Powering a modern Switzerland

Financial Report 2020

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
- Plan or goal

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

Powering a modern Switzerland

Customer-centric, trustworthy, committed

7,054 million

francs in **operating income,** down by 1.6 percent year-on-year.

178 million

francs in **Group profit,** down 77 million francs year-on-year.

1,706 million

With a fall of 5.6 percent, the volume of **addressed letters** posted in Switzerland and delivered by PostMail declined again in 2020.

191 million

Thanks to booming online retail, PostLogistics delivered 23 percent more **parcels** in Switzerland.[1]

124 billion

francs, up by 3.3 percent, represents the **level of average PostFinance customer assets.**

127 million

Due to the coronavirus pandemic, PostBus transported around 24 percent fewer **passengers** in 2020.

81 points

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

30%

is the **CO_2 efficiency improvement** over 2010 achieved by Swiss Post by the end of 2020.

1 For the new definition of parcel volumes, see page 33.

Financial Report 2020

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. Following regulatory changes in the financial market, digital providers have the possibility to gain a foothold in payment transactions. Multimodal transport services, which complement and compete with traditional public transport, are increasingly being offered in the passenger transport market.

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 coming strategy period from 2021 to 2024.

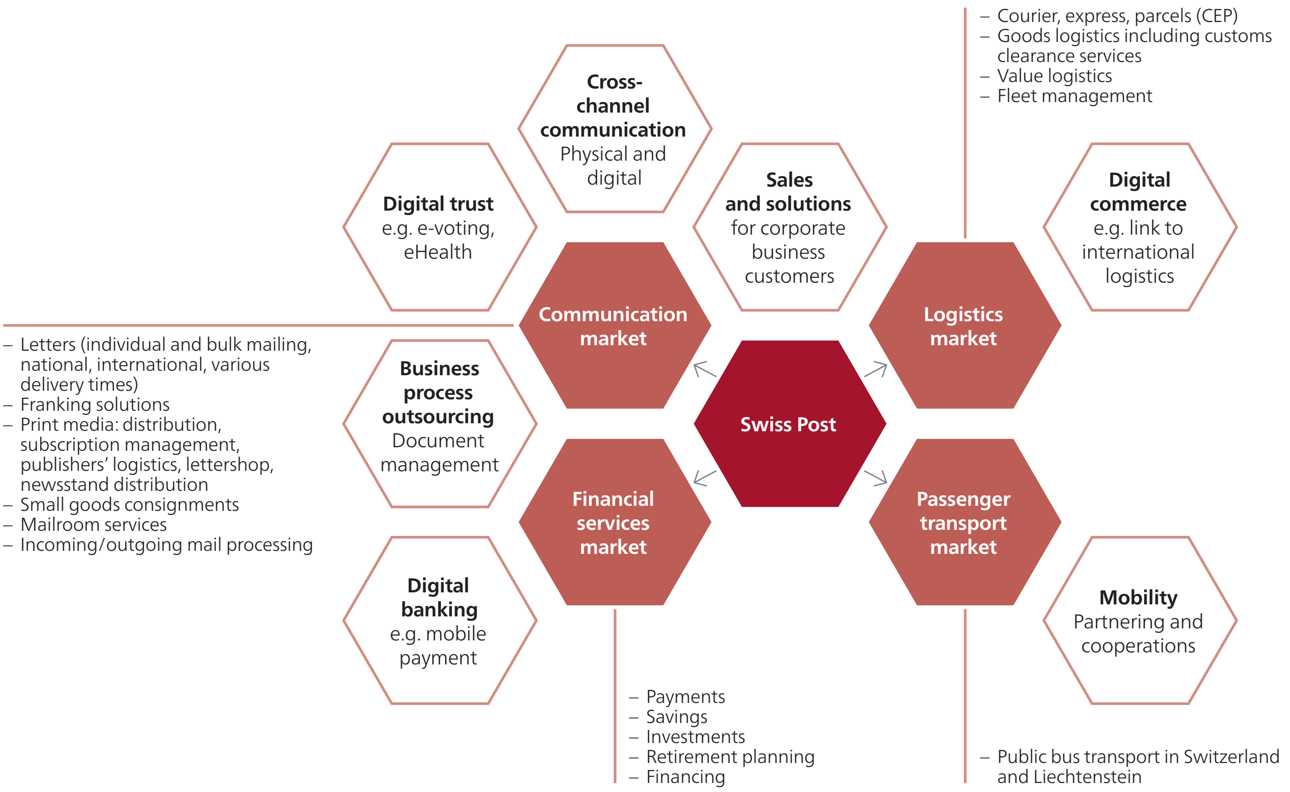
Business activities

Swiss Post offers 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 in a targeted manner abroad.

Range of services

Swiss Post's range of services includes the processing of logistics and communication consignments, secure electronic 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 the best value for money. Cross-market solutions create tailor-made customer benefits (e.g. in digital commerce).

Range of services



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. Together with its customers, Swiss Post is increasingly developing solutions which connect elements right across the Group (e.g. working capital management as a combination of logistics and financial products).

Swiss Post generates 85.9 percent of its revenue in competition. The remaining 14.1 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, the share 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 the customer. They 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 should 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 major customers and corporate accounts, which are provided with tailored solutions.

Corporate accounts generate more than half of logistics revenue

Communication and logistics market | Business customer segments
2020

Business customer revenue CHF per annum	**Business customer segment**	**Business customers** Number	**Share of business customer revenue** Percent
Over 2,000,000	Corporate accounts and key accounts	**213**	**57%**
100,000 to 2,000,000	Business accounts	**2,342**	
25,000 to 100,000	Retail accounts	**5,181**	**41%**
3,000 to 25,000	Small and medium-sized enterprises	**26,531**	
Up to 3,000	Other	**131,425**	**2%**

Swiss Post offers services to every household in Switzerland and to around 166,000 business customers in the communication and logistics markets. PostBus transported around 127 million passengers in the year under review. In addition, around 2.7 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 85.8 percent of Group revenue, with 14.2 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.

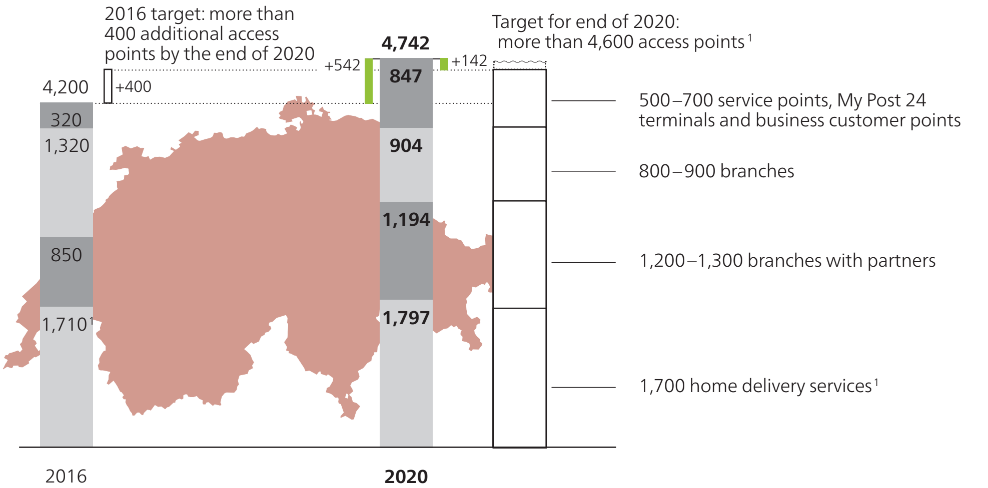
Access points

Customer-oriented sales network for today and tomorrow.

Compared with other companies around the world, Swiss Post has one of the most efficient and dense networks of access points. Whether for postal transactions on the move, at home or digitally, Swiss Post provides the best possible universal service for different regions and generations. Up to the year 2020, Swiss Post has increased the number and range of services by around 400 additional access points. Its focus is increasingly on the tried-and-tested branches with partners model, developing the home delivery service and opening additional access points such as My Post 24 terminals and business customer points.

Targets for end of 2020 exceeded

Number of access points as at 31.12.



1 The term "district" was clearly defined as part of the new ordinance to the Postal Services Act. Due to the new definition, the number of districts with home delivery service has increased by around 400. As a result, our previous goal of offering more than 4,200 access points by the end of 2020 has increased to 4,600 access points. The 2016 figure has also been adjusted to reflect this.

Present throughout Switzerland.

On the move: branches and additional access points
Every day, thousands of Swiss Post employees and numerous partner staff serve and advise over one million customers in 904 branches and 1,194 branches with partners. A network of 38 PostFinance branches and 54 consulting offices is available for financial services. 99 PostFinance employees advise small and medium-sized business customers directly at their premises. 961 Postomats, 14,451 letter boxes and 183 My Post 24 terminals are also available around the clock, as are 502 acceptance and collection points at locations such as Migros branches. 285,300 P.O. Boxes are available Switzerland-wide at 1,793 P.O. Box locations. Around 46 percent of these P.O. Boxes were in use at the end of December 2020. To meet the needs of business customers, Swiss Post operates 270 counters for business customers in branches and 162 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 1,797 – 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 and the secure transport of daily takings and sums of money via SecurePost.

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. Post-App, PostFinance App) or social media. In addition, around 310 call center agents respond to inquiries to the Contact Center via e-mail and telephone from locations in Fribourg, Schaffhausen, Kriens and Visp. Around 7,600 inquiries are dealt with here each day.

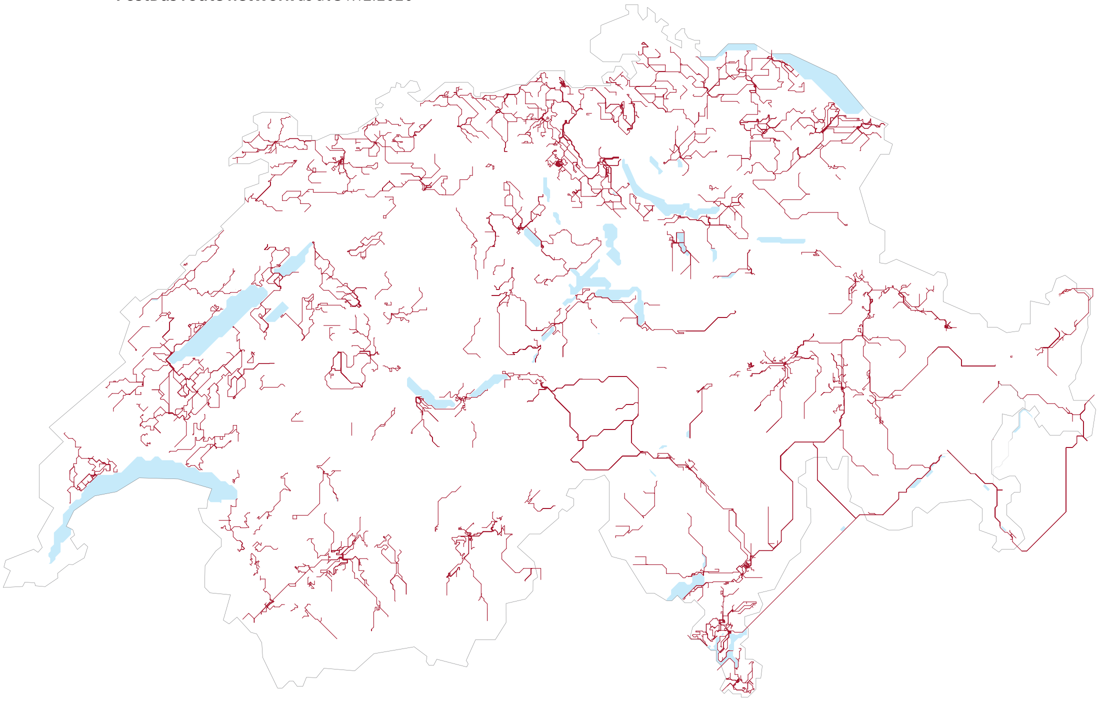
More information on developments in the network and universal service can be found on page 44 and in the Annual Report on pages 36 to 39.

PostBus routes

In the passenger transport market, PostBus offers 936 PostBus routes in Switzerland, covering a total of 16,865 kilometres and 13,489 stops in the public transport network, as well as tourist routes, school buses and dial-a-ride buses. To round off its services, it also operates the PubliBike bike sharing service, providing 5,100 bikes at 530 stations.

PostBus connects the whole of Switzerland with its route network

PostBus route network as at 31.12.2020



Abroad

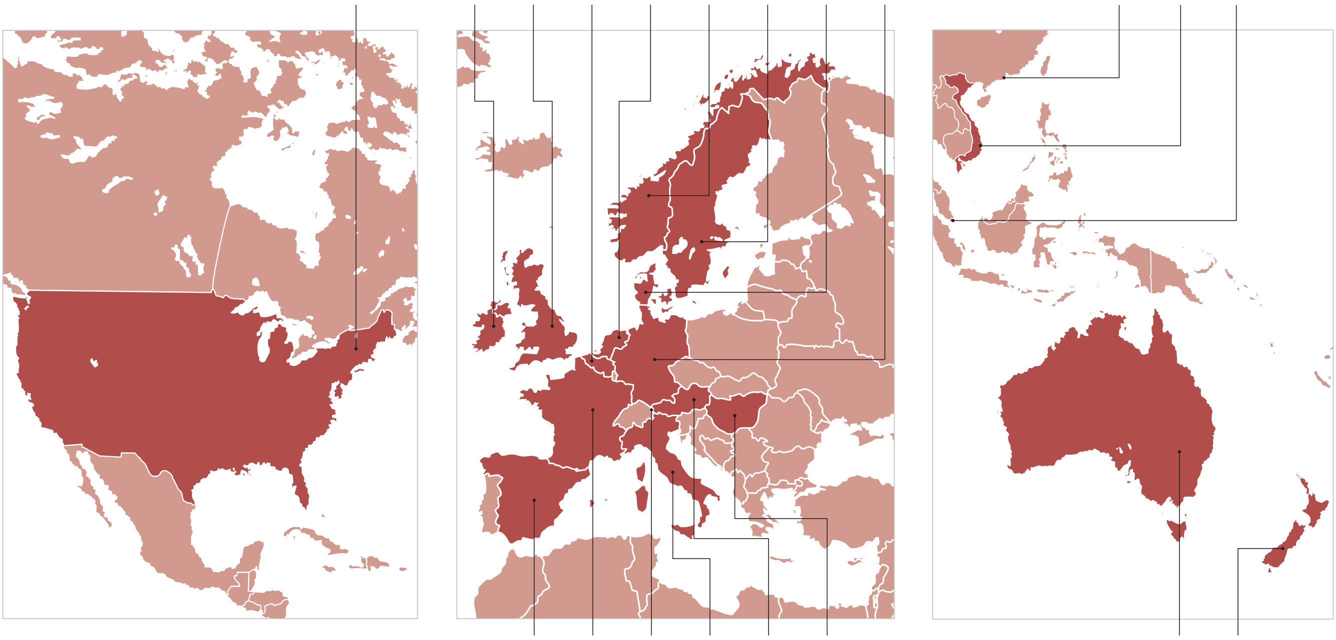
Selective presence abroad.

Swiss Post has its own branches outside of Switzerland in 20 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. A PostBus subsidiary operates the entire regional transport network in Liechtenstein.

Swiss Post abroad

2020

	US	IE	UK	BE	NL	NO	SE	DK	DE	HK	VN	SG
Letters and goods dispatch	■[1]		■[1]	■[1]	■[1]	■[1]	■[1]	■[1]	■[1]	■[1]		■[1]
Logistics									■			
Passenger transport												
Document management BPO[2]	■	■	■		■				■	■	■	■



	ES	FR	LI	IT	AT	HU	AU	NZ
Letters and goods dispatch	■[1]	■		■[1]	■[1]		■[1]	■[1]
Logistics		■						
Passenger transport			■					
Document management BPO[2]	■	■	■	■	■	■		

1 Countries in which Asendia companies operate.
2 BPO: business process outsourcing.

Read more about subsidiaries, associates and joint ventures from page 169.

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 implemented and optimized in day-to-day operations in 2020. The current improvement measures aim to create a customer-centric experience at all touchpoints with the Swiss Post core brand and the two flagship brands PostFinance and PostBus. At digital touchpoints in particular, the past financial year saw significant improvements in terms of brand experience.

Brands and markets

In 2020, Swiss Post constantly pursued communication about its products and services in accordance with its marketing communication architecture. Various products were advertised throughout the year – primarily on digital channels. This integrated communication under the central theme of “Swiss Post is right here. For everyone.” was redesigned in terms of its content in 2020. From 2021, it will be used in the mass media with a view to further strengthening trust in the Swiss Post brand.

The “Dynamic sponsorship: commitments for Switzerland” pillar of the current sponsorship strategy places a clear emphasis on private customers. The two commitments “Hiking” and “TEDx” strengthen the target positioning. They allow us to demonstrate proximity and accessibility and help ensure a positive Swiss Post experience. Together with the two other main sponsorship pillars (business and social sponsorship), they establish Group sponsorship as a brand management tool.

Regular image measurements are carried out on the brand identity. This showed that Swiss Post continues to maintain a strong presence in its core business with a supported familiarity score of 99 percent from businesses and 99 percent from the general population. Perception of the Swiss Post brand among the population continues to be positive, and indeed improved in 2020. Among the target group of companies, its perception remained stable and positive over the last two measurements. 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.

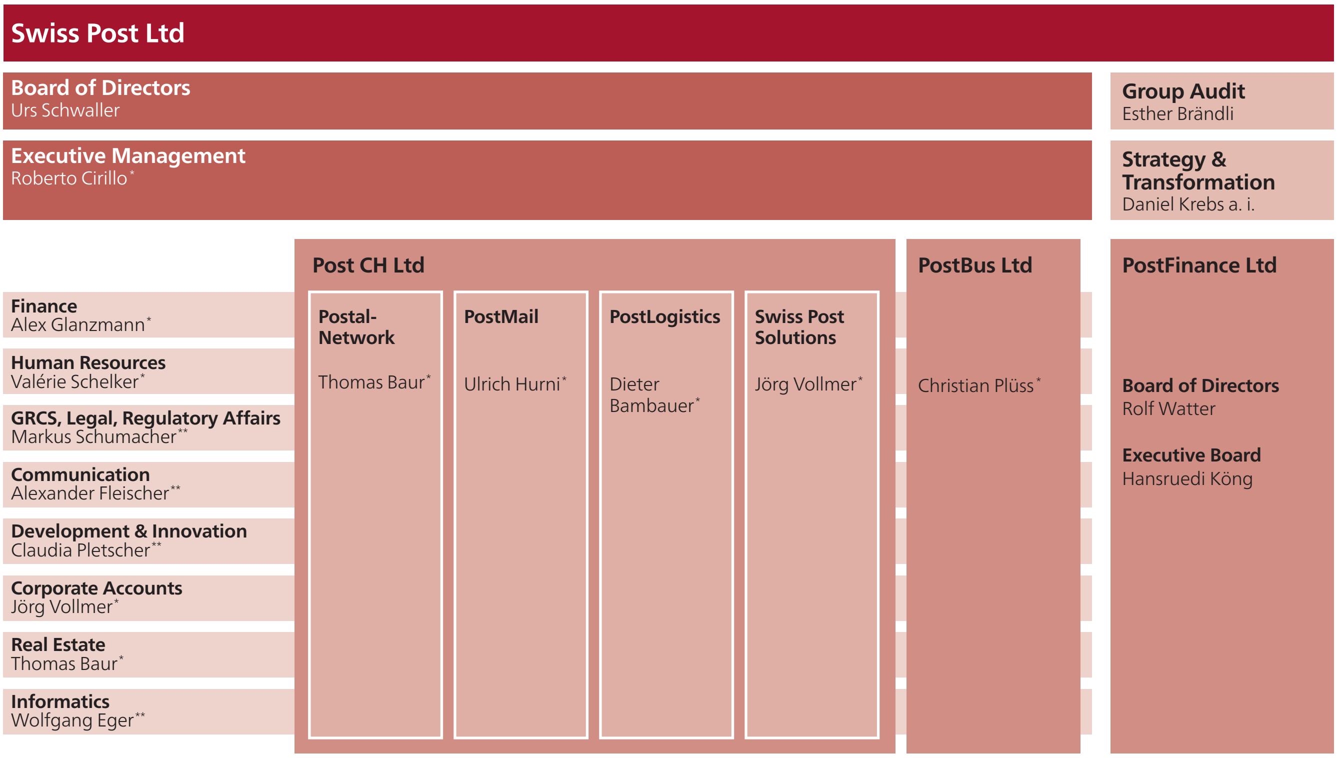
Swiss Post operates six executive units: PostalNetwork, PostMail, PostLogistics, Swiss Post Solutions, PostBus and PostFinance. They are presented in the annual financial statements as individual segments.

The Finance, Human Resources, Communication, Development & Innovation, Corporate Accounts, Real Estate, Informatics, Group Audit, Strategy & Transformation, Governance, Risk Management, Compliance, Security (GRCS), Legal and Regulatory Affairs 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 Other.

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

Organization chart

31.12.2020



* Member of Executive Management
** Member of Extended Executive Management

More information on the Board of Directors and Executive Management can be found on pages 68 to 71 and 74 to 76.

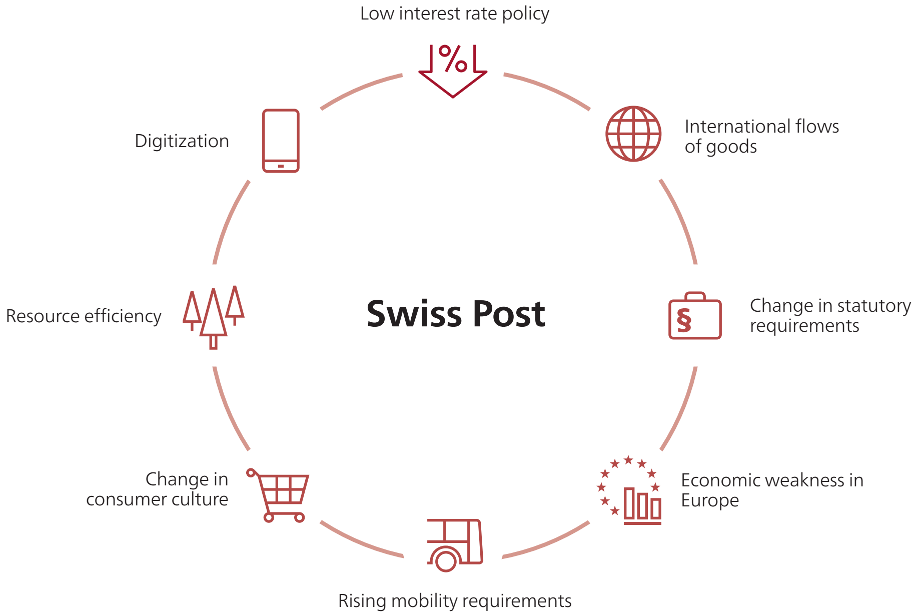
Swiss Post's new strategy came into force on 1 January 2021 and will apply for the period 2021 to 2024. With its new strategy, Swiss Post plans to generate the growth and funds required to safeguard the public service in the long term in the logistics and communication services markets. It is opening up its network to service companies and public authorities and stabilizing the number of self-operated branches. As of this date, Swiss Post has adapted its Group structure to the strategic realignment. The PostBus, PostFinance, PostalNetwork and Swiss Post Solutions units will remain in place. Swiss Post's logistics competences have now been pooled in the "Logistics Services" unit and its communication competences in the "Communication 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

2020



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 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 skills being created.

