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Regular monitoring by FINMA

The monitoring process has not developed in pace with the growth of PostFinance. Various special solutions currently exist. There is no regulation in terms of banking law. The financial crisis highlights the need for a transparent and functioning monitoring process. PostFinance, Switzerland's fifth largest financial institution, is now regulated by FINMA in line with the industry. This move serves to strengthen the financial centre.

Supervisory bodies	Subject
Fed. Council (DETEC/FFD)	Duties as per POA
FFD	Treasury
Fed. Council (DETEC)	Definition of universal service
DETEC/PostReg	Monitoring of universal service
DETEC	Monitoring of competitive services
Control authority/SRO	Money laundering control
Indirect FINMA	Alliances (partner institutions are directly supervised)

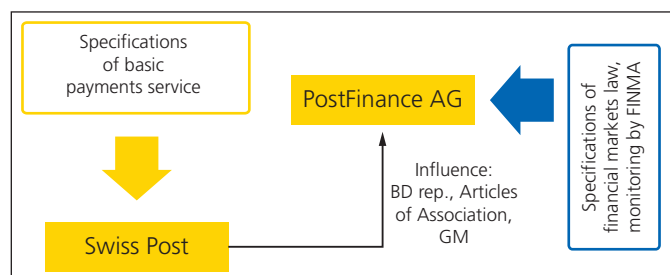
PostFinance's current supervisory bodies

Swiss Post subsidiary to become public company under private law

In order to meet banking and monitoring requirements, PostFinance – a subsidiary of Swiss Post – is to become a public company under private law. This will safeguard the interests of the Federation in terms of the basic payments service.

Governance structure in accordance with banking law

As a public limited company, and in accordance with specifications, PostFinance will no longer be subject to financial market law. The executive bodies must satisfy the requirements of banking law (e.g. qualification or independence). Relevant decisions in line with banking law will be made by the executive bodies of PostFinance AG. In terms of internal organization, the same rules will apply as for other financial institutions. Swiss Post exercises its influence through its seats on the Board of Directors, the structure of the Articles of Association and via



Swiss Post and PostFinance AG governance structure

shareholders' interest at the General Meeting. This is how the specifications from Swiss Post's basic payments service become binding on PostFinance AG, which implements them.

Equity in accordance with Basel II

In recent years, Swiss Post has built up its equity, which totalled some CHF 2.5 bn as of 30 June 2008. Equity required by PostFinance in accordance with Basel II will barely reach CHF 2 bn on average in 2009, including reserves of 35%. The capital required for the creation of PostFinance AG in line with financial market law is therefore available.

Cancellation of state guarantee

In principle, as soon as PostFinance is placed under the control of FINMA and has equity at its disposal, the state guarantee will no longer be needed. The equity is primarily liable for accounts payable. Thanks to the alignment of the deposit business, the risks are minimal. A staggered cancellation of the state guarantee is envisaged similar to developments at some cantonal banks. As such, the Federation will remain subsidiarily liable for PostFinance liabilities only, whereby equal treatment of market players is ensured.

"... in the case of both banking giants, there is no alternative to the subsidiary state guarantee."

Prof. M. Ammann, HSG, 2009

Regulative counter-arguments no longer valid

Government interventions in the financial markets demonstrate that the regulative counter-arguments that "no bank should be operated by the Federation" and "the state guarantee gives PostFinance an unfair advantage" are no longer valid. Governments have become involved in the banking business throughout the world and Switzerland is no exception – with the acquisition of UBS securities by the Swiss National Bank.

No cross-financing

Within Swiss Post Group, PostFinance pays full, market-based prices. Compensation paid to other Swiss Post business units amounts to CHF 500 m per year. The largest portion of just under CHF 300 m goes to the post office network for the processing of cash inpayments and outpayments and as compensation for sales services. There is no cross-financing. This is confirmed each year by external auditors.