impairment losses.

1.6 | Property, plant and equipment

Property, plant and equipment are measured at their acquisition or production costs less accumulated depreciation and impairment losses. Property, plant and equipment, with the exception of land, are depreciated on a straight-line basis. If there are any signs of overvaluation, the carrying amounts are checked and impairment losses recognized if necessary.

1.7 | Intangible assets

Any intangible assets acquired are capitalized at acquisition cost, provided that they offer the company economic benefits over several years. Internally generated intangible assets are capitalized if they meet the necessary requirements at the balance sheet date. Intangible assets are amortized on a straight-line basis. If there are any signs of overvaluation, the carrying amounts are checked and impairment losses recognized if necessary.

1.8 | Recognition of income

Income is recognized if it is clear that the economic benefits associated with the transaction will flow to Swiss Post Ltd and those benefits can be measured reliably. Income from services is recognized after sales deductions at the time the service is provided.

1.9 | Leases

Leases and rental agreements are recognized in the balance sheet based on legal ownership. The expenses as a lessee or a tenant are recognized on an accrual basis in other operating expenses but the leased or rented items themselves are not entered in the balance sheet.

1.10 | Decision to dispense with additional information in the notes to the annual financial statements, cash flow statement and management report

Swiss Post Ltd, as the parent company within Swiss Post Group, prepares consolidated financial statements in accordance with recognized financial reporting standards (International Financial Reporting Standards, IFRS). Consequently, and as set out in article 961^{d}, paragraph 1 of the Swiss Code of Obligations, additional information in the notes to the annual financial statements, the cash flow statement and the management report is dispensed with in these financial statements, in accordance with the requirements for financial reporting for larger undertakings.

2 | Information on the balance sheet and income statement

2.1 | Cash and cash equivalents

Swiss Post Ltd | Cash and cash equivalents

CHF million	31.12.2020	31.12.2021
Bank deposits due from third parties	1,422	504
Bank deposits due from PostFinance Ltd	19	55
Total cash and cash equivalents	**1,441**	**559**

2.2 | Trade accounts receivable

Swiss Post Ltd | Trade accounts receivable

CHF million	31.12.2020	31.12.2021
Amounts due from third parties	0	0
Amounts due from interests	–	15
Amounts due from related parties	–	0
Total trade accounts receivable	**0**	**15**

2.3 | Other current receivables

Swiss Post Ltd | Other current receivables

CHF million	31.12.2020	31.12.2021
Derivative financial instruments	0	9
Amounts due from third parties	75	416
Amounts due from interests	795	1,211
Total other current receivables	**870**	**1,636**

2.4 | Inventories and unbilled services

The inventories listed in the balance sheet are mostly operating materials.

2.5 | Accrued income and prepaid expenses

Swiss Post Ltd | Accrued income and prepaid expenses

CHF million	31.12.2020	31.12.2021
Accrued income and prepaid expenses due from third parties	9	48
Accrued income and prepaid expenses due from investors and governing bodies	–	1
Accrued income and prepaid expenses due from interests	20	23
Accrued income and prepaid expenses due from related parties	–	0
Total accrued income and prepaid expenses	**29**	**72**

2.6 | Financial assets

Swiss Post Ltd | Financial assets

CHF million	31.12.2020	31.12.2021
Financial assets due from third parties	–	296
Financial assets due from interests	760	1,016
Total financial assets	**760**	**1,312**

2.7 | Interests

Swiss Post Ltd | Interests

Company	Domicile	Share capital Currency	Share capital In 1,000	Investment in percent Balance as at 31.12.2020	Investment in percent Balance as at 31.12.2021
Directly held interests					
Switzerland					
PostFinance Ltd	Bern	CHF	2,000,000	100	100
Post Real Estate Ltd	Bern	CHF	100,000	100	100
Post CH Ltd	Bern	CHF	10,000	100	100
PostBus Ltd	Bern	CHF	1,000	100	100
SPS Holding Ltd	Zurich	CHF	5,000	100	100
Post CH Communication Ltd	Bern	CHF	1,000	100	100
Post CH Network Ltd	Bern	CHF	1,000	100	100
Post Company Cars Ltd	Bern	CHF	100	100	100
PubliBike AG	Fribourg	CHF	200	100	100
Liechtenstein					
Swiss Post Insurance AG	Triesen	CHF	30,000	100	100
Liechtensteinische Post AG [1]	Schaan	CHF	5,000	25	–
Significant indirectly held interests					
Switzerland					
Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
PostLogistics Ltd	Dintikon	CHF	20,000	100	100
Asendia Holding Ltd	Bern	CHF	125	40	40
SecurePost Ltd (in liquidation)	Oensingen	CHF	4,000	100	100
United Kingdom					
Swiss Post Solutions Ltd	Richmond	GBP	7,272	100	100
Germany					
Swiss Post Solutions Holding GmbH	Bamberg	EUR	5,000	100	100