Sociocultural factors

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 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 all four markets:

Communication market

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), causing a loss in Swiss Post’s market share. The market for small goods consignments, digital communication solutions and services over the last mile offer growth opportunities. At the same time, there is a requirement for maximum data security. Driven by changing customer behaviour as well as by cost and efficiency concerns, major corporations are increasingly outsourcing standardized business processes. There is potential for future growth in this area in virtually every industry. Swiss Post Solutions, as a provider of document management solutions, can tap into this potential.

Logistics market

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.

Financial services market

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 in which non-interest 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, and new market participants are heightening the intensity of competition in the Swiss market.

Passenger transport market

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.

Legal and political factors

Legal requirements changing over time.

In September 2020, the Federal Council adopted a partial revision of the Postal Services Ordinance. At the heart of this revision are implementation of the Maire and Clottu motions on home delivery throughout Switzerland, the Candinas motion on midday delivery of daily newspapers in areas without early-morning delivery, and a clarification that international payment transactions are not part of the universal service.

The input report for a holistic analysis of Swiss Post, which was drawn up by Swiss Post in 2019, shows the need for regulatory action on the part of the owner and politicians. If the regulatory framework remains unchanged, a continuation of the present business policy will lead Swiss Post into a difficult financial position in the medium term. Any precedent-setting decisions by the owner and politicians concerning the future strategic focus of Swiss Post that would prevent this happening must be taken at the beginning of the 2021–2024 strategy period. The input report has clearly shown that any failure to adjust the regulatory framework will mean that – before the end of the 2020s – the sustainable financing of the universal postal service is no longer assured.

An important pillar in this context is the issue of loans and mortgages by PostFinance. Against this background, the Federal Council in September 2018 instructed DETEC, in collaboration with the FDF, to draw up a consultation draft for a partial revision of the Postal Services Organization Act. At the beginning of June, the Federal Council submitted the draft bill for the consultation procedure. After conclusion of the consultation procedure, it is evident that the bill is unlikely to gain majority support.

In 2020, Swiss Post itself also presented its “Swiss Post of tomorrow” strategy to the political stakeholders. Politicians largely responded favourably to the strategic thrusts presented. To accompany implementation of the strategy, the owner and politicians need to take clear positions regarding the future of PostFinance, and in the medium term, to set out a vision for the structure of a future modern public service in conjunction with the universal postal service.

Impact of the coronavirus pandemic on Swiss Post’s operations

The effects of the coronavirus pandemic on Swiss Post were many and varied. It presented Swiss Post with major operational 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 trends and staff shortages had a temporary impact on compliance with delivery times (see page 13 of the Annual Report) and on the accessibility of post offices. In passenger transport, the basic service in the passenger transport market mandated by the Confederation was maintained despite the lockdown caused by the coronavirus pandemic, even though demand fell sharply by around 90 per cent and income by around 80 per cent. In the financial services business area, the massive decline in demand for cash was reflected in a marked drop in revenue from over-the-counter transactions. The impact of the coronavirus pandemic is of course also reflected in the results of the Group units (see section on segment results, pages 41–48).

Swiss Post’s stated goal was and is to maintain the universal postal service, even during the crisis. This was achieved thanks to the great commitment of all employees in all units, even if a temporary easing of the quality and measurement criteria for the universal service had to be requested from the authorities. This gave Swiss Post the opportunity to respond to ongoing developments without infringing statutory requirements.

Strategy

2020 Swiss Post strategy

Suitable solutions for the customer requirements of the future.

In the 2017–2020 period, Swiss Post met the challenges in its environment with a transformation strategy and an ambition to transform itself by 2020 into an enterprise that can offer solutions appropriate to the customer requirements of the future.

Swiss Post's strategy is based on its statutory mandate, the strategic goals set by the Federal Council and the Swiss Post vision. The strategy consists of four strategic thrusts for achieving the specified targets (Swiss Post's strategic goals). Swiss Post is considering growth options that could be achieved through new business models in seven growth and business development areas.

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 state 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 revision aimed to harmonize effective competition and a high-quality universal service. The Postal Services Act aims to guarantee a sufficient, inexpensive universal service for the entire Swiss population in every part of the country. Swiss Post has a universal service obligation to provide postal services and payment transaction services 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. With effect from 1 January 2019, the requirements for the accessibility of payment transaction services were again made more stringent. Since then, these services should be accessible to 90 percent of the population within 20 minutes on foot or by public transport.

Classification of services

2020

	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. It has largely retained most of the requirements from the last strategy period, adapted them in some respects to the changing market environment and supplemented them with an objective for stabilizing and opening the network.

With its strategic goals for the 2021 to 2024 period, the Federal Council is supporting the strengths of Swiss Post and thus the "Swiss Post of tomorrow" strategy: the reliable transport of goods, information and people.

Swiss Post should 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 next four-year period, the Federal Council also wants Swiss Post to stabilize the number of branches, provided this is economically justifiable, and 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 must achieve an industry-standard result. With its human resources policy, Swiss Post should continue to offer 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

In accordance with article 19, para. 2 of the Postal Services Act of 17 December 2010, Swiss Post must present its accounts in such a way that costs and revenue can be identified for individual services. The Postal Services Ordinance of 29 August 2012 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 281 million francs for 2019. The calculation was approved by the regulatory authority PostCom in May 2020. Following the approval of the net costs for 2020 by PostCom in the second quarter of 2021, the figures will be published at www.swisspost.ch/annualreport in a supplement to the Financial Report.

Swiss Post can offset the net costs from the previous year between different segments and Swiss Post subsidiaries. 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. On 11 November 2020, the Federal Council extended the temporary measures in support of print media until 30 June 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 the provisions of the ordinance (ALEO) and compliance with other enactments subject to a special statutory regime. Due to the adaptation of the supervisory system for subsidies in public transport, the FOT will no longer approve the annual financial statements, but will audit the approved annual financial statements.

Vision and core values

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

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

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

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

Swiss Post's strategic goals

With its strategic goals for the strategy period 2017 to 2020, Swiss Post set out its ambitions regarding customer focus, market position, efficiency and corporate responsibility and finances.

Customers
- Customer satisfaction: at least 80 points (on a scale of 0–100)
- Customer experience: increase customer experience or recommendation rate per unit
- Customer proximity: more than 400 additional access points by the end of 2020

Market
- Swiss Post wants to generate 10 percent of new revenue by 2020. It is therefore growing in its core business and in seven growth and business development areas.
- Swiss Post wants to remain the market leader in its four current markets.

Efficiency
Swiss Post wants to optimize its processes. As well as implementing measures to increase efficiency in the units, it is seeking to achieve around 5 percent of savings at Group level by 2020. This includes savings in cross-unit functions (Finance, Human Resources, Communication), in procurement and in IT.

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. While Swiss Post measures employee satisfaction each year, it deliberately refrains from setting quantitative targets.

Corporate responsibility
Swiss Post is aiming to improve its CO_2 efficiency by at least 25 percent by 2020 (base year 2010).

Finances
Swiss Post aims to secure its financial independence, increase its economic value added and achieve industry-standard returns in its business units.

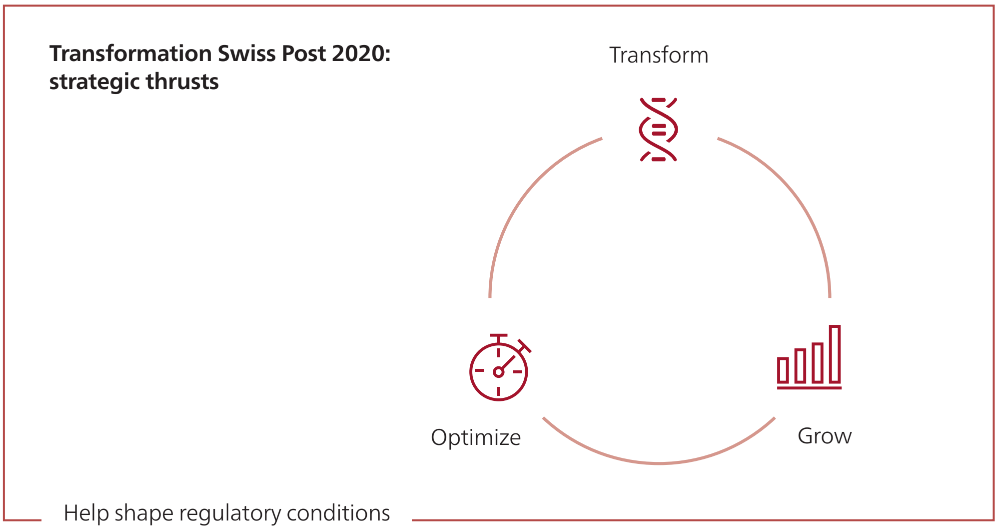
The challenges in its environment – exacerbated by the COVID-19 pandemic – continued to intensify in 2020. Operating profit, the EBIT margin and economic value added have come under further pressure and the trends for the future are negative. On the positive side, self-financing continued to be possible and the Federal Council's net debt targets were met. In the core business, the difficult market environment (COVID-19 pandemic, decline in volumes, margin erosion) combined with a rising cost base in some cases led to a decline in the operating result. At the same time, the growth target was not achieved, as the shrinking core business led to a fall in revenue. All other targets relating to customer focus, market position, efficiency, employee commitment and corporate responsibility were achieved at the end of the 2017–2020 strategy period.

Strategic thrusts

Transform, grow, optimize and help shape regulatory conditions.

As part of the Swiss Post 2020 strategy, Swiss Post pursued four strategic thrusts: transform, grow, optimize and help shape regulatory conditions.

Strategic thrusts



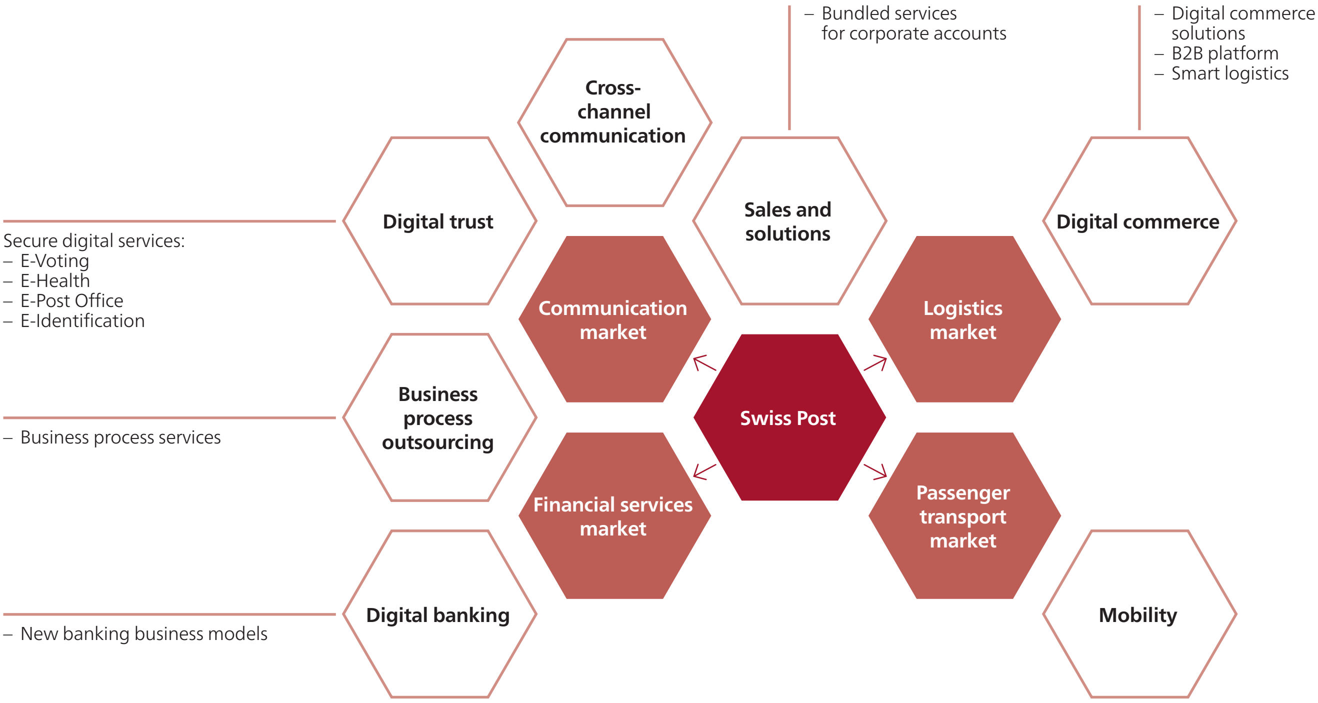
Drive forward transformation of the business

Swiss Post is changing by adopting measures in the areas of customer experience management, digitization and employee development. It is also transforming the postal network so that it can continue to meet customer requirements in the future. This first thrust will allow substantial innovations to be introduced.

Generate growth and new business

Swiss Post is seizing the opportunities offered in its environment and aiming to achieve 10 percent of new revenue by 2020. To do so, it is seeking to grow in its core business and beyond. The seven focal points of its growth and development programme are particularly important here. The illustration below shows which new business models will be developed in each development area.

Growth and business development areas



Optimize and increase efficiency

In order to be able to invest in the future, Swiss Post needs to become even more efficient in its core business. It has improved its efficiency by 5 percent in recent years. The "functional management" programme for the Finance, Human Resources and Communication function units, the optimization of ICT and reorganization of procurement are part of this strategic thrust.

Help shape regulatory conditions

The regulatory framework forms the basis for Swiss Post's business activities. As a closely regulated company, Swiss Post finds itself trying to reconcile the conflicting demands of the market and politics. It wants to fulfil its universal service obligation in such a way that it reflects changing customer requirements. To do so, it requires entrepreneurial freedom. In dialogue with the regulators, Swiss Post exerts its influence on core topics in order to generate as much customer benefit as possible.

Market strategies

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

Communication market

PostMail

Letters enjoy a strong impact.

By deploying the latest technology, PostMail is consolidating reliability and quality and offering competitive value for money. Letters are specifically positioned as a means of communication that stand out from other competing media due to their strong impact as an important part of dialogue-oriented communication. Growth opportunities can be found in direct marketing, abroad in Asendia (cooperation with France's La Poste), in the international small goods business, and in the development of cross-channel communications products at the interface between the physical and the digital world. PostMail's core business is rounded off by new and innovative services, for instance over the "last mile".

Swiss Post Solutions

Leading international position in business process outsourcing.

Swiss Post Solutions (SPS) helps its national and international customers with the digital transformation of business processes by providing document management – a growing market with a global volume of well over 30 billion dollars. By offering innovative solutions in the areas of mailroom services, document input processing, intelligent automation, business process services and document output processing, SPS made a tangible contribution to Swiss Post's new business. SPS is one of the leading global providers of business process outsourcing, document management and information processing. In the inbound area, SPS is ranked in second place worldwide. SPS processes around 3 billion documents annually for more than 1,000 customers worldwide, including around 25 percent of the "Fortune 100" companies. SPS operates internationally with a focus on the insurance, banking and healthcare sectors.

PostalNetwork

On the go, at home, digitally: PostalNetwork is close to its customers.

Swiss Post already offers the densest network of postal services in Europe. It intends to expand this with new, alternative access points. PostalNetwork is increasingly opting for formats and new services that customers can easily integrate into their everyday lives, both digitally and physically. Branches remain a key part of the network. We offer customers attractive opening times through partners such as retailers. However, the conversions could not be implemented as planned, which is why the financial targets were not fully achieved. This effect was exacerbated by the COVID-19 pandemic, which caused substantial declines in over-the-counter transactions.

Logistics market

Setting the pace in the logistics market.

Driven by booming online trade and continuing globalization, logistics will continue to expand. The strongest growth drivers will have an impact on the parcel division. Goods logistics are also registering positive growth due to internationalization and increasing requirements in the B2B segment.

A new phase of digital commerce is set to turn the world into a worldwide warehouse. Trade is shifting from in-store to electronic commerce, and customer-specific omnichannel concepts with integrated customs clearance solutions are becoming a reality. Domestic retailers are coming under increasing pressure due to the wide selection of products, price differences and ever shorter delivery times offered by international competitors, particularly from Asia. Interest groups are being formed in response, and the importance of imports will continue to grow. There are also signs of a significant acceleration in the speed of delivery and a more resource-efficient structure due to a rise in the use of emission-free vehicles. In addition, solutions designed to promote the circular economy are becoming increasingly important, for example with regard to reusable packaging and collection solutions for recyclable materials.

In addition to existing competitors, new rivals, partly from outside the sector, are forcing their way onto the logistics market. Furthermore, due to disruptive technologies, new competitive models can bring about fundamental and lasting change to the market at any time (such as "uberfication"/the platform economy, 3D printing, etc.).

Based on its underlying strategy of quality and cost leadership, PostLogistics is endeavouring to secure and build upon its position as the market leader in the Swiss logistics market. PostLogistics is driven by its ambition to be number one in the Swiss parcel and logistics market and in the cross-border parcel business based on its comprehensive service portfolio, the highest quality of service and the most efficient infrastructure. Further strategic goals are to be perceived as the pacesetter in national and cross-border digital commerce, and as a trendsetter and reference in the creation of positive customer experiences. Among these are the goal of fully electrifying delivery by 2030 and establishing new logistics services with regard to the recirculation of recyclable materials and the circular economy.

The main features which set PostLogistics apart include its comprehensive service portfolio, the excellence of its service delivery in the industrialized bulk business and its deep networking with our customers on the sender and recipient side. A high level of technological competence and density of innovation, as well as a systematic presence abroad, ensure growth and market share.

A steadily growing international market presence in neighbouring countries is becoming another important prerequisite for securing its high market share in the domestic parcel business (interlinking). With its reinforced connection to networks, goods logistics can better benefit from international growth impetus.

Financial services market

From a traditional financial service provider to a digital powerhouse.

The increasing digitization of banking services has resulted in more and more global technology companies, as well as fintech start-ups, forcing their way onto the market. This, and today's difficult market environment with persistently low interest rates and declining revenues in the core business, force PostFinance to act. Its aim is to make better use of the many opportunities offered by digitization and to actively drive and help shape the process.

PostFinance has defined strategic thrusts for the future: digitization of its core business, enhancement of the investment options it offers its customers, implementation of the solutions business for major business customers and development of additional sources of income from new business models.

Innovation management plays a key role, allowing PostFinance to recognize promising products, technologies and business models at an early stage. At the same time, PostFinance is increasing its commitment to corporate venturing, with targeted investment in young, innovative or highly specialized growth companies whose operations are relevant to its core business. In the future, an increasing proportion of innovation will therefore be in collaboration with partners.

Passenger transport market

Focused mobility provider in road passenger transport.

As part of its realignment, PostBus is refocusing on its strengths, affirming its social responsibility and concentrating on its core business, "regional passenger transport". The company places particular emphasis on customer friendliness, efficiency, optimized utilization of operational capacities and sustainable drive technologies. Income from profitable ancillary business – for example in the area of rail replacement or school transport – will be used to contribute to the further development of public transport and the establishment of new mobility solutions.

“Swiss Post of tomorrow” growth strategy (2021–2024)

Swiss Post intends to grow systematically in the coming years in order to continue to provide a high-quality universal service in the future and to finance the investment required to do so from its own efforts. It wants its nationwide public service to meet the requirements of a Switzerland that is developing dynamically and sustainably. With its new “Swiss Post of tomorrow” strategy, Swiss Post is developing its traditional core competencies – the transport of goods, information and people, as well as financial services. The new strategy applies to the period 2021–2024. However, its horizon is more long-term and extends over the next ten years. It plans to generate the growth and funds required to safeguard the public service in the long term in the logistics and communication services markets. Mobility as a relevant public service remains part of the Swiss Post of tomorrow. In the development of its network, Swiss Post is planning a significant change of course. It is opening up its network to service companies and public authorities and stabilizing the number of self-operated branches. In the long term, Swiss Post also has a responsibility to enhance the positive impact of the direct and indirect consequences of its business activities on its stakeholders and the environment, while at the same time minimizing unwanted effects, in order to make its contribution to the sustainable development of Switzerland.

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.

Strategy period 2017 to 2020

Swiss Post is contributing to sustainable development with forward-looking solutions.

Swiss Post's Group target for the 2017 to 2020 strategy period was to achieve a CO_2 efficiency increase of at least 25 percent by the end of 2020 (base year 2010). With an increase of 29.8 percent, it had exceeded this target by the end of 2020. The focus of the areas of action in the corporate responsibility strategy was on issues that were identified using internal and external stakeholder surveys and presented in a relevance matrix, and that contribute to the achievement of the United Nations Sustainable Development Goals. In addition to climate and energy, these areas of action are responsible procurement, responsible employer, circular economy and corporate citizenship.

Responsible procurement

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

Our objectives:
– Incorporate sustainability criteria into service tenders
– Draw up a risk evaluation for strategic suppliers
– Integrate the circular economy and carbon-neutral approaches consistently 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. 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 2020, key suppliers have been subjected to a risk evaluation, improvement measures have been agreed with them and their implementation has been verified. In 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.

Climate and energy

Swiss Post pursues ambitious climate and energy targets.

Our objectives:
– Improve CO_2 efficiency by at least 25 percent by 2020 (base year 2010).
– Improve energy efficiency by at least 25 percent by 2020 (base year 2006).

Information about the measures and the achievement of objectives can be found on pages 57 to 59.