1 Sale of shares (25 percent).

2.8 | Property, plant and equipment

The property, plant and equipment listed in the balance sheet is mostly IT equipment.

2.9 | Intangible assets

Swiss Post Ltd | Intangible assets

CHF million	31.12.2020	31.12.2021
Brands	467	400
Other intangible assets	–	27
Intangible assets in development	–	27
Total intangible assets	**467**	**454**

2.10 | Trade accounts payable

Swiss Post Ltd | Trade accounts payable

CHF million	31.12.2020	31.12.2021
Liabilities relating to third parties	4	24
Liabilities relating to investors and governing bodies	–	0
Liabilities relating to interests	15	5
Liabilities relating to related parties	–	2
Total trade accounts payable	**19**	**31**

2.11 | Current interest-bearing liabilities

Swiss Post Ltd | Current interest-bearing liabilities

CHF million	31.12.2020	31.12.2021
Liabilities relating to third parties	595	486
Liabilities relating to interests	69	391
Total current interest-bearing liabilities	**664**	**877**

2.12 | Other current liabilities

Swiss Post Ltd | Other current liabilites

CHF million	31.12.2020	31.12.2021
Derivative financial instruments	4	–
Liabilities relating to third parties	3	33
Liabilities relating to interests	–	9
Total other current liabilities	**7**	**42**

2.13 | Non-current interest-bearing liabilities

Swiss Post Ltd | Non-current interest-bearing liabilities

CHF million	31.12.2020	31.12.2021
Liabilities relating to third parties	675	775
Liabilities relating to interests	–	2
Total non-current interest-bearing liabilities	**675**	**777**

2.14 | Share capital

The share capital stands at 1,300,000,000 francs. The 1,300,000 registered shares, each with a face value of 1,000 francs, are owned by the Swiss Confederation.

2.15 | Trade income

Trade income principally discloses revenue from service, management and licence fees. Income is mainly generated through subsidiaries.

2.16 | Income from interests

Income from interests primarily consists of dividend income from the interest in PostFinance Ltd.

2.17 | Financial income

Financial income mainly consists of interest income from loans to interests, reversals of impairment on interests and loans, fees from letters of comfort to interests and foreign exchange gains.

2.18 | Financial expenses

Financial expenses mainly consist of interest expense, foreign exchange losses and impairment losses on interests and loans to interests. 92 million francs of impairment on the interest in PostBus Ltd were charged to the account in 2020.

2.19 | Income and expenses from other accounting periods

Income from other accounting periods in 2021 is the result of corrections to value added tax settlements in the years 2016 to 2019. The expenses from other accounting periods in 2020 are due to the initial recognition of provisions for employee entitlements to loyalty bonuses and sabbaticals amounting to 103,000 francs as at 1 January 2020. In the subsequent measurement, any recognition and reversal of provisions are entered via personnel expenses.

3 | Additional information

3.1 | Full-time equivalents

The average annual number of full-time equivalents was over 250 in the year under review (did not exceed 50 in the previous year).

3.2 | Remaining liabilities from lease transactions

The lease liabilities that do not expire within twelve months or that cannot be terminated have the following maturity structure:

Swiss Post Ltd | Remaining liabilities from lease transactions

CHF	31.12.2020	31.12.2021
Due within 1 year	–	136,653
Due within 1 to 5 years	–	93,511
Total lease liabilities	–	**230,164**

These amounts include the payments from rental agreements or lease contracts owed until the end of the contract or the expiry of the notice period. Lease items are mainly operationally essential assets with contracts that cannot be terminated within twelve months.

3.3 | Bond issues

Swiss Post Ltd has several outstanding private placements totalling 810 million francs, which are recognized in interest-bearing liabilities. Ten tranches overall, expiring between 2022 and 2061, are outstanding on the capital market from major, predominantly domestic, private and institutional investors. The average interest rate applicable to these private placements is 1.05 percent, and the average remaining maturity of the outstanding tranches was ten years at the end of 2021.