Responsible employer

Swiss Post ensures that its employees remain agile, innovative and healthy.

Our objectives:
– Employee performance is ensured, even with age.
– By 2020, a common understanding of leadership will be developed and appropriate conduct demanded.
– The organization is transforming into a varied working environment and is becoming more agile and innovative.

Swiss Post seeks to maintain and promote the physical and mental health of its employees by treating each other with respect every day, through an interest in well-being and with openness to inclusion. Leaders have a decisive influence on the good health, motivation and performance of their employees. For this reason, Swiss Post's basic leadership training has been completely revised and modernized. Succession planning for roles critical to success has also been further expanded. In addition, a new understanding of leadership has been developed – derived from the "target vision of our culture" – which no longer includes only line managers, but also project managers, specialists in charge at the units and roles in new forms of work. To encourage reflection and examination of personal leadership behaviour, a leadership map was launched and is now being gradually established throughout the entire organization.

To promote mixed teams, the "Diversity and inclusion" strategy has been revised and visualized by means of diversity dimensions: "Generations", "Gender+", "Languages", "Origin", "World views" and "Impairments". The Board of Directors has set out ambitions for "Language" and "Gender+". The new collective employment contract in place at Post CH Ltd has established important principles with regard to maternity and paternity leave, discrimination and equal pay. The company's internal "Young Voice" network empowers young employees. The trend towards digital and networked work practices is becoming increasingly common and is being further accelerated by the coronavirus pandemic. Employees are supported and assisted on their way to digital work and collaboration. New tools make it possible to make knowledge transparent and encourage the exchange of ideas. In addition, a skills landscape has been established to make new knowledge about agile working methods and tools more accessible.

More information on the responsible employer area of action can be found in the "Employees" section on pages 53 to 57.

Circular economy

Swiss Post positions itself as a provider of complete solutions for the circular economy.

Our objectives:
– Identify roadmap, strategic goals and potential
– Establish Swiss Post in the fields of reverse logistics and the recirculation of recyclable materials
– Establish Swiss Post as a logistics link in reuse

Swiss Post takes back used Nespresso coffee capsules as well as PET bottles and packaging material when exchanging e-food orders, and disposes of them correctly. 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. 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 has also recognized its social responsibility as a consumer and is looking for new forms of responsible consumption: at a branch in Neuchâtel, for example, it has tested ways of using old Swiss Post scooter batteries as stationary energy storage units. The battery maker has now closed the loop, developing an innovative recycling technology for the scooter batteries that makes 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.

Corporate citizenship

Swiss Post wants to create added value for society.

Our objectives:
– Create corporate citizenship framework
– Establish corporate citizenship area of action with measures and commitments

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 making an active contribution in this area 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.

Strategy period 2021 to 2024

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 economic and social added value through its core activities. It is pursuing science-based best practice climate and energy goals, and also plans to be carbon neutral from 2030 for deliveries and from 2040 for Swiss Post as a whole. It is committed to responsible procurement and is developing new products and skills in line with customer requirements for a resource-efficient, circular and socially responsible economy.

Financial controlling

Maintain the company's value in the long term.

One of the aims of financial controlling at Swiss Post Group is to achieve the financial goals set by the Federal Council. In accordance with these goals, Swiss Post must maintain and if possible increase the company's value in the long 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. The Federal Council also expects Swiss Post to be able to finance its investments from the generated cash flow.

In order for the above goals to be achieved, financial controlling within Swiss Post Group generally operates with target agreements and accountability for results. All business units are responsible for achieving the agreed goals. Besides economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration (please also see "Determination of remuneration" on page 77), operating profit (before management, licence fees and net cost compensation) is an important financial goal. The units have a large degree of freedom within the framework of strategic planning. For individual plans such as investments, projects or acquisitions of 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 and the type of business.

Swiss Post's financial reporting is based on two main instruments: management reporting and the consolidated financial statements. The management reporting shows the contribution of the units to the result. It indicates the financial success of the strategic market areas and product groups, and provides information on the attainment of the annual goals as well as the implementation of the strategic measures. The management reporting, first and foremost, serves the management of the units and the Group. It is based on the same set of basic values as the consolidated financial statements.

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

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

- Income statement, balance sheet and 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.

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

- 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 form a basis for setting targets with the CEO. The development of the key figures is reported as part of monthly and quarterly reporting.

- Statement of the strategic market areas and product groups
  The statement of the strategic market areas and product groups is used as a financial management tool for the business units. Reporting takes place semi-annually.

- Commentary
  The comments are an integral component of the reporting at all levels. They are designed to provide insight into the main developments, plans as well as problems and measures in the relevant unit as well as the assessment from unit management. As well as showing change from the previous year, they describe the expectations for the current year and the following 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 down on previous year.

In 2020 Swiss Post generated a Group profit of 178 million francs, 77 million francs down on the previous year. The major challenges facing Swiss Post, exacerbated by the coronavirus crisis, are reflected in the operating profit of 272 million francs. The prior-year figure stood at 450 million francs. The negative impact of the coronavirus crisis on operating profit amounted to 139 million francs. In the communication market, the fall in volumes as a result of technological developments was not fully offset by efficiency measures. In the logistics market, the positive effects of the volume trend are reflected in the increased operating profit. In the financial services market, lower net trading income and lower income from foreign exchange transactions as a result of the coronavirus crisis had a negative impact. In the passenger transport market, maintenance of the basic service despite a sharp fall in demand led to negative operating profit. In addition, higher expenses for information and communication technology arose in the management units.

Group | Key figures

2020 with previous year for comparison		2019	2020
Results			
Operating income [1]	CHF million	7,168	7,054
Generated abroad and crossborder [2]	CHF million	1,060	1,003
	% of operating income	14.8	14.2
Reserved services [3]	CHF million	1,046	994
	% of operating income	14.6	14.1
Operating profit	CHF million	450	272
As a share of operating income	%	6.3	3.9
Generated abroad and crossborder [2]	CHF million	67	62
	% of operating profit	14.9	22.8
Group profit	CHF million	255	178
Employees			
Headcount at Swiss Post Group	Full-time equivalents	39,670	39,089
Abroad	Full-time equivalents	6,272	5,788
Financing			
Total assets	CHF million	132,544	124,274
Customer deposits (PostFinance)	CHF million	108,669	109,337
Equity	CHF million	6,834	6,906
Investments			
Investments [1]	CHF million	443	401
Other property, plant and equipment, intangible assets [1]	CHF million	293	199
Operating property	CHF million	108	152
Investment property	CHF million	38	26
Interests	CHF million	4	24
Degree of self-financed investment	%	100	100
Value generation			
Cash flow from operating activities [1]	CHF million	10,261	–7,995
Value added [4]	CHF million	4,616	4,521
Economic value added	CHF million	–17	–101

1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, 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.

Additional key figures and explanatory notes can be found in the Business Report key figures (for reference source, see page 240).

Impact of the coronavirus pandemic

It is not only Swiss Post that is suffering the effects of the coronavirus, it is the Swiss economy as a whole. As a federal enterprise, Swiss Post has therefore taken action in solidarity, to provide additional support for or to relieve the pressure on the economy. It has paid its pending invoices earlier than the required payment deadlines. This means that suppliers have received urgently needed money as quickly as possible, enabling them to invest and use it for their financial obligations. Swiss Post has also reduced rents for tenants severely affected by lockdown, or refrained from collecting it entirely, with the amount totalling around one million francs. PostFinance for its part participated in the Federal Council's assistance programme and granted its SME customers bridging loans. A total of 17,033 credit limits with a volume of more than 822 million francs were granted. Furthermore, Swiss Post will not make any general price adjustments to the mass parcel and letter business in the next year. Any changes will be delayed until the following years. The "COVID-19 Solidarity" stamp also reflects Swiss Post's commitment to social cohesion. The proceeds, around 2.8 million francs to date, will go to Swiss Solidarity and the Swiss Red Cross. The spread of the coronavirus virus and the measures taken to counter it had a major impact on Swiss Post's business performance in 2020. The impact was felt in all markets. In the communication, logistics and financial services markets, long-term trends have been accentuated. The substitution of traditional postal services by electronic solutions such as e-mail or e-banking intensified last year. The negative interest rate situation further eroded the interest margin, continuing to shrink PostFinance's earnings potential. Online retail increased significantly, pushing our logistics organization to the limits of its capacity. Drastic measures were taken in the passenger transport market, where mobility almost came to a standstill in the spring. All told, the financial impact on operating profit in 2020 is around 139 million francs. These effects are given some consideration in the comments in the Financial Report.

Drivers

The economy

The pandemic and the measures taken in an effort to contain it led to a historic slump in the global economy in the first half of 2020. With a decline in new infections and the easing of containment measures in the summer months, economic activity increasingly resumed, producing a strong global economic recovery in the third quarter. World trade also picked up again. Nevertheless, gross domestic product remained significantly below pre-crisis levels in most countries. In the industrialized countries, economic output was still around 4 percent below its level at the end of last year, following a slump of more than 10 percent in the first six months of the year. In China, economic output has already exceeded its pre-crisis level.

Customers and sectors

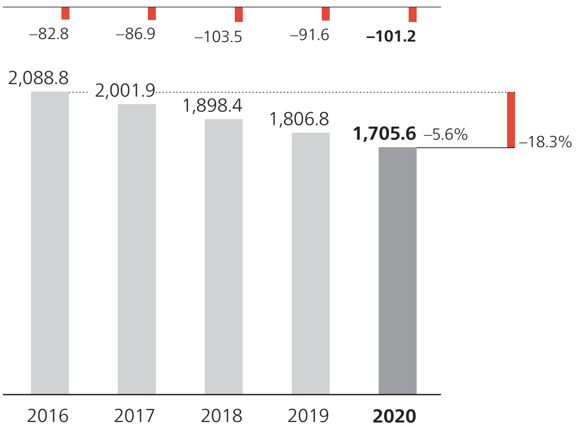
Communication market

The trend of decreasing demand for traditional postal services is continuing.

We deliver around 5.5 million addressed letters and process more than 400,000 payments at the counter each day, making us the leading postal organization in Switzerland. 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. In the communication market, the number of addressed letters at the end of 2020 was down 5.6 percent and the number of over-the-counter payments processed declined by 15.1 percent year-on-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. At Swiss Post Solutions, income from services provided fell by around 10 percent year-on-year The products offered by Swiss Post Solutions to help companies with the outsourcing of business processes and with innovative services in document management are meeting with growing demand, albeit dampened by the closure of many shops and offices in the wake of the coronavirus pandemic.

Letter numbers continue to fall

Communication market | Addressed letters in millions
2016 to 2020
2016 = 100%

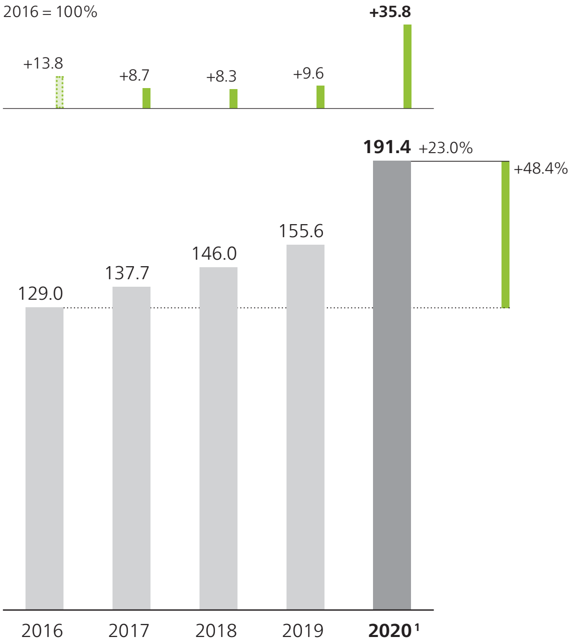


Logistics market

We deliver over 700,000 parcels in Switzerland each working day on average, which makes us number one in the logistics market. 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 by PostLogistics saw a strong increase year-on-year (+22.6 percent). Import and export volumes rose by 30.4 percent. The overall increase stood at 23.0 percent.

Enormous parcel volumes lead to annual record

Logistics market | Parcels in millions
2016 to 2020
2016 = 100%



1 The definition of parcel volumes was modified in 2020 due to regulatory requirements. It covers the number of domestic/international parcels and now also includes express volumes and other logistics services. The figures for 2016 to 2019 have been adjusted.

Excluding express volumes and other logistics services, parcel volumes are as follows (analogous to the previous definition):
2020: 182.7 million
2019: 148.2 million
2018: 138.1 million
2017: 129.4 million
2016: 121.8 million

Financial services market

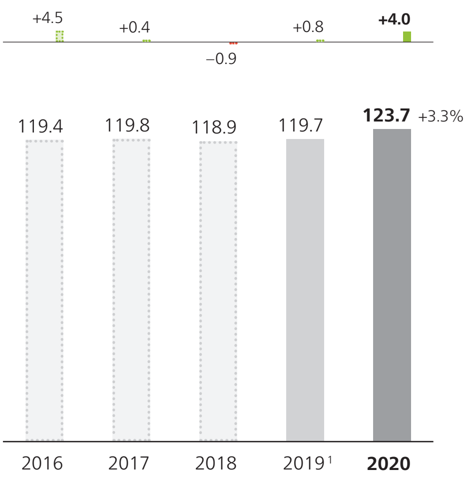
Framework conditions impair future prospects.

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 our 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 itself. 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.

Customer assets continue to grow

Financial services market | Customer assets in CHF billion monthly avg.
2016 to 2020
2019 = 100%

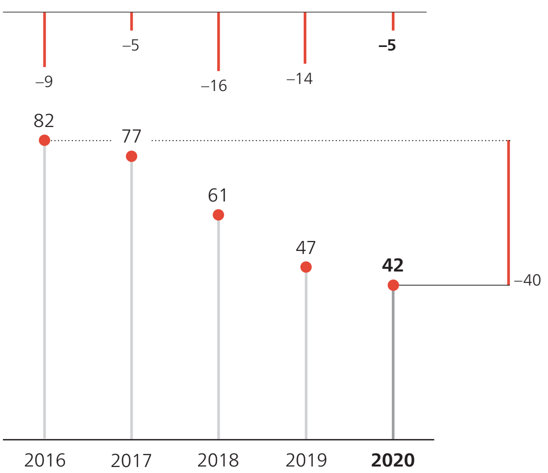


1 The year 2019 was adjusted due to a change in the definition of average customer assets. The years 2016 to 2018 are not comparable.

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. In autumn 2018, PostFinance announced pricing measures for key services as an appropriate way to respond to the above-mentioned operating framework. Customer confidence remains intact, and customer assets increased by 4.0 billion francs (+3.3 percent) year-on-year despite 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. Interest margins fell by 5 basis points to 42 basis points year-on-year.

Interest margin continues to erode

Financial services market | Interest margin in basis points
2016 to 2020
2016 = 100%



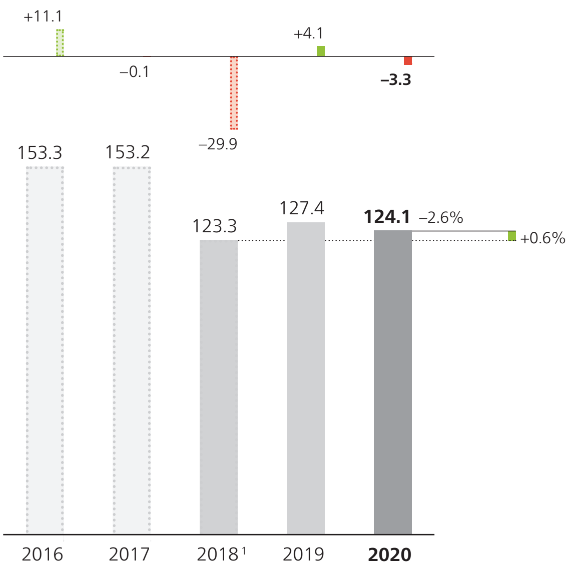
Passenger transport market

Demand for passenger transport impacted by coronavirus.

PostBus 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. After a strong start to the year, PostBus saw a significant decline in passenger numbers as a result of the coronavirus crisis. The transport performance by PostBus fell by 2.6 percent to around 124.1 million kilometres covered.

Lower vehicle kilometres due to coronavirus crisis

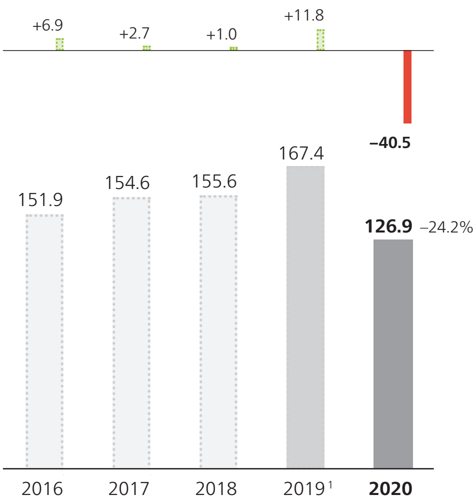
Passenger transport market | Vehicle kilometres in millions of km
2016 to 2020
2018 = 100%



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 years 2016 and 2017 are not comparable.

Slump in number of passengers due to coronavirus

Passenger transport market | Number of passengers in Switzerland in millions
2016 to 2020
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. An electric bus was also tested in Lenzerheide during the summer. 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.

Profit situation

Economic value added

Framework conditions lead to negative economic value added.

In line with the Federal Council's 2017–2020 financial goals, Swiss Post is expected to maintain and increase the company's value in the long term. With the financial objectives for the 2021–2024 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 the value of the company 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. In order to meet the stated financial goal, economic value added is included as a key figure in the calculation of the variable performance component of management remuneration (please also see "Determination of remuneration" on page 77). 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.

In consultation with the owner, the method for calculating economic value added was modified in 2019. Thanks to this method, a greater focus is placed on operating performance. The main elements in the method for measuring economic value added are as follows:

– The PostBus segment is not taken into account to determine economic value added, as no profits can 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.

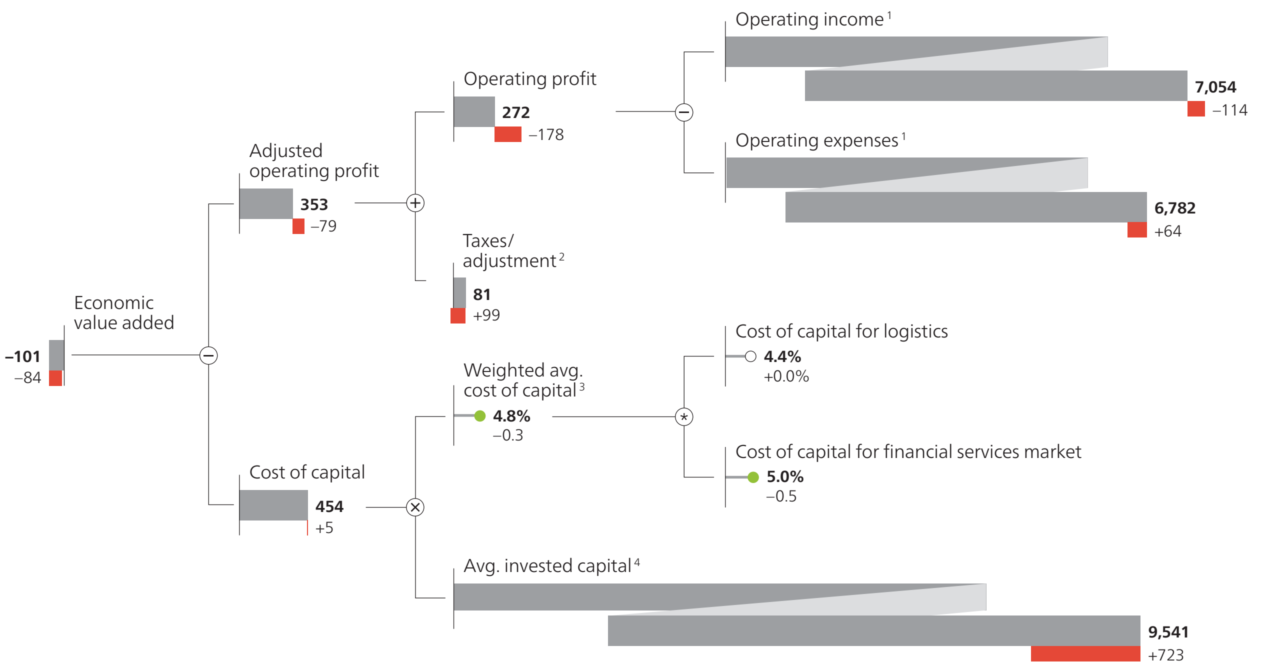
– Employer contributions as per OPA are used instead of employee benefit expenses in accordance with IAS 19 to calculate economic value added.
– Tied equity capital is taken into account to determine the economic value added produced in all segments.
– Only the liquid assets required for operational 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 amounted to –101 million francs. The negative figure is largely explained by the decline in operating profit. Alongside the coronavirus crisis, this is attributable to the structurally related decline in volumes, the prevailing low interest situation and the recognition of provisions.

Economic value added negatively affected by lower operating profit.

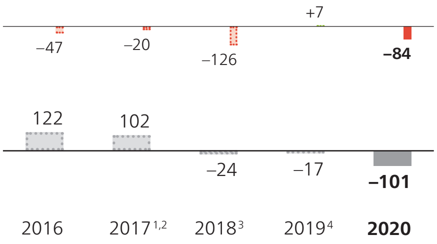
Group | Economic value added in CHF million
2020



⊛ Weighted with the average invested capital in logistics and in the financial services market (PostFinance).
1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes).
2 Part of the adjustment is the deduction for NOPAT and PostBus 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 5,723 million francs and in logistics units to the average net operating assets (NOA) of 3,818 million francs.

Declining economic value added during coronavirus crisis

Group | Economic value added in CHF million
2016 to 2020



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 2016 to 2018 is limited due to an adjustment in the calculation method in 2019.

Income statement

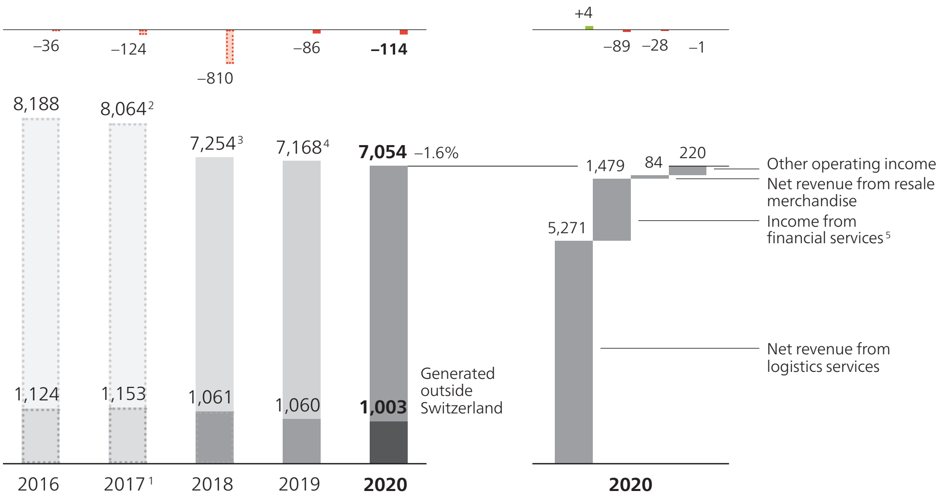
Operating income

Coronavirus causes decline in operating income.

In 2020, operating income amounted to 7,054 million francs (previous year: 7,168 million francs). This represents a decline of 114 million francs year-on year. The main reason for the lower revenues is the coronavirus crisis, which had a negative impact on business in the passenger transport and communication markets. This was also due to declining volumes of addressed letters and interest rate-related decreases in revenue.

Only slight decline in operating income despite coronavirus crisis

Group | Operating income in CHF million
2016 to 2020
2018 = 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 years 2016 to 2017 are not comparable with the years 2018 and 2020.
5 Including "Other revenue from financial services" as at 31 December 2020: 768 million francs (as at 31 December 2019: 842 million francs).

Thanks to a sharp rise in parcel volumes, net revenue from logistics services rose slightly by 4 million francs despite lower volumes of addressed letters, while income from financial services fell by 89 million francs year-on-year to 1,479 million francs. This was mainly due to a 45 million decrease in income from the market performance of financial assets. The 30 million franc decline in interest income and the 15 million fall in income from commission and services also contributed to the decline. Net revenue from resale merchandise dropped by 28 million francs due to modifications to the product range. Other operating income decreased by one million francs year-on-year to 220 million francs.

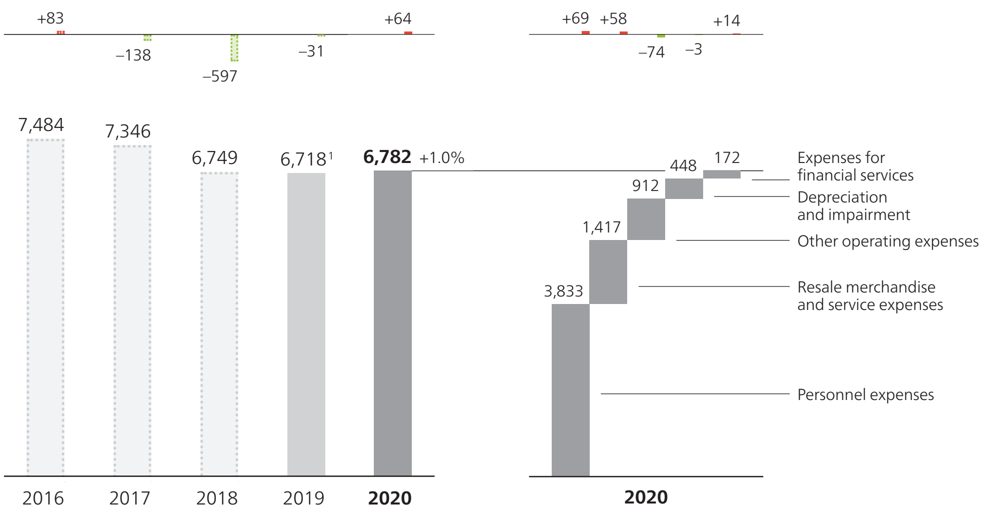
Operating expenses

Coronavirus prevents reduction of operating expenses.

Operating expenses increased by 64 million francs to 6,782 million francs year-on-year (previous year: 6,718 million francs). Personnel expenses in relation to total operating expenses rose by just under one percent to around 57 percent in 2020.

Costs of coronavirus measures impact operating expenses

Group | Operating expenses in CHF million
2016 to 2020
2018 = 100%



1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes). The years 2016 to 2018 are not comparable with the years 2019 and 2020.

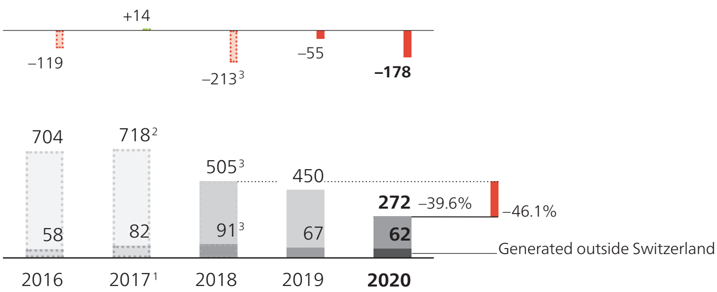
The year-on-year increase in personnel expenses was mainly due to higher expenses for wages and salaries, restructuring measures and a slight increase in employee benefit expenses. Resale merchandise and service expenses increased by 58 million francs to 1,417 million francs, due to factors including a rise in expenses for temporary employees, compensation paid to forwarding companies and higher service expenses. The increase in expenses for financial services of 14 million francs was mainly due to increased impairment on financial assets. Other operating expenses decreased by 74 million francs in 2020. Expenses for depreciation and impairment fell by 3 million francs year-on-year and remained stable at 448 million francs.

Operating profit

Swiss Post generated an operating profit of 272 million francs in 2020. This represents a decrease of 178 million francs in comparison with the prior-year figure. Of this decrease, around 139 million francs was due to the consequences of the coronavirus crisis. The fall in profit year-on-year is also due to declining volumes for structural reasons, the negative interest rate situation and the recognition of provisions.

Coronavirus crisis impacts operating profit

Group | Operating profit in CHF million
2016 to 2020
2018 = 100%



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).
The years 2016 and 2017 are not comparable with the years 2018 to 2020.

Group profit

Decline in Group profit.

Financial income totalled 23 million francs, with financial expenses standing at 52 million francs. At 21 million francs, net income from associates and joint ventures was up 18 million francs on the previous year. Expenses for income taxes fell by 51 million francs in comparison with the prior-year figure to 86 million francs. Group profit amounted to 178 million francs in 2020.

Segment results

Overview

Three markets contributed to operating profit.

Group | Segment results

1.1. to 31.12.2020 with prior-year period CHF million, percent, full-time equivalents	Operating income [1] CHF million		Operating result [1, 2] CHF million		Effect of coronavirus pandemic on operating result [3] Percent		Headcount [4] Full-time equivalents	
	2019 [5]	2020	2019	2020	2019	2020	2019	2020
PostMail	2,615	2,526	370	293	–	– 41	14,110	13,791
Swiss Post Solutions	599	539	32	25	–	– 16	6,909	6,393
PostalNetwork	693	631	– 132	– 105	–	– 11	4,298	3,911
Communication market	**3,667**	**3,464**	**270**	**213**	**–**	**– 68**	**25,317**	**24,095**
PostLogistics	1,712	1,933	128	201	–	37	5,620	5,931
Logistics market	**1,712**	**1,933**	**128**	**201**	**–**	**37**	**5,620**	**5,931**
PostFinance [6]	1,660	1,566	240	161	–	– 22	3,248	3,260
Financial services market	**1,660**	**1,566**	**240**	**161**	**–**	**– 22**	**3,248**	**3,260**
PostBus [7]	841	809	– 24	– 79	–	– 48	2,339	2,528
Passenger transport market	**841**	**809**	**– 24**	**– 79**	**–**	**– 48**	**2,339**	**2,528**
Other [8]	929	930	– 163	– 223	–	– 38	3,146	3,275
Consolidation	– 1,881	– 1,880	– 1	– 1				
Group	**7,168**	**7,054**	**450**	**272**	**–**	**– 139**	**39,670**	**39,089**

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 Measures designed to contain coronavirus came into effect for the first time in 2020. As a result of these measures, designated effects are declared per segment under "Effect of coronavirus pandemic on operating result". The figures represent an estimate produced by the management of each unit.
4 Average expressed in terms of full-time equivalents (excluding trainees).
5 Figures have been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes).
6 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 "Accounting – banks" (previous year: accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)). There are differences between the RelV-FINMA/FINMA Circular 20/1 (previous year: ARB) results and the IFRS results.
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 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).

Communication market

PostMail

PostMail: significant decline in earnings due to effects of coronavirus.

In 2020, PostMail recorded operating profit of 293 million francs, down 77 million francs year-on-year. Of the decline in operating profit, 41 million francs is due to the impact of the coronavirus pandemic.

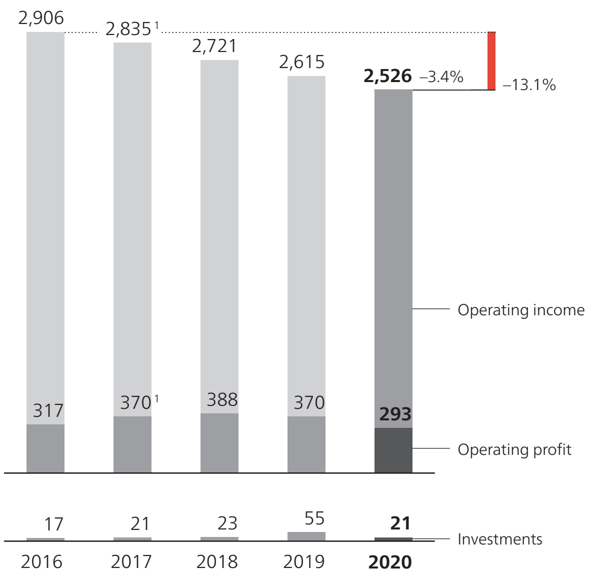
At 2,526 million francs, operating income was down 89 million francs year-on-year. In the months from April to June, the consequences of the coronavirus pandemic led to a sharp decline in volumes, particularly in direct marketing consignments. Together with the ongoing trend towards electronic substitution, this led to a contraction in revenues from addressed letters and unaddressed items of 100 million francs. In the newspaper business, the decline in revenues was due to falling subscriber numbers and lower average consignment weights. In cross-border business, the coronavirus crisis led to declining volumes of imports and exports and thus also to significantly lower earnings. The limited air transport capacities in particular restricted the volumes processed. Internal revenue saw a significant increase due to the processing of parcels by PostMail.

Operating expenses recorded a decrease of only 12 million francs. As with income, the fall is due to the lower resource requirements associated with declining volumes and to optimization measures relating to operations. Lower project costs also contributed to the decline in expenses. The impact of the coronavirus pandemic was felt here too, generally slowing the decline in operating expenses. Sickness-related and precautionary absences, quarantine measures and the implementation of the Federal Council's ordinances on minimum distancing led to direct additional costs and an increased need for staff.

Headcount fell by 319 full-time equivalents year-on-year due to lower staff requirements in sorting and delivery associated with declining volumes, as well as to optimization projects relating to operations. Because more than 10 percent of the workforce had to forego work at times during the lockdown (for example as a result of being in a high-risk group or due to quarantine measures), and because the processing of parcels by PostMail was also intensified, there was no further decline in employee numbers during this phase.

Falling operating result due to the coronavirus crisis

PostMail | Operating income, operating profit and investments in CHF million
2016 to 2020



1 Normalized figures.

Over the last five years, the decline in the volume of addressed letters amounted to –18 percent. Together with the equally negative development of the other product groups, this led to a continuous decline in operating income. Thanks to ongoing optimizations and capacity adjustments in service provision processes, the fall in revenue seen in recent years was at least partially absorbed on the expense side. In the years 2016 to 2019, this resulted in relatively stable earnings trends. In the 2020 year under review, the impact of the pandemic, including a reinforcement of the decline in volumes and exceptional costs, placed an additional burden on the result, leading to a significant decline in the operating result.

Average annual investments of 27 million francs ensured the continuing excellent quality of PostMail services. In recent years, investments have been made in distribution centers and in the optimization and automation of sorting and delivery processes in particular. In the year under review, PostMail's main investments were in the installation of a new sorting system for small consignments at the Zurich-Mülligen letter center and the complete modernization and replacement of all hand-held scanners in delivery.

Swiss Post Solutions: operating profit and income suffer COVID-19-related losses.

Swiss Post Solutions

Swiss Post Solutions achieved an operating profit of 25 million francs, down 7 million francs on the previous year's figure. At 539 million francs, operating income was down 60 million francs year-on-year, In exchange rate-adjusted terms, this was a decline of 7 percent, mainly due to the global lockdowns in the second quarter. This demonstrates the resilience of Swiss Post Solutions' business model in a difficult environment. Of the decline in operating profit, 16 million francs is due to the impact of the coronavirus pandemic.

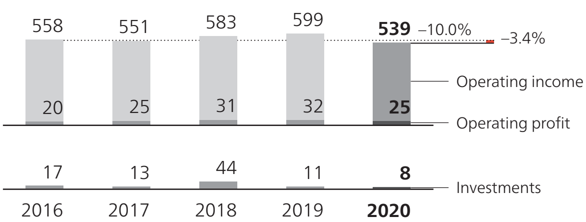
At 302 million francs, new business orders were up 93 million francs year-on-year. However, the very good new business did not fully offset the fall in income due to exchange rate effects of some 20 million francs and COVID-19-related losses.

Operating expenses totalled 514 million francs, down 53 million francs on the previous year. Although the coronavirus pandemic caused significant additional expenses, total expenses were largely adjusted to the lower volumes thanks to consistent cost management.

The average number of full-time equivalents fell by 516 year-on-year, with the United States and Vietnam most strongly affected. In all other countries, the reduction in staff numbers was lower because of the availability of the option of short-time working.

Coronavirus crisis leads to lower income

Swiss Post Solutions | Operating income, operating profit and investments in CHF million
2016 to 2020



With the exception of 2020, which saw the impact of the coronavirus pandemic, Swiss Post Solutions has increased its operating profit every year for the past five reporting periods.

The constant positive trend in operating profit is the result of the consistent implementation of strategic measures, mainly to take advantage of opportunities for growth in the core business and to develop the service portfolio and industry-specific products. In support of this, the portfolio of solutions and investments has been permanently optimized in the past five years, most recently through the acquisition of Kodak's China business agreed at the end of 2020. The ongoing implementation of projects to improve profitability and save costs in all countries also contributed to the improvement in operating profit.

PostalNetwork: operating result down as a result of coronavirus pandemic.

PostalNetwork

PostalNetwork generated a negative operating result of –105 million francs in 2020. Despite network development and the consistent adaptation of resources to meet volume trends, combined with efficiency increases, it was not possible to offset losses in the core business of letters and inpayments. As the previous year's result was negatively impacted by the recognition of a provision of 41 million francs, operating profit nevertheless increased by 27 million francs. The negative impact of the coronavirus pandemic on the 2020 operating result was 11 million francs.

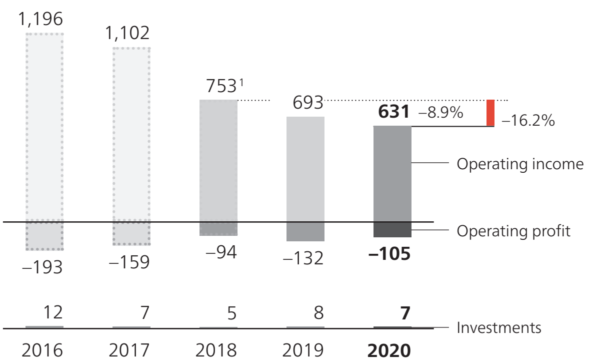
PostalNetwork generated operating income of 631 million francs in 2020, down 62 million francs year-on year. The effects of the pandemic were very clear. Income from logistics products rose by 4 million francs. This was primarily due to an increase of more than 19 percent in parcel volumes at PostalNetwork, which more than offset a decline of almost 10 percent in letter volumes. 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 (–15 percent). Declining volumes in payment transactions resulted in a 43 million franc drop in revenue from financial products overall. Net revenue from resale merchandise declined by 22 million francs due to adjustments to the range, a fall in sales, a reduction of the branch network and the coronavirus pandemic.

At 736 million francs, operating expenses were cut by 89 million francs year-on-year. Personnel expenses were 75 million francs below the previous year's level, due largely to a drop in headcount attributable to network development and efficiency improvements, as well as the absence of the above-mentioned prior-year provision. Resale merchandise and service expenses were also down, falling 4 million francs due to the fall in revenue from complementary business. Other operating expenses and depreciation were reduced by a total of 10 million francs.

Headcount of 3,911 employees fell by 387 full-time equivalents year-on-year due to network development and efficiency increases.

Decline in earnings due to coronavirus crisis

PostalNetwork | Operating income, operating result and investments in CHF million
2016 to 2020



1 The figure has been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operations). The years 2016 and 2017 are not comparable with the years 2018 to 2020.

Responsibility for private customer products was transferred to PostMail and PostLogistics in 2016. The disclosure of revenue was modified in 2019 without affecting profit or loss. The figures are therefore only comparable to a limited extent. The focus during the observation period has been on reducing the negative contribution to results. Network development plays an important role in this. Further efficiency increases in the network have led to a significant improvement in results from 2017.

Constant investments in recent years have ensured that PostalNetwork meets part of the universal service obligation. Cash has also been injected in the more recent past into the conversion of branches designed according to Swiss Post's new concept.

PostLogistics: parcel volumes grow by 23 percent.

Logistics market

PostLogistics

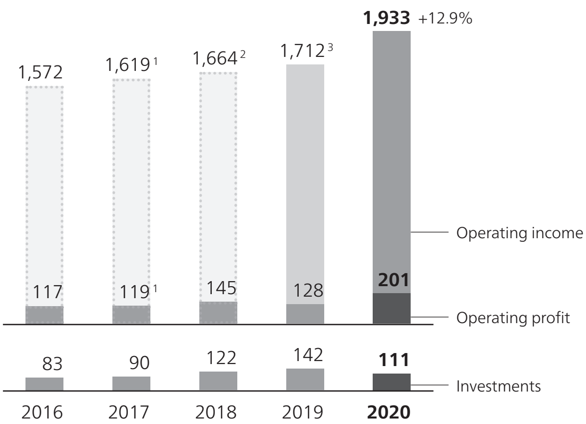
PostLogistics posted operating profit of 201 million francs in 2020, which was 73 million francs higher than the previous year's level. The increase was mainly due to higher parcel volumes as a result of the coronavirus crisis and insurance payments in connection with the attack on a van transporting cash in the previous year. Of the increase in operating profit, 37 million francs is due to the impact of the coronavirus pandemic. In addition, the positive development in goods logistics also contributed to the increase.

Operating income totalled 1,933 million francs, exceeding the previous year's total by 221 million francs. This rise was mainly due to higher parcel volumes. Operating expenses increased by 148 million francs year-on-year to 1,732 million francs. The increase was mainly due to volume-related higher expenses and additional expenses for capacity expansion in the parcels segment, which were partly offset by the above-mentioned insurance payments received.

Average headcount increased by 311 to 5,931 full-time equivalents due to the effects mentioned above.

Operating profit increases significantly due to effects of coronavirus

PostLogistics | Operating income, operating profit and investments in CHF million
2016 to 2020



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 operations).
3 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting, Accounting changes). The years 2016 to 2018 are not comparable with the years 2019 and 2020.

The 2020 operating result was the highest in the last five years. This was mainly due to higher parcel volumes as a result of the coronavirus crisis and insurance payments in connection with the attack on a van transporting cash in the previous year. In addition, the positive development of the last few years in goods logistics continued.

In 2020, operating income also reached its highest level in five years. Here again, this was mainly due to the higher volume of parcels as a result of the pandemic. Even before this crisis, there had been a continuous increase in parcel volumes as a result of growth in the area of digital commerce and the acquisition of companies.

Investments in 2020 were above the average level seen in recent years. This was attributable among other things to investments in new parcel centers to process increasing volumes.

PostFinance: operating result under further pressure from the coronavirus crisis.

Financial services market

PostFinance

As at 31 December 2020, PostFinance recorded operating profit of 161 million francs, representing a decrease of 79 million francs year-on-year. Of the decline in operating profit, 22 million francs is due to the impact of the coronavirus pandemic.

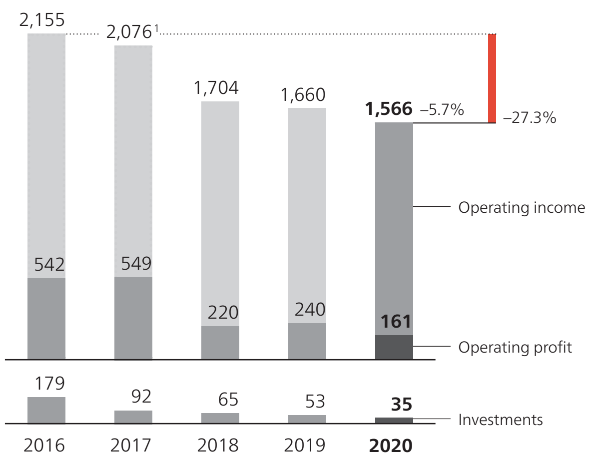
Operating income was down 94 million francs to 1,566 million francs. The decline is mainly due to net trading income, which fell by 43 million francs year-on-year as a result of the absence of market value gains and lower income from foreign exchange transactions as a result of the coronavirus crisis. In addition, interest income fell by 30 million francs due to market conditions. Income from commission and services was 15 million francs lower year-on-year as a result of the continuing decline in service transactions and the current coronavirus crisis.

Operating expenses totalled 1,405 million francs, down 15 million francs on the previous year's figure. General and administrative expenses declined by 32 million francs due to lower consultancy expenses and depreciation. Expenses for financial services fell by 22 million francs year-on-year due to interest rate cuts on savings and investment accounts as at 1 November 2019 and as a result of lower service expenses for transactions. Personnel expenses were up 38 million francs year-on-year due to the recognition of a restructuring provision and higher employee benefit expenses.

Average headcount stood at 3,260 full-time equivalents, up 12 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.

Low interest rate environment causes earnings to fall further

PostFinance | Operating income, operating profit and investments in CHF million
2016 to 2020



1 The figure has been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).

The business activities of PostFinance were integrated into a private limited company under private law in 2013. PostFinance has been one of Switzerland's five systemically important banks since summer 2015. This highlights the major importance of PostFinance for the Swiss financial system. However, as a systemically important bank, PostFinance must also meet additional regulatory requirements.