3.4 | Liabilities relating to employee benefits schemes

The liabilities relating to the Swiss Post pension fund totalled 2,693,354 francs as at 31 December 2021 (31 December 2020: 70,114 francs), and are reported in other current liabilities. They are classed as liabilities relating to third parties.

3.5 | Collateral for third party liabilities

As at 31 December 2021, guarantees and guarantee obligations amounted to 1 million francs (31 December 2020: 16 million francs).

Collateral has been made available to guarantee intra-Group receivables from cash pooling via a time deposit (amounts due from banks) of 100 million francs (31 December 2020: 100 million francs).

In addition, on 31 December 2021, letters of comfort of 1,525 million francs existed, deposited by Swiss Post Ltd (31 December 2020: 1,525 million francs).

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

3.6 | Contingent liabilities

Contingent liabilities of 293,967 existed as at 31 December 2021 (31 December 2020: none), mostly from outstanding legal disputes with an uncertain outcome (probability of a liability <50 percent).

3.7 | Material events after the reporting period

The interest in PubliBike AG was sold in full as at 4 February 2022.

No other information is required to be reported by law as set out in article 959c, paragraph 1, section 4 of the Swiss Code of Obligations.

4 | Proposed appropriation of distributable profit

At the General Meeting on 3 May 2022, the Board of Directors will propose that the distributable profit of 35,905,270 francs for the financial year ended 31 December 2021 be appropriated as follows:

Swiss Post Ltd | Appropriation of distributable profit proposed by the Board of Directors

CHF million	31.12.2021
Loss carried forward	–84
Net annual profit	120
Available distributable profit	**36**
Dividends	–36
Amount carried forward to new account	**–**

It will also propose a distribution of dividends amounting to 14,094,730 francs from the other capital reserves.

Swiss Post Ltd | Other distributions

CHF million	31.12.2021
Distributions from the capital reserve	–14
Total distributions from the capital reserve	**–14**

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To the General Meeting of
Swiss Post Ltd, Berne

Berne, 7. March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the pages 198 to 207 of the financial report covering the financial statements of Swiss Post Ltd, which comprise the income statement, balance sheet, and notes, for the year ended 31 December 2021.

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 2021 comply with Swiss law and the company's articles of incorporation.

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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.

Ernst & Young Ltd

Olivier Mange	Michel Wälchli
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

PostFinance annual financial statements

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

Reconciliation

PostFinance Ltd reports to the Group in accordance with IFRS and draws up its financial statements in accordance with the FINMA Accounting Ordinance (RelV-FINMA) and FINMA Circular 2020/1 (FINMA-RS 20/1) "Accounting – banks".

The valuation policies in accordance with RelV-FINMA/FINMA-RS 20/1 differ from the IFRS rules. The table below reconciles the PostFinance segment results as per IFRS with profit pursuant to RelV-FINMA/FINMA-RS 20/1.

PostFinance Ltd | Reconciliation of profit

CHF million	2020 1.1 to 31.12[1]	2021 1.1 to 31.12
Operating result (EBIT) PostFinance, normalized before fees and net cost compensation	**162**	**272**
Normalization[2]	–	9
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	**162**	**281**
Management / licence fees / net cost compensation	−30	−11
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	**132**	**270**
Net income from associates	−2	−3
Net financial income	−36	−36
PostFinance segment earnings before tax (EBT)	**94**	**231**
Income tax	11	−36
PostFinance segment profit	**105**	**195**
Consolidation effects from associates	0	4
PostFinance Ltd profit before reconciliation	**105**	**199**
Valuation differences for financial assets	26	9
Reversal of impairment / impairment on financial assets and receivables, incl. taxes	0	0
Realized gains from (earlier than scheduled) repayments	−34	2
Valuation differences between IAS 19 and Swiss GAAP ARR 16	51	−12
Valuation differences, IFRS 16 Leases	0	0
Depreciation of revalued real estate	−4	−3
Individual value adjustment due to lower market value (fixed assets)	−3	−4
Valuation differences for investments	−3	−2
Realized gains from investments	0	−2
Adjustment of deferred tax effects as per IFRS	−9	36
PostFinance Ltd profit as per Accounting – banks	**129**	**223**

1 The figures have been adjusted (see Note 2.2, Accounting changes, Group structure changes).
2 Normalized figure for 2021, see the "One-off item for 2021" section on page 41 of the Financial Report.