The interest differential business is the most important source of revenue for PostFinance. However, the ongoing low interest situation has eroded interest margins and had a negative effect on interest income, leading operating income to decline in the last few years. This situation is and remains a major challenge, particularly as PostFinance is not allowed to issue its own loans and mortgages. This is economically damaging, especially in the current negative interest rate environment.

Non-interest related revenue in net service and commission income and trading activities has had a positive effect on operating income in the past few years. However, this source of earnings suffered a decline in the current year as a result of the coronavirus crisis.

Despite falling profits, 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.

Passenger transport market

PostBus

PostBus: COVID-19 puts the brakes on public transport.

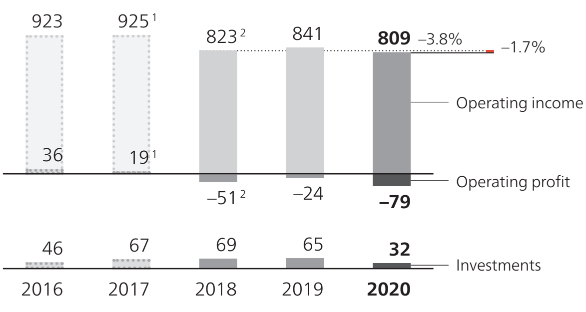
Operating profit fell by 55 million francs year-on-year to –79 million francs. Of this decline, 48 million francs can be attributed to the impact of COVID-19. The result was also negatively impacted by other operating effects.

The recommendation of the Federal Council to the public following the outbreak of the coronavirus pandemic in March that public transport should generally be avoided led to a significant decline in demand and a sharp drop in revenues. As the basic service mandated by the Federal Council had to be maintained, a major discrepancy arose during the first wave of the coronavirus pandemic between the drastic drop in demand and revenues and only slightly reduced variable expenses. Demand saw a temporary increase during the summer months, though the Postbuses' utilized capacity did not quite return to pre-coronavirus levels. Towards the end of the year, there was again a further decline in demand. The slump in transport revenue was around 20 percent compared with the previous year. As stipulated in the federal legislation on support for public transport during the coronavirus crisis, the loss of revenue for franchised transport businesses is to be covered by the existing reserves subject to a special statutory regime. The loss of revenue has a direct impact on the income statement, as PostBus does not participate in the deficit coverage by the public sector in regional transport, and participates only to a very small extent in local transport.

As a result of the expansion of services and the transfer of PostBus operators to municipal operations, the number of full-time equivalents increased by 189 year-on-year.

Coronavirus crisis results in lower earnings

PostBus | Operating income, operating profit and investments in CHF million
2016 to 2020



1 The figures have been adjusted (see Notes to the 2018 Group annual financial statements, Basis of accounting, Accounting changes).
2 The figures have been adjusted (see Notes to the 2019 Group annual financial statements, Basis of accounting, Accounting changes and Discontinued operations). The years 2016 and 2017 are not comparable with the years 2018 to 2020.

The negative trend in the operating result witnessed over the past three years is primarily due to one-off effects such as the reimbursement of compensatory payments, impairment losses on fixed assets and the consequences of the coronavirus crisis.

Average investments stood at around 56 million francs in the past five years. These investments mainly concerned replacements and new acquisitions in the vehicle fleet. Investment amounts varied between 2016 and 2020 as a result of vehicle procurement cycles and the expansion of services.

Function units

Function units: decline in operating result.

In 2020, the function units recorded an operating result of –223 million francs, down 60 million francs year-on-year. Of the decline in operating profit, 38 million francs is due to the impact of the coronavirus pandemic. In addition, a decline in gains from the sale of property, plant and equipment was recorded.

Operating income remained stable at 930 million francs, while operating expenses were higher than the previous year, mainly due to increased personnel expenses and in connection with strategic projects. The increase in the headcount by 129 to 3,275 full-time equivalents resulted in higher personnel expenses than in the previous year.

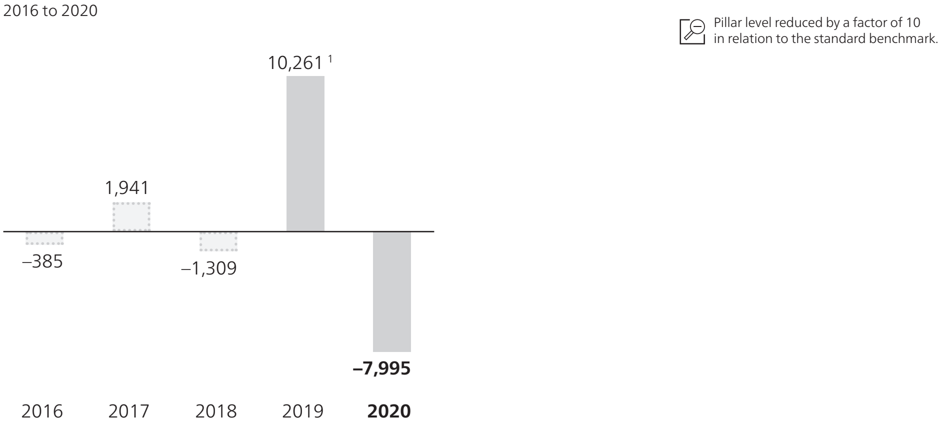
Assets and financial situation

Cash flow and investments

Cash flow from operating activities totalled –7,995 million francs in 2020. Cash flow from operating activities of 10,261 million francs was recorded in the 2019 comparison period. The outflow of funds in 2020 mainly concerned the financial services business. For more information on changes in the consolidated cash flow statement, see page 86.

Short-term financing activities from the bank business lead to cash inflows

Group | Cash flow in CHF million
2016 to 2020

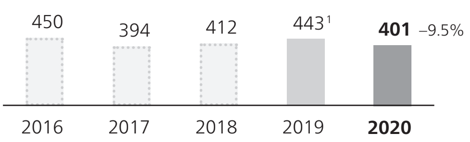


1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting and Accounting changes). The years 2016 to 2018 are not comparable with the years 2019 and 2020.

Overall, investments in property, plant and equipment (314 million francs, mainly in operating property and vehicles), as well as in investment property (26 million francs), intangible assets (37 million francs) and interests (24 million francs) were down 42 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. Investments will be made primarily in property, plant and equipment, predominantly in Switzerland.

Consistently high investments in the Swiss Post of tomorrow

Group | Investments in CHF million
2016 to 2020



1 The figure has been adjusted (see Notes to the 2020 Group annual financial statements, Basis of accounting and Accounting changes). The years 2016 to 2018 are not comparable with the years 2019 and 2020.

Net debt

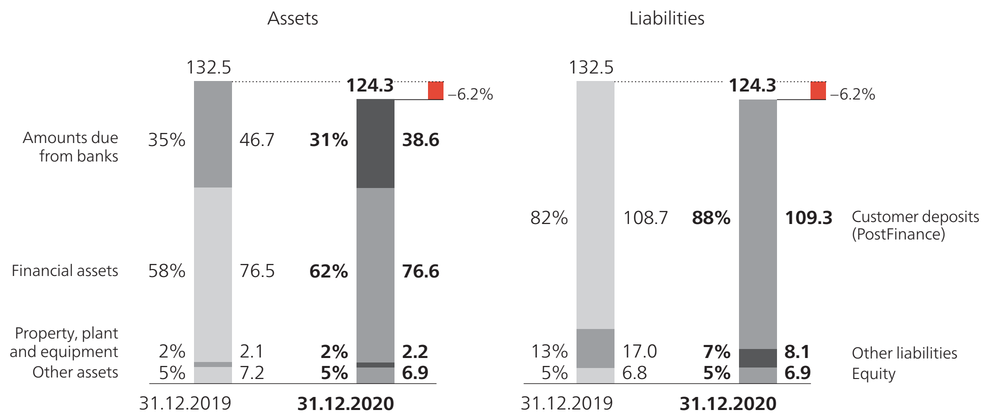
For the indicator net debt / EBITDA (operating profit before depreciation and amortization) Swiss Post has set a maximum figure of 1 as its target. Customer deposits and financial investments of PostFinance Ltd are not included in the calculation of this indicator. Values above the target are possible in the short term. Values below the target indicate financial leeway. The target was met as at 31 December 2020.

Consolidated balance sheet

Compared with 31 December 2019, amounts due from banks decreased by 8.1 billion francs due to repayment of short-term funds from the financial services business.

Settlement of financing transactions from banking business leads to cash outflows.

Group | Balance sheet structure in CHF billion
As at 31.12.2019 and 31.12.2020



Financial assets

In comparison with the end of 2019, financial assets increased by 0.1 billion francs.

Property, plant and equipment

The carrying amount for property, plant and equipment rose by 0.1 billion francs compared with 31 December 2019. The reason for the upturn lies in the increased investment activity in particular in new processing centers in the logistics market.

Customer deposits

Since the end of the previous year, customer deposits at PostFinance have risen by 0.6 billion francs to 109.3 billion francs. As at 31 December 2020, this corresponds to around 88 percent of the Group's total assets.

Other liabilities (provisions)

Provisions excluding employee benefits increased slightly by 6 million francs, stabilizing at 0.5 billion francs. The increase is related among other things to the recognition of restructuring provisions in several of Swiss Post's markets with a view to implementing the Swiss Post of tomorrow strategy from 2021. Employee benefit obligations increased by 147 million francs to around 3.0 billion francs due to imputed interest.

Equity

Consolidated equity as at 31 December 2020 (6.9 billion francs) was calculated net of the appropriation of profit for 2019.

Non-financial results of a material nature

As well as financial and market-based goals, Swiss Post also sets itself the following strategic goals (see page 20):

– 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.
– Corporate responsibility: improvement in CO_2 efficiency of at least 25 percent by the end of 2020 in comparison with 2010

Customer satisfaction

Customers have been very satisfied with Swiss Post for years.

Even during this challenging year, Swiss Post has adapted successfully to changing customer requirements and developed its products and services accordingly. An important factor here is the excellent support and advice provided by employees, as the customer satisfaction survey highlights. This level of performance is very positive, especially in light of the pandemic. As in the previous year, customers gave overall satisfaction a very good score of 81 points (out of a possible 100). This means overall customer satisfaction exceeds the Swiss Confederation’s target for the eighth consecutive time.

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
2016–2020

Index 100 = maximum	2016[1]	2017	2018	2019	2020
Swiss Post Group	83	83	81	81	81
Business customers					
PostMail	80	79	81	81	80[2]
PostLogistics	80	79	80	80	81
PostFinance	81	80	80	76	78
Swiss Post Solutions	86	87	87	88	88
PostalNetwork	85	86	n/a	n/a	77[3]
Private customers					
PostFinance	83	84	82	80	81
PostalNetwork	88	89	89	78[4]	78
PostBus, commuters	78	77	77	77	79
PostBus, leisure travellers	85	86	84	85	85

1 Since 2017, customer satisfaction has only been stated at Group level based on the question about overall satisfaction, a sub-aspect of the previous customer satisfaction index. The 2016 figures in the table have been adjusted to improve comparability and also only show the question about overall satisfaction.
2 The 2019 and 2020 figures for PostMail cannot be compared due to a sampling change in 2019.
3 PostalNetwork did not conduct a survey amongst business customers for two years.
4 Since 2018, PostalNetwork has only conducted an online customer survey. This means the correct comparative figure for 2019 is the satisfaction of private customers, which was also part of an online survey. This stood at 77 points.

The results for business customers improved slightly overall compared to the previous year. The score from the parcel unit PostLogistics was up by a point on the previous year at 81 points. Customers gave the letters unit PostMail a high score of 80 points, but there is no comparable prior-year figure due to sampling changes. Overall satisfaction amongst PostFinance business customers stood at 78 points, a two-point increase. The Swiss Post Solutions unit – as in the previous year – received a very high rating of 88 points. With a score of 77 points, the PostalNetwork result reflects satisfaction among business customers, although there is no figure suitable for year-on-year comparison.

Satisfaction amongst private customers also improved slightly year on year. At 78 points, satisfaction among PostalNetwork customers was just as high as in 2019. PostFinance private customers rated their satisfaction a point higher than in the previous year (2020: 81 points). Overall satisfaction among commuters at PostBus climbed by 2 to 79 points, while that among leisure travellers remained steady at a high level of 85 points.

The customer satisfaction survey, which Swiss Post has been conducting for 21 years, was carried out by the independent market research institute LINK Marketing Services AG (for the PostMail, PostLogistics, Swiss Post Solutions, PostFinance and PostBus units) and by Intervista AG (for the PostalNetwork unit). Around 14,000 customers were surveyed.

Employees

Employee satisfaction

Positive overall picture: Swiss Post heads into the future on a solid foundation.

From 30 September to 23 October 2020, Swiss Post conducted the annual employee survey using a new format (PU2020+). As a result of the new format for the employee survey, the quantitative results are not comparable with previous years (baseline measurement). An exception to this is employee satisfaction, which was surveyed for the last time in 2020 with two questions in the “My work situation” section.

Group | Employee survey

2020, Index 100 = maximum	2020
My work	78
My team	80
My direct manager	83
Our corporate culture	77
Our Swiss Post	77
My commitment	79
Our employee survey[1]	76
My work situation (= employee satisfaction)[2]	73

1 Assessment of communication and addressing the employee survey results in the teams. After presenting the analysis, Swiss Post will decide whether to make this a permanent element of the core survey from 2021.
2 The “My work situation” section of the 2020 employee survey is exactly in line with the two previous questions on employee satisfaction. These were included for the last time as they were used as an interim solution for the discontinued unit fitness index. They make up the assessment basis for the variable remuneration in 2020 (see section on remuneration on page 77).

The results of the employee survey for 2020 paint a very positive picture despite the challenging situation caused by the COVID-19 pandemic and the many organizational changes as part of the Swiss Post of tomorrow strategy.

At the Group level, all issues covered by the core survey are rated good to very good overall. The highest ratings go to “My direct manager” (83 out of a possible 100 points) and “My team” (80 points). The employees surveyed say they are proud to work at Swiss Post and enjoy their work, and this is reflected in a score of 79 points in the “My commitment” index. “My work” receives a score of 78 points. “Our corporate culture” and “Our Swiss Post” each achieve 77 points. The “Our employee survey” index scores 76 points. This shows the extent to which the results of the employee survey have been discussed and measures taken within the units. Employee satisfaction in the “My work situation” section of the questionnaire, which was surveyed for the last time, achieved a good rating of 73 points at Group level, albeit slightly lower than in the previous year (–1 point; 2019: 74 points). In addition to factors that commonly have a positive and negative impact on employee satisfaction (such as salary, career prospects and further training opportunities, working conditions, job security, etc.), it must be assumed that the work situation during the coronavirus crisis and the changes made as part of the Swiss Post of tomorrow strategy have also had an impact on the values across all units.

Baseline measurement in 2020

Swiss Post used a new measurement model for the 2020 employee survey, which means a comparison with the prior year is not possible. On an evaluation scale of 0 to 100 points, results of 65 to 84 points are considered an "average positive rating", whereas scores of 85 to 100 points are deemed a "high positive rating".

Investment in staff

Continuous dialogue with employees remains a key issue.

Swiss Post is successful when its employees put the corporate strategy 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. To encourage employees to take advantage of these development opportunities, Swiss Post – together with the transfair and syndicom trade unions – launched the "Professionally Fit" initiative. This aims to raise employee awareness and encourage them 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.

Support for apprentices and young talent
An average of 1,863 apprentices received training in 17 professions at Swiss Post in Switzerland in 2020. This represents around 5.6 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 around 97 percent in 2020. Two out of three 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.

743 apprentices commenced their training with Swiss Post in August 2020. Swiss Post filled almost all of its apprenticeship vacancies in a challenging environment.

Digital skills
The skills required from staff are changing as a result of the digital transformation. With a view to implementing the new strategy and shaping the culture of the Swiss Post of tomorrow, the core competencies and understanding of management were defined based on the values and the culture map. Both of these instruments will provide guidance in future for the development of employees and leaders at Swiss Post. Suitable solutions were set up and will be developed in line with requirements during the 2021–2024 strategy period. A broad-based initiative to shape the culture is also under way. Various communities, such as the Culture Community or Leadership Community, now contribute to the development of competencies and the culture. New approaches were developed and implemented to pinpoint strategy-oriented competencies. Skills were identified that are critical to the successful implementation of the market strategies of the Communication and Logistics Services of the Swiss Post of tomorrow. Specific development measures will also be implemented for particularly business-critical functions, such as project managers or various ICT functions. Upskilling programmes are already being carried out for other functions, such as branch staff in the PostalNetwork unit.

Staff availability / employer attractiveness

Being well positioned on the labour market is vitally important for Swiss Post as one of Switzerland's biggest employers. The perception of Swiss Post as an attractive employer must remain high to attract and retain employees with the competencies and skills required to implement the strategy.

New formats convey the attractive benefits of Swiss Post as an employer in a tangible way both internally and externally. Swiss Post also places great emphasis on approachability and humanity, and provides staff with attractive employment conditions and benefits as well as opportunities for personal development, but also to become part of a community. In this way, a strong employer brand is created, continually strengthening the positioning of Swiss Post as an employer of choice.

Surveys conducted among employees and candidates highlighted room for improvement in terms of the communication of job content, the variety of jobs, the recruitment process, but also in relation to Swiss Post's image as a leading employer in comparison to competitors. Targeted measures on recruitment, employer branding and HR marketing will be implemented by Swiss Post to optimize the individual experiences at the various touchpoints with Swiss Post as an employer and to meet employment market requirements.

In the field of recruitment, the communication platforms (social media and careers websites) were upgraded and active sourcing expanded. As a result, around 40,000 applications were received for some 3,000 vacancies last year.

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

Swiss Post's Social Counselling Service and Job Center aim to support employees and line managers in challenging situations, to highlight opportunities, to foster individual responsibility and to raise motivation levels.

The Social Counselling Service provides advice and support during difficult life situations or in the event of conflict at the workplace. 2,229 people used the advisory service in 2020 and 210 line managers and employees attended the prevention seminars (including on addiction, workplace bullying, sexual harassment, preparation for retirement). Around 235 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.

Swiss Post also provides a crisis helpline, which is manned 24/7. The calls received mainly concerned mental health issues and serious workplace-related problems. During the coronavirus pandemic, a coronavirus hotline was also introduced, and responded to a total of 103 enquiries from employees.

The Swiss Post Personnel Fund granted 327 non-repayable support contributions amounting to 935,202 francs and 12 loans totalling 125,562 francs in 2020 in order to provide financial relief to employees and pensioners in social plight on a case-by-case basis.

The Job Center is a point of contact where staff can assess their professional situation and ask questions about their personal advancement. With 887 career counselling sessions and 294 advisory sessions on retraining, the Job Center plays a key role in Swiss Post meeting its criteria as a socially responsible employer. The Job Center provides employees with a range of workshops that aim to improve their employability. In 2020, workshops were held on the following topics (number in brackets): career prospects (5), interviews (9), personal branding (28) and Professionally Fit (3).

427 cases were registered with Case Management, and 428 cases closed. Employees received assistance in complex situations of illness in order to facilitate coordination and cooperation between all the stakeholders and allow integration into the workplace.

Employment conditions

Collective employment contract

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

The delegations of Swiss Post, syndicom and transfair successfully completed negotiations on the Post CH Ltd CEC for 2021 at the end of January. Firstly, the new umbrella CEC agreement, which governs cooperation between the social partners, was negotiated. It applies to around 70 percent of the workforce in Switzerland – that is around 32,000 employees at Post CH Ltd, PostBus Ltd and PostFinance Ltd. The parties then also negotiated the new Post CH Ltd company CEC which defines the employment conditions for employees at Post CH Ltd. PostFinance employees received a separate company CEC, based on the new umbrella CEC agreement, which takes account of the sector-specific elements and operating framework. The negotiations at PostBus on a new company CEC will resume in early 2021 after a brief interruption. The current CEC, which was to expire at the end of 2020, will be extended by the contracting parties until the end of 2021 as an interim solution.

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

The newly negotiated Post CH Ltd and PostFinance company CECs entered into force on 1 January 2021 and will apply for three years.

The 2021 CEC negotiations do not concern employees with separate CECs – in particular those at PostLogistics, Secure Post, Swiss Post Solutions, IMS and the early-morning delivery firm Presto. Negotiations on a new CEC are under way at Direct Mail Company AG and Epsilon. Negotiations on the CEC at notime AG were successfully completed in spring 2020. This entered into force on 1 October 2020.

Equal pay

Swiss Post sets great store by equal pay. Swiss Post employees are entitled to receive equal pay for work of equivalent value. For CEC employees, this will be ensured by means of function levels, which are based on a non-discriminatory function evaluation system and aim to minimize pay inequality. The principle of equal pay was also incorporated into the new Post CH Ltd CEC. Internal and external comparisons will also be carried out at management level and adjustments made where necessary.

Swiss Post received the results of the latest equal pay analysis in 2019. The independent external company entrusted with the analysis awarded Swiss Post a good result with an unaccounted wage gap of –2.2 percent, which is well within the tolerance threshold of +/–5 percent applicable to procurement checks by the Confederation. The analysis results are comparable with the public sector, as Swiss Post has for the first time also recorded the highest educational level of employees, thereby fulfilling the Logib requirements. The next equal pay analysis will be carried out in early 2021 based on salary data from October 2020.

Diversity and inclusion at Swiss Post

Swiss Post firmly believes that promoting diversity and inclusion results in social and economic benefits. Diversity and inclusion cover 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.

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,, language, origin, disability and world views in an integral way.

Stability at the Swiss Post pension fund.

Retirement planning, social security

The Group's own employee benefits institution, the Swiss Post pension fund, with total assets of around 17.2 billion francs, insures around 39,600 Swiss Post employees in Switzerland and pays 647 million francs in pensions to around 30,500 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 around 105.3 percent as at 31 December 2020.

More information on employees can be found in the Annual Report on pages 50 to 55.

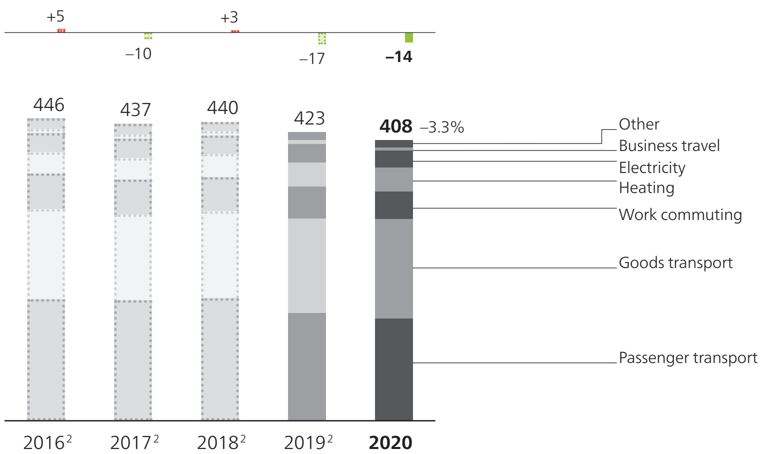
Corporate responsibility: climate and energy area of action

Swiss Post exceeded its climate goal for 2020.

Swiss Post's greenhouse gas emissions fell in the previous financial year. Passenger transport emissions fell due to efficiency gains and a reduction in kilometres travelled due to coronavirus-related restrictions. The restrictions during the pandemic also led to a decline in emissions from commuter traffic and business travel. However, the increase in parcel volumes led to higher emissions in goods transport.

Swiss Post's greenhouse gas performance is improving.

Group | Greenhouse gas emissions by process[1] in 1,000 t of CO_2 equivalents
2016 bis 2020
2019 = 100%[2]

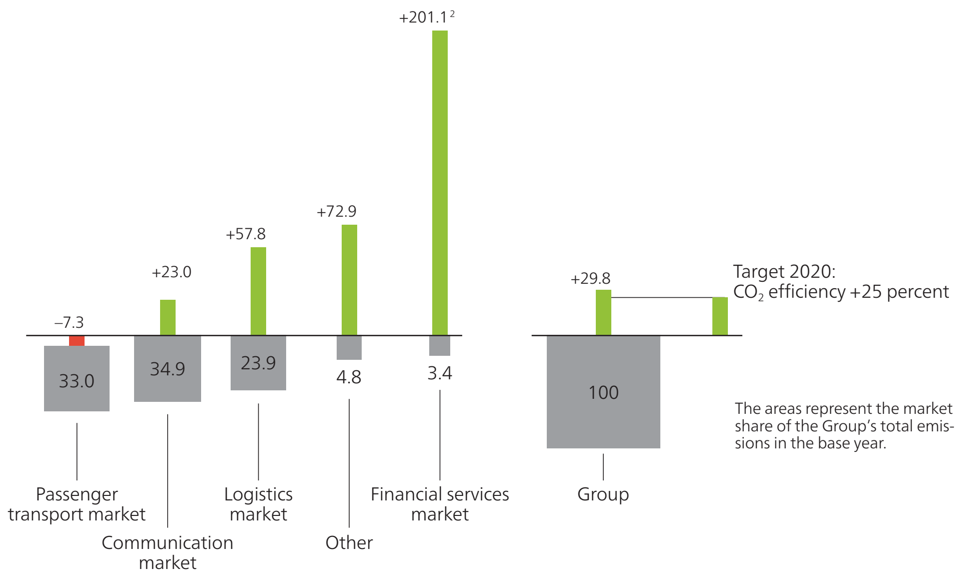


1 Within and outside Swiss Post.
2 Adjusted figures for 2019: data for subsidiaries acquired during the period 2016 to 2019 was re-entered retroactively for 2019 as 2019 is used as the base year for the 2024 and 2030 goals. There was no re-entry for the years 2016 to 2018 because they are not comparable with the years 2019 and 2020.

Swiss Post improved its CO_2 efficiency by 29.8 percent by the end of 2020. This meant it achieved and exceeded its goal of increasing CO_2 efficiency by 25 percent compared to the base year of 2010 by 2020. It did so despite the decrease in CO_2 efficiency in passenger transport due to poor capacity utilization of vehicles during the pandemic.

Swiss Post continues to increase its CO_2 efficiency.

Group | CO_2 efficiency in % and share of CO_2 emissions by market in %
CO_2 efficiency index[1] 2020, change compared to base year 2010



1 The CO_2 efficiency index is measured as the change in CO_2 equivalents per core service unit in the financial year in comparison with the base year 2010. The core service is defined differently for each unit (item, transaction, passenger kilometres/kilometres, full-time equivalent, etc.)
2 The high efficiency increase in the financial services market was due to less commuter traffic during the pandemic and the rise in transactions. PostFinance’s investment portfolio is outside of the system limits.

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 and hybrid engines – and is run entirely on naturemade star-certified eco-electricity. 97 parcel delivery vans now also run on electricity. PostBus operates 58 diesel hybrid buses on Swiss roads and has been gathering experience with electric buses on scheduled services since 2017. 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, the yellow container is 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.

– Energy-saving potential in buildings was systematically identified and measures were implemented. For new buildings and modernization projects, Swiss Post applies the integrated and sustainable DGNB construction standard as adapted for Switzerland. It uses energy-efficient building services and 10 percent biogas in gas-heated buildings and recovers waste heat from its data centers. By 2030 Swiss Post aims to replace 90 percent of all heating systems run on fossil fuels in its buildings in Switzerland with alternative ones using renewable energy sources.

– Swiss Post covers 100 of its electricity requirements with renewable energy from Switzerland, which contains 20 percent of "naturemade star" certified green power. Swiss Post operates 22 photovoltaic systems on its roofs, producing around 8 gigawatt hours of solar electricity each year with a total panel area of around 70,000 m^2. That equates to 6 percent of Swiss Post's power consumption. The new regional parcel centers (Cadenazzo, Untervaz and Vétroz) will be equipped with photovoltaic systems, like Swiss Post's other large sites. A total of 3 GWh of electricity is produced there per year. The centers consume half of the power 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 30 biogas plants on farms that reuse manure and other organic waste to generate electricity.

– Sustainable employee mobility is promoted by providing staff with a free Half Fare Travelcard or discounted GA Travelcard 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.

The constant increase in CO_2 efficiency is achieved by implementing a range of measures to reduce greenhouse gas emissions and to improve the efficiency of the core services it provides. This is also reflected by the score of 90 out of 100 points achieved in the environment part of the external rating by Ecovadis where Swiss Post scored 73 points overall, receiving the highest platinum award. This puts it amongst the top 1 percent of the companies evaluated.

From 2021, Swiss Post will set itself a best-practice climate and energy target. In line with the Intergovernmental Panel on Climate Change's recommendation, the climate target is based on the Science Based Targets Initiative (SBTi). This target covers own operations (scope 1 and 2) as well as the value chain (scope 3) and is based on the global goal of limiting the rise in temperature by 2100 to 1.5° Celsius. Swiss Post also aims to achieve carbon-neutral delivery from 2030 at the latest, and a carbon-neutral Swiss Post from 2040. Swiss Post is participating in Exemplary Energy and Climate, a Swiss Confederation initiative, and is fully harnessing the economic potential of photovoltaic systems.

More information on the corporate responsibility strategy can be found on pages 26 to 28.

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 thereby 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 corresponds to 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.

Risk definition

Swiss Post understands "risk" to mean each possibility of an event 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).

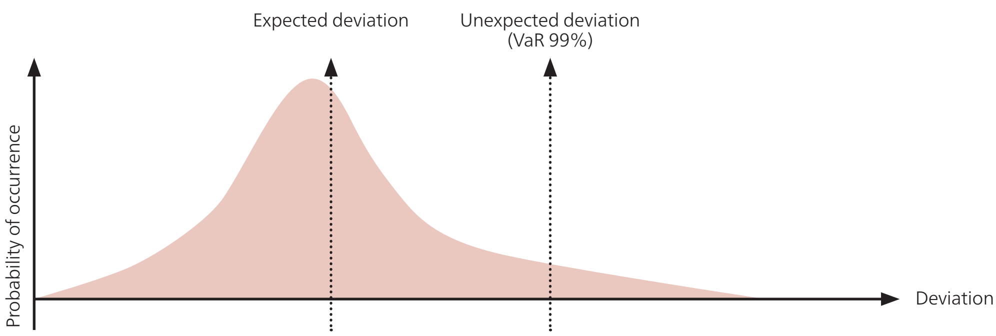
Successful entrepreneurial action is based on adequately controlling or avoiding material threats and taking advantage of opportunities that arise in a value-enhancing way. Risk assessment is carried out as part of operational planning for a four-year planning period (2021–2024). Risks are assessed according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

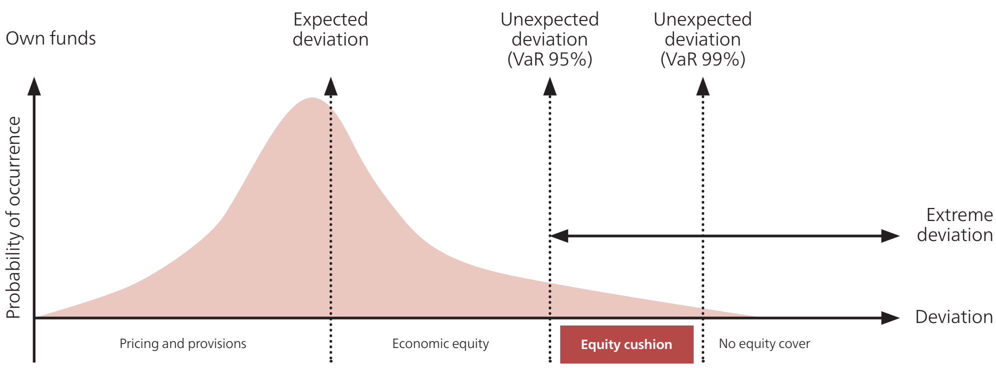
Risk indicators



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 to cover unexpected deviations) and economic viability (evidence that the benefits outweigh the risks assumed).

Risk appetite and risk capacity

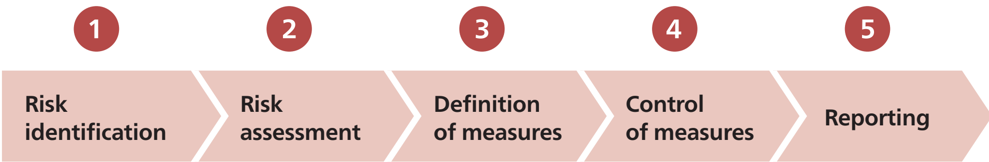


Risk management process

The risk management process is implemented in all business 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 qualified by means of clear-cut 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.

  Every six months, managers and specialists measure the risks that have been identified. This measurement is carried out according to a credible worst-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 efficiently by implementation of the measures in place. Additional measures are defined if necessary.

- Reporting
  Reports are submitted twice a year to the Executive Boards, Executive Management, Board of Directors' Audit, Risk & Compliance Committee and 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 1,020 million francs in relation to the 2021–2024 business period. The unexpected four-year loss potential (VaR 99 percent) for the Group totals 3,470 million francs. The Group’s risk capacity is thereby guaranteed. The risk indicators shown cannot be directly compared with the statements in the last Financial Report as the assessment methodology was adjusted this year (new cumulative four-year view instead of three-year view as previously and financial risks as cashflow deviation and no longer as EBIT deviation).

The greatest risks comprise more stringent regulatory framework conditions, service provision outages, cyber attacks, the effects of a protracted pandemic and the profit trend at PostFinance. 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 a 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 105 to 128.

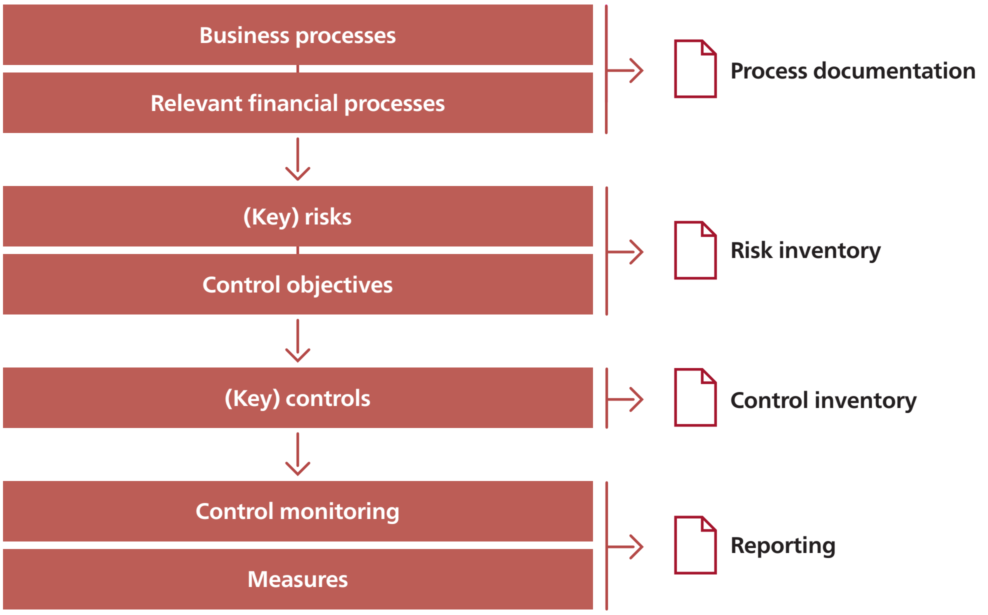
Internal control system

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 should 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 (e.g. reputational damage). These key risks are given priority treatment by ICS Finance and appropriate key controls are carried out. 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.

Assessment of the internal control system on 31 December 2020

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 2020.

Outlook

The measures implemented to combat the spread of the coronavirus had an impact on 2020 as a whole. The Swiss National Bank anticipates economic growth of up to 3 percent for 2021. It does so on the assumption that there will not be another nationwide lockdown like the one we saw in spring 2020. The recovery therefore remains incomplete. It is likely that global production capacity will be underutilized for some time to come and inflation will remain modest in most countries. The future, however, remains uncertain.

In Switzerland, the same development can be seen with regard to measures against the coronavirus. We anticipate that the impact of the coronavirus pandemic will continue into financial year 2021, albeit to a lesser extent. This forecast currently remains very uncertain.

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 with a view to the new 2021–2024 strategy period. Its aspiration, to be able to continue to provide an economically viable universal service, 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 "Subsidiaries, associates and joint ventures" section on pages 169 to 175 of the Financial Report outlines the shareholdings.

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 80.

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 5.6 billion francs. External debt amounted to around 0.7 billion francs on the reference date.

The General Meeting will be asked to approve a dividend distribution of 50 million francs from the other capital reserves for the 2020 financial year (resolution in 2019: 50 million francs, distribution in 2020). Total equity on the reference date stood at 6.9 billion francs (previous year: 6.8 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 2020

On the reference date (31 December 2020), 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 obtain the approval of the Chairman of the Board. If the Chairman of the Board is affected, the Board of Directors' Audit, Risk & Compliance Committee must be consulted.

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

Urs Schwaller

Chairman of the Board of Directors, member since 2016, Switzerland, 1952, Dr iur., lawyer

Committees: Organisation, Nomination & Remuneration; Audit, Risk & Compliance; Investment, Mergers & Acquisitions
Professional background: self-employed lawyer; Council of Europe (permanent member); Council of States for the Canton of Fribourg (President of CVP-EVP); Cantonal Council of Fribourg (State Councillor – Director of Internal Affairs and of Finance); Senior Civil Servant of the Sense District; Director of the Cantonal Police Department; member of various federal commissions and foundations
Key posts: Groupe Mutuel Holding SA (Member of the Board of Directors); JPF Holding S.A. (Member of the Board of Directors); Liebherr Machines Bulle S.A. (Member of the Board of Directors); UCB Farchim SA (Member of the Board of Directors)

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: ALPIQ Holding Ltd (CFO, Member of Executive Board); Gategroup (CFO, Member of Executive Management Board); Ciba Specialty Chemicals (Regional CFO, Head of Business Support Center EMEA und Divisional CFO, Head of Business Support Center CEMEA)
Key posts: ALPIQ Holding Ltd (CFO, Member of Executive Board); Tareno Ltd (Member of the Board of Directors)

Peter Hug

Member of the Board of Directors, member since 2018, Vice-Chairman, since 2018, Switzerland, 1958, Dr rer. pol.

Committees: Investment, Mergers & Acquisitions (Chair)
Professional background: F. Hoffmann-La Roche (Head Commercial Operations EEMEA, Head of Pharma Medicines Western Europe, Head Pharma Partnering, Managing Director, Pharma, Spain, Head of Diagnostics, Roche Diagnostics, Germany, General Manager, Pharma & Country President, Uruguay, Pharma Division Director, Roche SA, Greece)
Key posts: ADC Therapeutics SA (Member of the Board of Directors); Mundipharma MEA GmbH (independent Member of the Board of Directors, MEA region)

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 Ltd (CEO); Swiss Post (Head of Public Affairs & Corporate Responsibility); Mediapolis AG für Wirtschaft und Kommunikation (Co-Owner and Partner)
Key posts: Swisspower Ltd (CEO); Nordur Power SNG AG (Member of the Board of Directors, stepped down in 2020)

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 Ltd (People Partner, Member of the Management Committee of Assurance Switzerland, Partner/Head of the Public Sector market area; Auditor)

Key posts: PostFinance Ltd (Member of the Board of Directors and Member of the Organization, 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); LexisNexis Business Information Solutions (CEO); Altran Group (various management roles)

Key posts: Royal BAM Group NV (Netherlands, Member of the Supervisory Board); cVGZ (Netherlands, Member of the Supervisory Board); 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); Janssen de Jong Groep (Netherlands, Member of the Supervisory Board, stepped down in 2020)

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: Max Havelaar Foundation Switzerland (Managing Director); Fairtrade International (Chair of the Global Account Management Steering Committee, Member of the Finance Committee); Max Havelaar Foundation Switzerland (Commercial Director and Deputy Managing Director); General Mills Europe Sarl (European Marketing Manager); The Coca-Cola Company (various [management] positions in brand management and the Innovation department)

Key posts: Metron AG (Vice-Chair of the Board of Directors); Energie 360 Grad Ltd (Member of the Board of Directors); Cooperative of ZFV companies (Chair of the Board of Directors); Zurich University of Applied Sciences in Winterthur (ZHAW), School of Management and Law (Member of the International Advisory Board); Pax Holding (Cooperative, Member of the Board of Directors); Institute for Supply Chain Management, University of St. Gallen (Member of the Management Committee, stepped down in 2020)

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

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

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 (Member of the Board of Directors)

Corrado Pardini

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

Committees: Investment, Mergers & Acquisitions

Professional background: National Councillor; National Council Economic Affairs and Taxation Committee (EATC); National Council Legal Affairs Committee (LAC); National Council Science, Education and Culture Committee (SECC); Member of the General Committee at the Swiss Trade Union Federation (SGB); Unia (Member of Management Board and Head of Industry Sector); Labour Court of the Canton of Bern (specialist judge); Unia (National Head of Pharmaceutical and Chemical Industry); Unia (Regional Secretary, Biel-Seeland, Canton of Solothurn); Member of the Cantonal Parliament, Canton of Bern; Foundation Board of the pension funds for the carpentry industry

Key posts: Volkshaus AG Bern (Chairman of the Board of Directors); Freienhof Thun AG (Chairman of the Board of Directors); Employment Market Inspectorate Bern (Chairman of the Board); Trade Union Federation for the Canton of Bern (Chairman of the Executive Board); Biel-Seeland Regional Association of the Swiss Social Democratic Party (Chairman of the Board); CEC Execution Competence Center, Bern (Chairman of the Board); Swiss Trade Union Federation (Consultant); Unia Central Secretariat (Consultant); syndicom Central Secretariat (Consultant, President); Suva Council (Member)

Roger Schoch

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

Professional background: Alpiq Holding Ltd (General Secretary), Swiss Federal Railways SBB (Chief Compliance Officer, Deputy Head of the Group Legal Service, Secretary of the Board of Directors)

Key posts: none

Changes in the year under review

Michel Gobet, a long-standing member of the Swiss Post Board of Directors and human resources representative for the trade union syndicom, passed away on 13 February 2020. The Extraordinary General Meeting held on 8 June 2020 appointed Corrado Pardini to the Board of Directors as his successor.

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 2020, this employee representation was provided by Michel Gobet and his successor Corrado Pardini and Ronny Kaufmann.

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 met a total of 15 times. 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 experience in the relevant areas of responsibility. 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 six times during the year under review. In 2020, 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 Chairman 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 105 to 113), 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 ISO 31000 (see pages 105 to 113).

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 which defines and implements appropriate measures to prevent breaches of standards and ethics. It determines binding requirements for employees, compliance with which is monitored. Swiss Post continually develops compliance as part of an ongoing process.

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 2020

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.

After the CEO, the other members of Executive Management are listed in alphabetical order, followed by 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); Sodexo Group, France (CEO France); Sodexo Group, France (COO); Sodexo Group, France (various management positions); McKinsey & Company, Zurich and Amsterdam (Associate Principal); ETH, Zurich (researcher and lecturer)

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

Dieter Bambauer

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

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

Key posts: Asendia Holding Ltd (Member of the Board of Directors); TNT Swiss Post GmbH (Vice-Chairman of Management); Cargo sous terrain AG (Member of the Board of Directors); Institute of Supply Chain Management, University of St. Gallen (Member of the Executive Committee); the "Weltoffenes Zürich" ("Cosmopolitan Zurich") committee (Member)

Thomas Baur

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

Professional background: Swiss Post Ltd (PostMail: Head of Delivery, Head of Logistics, Head of Business Development for ExpressPost, IT: Construction & Real Estate Project Manager, Head of Quality Assurance, Programmer/Analyst)

Key posts: none

Alex Glanzmann

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

Professional background: Swiss Post Ltd (Head of Finance at PostLogistics, Head of Central Distribution Area, Head of Strategic Projects & Business Controlling for the Goods Logistics unit, Project Portfolio Manager for the Goods Logistics unit); BDO Visura (Head of Management & HRM advisory unit and vice-director, chief management consultant); Office for Information Technology and Organization at the Canton of Solothurn (research assistant)

Key posts: PostFinance Ltd (Member of the Board of Directors, Member of the Risk and Organisation, Nomination & Remuneration committees); Swiss Post pension fund (Vice-Chairman of the Foundation Board)

Ulrich Hurni

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

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

Key posts: Asendia Holding Ltd (Chairman of the Board of Directors); TNT Swiss Post GmbH (Managing Director); Swiss Excellence Forum (Member of the Board)

Christian Plüss

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

Professional background: Alpiq Ltd (Head of Hydro Power Generation); MeteoSchweiz (Director); Erdgas Ostschweiz AG (CEO); SBB AG (Head of Offer Management); Cap Gemini SA (Managing Consultant)

Key posts: Swiss Association of Public Transport, cooperative (APT, Member of the Board); LITRA (Ligue suisse pour l'organisation rationnelle du trafic, Member of the Management Committee); Alliance Suisse Pass (Vice-Chairman of the Board); Swiss Travel Fund (Reka) cooperative (Member of the Board); KLARA Business Ltd (Vice-Chairman of the Board of Directors)

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: Swiss Post Ltd (Head of Human Resources); PostFinance Ltd (Head of Working Environment, HR & Facility Management, Deputy Head of Working Environment, Head of HR Strategy & Development, Head of Market Research)

Key posts: Swiss Post pension fund (Member of the Foundation Board); Swiss Employers' Association (Board member)

Jörg Vollmer

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

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

Key posts: none

Hansruedi Köng [1]

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

Key posts: none

1 As the 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

Ulrich Hurni and Dieter Bambauer resigned from Executive Management with effect from 31 December 2020. Ulrich Hurni takes over as Head of Operations at Logistics Services and Dieter Bambauer as Head of Goods Logistics at Logistics Services. The Board of Directors has elected Johannes Cramer (as Head of Logistics Services) and Nicole Burth (as Head of Communication Services) to Swiss Post Executive Management with effect from 1 January 2021.