Swiss Post reports its segments in accordance with IFRS based on operating profit before management, licence fees and net cost compensation. For this reason, the reconciliation of profit includes a deduction of 11 million francs on the operating profit (previous year: deduction of 30 million francs).

PostFinance Ltd statutory annual financial statements

The following pages show the PostFinance Ltd statutory financial statements in accordance with the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”.

Balance sheet

PostFinance Ltd | Balance sheet as per Accounting – banks

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

PostFinance Ltd | Off-balance sheet transactions

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

Income statement

PostFinance Ltd | Income statement as per Accounting – banks

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

Appropriation of profit/loss

PostFinance Ltd | Distributable profit/accumulated loss

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

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

PostFinance Ltd | Appropriation of profit/loss

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

PostFinance Ltd | Other distributions

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

Cash flow statement

PostFinance Ltd | Cash flow statement as per Accounting – banks

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

Statement of changes in equity

PostFinance Ltd | Presentation of the statement of changes in equity

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

Notes

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

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

2 | Accounting and valuation policies

General principles

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

Individual report figures are rounded in the notes for publication, while calculations are carried out using the non-rounded figures. Small rounding differences may therefore occur.

Foreign currency translation

Balance sheet items in foreign currency are converted at the foreign exchange rates valid at the end of the year. Any resulting exchange gains and losses are recognized in the income statement. Income and expenses are converted at the applicable daily rates.

Closing rates	31.12.2020	31.12.2021
EUR	1.0841	1.0347
USD	0.8820	0.9144
GBP	1.2026	1.2348
JPY	0.0086	0.0079

Offsetting

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

Trade date/settlement date accounting

As a rule, securities transactions are recognized on the trade date. Concluded foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized in the balance sheet in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments until their settlement date.

General valuation policies

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

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

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

Amounts due from customers and mortgage loans

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

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

Trading portfolio assets

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

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading. Derivative financial instruments acquired for trading purposes are recognized at fair value and are subsequently measured at fair value. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged items. The effectiveness of these hedges is reviewed every six months. Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged underlying instrument are recognized in the income statement. Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are allocated to the compensation account, while changes in value to the extent a hedge is ineffective are recognized in profit or loss. Positive and negative replacement values for all derivatives are recognized at fair value in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments.

Financial investments

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

Establishing amounts for value adjustments

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

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

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

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

Participations

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

Tangible fixed assets

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

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

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

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

Intangible assets

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

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

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

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

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

Provisions

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

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

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

Pension benefit obligations

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

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

Taxes

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

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

Changes in the accounting and valuation principles versus the previous year

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

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

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

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

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

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

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

Economic relationship between hedged items and hedging transactions

PostFinance records the relationship between the hedging instrument and the hedged item on the date on which a financial instrument is classed as a hedging relationship. The information recorded includes the risk management objectives and strategy of the hedging transaction, and the methods used to measure the effectiveness of the hedging relationship. The economic relationship between the hedged item and the hedging transaction is constantly measured on a prospective basis in the course of effectiveness tests by measuring factors such as inverse performance and its correlation.

Effectiveness measurement

Hedging is deemed to be highly effective if the following criteria are essentially met:

- Hedging is considered to be highly effective upon its initial recognition (on a prospective basis via the critical terms match method).
- There is a close economic relationship between the hedged item and the hedging transaction.
- There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.

Ineffectiveness

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

Events after the balance sheet date

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

3 | Risk management

Business model and risk profile

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

PostFinance defines three risk categories based on its business model.

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

Governance and reporting

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

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

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

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

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

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

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

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

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

Compliance independently monitors adherence to legal, regulatory and internal provisions relating to money laundering, tax compliance and the provision of financial services. Governance independently monitors compliance by staff with the rules of governance as a whole and with the Code of Conduct.

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

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

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

Risk measurement methods

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

PostFinance measures and monitors financial risks both at individual portfolio level and with regard to the overall balance sheet. Risks are limited by means of a multi-dimensional limit system. A variety of methods of differing degrees of complexity are used by Risk Management to measure financial risks. In concrete terms, they include scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and stochastic models to determine value-at-risk or expected shortfall risk indicators (e.g. to measure market risks or to quantify economic concentration risks in the credit portfolio). The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times.

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

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

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

Stress testing

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

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

Financial risk management at PostFinance

Credit risks

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

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

To limit the credit risks taken, each year the Board of Directors of PostFinance sets a maximum figure not to be exceeded with regard to regulatory minimum capital to cover credit risks. It also determines directives on the investment rating structure, limits potential country risks and delegates responsibility for approving major counterparty limits to the Board of Directors’ Risk Committee. New investments are generally only permitted if the debtor has a rating and its creditworthiness is classed as investment grade.

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

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

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

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

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

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

Note on collateral concentration risks:

Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. Concentrations of securities delivered (with the exception of cash collateral) are measured, monitored and reported to the Executive Board on a monthly basis. At the same time, wrong-way risks are assessed and risk control proposals submitted where concentrations have been identified.

Note on credit risks arising from mortgage lending

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

Interest rate risk and balance sheet structure risk

The term "interest rate risk" refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet and on the result from interest operations in the income statement resulting mainly from maturity mismatches. PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of customer deposits held by PostFinance are non-maturing and do not earn a fixed rate of interest. The interest rate of these deposits is therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing interest margin volatility. An additional liquidity buffer is used to cover short-term volume fluctuations.

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

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

Absolute change in the present value of equity

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

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

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

Liquidity risks

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

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

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

Market risks

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

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

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

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

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

Operational and strategic risks

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

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

The risk appetite for operational risks is defined for the relevant sub-categories. Compliance, security and all other operational risks with the potential to lead to serious infringements of laws or regulations in plausible, adverse scenarios are not tolerated. In the area of behavioural risks, no activities that are unlawful or unethical or that otherwise jeopardize PostFinance's reputation as a credible, reliable, trustworthy and responsible company are tolerated.

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

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

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

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

5 | Disclosure of climate-related financial risks

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

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

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

Information on the balance sheet

6 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2020	31.12.2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	–	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	22	19,593
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	3,203	22,628
with unrestricted right to resell or pledge	3,203	22,628
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	3,460	3,532
of which, repledged securities	–	–
of which, resold securities	–	–

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

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

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

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

PostFinance discloses payment obligations for depositor protection in irrevocable commitments.

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

8 | Derivative financial instruments and hedge accounting

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

Presentation of derivative financial instruments (assets and liabilities)

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

Breakdown by counterparty

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

Cash flow hedges

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

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

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

Changes in hedging instruments CHF million	Positive fair values	Negative fair values	Change in fair value which was used for disclosure of ineffectiveness in the reporting period	Change in fair value of hedging instrument in the reporting period, recorded in other assets/liabilities	Ineffectiveness recorded in the income statement	Net amount reclassified from other assets/liabilities to the income statement [1]
31.12.2020						
Currency risk						
Cross-currency interest rate swaps	181	120	129	129	3	– 134
Other						
Completed non-settled transactions	0	–	0	0	–	–
31.12.2021						
Currency risk						
Cross-currency interest rate swaps	317	4	291	291	–	– 217
Other						
Completed non-settled transactions	0	–	0	0	–	–

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

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

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

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

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

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

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

Fair value hedges

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

Contract volumes for fair value hedges

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

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

Change in fair value hedges

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

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

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

Effects of hedged items from fair value hedging

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

9 | Financial investments

Breakdown of financial investments

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

1 There are no qualified participations.
2 The securities eligible for repos correspond to the SNB GC Basket.
3 The fair value of the securities eligible for repos is disclosed for the first time as at 31.12.2021.

Breakdown of counterparties by rating [1]

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

1 The following ratings agencies, all of which are recognized by FINMA, were consulted for the ratings: fedafin AG, Fitch Ratings, Moody's Investors Service, Standard & Poor's Ratings Services.

10 | Participations

Presentation of participations

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

11 | Significant participations

Significant participations

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

1 TWINT Acquiring Ltd is held indirectly via TWINT Ltd. All other participations are directly owned by PostFinance Ltd.
2 Ormera AG will discontinue its services from the second quarter of 2022, and will be liquidated.