Management contracts

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

Remuneration

Policy

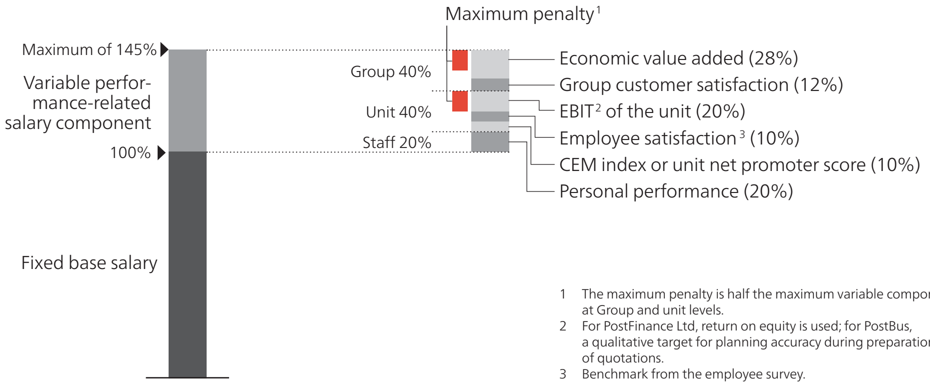
Corporate risk, scope of responsibility and the Confederation's Ordinance on Executive Pay are taken into account by the Board of Directors when determining the remuneration due to members of Executive Management. The Board of Directors has regulated the remuneration and fringe benefits for its members in the BoD remuneration regulations.

Determination

Remuneration for the CEO and members of Executive Management is comprised of a fixed base salary and a variable performance-related component. This may be a maximum of 45 percent of the gross annual base salary. At Group level, the variable component is calculated from economic value added (28 percent) and Group customer satisfaction (12 percent). At unit level, a distinction is made between qualitative benchmarks (20 percent) and financial key figures (20 percent) such as EBIT. For PostFinance Ltd, return on equity is used instead of EBIT; for PostBus, a qualitative target for planning accuracy during preparation of quotations. If all the goals are achieved, the maximum variable component will be paid. Exceeding the goals will not lead to a higher payout.

The variable salary component is a maximum of 45 percent of the annual base salary

Executive Management | Breakdown of remuneration
2020



1 The maximum penalty is half the maximum variable component at Group and unit levels.
2 For PostFinance Ltd, return on equity is used; for PostBus, a qualitative target for planning accuracy during preparation of quotations.
3 Benchmark from the employee survey.

A penalty system may also be applied for calculating the variable salary component at Group and unit levels depending on the degree of target achievement. The maximum penalty represents half the maximum variable component.

All three performance levels are taken into account (Group, unit and individual performance) to determine whether the threshold for the variable component has been reached. The variable component is paid only on reaching this value. There is a penalty area below the threshold for the variable salary. If a penalty applies, the variable salary component is reduced accordingly.

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 base salary and the performance 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. Since 1 July 2010, the notice period for members of Executive Management has been six months. For members appointed before that date, a notice period of twelve months applies. No agreements exist regarding possible severance payments.

Level of remuneration

Members of the Board of Directors

In 2020, the ten members of the Board of Directors (including the Chair) received remuneration (fees and fringe benefits) totalling 979,865 francs. The fringe benefits totalling 74,670 francs are shown in the total remuneration. In 2020, the Chairman of the Board's fee totalled 225,000 francs. The fringe benefits amounted to 28,470 francs.

The upper fee limit of 1,062,200 francs in total, 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 4,840,374 francs in 2020. The fringe benefits of 235,141 francs are shown in the total remuneration. The performance-related component calculated for the members of Executive Management for the period 2020, which is based on attainment of targets in 2019 and 2020, amounts to 1,352,733 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 base salary of the CEO totalled 540,000 francs. The additional calculated performance-related component for the period 2020 amounts to 231,336 francs.

The upper limit of 5,969,882 francs for the total remuneration amount (including employee benefits), which was determined by the General Meeting, was respected.

Remuneration

CHF	2020
Chairman of the Board of Directors (1)	
Fees	225,000
Fringe benefits	28,470
Expenses and representation allowances	22,500
First-class GA Travelcard	5,970
Total remuneration	**253,470**
Other members of the Board of Directors (9) [1]	
Fees	680,195
Base remuneration	537,695
Remuneration of committees	142,500
Fringe benefits	46,200
Expenses and representation allowances	46,200
Additional fringe benefits	–
Total remuneration	**726,395**
Entire Board of Directors (10)	
Fees	905,195
Fringe benefits	74,670
Total remuneration	**979,865**
CEO	
Fixed base salary	540,000
Performance-related component (period of origination: 2020) [2]	231,336
Fringe benefits	38,285
Expenses and representation allowances	30,000
Additional fringe benefits [3]	8,285
Additional payments [4]	–
Total remuneration	**809,621**
Other members of Executive Management (7)	
Fixed base salary	2,712,500
Performance-related component (period of origination: 2020) [2]	1,121,397
Fringe benefits	196,856
Expenses and representation allowances	134,400
Additional fringe benefits [3]	62,456
Additional payments [4]	–
Total remuneration	**4,030,753**
All members of Executive Management (8)	
Fixed base salary and performance-related component [2]	4,605,233
Fringe benefits	235,141
Total remuneration	**4,840,374**

1 Eight active members and one member who stepped down in 2020.
2 In this period, the performance-related components accrued in the current year under review are reported.
3 Additional fringe benefits include: first-class GA Travelcard or company car and mobile phone.
4 No agreements exist regarding possible severance payments.

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 2020 audit and the fees for services provided in the financial year 2020 total 3.6 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	2019[1]	2020
Continuing operations			
Revenue	8	6,947	6,834
of which interest income as per effective interest method		510	376
Other operating income	10	221	220
Total operating income	7, 8	**7,168**	**7,054**
Personnel expenses	11, 12	−3,764	−3,833
Resale merchandise and service expenses	13	−1,359	−1,417
Expenses for financial services	9	−158	−172
Depreciation and impairment	21–24	−451	−448
Other operating expenses	14	−986	−912
Total operating expenses		**−6,718**	**−6,782**
Operating profit	7	**450**	**272**
Financial income	15	43	23
Financial expenses	16	−75	−52
Net income from associates and joint ventures	27	3	21
Group profit before tax from continuing operations		**421**	**264**
Income taxes	17	−137	−86
Group profit from continuing operations		**284**	**178**
Discontinued operations			
Group loss from discontinued operations	20	−29	–
Group profit		**255**	**178**
Group profit attributable to			
Swiss Confederation (owner)		255	180
Non-controlling interests		0	−2

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

Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2019	2020
Group profit		**255**	**178**
Other comprehensive income			
Revaluation of employee benefit obligations	12	–167	–69
Change in unrealized gains/losses from fair value reserves in equity instruments FVTOCI		40	25
Change in share of other comprehensive income from associates and joint ventures		0	0
Change in deferred income taxes	17	–26	–20
Items not reclassifiable in the consolidated income statement, after tax	26	**–153**	**–64**
Change in currency translation reserves		14	–5
Change in share of other comprehensive income from associates and joint ventures		0	–1
Change in unrealized gains/losses from fair value reserves in debt instruments FVTOCI		257	34
Unrealized gains/losses from cash flow hedges		206	128
Realized gains/losses from cash flow hedges reclassified to the income statement		–266	–134
Change in deferred income taxes	17	–39	–4
Reclassifiable items in consolidated income statement, after tax	26	**172**	**18**
Total other comprehensive income		**19**	**–46**
Total comprehensive income		**274**	**132**
Total comprehensive income attributable to			
Swiss Confederation (owner)		274	134
Non-controlling interests		0	–2

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2019[1]	31.12.2020
Assets			
Cash	18	1,938	1,510
Amounts due from banks	18	46,677	38,574
Interest-bearing amounts due from customers	18	500	878
Trade accounts receivable	18	687	707
Contract assets		247	208
Other receivables	18	1,131	839
Inventories	19	49	57
Assets held for sale	20	1	6
Current income tax assets		1	0
Financial assets	18	76,458	76,563
Investments in associates and joint ventures	27	132	149
Property, plant and equipment	21	2,116	2,238
Investment property	22	328	342
Intangible assets and goodwill	23	484	483
Right-of-use assets	24	722	692
Deferred income tax assets	17	1,073	1,028
Total assets		**132,544**	**124,274**
Liabilities			
Customer deposits (PostFinance)	18	108,669	109,337
Other financial liabilities	18	12,064	2,868
Trade accounts payable	18	310	312
Contract liabilities		274	283
Other liabilities	18	766	761
Current income tax liabilities		7	3
Provisions	25	486	492
Employee benefit obligations	12	2,824	2,971
Deferred income tax liabilities	17	310	341
Total liabilities		**125,710**	**117,368**
Share capital		1,300	1,300
Capital reserves		2,279	2,279
Retained earnings		3,834	3,959
Gains and losses recorded directly in other comprehensive income		–580	–626
Equity attributable to the owner		**6,833**	**6,912**
Non-controlling interests		1	–6
Total equity	26	**6,834**	**6,906**
Total equity and liabilities		**132,544**	**124,274**

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

Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Share 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 1.1.2019		**1,300**	**2,279**	**3,779**	**–599**	**6,759**	**0**	**6,759**
Group profit				255		255	0	255
Other comprehensive income	26				19	19	0	19
Total comprehensive income				**255**	**19**	**274**	**0**	**274**
Dividends	26			–200		–200	0	–200
Capital increase from non-controlling interests							1	1
Total transactions with the owner				**–200**		**–200**	**1**	**–199**
Balance as at 31.12.2019		**1,300**	**2,279**	**3,834**	**–580**	**6,833**	**1**	**6,834**
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**
Dividends	26			–50		–50	–	–50
Changes from non-controlling interests	27			–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**

Consolidated cash flow statement

Group | Cash flow statement

CHF million	Notes	2019[1]	2020
Group profit before tax from continuing operations		421	264
Group loss before tax from discontinued operations	20	–27	–
Interest expense/(income) and dividends		–549	–534
Depreciation and impairment	5, 21–24	479	471
Net income from associates and joint ventures		–2	–21
Net gains on disposal of property, plant and equipment, and interests	10, 14–16, 20	–35	–32
Gains from the derecognition of financial assets		–11	–36
Net increase in provisions		80	80
Other non-cash expenses		191	241
Change in net current assets:			
Decrease in receivables, inventories and other assets		165	226
(Decrease) in accounts payable and other liabilities		–59	–43
Items from financial services:			
Change in amounts due from banks (term of more than 3 months)		–10	10
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		–2,430	291
Change in other financial liabilities, derivatives		9,529	–9,197
Change in financial assets FVTPL including derivatives		1,096	85
Acquisition of financial assets at amortized cost		–23,683	–25,034
Disposal and reimbursement of financial assets at amortized cost		24,132	24,616
Acquisition of financial assets FVTOCI		–267	–1,077
Disposal and reimbursement of financial assets FVTOCI		588	1,074
Interest and dividends received		725	697
Interest paid		–40	–28
Income taxes paid		–32	–48
Cash flow from operating activities		**10,261**	**–7,995**
Purchases of property, plant and equipment	21	–368	–314
Acquisition of investment property	22	–38	–26
Purchases of intangible assets (excl. goodwill)	23	–33	–37
Purchases of subsidiaries, net of cash and cash equivalents acquired	27	–3	–21
Purchases of associates and joint ventures	27	–1	–3
Purchases of other financial assets		–277	–405
Proceeds from disposal of property, plant and equipment	21	65	46
Proceeds from disposal of investment property	22	0	–
Proceeds from disposal of intangible assets (excl. goodwill)	23	0	0
Proceeds from disposal of subsidiaries, net of cash proceeds	27	–4	0
Proceeds from disposal of associates and joint ventures	27	40	0
Proceeds from disposal of other financial assets		46	11
Dividends received (excl. financial services)		7	3
Interest received (excl. financial services)		8	8
Cash flow from investing activities		**–558**	**–738**

Continued

CHF million	Notes	2019[1]	2020
Increase in other financial liabilities		352	553
(Decrease) in other financial liabilities		–258	–661
Interest paid (excl. financial services)	7	–29	–26
Payment from capital increase of non-controlling interests		0	0
Payment from sale of non-controlling interests		–	1
Outpayment from purchase of non-controlling interests		0	–5
Dividends paid to the owner	26	–200	–50
Cash flow from financing activities		**–135**	**–188**
Foreign exchange losses on cash and cash equivalents		–1	–1
Change in cash and cash equivalents		**9,567**	**–8,922**
Cash and cash equivalents as at 1.1		38,319	47,886
Cash and cash equivalents at the end of the reporting period		**47,886**	**38,964**
Cash and cash equivalents include:			
Cash		1,938	1,510
Amounts due from banks with an original term of less than 3 months		45,948	37,454
Cash and cash equivalents do not include:			
Amounts due from banks with an original term of more than 3 months		729	1,120

1 Figures have been adjusted (see Note 2, Basis of accounting, 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 in Bern 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 7, Segment information).

2 | Basis of accounting

The consolidated annual financial statements comprise the annual financial statements of Swiss Post Ltd and its subsidiaries. They have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRSs) and also comply with the Postal 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 9, 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.

Revised and new International Financial Reporting Standards (IFRSs)

PostFinance Ltd has applied the changes to IFRS 9, IAS 39 and IFRS 7 in relation to the effects of the IBOR reform (phase 1) since 1 January 2020. PostFinance Ltd has identified all contracts, systems and models concerned and the resulting adjustment requirements due to the replacement of LIBOR with alternative reference interest rates. Based on the current commitments and business model, PostFinance Ltd is less severely affected by the replacement of LIBOR than other institutions and the changes have no material effect on the Group’s result or financial position.

Accounting changes

Disclosure of hired vehicles

In the third quarter of 2020, Swiss Post made an adjustment to the disclosure of cash flow from operating activities without affecting profit or loss (sale of hired vehicles). As part of a review of the range of services offered and the associated analysis of the recognition of cash flows, Swiss Post reached the conclusion that the reporting of proceeds from the sale of hired vehicles in cash flow from investing activities is inappropriate and that reporting in cash flow from operating activities is correct. These adjustments have no effect on the result.

The effects of the retroactive change on the consolidated income statement for the period from January to December 2019, on the balance sheet as at 1 January 2019 and 31 December 2019 and on the cash flow statement for the period from January to December 2019 is shown below.

Group | Income statement
1.1. to 31.12.2019

CHF million	Reported		Adjustment	Adjusted
Revenue	6,942	+ hired vehicles	+5	6,947
Other operating income	222	./. hired vehicles	–1	221
Total operating income	**7,164**		**+4**	**7,168**
Resale merchandise and service expenses	–1,355	./. hired vehicles	–4	–1,359
Total operating expenses	**–6,714**		**–4**	**–6,718**

Group | Balance sheet
1.1.2019

CHF million	Reported		Adjustment	Adjusted
Inventories	59	+ hired vehicles	–	59
Property, plant and equipment	2,083	./. hired vehicles	–	2,083

Group | Balance sheet
31.12.2019

CHF million	Reported		Adjustment	Adjusted
Inventories	47	+ hired vehicles	+2	49
Property, plant and equipment	2,118	./. hired vehicles	–2	2,116

Group | Cash flow statement
1.1. to 31.12.2019

CHF million	Reported		Adjustment	Adjusted
Decrease in receivables, inventories and other assets	193	./. hired vehicles	–28	165
Cash flow from operating activities	**10,289**		**–28**	**10,261**
Acquisition of property, plant and equipment	–396	+ hired vehicles	+28	–368
Cash flow from investing activities	**–586**		**+28**	**–558**

Outlook

Certain new IFRSs or supplements thereto enter into force for financial years beginning on or after 1 January 2021:

Standard	Title	Valid from
IFRS 9	Interest Rate Benchmark Reform (Phase II)	1.1.2021
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
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 2021.

3 | Consolidation methods and accounting policies

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

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

Investments in associates where Swiss Post has 20 to 50 percent of the voting rights and/or significant influence but which it does not control are not consolidated, but accounted for using the equity method and reported under "Investments in associates". Joint ventures with 50 percent of the voting rights which Swiss Post holds together with a third party are recognized and disclosed by the same method. Under the equity method, the 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 or, in the case of strategic long-term interests, as FVTOCI.

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.

Please see Note 27, Subsidiaries, associates and joint ventures, for an overview of Swiss Post subsidiaries, associates and joint ventures.

Currency translation

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

Transactions in foreign currencies are translated at the daily rate ruling at the transaction date. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the closing rate. Non-monetary assets classified as 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.

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).

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

PostMail
Addressed letters generate the largest proportion of revenue at PostMail. They include priority items, non time-critical individual items and bulk mailings as well as letters with proof of delivery. Customers pay for services when handing over consignments to Swiss Post on the basis of the published list prices. Swiss Post issues periodic invoices to customers who submit consignments regularly. The standard payment term is 30 days. The performance obligation is met when letters are delivered or, if they are undeliverable, when they are returned to the sender. Items are regarded as delivered if Swiss Post has 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 items – is taken into account on the balance sheet date via accruals/deferrals.

Swiss Post Solutions
Swiss Post Solutions earns revenue from document management and the management of selected document-based business processes. These include mailroom services, document input processing and document output processing. Mailroom services mainly comprise the processing of physical postal items. Customers pay a fixed price per month/hour for basic services and a contractually agreed price for value-added services. In input processing, documents are sorted, scanned and processed in the system. In output processing, documents are printed, folded, packaged and delivered. Customers pay for services on the basis of contractually agreed unit prices. The payment term is usually 30 days. The performance obligation is met with the provision of the service over the performance period.

PostLogistics
National parcels generate the largest proportion of revenue at PostLogistics and include all the services in the national parcel and express business, particularly PostPac Priority and PostPac Economy. Private customers pay for services when handing over parcels on the basis of the published list prices. Services provided for business customers are invoiced monthly according to the contractually agreed parcel prices. The standard payment term is 30 days. The performance obligation is met when the parcels are delivered. Items 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 parcels – is taken into account on the balance sheet date via accruals/deferrals.

PostBus
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 and financing services as well as commission income from the securities, investment and lending business. 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.

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, 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.

Contract assets and liabilities

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.

Inventories

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.

Non-current assets held for sale, disposal groups and discontinued operations

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.

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.

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 and if the change is material in nature. 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 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:
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 category "at amortized cost" 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 debt in a standard transaction between market stakeholders on the measurement date. It is assumed that the transaction takes place on the main market or, if the latter is not available, on the most advantageous market. The fair value of a liability reflects 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.

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at acquisition 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.

Investment property

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.

Intangible assets and goodwill

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

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

Leases

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.

As a lessee, 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.

Impairment losses (fixed assets)

Property, plant and equipment and intangible assets (excluding goodwill) are checked regularly to determine if there are signs of impairment. If this is the case, the carrying amount is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the carrying amount of an asset exceeds its recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized in profit or loss. The recoverable amount of goodwill is reviewed at least annually or if there are indications of impairment. An impairment is applicable where the carrying amount of the cash-generating unit to which the goodwill was assigned exceeds the recoverable amount.

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, finance 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).

Provisions

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

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

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

Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan in accordance with 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.

Provisions for other long-term employee benefits (loyalty bonuses for long years of service) and staff vouchers for retired employees 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.

Income taxes

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). 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.

4 | Estimation uncertainty

Preparation of the consolidated financial statements requires the use of estimates and assumptions. Although these estimates and assumptions were based on Executive Management's best knowledge of current events and possible future actions on the part of Swiss Post Group, actual results may ultimately differ from these estimates. The assumptions and estimates with the greatest risk of causing a material adjustment to the carrying amount of an asset or liability within the next financial year are explained below. The emergence of the COVID-19 pandemic in 2020 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 2020.

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

Estimation uncertainty in accounting policies for the years 2019 and 2020

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment (carrying amount as at 31 December 2020: 2,238 million francs, carrying amount as at 31 December 2019: 2,116 million francs) are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

Employee benefit obligations

Employee benefit expenses and obligations (carrying amount as at 31 December 2020: 2,971 million francs, carrying amount as at 31 December 2019: 2,824 million francs) are calculated annually using the projected unit credit method. The calculations of employee benefit obligations are based on various actuarial assumptions such as expected salary and pension trends, the discount rate, or risk sharing characteristics which limit the employer’s share in the costs of future benefits.

Provisions

Provisions (carrying amount as at 31 December 2020: 492 million francs, carrying amount as at 31 December 2019: 486 million francs) are calculated annually using the projected unit credit method for other long-term employee benefits and according to the best estimate principle for the other types of provisions. Under both calculation methods, 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.

Fair values of financial instruments

Fair values of financial assets (carrying amount as at 31 December 2020: 76,563 million francs, carrying amount as at 31 December 2019: 76,458 million francs) that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observable market information. The discounted cash flow method is used to determine the fair value of some unlisted 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

Expected credit losses (carrying amount as at 31 December 2020: 113 million francs, carrying amount as at 31 December 2019: 89 million francs) depend 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”

Goodwill

The discounted cash flow method is used annually to determine the recoverable amount of goodwill items (carrying amount as at 31 December 2020: 262 million francs, carrying amount as at 31 December 2019: 249 million francs). The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next five years and a residual value. This includes a growth component at the level of country-specific inflation.

Lease term

The lease term determines the amount of right-of-use assets (carrying amount as at 31 December 2020: 692 million francs, carrying amount as at 31 December 2019: 722 million francs) and lease liabilities (carrying amount as at 31 December 2020: 702 million francs, carrying amount as at 31 December 2019: 728 million francs). 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.