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

12 | Tangible fixed assets

Presentation of tangible fixed assets

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

Future lease obligations under operating leases

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

13 | Intangible assets

Presentation of intangible assets

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

14 | Other assets and other liabilities

Breakdown of other assets and other liabilities

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

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

Total amount of assets pledged or assigned to secure own commitments and of assets under reservation of ownership [1]

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

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

16 | Liabilities relating to own pension schemes

Pension benefit obligations

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

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

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

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

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

Presentation of the economic benefit/obligation and the pension expenses	Overfunding/ underfunding	Economic interest of PostFinance Ltd		Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid	Pension expenses in personnel expenses	
CHF million	31.12.2021	31.12.2020	31.12.2021	2021	2021	31.12.2020	31.12.2021
Swiss Post pension fund	150	0	0	0	37	36	37
Staff vouchers	–	–7	–	–7	0	0	–7
Disability pensions	–1	–2	–1	–1	0	1	–1
Total ARR 16	**149**	**–9**	**–1**	**–8**	**37**	**37**	**29**

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

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

17 | Value adjustments and provisions, and reserves for general banking risks

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

1 There were no changes in purpose.
2 Includes the value adjustments from amounts due from banks, amounts due from customers und debt securities held to maturity.

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

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

Analysis of expected losses and impaired loans/receivables

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

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

18 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital	31.12.2020			31.12.2021		
CHF million, number in million	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Bank's capital						
Share capital	2,000	2	2,000	2,000	2	2,000
of which, paid up	2,000	2	2,000	2,000	2	2,000
Total bank's capital	**2,000**	**2**	**2,000**	**2,000**	**2**	**2,000**

19 | Amounts due from / to related parties

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

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

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

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

PostFinance only issues loans and mortgages in cooperation with partners. These are not regarded as transactions with members of governing bodies in the strict sense and are therefore not shown in the Annual Report.

20 | Holders of significant participations

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

21 | Maturity structure of financial instruments

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

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

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

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

22 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

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

23 | Assets by country / group of countries

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

24 | Assets by credit rating of country groups

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

25 | Assets and liabilities by currency

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

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

Information on off-balance sheet transactions

26 | Contingent assets and liabilities

Breakdown of contingent liabilities and contingent assets

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

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

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

27 | Managed assets

Breakdown of managed assets

CHF million	31.12.2020	31.12.2021
Type of managed assets:		
Assets under discretionary asset management agreements	168	881
Other managed assets	43,474	37,508
Total managed assets [1]	**43,642**	**38,389**
of which, double counting	–	–

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

Presentation of the development of managed assets

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

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

Information on the income statement

28 | Result from trading activities and the fair value option

Breakdown by business area

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

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

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

1 PostFinance does not apply the fair value option.

29 | Material negative interest

PostFinance is affected by the SNB’s measures and has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015. PostFinance has defined individual customer thresholds for major business customers and banks, based on their usual behaviour in relation to payment transactions. The proportion of credit that exceeds this threshold is subject to a customer asset fee. PostFinance also charges a customer asset fee for private customers’ assets that exceed a defined threshold value.

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

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

30 | Personnel expenses

Breakdown of personnel expenses

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

31 | General and administrative expenses

Breakdown of general and administrative expenses

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

32 | Extraordinary expenses and income

Extraordinary income

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

33 | Taxes

Current and deferred taxes

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

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

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To the General Meeting of
PostFinance Ltd, Berne

Berne, 25. February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PostFinance Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 214 to 254), including a summary of significant accounting policies, for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework for banks, the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements, which provide a true and fair view of the financial position, the results of operations and the cash flows, are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the applicable financial reporting framework for banks and comply with Swiss law and the company's articles of incorporation.

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Report on other legal requirements

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

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

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

Ernst & Young Ltd

Philipp de Boer
Licensed audit expert
(Auditor in charge)

Daniel Güttinger
Licensed audit expert

Reporting

Document structure

The Swiss Post annual reporting documents for 2021 consist of:

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

These documents are available in electronic format in the online version of the Business Report at annualreport.swisspost.ch/downloads. The Swiss Post Business Report and the PostFinance Ltd Annual Report are also available in printed form.

Languages

The Swiss Post Business Report is available in English, German, French and Italian. The German version is authoritative.

Ordering

The print version of the Swiss Post Business Report can be ordered at swisspost.ch/order-annualreport. Swiss Post employees may order copies through the usual channels.

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Five-year overview of key figures

		2017	2018	2019	2020	2021
Result						
Operating income	CHF million	8,064	7,254	7,168	6,548[1]	6,877
Generated in competition	% of operating income	85.7	84.8	85.4	84.8[1]	86.1
Generated abroad and cross-border	% of operating income	14.3	14.6	14.8	9.5[1]	10.0
Operating profit	CHF million	718	505	450	258[1]	515[5]
Generated in competition	% of operating profit	86.7	72.5	75.1	31.8[1]	20.2
Generated abroad and cross-border	% of operating profit	11.4	18.0	14.9	16.3[1]	11.1
Group profit	CHF million	527	404	255	178	457[5]
Equity	CHF million	6,583	6,759	6,834	6,906	8,832
Value generation						
Economic value added	CHF million	102	–24	–17	–125[1]	–19[5]
Added value generated	CHF million	5,143	4,613	4,616	4,180[1]	4,376[5]
to employees	CHF million	3,989	3,802	3,764	3,529[1]	3,448[5]
to creditors	CHF million	48	48	75	50[1]	44
to public sector	CHF million	63	42	32	28[1]	55
to owner	CHF million	200	200	50	50	50
to company	CHF million	843	521	695	523[1]	779
Jobs						
Headcount (excluding trainees)	Full-time equivalents	42,316	39,932	39,670	32,696[1, 6]	33,207[6]
Trainees in Switzerland	Persons	2,115	2,001	1,894	1,863	1,860
Jobs in peripheral regions	Persons	17,640	16,765	16,073	15,655	15,643
Turnover rate (voluntary departures)	As % of average headcount	4.8	5.5	5.1	4.1	5.0
Notice given by employer for economic reasons	Persons	161	152	105	73	102
Employment conditions and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	85.6	85.2	86.1	85.8	86.2
Swiss Post CEC minimum salary[7]	CHF per annum	47,620	47,620	47,620	47,820	50,451
Average salary for employees	CHF per annum	83,178	83,383	82,741	83,636	84,490
Average remuneration paid to members of Executive Management	CHF per annum	559,044	588,916	582,289	575,822	583,501
Salary bandwidth[2]	Factor	6.7	7.1	7.0	6.9	6.9
Health management						
Occupational accidents	Number per 100 FTEs	6.5	6.0	6.4	6.1	7.4
Days lost to illness and accidents	Days per employee	12.9	13.1	13.3	13.3	14.0
Diversity						
Women	% of employees	47.5	46.3	45.0	44.1	43.0
Nationalities represented	Number	140	138	140	142	143
Women on Board of Directors	%	33.3	33.3	33.3	33.3	33.3
Women in Executive Management	%	20.5	22.9	11.1	11.1	22.2
Women in senior management roles	%	13.4	16.0	17.1	19.8	21.6
Women in middle and lower management roles	%	23.9	23.2	23.8	22.3	22.8
Demographics						
Average age of workforce	Years	46.0	46.1	46.1	46.0	45.8
Resource consumption[4]						
Energy consumption	GWh	1,453	1,479	1,538	1,495	1,580
Energy consumption within Swiss Post	GWh	887	902	875	850	908
Renewable share	%	19.6	20.4	20.2	20.0	19.0
Energy consumption outside Swiss Post	GWh	567	578	663	645	672
Carbon footprint (scope 1 – 3)[4]						
Carbon footprint (scope 1 & 2) (own operations)	t CO_2 equivalent	208,368	212,584	191,014	185,794	200,327
Carbon footprint (scope 3) (remaining value chain)[3]	t CO_2 equivalent	228,182	227,371	248,132	242,573	256,338

1 The figure has been adjusted (see Notes to the 2021 Group annual financial statements, Note 2, Basis of accounting, Accounting changes).
2 Factor = average remuneration paid to Members of Executive Management vs. average employee salary.
3 The emissions of purchased goods and services as well as financed emissions of PostFinance investments are not included. A comprehensive analysis of corporate loans indicated financed emissions of 1.393 million tonnes of CO_2 equivalents for 2021.
4 Data for subsidiaries acquired during the period from 2019 was re-entered retroactively for 2019 and 2020 as 2019 is used as the base year for the 2024 and 2030 targets. There was no re-entry for the years 2017 to 2018.
5 Normalized figures for 2021, see the "One-off item in 2021" section on page 41 of the Financial Report.
6 Figure excludes the discontinued operation Swiss Post Solutions (see Notes to the 2021 Group annual financial statements, Note 2.2, Accounting changes).
7 Until 2020, the minimum salary under the Swiss Post collective employment contract for an 18-year-old employee who has not completed vocational training was reported. As of 2021, the minimum salary for remote municipalities (Region D) is now reported.

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