Recoverable amount of deferred tax assets

The recoverable amount of deferred tax assets (carrying amount as at 31 December 2020: 1,028 million francs, carrying amount as at 31 December 2019: 1,073 million francs) is assessed at each balance sheet date. Deferred tax assets are based on assumptions about tax rates that are applied at the time of effective taxation of the temporary differences between the IFRS financial statements and those under tax law. In determining tax rates and assessing the likelihood of realization of assets, management makes an estimate.

5 | Risk management and risk assessment

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 risk management process is structured in a meaningful way and supported by valuable tools. The scope covers all business and function units of Swiss Post. Subsidiaries and affiliates are integrated into the risk management processes of the business 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. Executive Board 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 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, Security and Crisis Management units as well as with 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 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 correlation 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 –1,020 million francs in relation to the 2021 to 2024 business period. The unexpected four-year loss potential (VaR 99 percent) for the Group totals –3,470 million francs. The Group's risk capacity is thereby guaranteed. The risk indicators shown cannot be directly compared with the statements in the last Financial Report as the assessment methodology was adjusted this year (new cumulative four-year view instead of a three-year view as previously).

The greatest threats comprise more stringent regulatory framework conditions, service provision outages, the effects of a protracted pandemic and the profit trend at PostFinance. Positive effects could occur as a result of business optimization measures, customer acquisitions and the implementation of transformation projects.

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 2019 and 2020 is broken down between the logistics and PostFinance business models as follows:

Condensed balance sheet, divided according to business model			31.12.2019			31.12.2020
CHF million	PostFinance	Logistics	Group	PostFinance	Logistics	Group
Cash	1,778	160	1,938	1,414	96	1,510
Amounts due from banks	45,439	1,238	46,677	37,090	1,484	38,574
Interest-bearing amounts due from customers	500	–	500	878	–	878
Trade accounts receivable	2	685	687	2	705	707
Contract assets	17	230	247	16	192	208
Other receivables [1]	475	656	1,131	388	451	839
Financial assets	76,388	70	76,458	76,508	55	76,563
Amortized cost	67,591	50	67,641	67,747	36	67,783
FVTPL including derivative financial instruments	333	19	352	363	18	381
FVTOCI equity instruments	185	1	186	211	1	212
FVTOCI debt instruments	8,279	–	8,279	8,187	–	8,187
Other assets [2]	1,117	3,789	4,906	1,081	3,914	4,995
Total assets	**125,716**	**6,828**	**132,544**	**117,377**	**6,897**	**124,274**
Customer deposits (PostFinance)	108,669	–	108,669	109,337	–	109,337
Other financial liabilities	10,146	1,918	12,064	937	1,931	2,868
Trade accounts payable [3]	30	280	310	22	290	312
Other liabilities [1]	86	680	766	97	664	761
Other equity and liabilities [2]	6,785	3,950	10,735	6,984	4,012	10,996
Total equity and liabilities	**125,716**	**6,828**	**132,544**	**117,377**	**6,897**	**124,274**

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 Incl. advance payments.

Risk management information on PostFinance can be found from page 114 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 (loans to PostBus operators: 9 million francs, other: 26 million francs). 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 to business customers by PostMail and PostLogistics. 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.

No loans to PostBus operators or other loans to third parties have been defaulted on in the past. In the case of the PostBus operators, the operating materials are to be carried at the nominal value in accordance with the Swiss Federal Office for Transport (FOT), i.e. the loans to PostBus operators are secured by the vehicle being financed. Nominal value corresponds to fair value. Consequently there can be no defaults in the case of loans to PostBus operators. In order to allow for default risks that cannot be perceived at present, a flat-rate impairment loss of 0.1 percent is to be recognized on the nominal amount of loans to PostBus operators and other loans to third parties (principally to associates). Loans, including interest and amortization, are constantly monitored.

On the reference date the following impairment losses on financial instruments were recognized in the logistics business model:

Logistics | Impairment losses on financial instruments

CHF million	31.12.2019 Gross	31.12.2019 Impairment	31.12.2019 Net	31.12.2020 Gross	31.12.2020 Impairment	31.12.2020 Net
Cash	160	–	160	96	–	96
Amounts due from banks	1,238	0	1,238	1,484	0	1,484
Trade accounts receivable	694	−9	685	712	−7	705
Contract assets	230	–	230	192	–	192
Other receivables [1]	151	−2	149	144	−2	142
Financial assets						
Amortized cost	55	−5	50	42	−6	36
Total financial instruments	**2,528**	**−16**	**2,512**	**2,670**	**−15**	**2,655**

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

CHF million	31.12.2019 1–90 days	31.12.2019 91–180 days	31.12.2019 181–365 days	31.12.2019 > 1 year	31.12.2020 1–90 days	31.12.2020 91–180 days	31.12.2020 181–365 days	31.12.2020 > 1 year
Trade accounts receivable	64	9	2	6	74	10	4	4
Total overdue receivables	**64**	**9**	**2**	**6**	**74**	**10**	**4**	**4**

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 2019 and 31 December 2020:

Logistics | Impairment losses on financial instruments

CHF million	31.12.2019 Total	31.12.2019 Stage 1	31.12.2019 Stage 2	31.12.2019 Stage 3	31.12.2020 Total	31.12.2020 Stage 1	31.12.2020 Stage 2	31.12.2020 Stage 3
ECL on amounts due from banks	0	–	0	–	0	–	0	–
ECL on financial assets at amortized cost	−5	0	–	−5	−6	0	–	−6
The following impairments were calculated based on the simplified approach								
ECL on trade accounts receivable [1]	−9				−7			
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

31.12.2019 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	None	Total
Financial assets						
Cash holdings	160	–	–	–	–	160
Amounts due from banks	718	260	260	–	–	1,238
Trade accounts receivable	679	5	1	–	–	685
Other receivables [1]	6	16	79	48	–	149
Financial assets						
Amortized cost	18	0	32	–	–	50
FVTPL incl. derivative financial instruments	1	0	–	–	18	19
FVTOCI equity instruments	–	–	–	–	1	1
Total financial assets	**1,582**	**281**	**372**	**48**	**19**	**2,302**
Financial liabilities						
Other financial liabilities						
Liabilities relating to banks	301	100	–	–	–	401
Finance leases	4	108	307	244	–	663
Derivative financial instruments	–	–	3	–	–	3
Bonds [3]	–	135	70	640	–	845
Other	5	0	1	–	–	6
Trade accounts payable [2]	263	0	–	–	–	263
Other liabilities [1, 4]	1	0	0	–	–	1
Total financial liabilities	**574**	**343**	**381**	**884**	**–**	**2,182**

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 Swiss Post Ltd has several outstanding private placements totalling 845 million francs. Nine tranches overall, expiring between 2020 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 1.08 percent, and the average remaining maturity of the outstanding tranches as at the end of 2019 is almost eight years.
3 Includes liabilities from refund claims.

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
Finance leases	4	106	306	233	–	649
Derivative financial instruments	–	–	4	–	–	4
Bonds [3]	–	35	35	640	–	710
Other	5	0	3	–	–	8
Trade accounts payable [2]	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 Excludes advance payments.
3 Swiss Post Ltd has several outstanding private placements totalling 710 million francs. Eight 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.
4 Includes liabilities from refund claims.

Logistics | Present value of the commitments from finance leases

			31.12.2019			31.12.2020
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	123	–11	112	120	–11	109
Due within 1 to 5 years	336	–31	305	332	–28	304
Due date longer than 5 years	311	–65	246	297	–61	236
Total	**770**	**–107**	**663**	**749**	**–100**	**649**

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	Leases	Repurchase transactions	Bonds	Other	Total
As at 1.1.2019	**126**	**480**	**24**	**–**	**970**	**8**	**1,608**
Other financial liabilities with change in cash flow from operating and investment activities	74	478	–	–	–	–	552
Other financial liabilities with change in cash flow from financing activities as at 1.1.2019	**52**	**2**	**24**	**–**	**970**	**8**	**1,056**
Cash changes	352	–	–130	–	–125	–3	94
Changes to scope of consolidation	–2	–	–28	–	–	–35	–65
Currency translation differences	0	–	0	–	–	0	0
Other non-cash changes	0	1	862	–	–	36	899
Other financial liabilities with change in cash flow from financing activities as at 31.12.2019	**402**	**3**	**728**	**–**	**845**	**6**	**1,984**
Other financial liabilities with change in cash flow from operating and investment activities	615	339	–	9,125	–	1	10,080
As at 31.12.2019	**1,017**	**342**	**728**	**9,125**	**845**	**7**	**12,064**
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
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**

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 2019 and 31 December 2020:

Logistics | Financial instruments by currency

31.12.2019 CHF million	Functional currency	Foreign currencies					
		CHF	EUR	USD	GBP	Other	Total
Assets							
Cash	143	0	16	1	0	0	160
Amounts due from banks	1,230	0	7	1	0	0	1,238
Trade accounts receivable	635	–	37	0	1	12	685
Other receivables [1]	148	–	–	1	–	–	149
Financial assets							
Amortized cost	19	–	0	31	–	–	50
FVTPL incl. derivative financial instruments	10	–	2	7	–	–	19
Liabilities							
Other financial liabilities							
Derivative financial instruments	2	–	–	–	–	–	2
Other	1,916	–	–	–	–	–	1,916
Trade accounts payable [2]	238	0	15	1	1	8	263
Other liabilities [1, 3]	1	–	–	–	–	–	1

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

31.12.2020 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							
Derivative financial instruments	4	–	–	–	–	–	4
Other	1,927	–	–	–	–	–	1,927
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.

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 monthly 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 PostLogistics due to rising competition and the increase in fuel prices at PostBus.

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.

- **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.
- **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.
- **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 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 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 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) 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 from events resulting from inadequate or failed internal processes, people or systems, or as a result of 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 operational and strategic risks faced by 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. Operational and strategic 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 2019 and 2020 between PostFinance and the logistics business model (other companies) is given on page 106.

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 the customer deposits held by PostFinance do not earn a fixed rate of interest or require capital commitment. The interest rate and capital commitment of these deposits are 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. 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	31.12.2019	31.12.2020
Flattener shock in accordance with FINMA Circular 2019/2[1]		– 190
Standard parallel-up shock in accordance with FINMA Circular 2019/2[1]	– 160	

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. 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 2020, this sight deposit balance stood at 36,893 million francs (previous year: 45,167 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 directives.

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 (environmental, social and governance) criteria also being taken into account. 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 three largest counterparties as at 31 December 2019 and 31 December 2020 is given below:

PostFinance | Breakdown of the largest counterparties [1]

CHF million	31.12.2019	31.12.2020
Pfandbriefbank schweizerischer Hypothekarinstitute AG, Zurich	10,605	9,554
Pfandbriefzentrale der schweizerischen Kantonalbanken AG, Zurich	7,774	7,954
Swiss Confederation, Bern	2,222	2,159

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 2019 and 31 December 2020 is given below:

PostFinance | Summary of main country exposures [1]

CHF million	31.12.2019	31.12.2020
Switzerland	47,101	45,835
USA	5,720	5,910
Canada	2,048	3,428
France	2,755	3,195

1 Includes amounts due from banks (excluding secured loans) and financial assets; based on nominal values. At the reference date of 31 December 2020, Canada is now one of the three main country exposures.

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			31.12.2019			31.12.2020
CHF million	Gross	Impairment	Net	Gross	Impairment	Net
Cash	1,778	–	1,778	1,414	–	1,414
Amounts due from banks	45,485	–46	45,439	37,136	–46	37,090
Interest-bearing amounts due from customers	508	–8	500	888	–10	878
Trade accounts receivable	2	–	2	2	–	2
Contract assets	17	–	17	16	–	16
Other receivables [1]	319	0	319	248	0	248
Financial assets						
Amortized cost	67,606	–15	67,591	67,781	–34	67,747
FVTOCI debt instruments	8,279	–3 [2]	8,279	8,187	–7 [2]	8,187
Total financial instruments	**123,994**	**–72**	**123,925**	**115,672**	**–97**	**115,582**

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 2019 and 31 December 2020, 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				31.12.2019				31.12.2020
CHF million	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total	12-month expected credit losses (level 1)	Expected credit losses over remaining term to maturity (level 2)	Expected credit losses over remaining term to maturity (level 3)	Total
Amortized cost								
Amounts due from banks	45,439	–	46	45,485	37,090	–	46	37,136
Value adjustments	0	–	–46	–46	–	–	–46	–46
Carrying amount	**45,439**	**–**	**–**	**45,439**	**37,090**	**–**	**–**	**37,090**
Interest-bearing amounts due from customers	496	5	7	508	876	3	9	888
Value adjustments	–2	–2	–4	–8	–4	–1	–5	–10
Carrying amount	**494**	**3**	**3**	**500**	**872**	**2**	**4**	**878**
Bonds and loans								
AAA to AA–	48,212	–	–	48,212	46,800	–	–	46,800
A+ to A–	13,567	–	–	13,567	14,069	–	–	14,069
BBB+ to BBB–	5,162	–	–	5,162	6,195	–	–	6,195
BB+ to B–	153	–	–	153	222	1	–	223
Unrated	505	–	7	512	485	–	9	494
Total	**67,599**	**–**	**7**	**67,606**	**67,771**	**1**	**9**	**67,781**
Value adjustments	–8	0	–7	–15	–25	0	–9	–34
Carrying amount	**67,591**	**0**	**0**	**67,591**	**67,746**	**1**	**–**	**67,747**
FVTOCI								
Debt instruments								
AAA to AA–	1,314	–	–	1,314	1,731	–	–	1,731
A+ to A–	4,390	–	–	4,390	4,591	–	–	4,591
BBB+ to BBB–	2,575	–	–	2,575	1,865	–	–	1,865
Carrying amount	**8,279**	**–**	**–**	**8,279**	**8,187**	**–**	**–**	**8,187**
Value adjustments	–3	–	–	–3	–7	–	–	–7
Financial guarantees								
Financial guarantees	52	–	–	52	75	–	–	75
Provisions for expected losses	0	–	–	0	0	–	–	0

To combat the coronavirus crisis the Federal Council adopted extensive and drastic measures, which resulted in a temporary interruption of business activities in many units. These measures may also have an impact on the credit quality of bonds and receivables. In the current situation the assessment of the effects is still subject to a high degree of uncertainty. 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 an increase in impairments required of 23 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 2019 or 31 December 2020. 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 Ltd, third parties and PostFinance.

PostFinance | Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements	Financial assets with offsetting agreements			Unrecognized offsetting options		
31.12.2019, CHF million	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	Financial assets after consideration of offsetting options
Item in the balance sheet						
Positive replacement values	163	–	163	–	–25	138
Reverse repurchase transactions	22	–	22	–	–24	–

PostFinance | Financial liabilities subject to offsetting agreements, enforceable global offsetting or similar agreements	Financial liabilities with offsetting agreements			Unrecognized offsetting options		
31.12.2019, CHF million	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	Financial liabilities after consideration of offsetting options
Item in the balance sheet						
Negative replacement values	342	–	342	–	–194	148
Repurchase transactions	9,125	–	9,125	–	–9,125	–
Securities lending and similar agreements	4,419	–	4,419	–	–4,781	–

PostFinance | Financial assets subject to offsetting agreements, enforceable global offsetting or similar agreements	Financial assets with offsetting agreements			Unrecognized offsetting options		
31.12.2020, CHF million	Financial assets before offsetting (gross)	Offsetting with financial liabilities	Financial assets after offsetting (net)	Financial liabilities	Collateral received	Financial assets after consideration 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	Financial liabilities with offsetting agreements			Unrecognized offsetting options		
31.12.2020, CHF million	Financial liabilities before offsetting (gross)	Offsetting with financial assets	Financial liabilities after offsetting (net)	Financial assets	Collateral issued	Financial liabilities after consideration 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	–

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	31.12.2019	31.12.2020
Receivables		
Receivables from cash collateral in reverse repurchase transactions	22	–
of which recognized in amounts due from banks	22	–
Commitments		
Commitments from cash collateral in repurchase transactions	9,125	22
of which recognized in financial liabilities – other financial liabilities	9,125	22
Securities cover		
Own lent securities or securities provided as collateral for borrowed securities in repurchase transactions	13,544	3,301
of which securities for which an unrestricted right to dispose of or pledge was granted	4,419	3,279
of which recognized in financial assets – amortized cost	4,360	3,269
of which recognized in financial assets – FVTOCI debt instruments	59	10
Borrowed securities or securities received as collateral for lent securities as part of securities lending and reverse repurchase transactions	4,806	3,460

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	31.12.2019	31.12.2020
Liquidity Coverage Ratio (LCR)	190%	199%

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. The long-term structural liquidity situation is reassessed by the Executive Board on an annual basis. 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

31.12.2019 CHF million	0–3 months	3 months–1 year	1–5 years	over 5 years	Total
Financial assets					
Cash holdings	1,778	–	–	–	1,778
Amounts due from banks	45,464	–	–	–	45,464
Interest-bearing amounts due from customers	508	–	–	–	508
Financial assets (excluding derivatives)					
Amortized cost	3,605	6,406	31,013	26,440	67,464
FVTOCI debt instruments	54	205	5,567	2,173	7,999
Total non-derivative financial assets	**51,409**	**6,611**	**36,580**	**28,613**	**123,213**
Derivative financial instruments for trading purposes					
Outflow	–3,461	–815	–21	–	–4,297
Inflow	3,503	826	21	–	4,350
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–173	–31	–100	–13	–317
Inflow	173	7	26	3	209
Total derivative financial assets	**42**	**–13**	**–74**	**–10**	**–55**
Financial liabilities					
Postal accounts	69,588	–	–	–	69,588
Savings and investment accounts	37,282	–	–	–	37,282
Cash bonds for customers	4	56	12	0	72
Money market investments for customers	1,727	–	–	–	1,727
Total customer deposits	**108,601**	**56**	**12**	**0**	**108,669**
Liabilities relating to banks	615	–	–	–	615
Other financial liabilities	1	11	28	27	67
Repurchase transactions	9,125	–	–	–	9,125
Total other financial liabilities (excluding derivatives)	**9,741**	**11**	**28**	**27**	**9,807**
Issued financial guarantee contracts	4	10	38	–	52
Irrevocable credit commitments	–	–	2	–	2
Total off-balance sheet positions	**4**	**10**	**40**	**–**	**54**
Total non-derivative financial liabilities	**118,346**	**77**	**80**	**27**	**118,530**
Derivative financial instruments for trading purposes					
Outflow	–770	–169	–22	–	–961
Inflow	764	166	21	–	951
Derivative financial instruments for hedging purposes (risk management)					
Outflow	–298	–113	–1,085	–1,434	–2,930
Inflow	261	47	792	1,255	2,355
Total derivative financial liabilities	**–43**	**–69**	**–294**	**–179**	**–585**

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 | Present value of commitments from finance leases	31.12.2019			31.12.2020		
CHF million	Nominal	Discount	Present value	Nominal	Discount	Present value
Due within 1 year	11	– 1	10	11	– 1	10
Due within 1 to 5 years	31	– 3	28	24	– 3	21
Due date longer than 5 years	45	– 18	27	39	– 17	22
Total	**87**	**– 22**	**65**	**74**	**– 21**	**53**

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 2019 and 31 December 2020 respectively.

PostFinance | Value at risk from market risks CHF million	31.12.2019	31.12.2020
Income statement value at risk, aggregated	**11**	**10**
Income statement value at risk from foreign currency risks	6	3
Income statement value at risk from equity price risks	–	–
Income statement value at risk from credit spread risks	5	6
Income statement value at risk from interest rate risks	0	1
OCI value at risk, aggregated	**289**	**268**
OCI value at risk from foreign currency risks	– 1	– 1
OCI value at risk from equity price risks	– 5	– 3
OCI value at risk from credit spread risks	110	125
OCI value at risk from interest rate risks	185	147

The following table shows the foreign currency exposure of the PostFinance business model as at 31 December 2019 and 31 December 2020:

PostFinance | Financial instruments by currency

31.12.2019 CHF million	Functional currency	Foreign currencies				
		EUR	USD	GBP	Other	Total
Assets						
Cash	1,662	116	–	–	–	1,778
Amounts due from banks	45,366	52	15	1	5	45,439
Interest-bearing amounts due from customers	486	6	8	0	0	500
Trade accounts receivable	2	–	–	–	–	2
Other receivables [1]	226	61	29	–	3	319
Financial assets						
Amortized cost	60,886	4,445	1,932	–	328	67,591
FVTOCI debt instruments	–	6,645	1,581	–	53	8,279
Liabilities						
Customer deposits (PostFinance)	105,657	2,491	432	42	47	108,669
Other financial liabilities excluding derivatives	9,802	5	–	–	0	9,807
Trade accounts payable [2]	28	1	0	0	–	29
Other liabilities [1]	8	0	0	0	–	8

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

31.12.2020 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	571	31	5	–	0	607
Trade accounts payable [2]	20	1	0	0	–	21
Other liabilities [1]	6	0	0	–	0	6

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. Operational and strategic risks are assumed by PostFinance Ltd within the framework of its business model, business strategy and business activities. The Board of Directors sets out the principles for managing operational and strategic risks and the associated risk appetite in the framework for risk management throughout the institution.

On the basis of the risk appetite, PostFinance determines the total amount of risk it is prepared to take. The risk appetite is defined using quantitative and/or qualitative directives and is a key element in the planning of PostFinance's business activities. The risk management process ensures compliance with the risk appetite by means of appropriate control instruments and appropriate risk limits. 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 risk is defined according to the principles of various risk 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, PostFinance does not tolerate any activities that are unlawful or unethical or that otherwise jeopardize PostFinance’s reputation as a credible, reliable, trustworthy and responsible company. For sourcing partnerships, PostFinance is guided by the principle that outsourced services must be adequately monitored and regulatory directives must be complied with.

The risk appetite for strategic risks is not defined in principle, but determined and given due regard by the Board of Directors during the process of elaborating the strategic focus. 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.

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 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	31.12.2019		31.12.2020	
CHF million	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Cash flow hedges				
Currency				
Cross-currency interest rate swaps	106	171	181	120
Other				
Completed non-fulfilled transactions	0	–	0	–
Fair value hedges				
Interest rate and currency risk				
Interest rate swaps	–	160	2	179
Derivatives for hedging, excluding application of hedge accounting				
Currency risk				
Foreign exchange forward contracts	53	4	45	28
Other				
Commodity swaps	0	1	–	4
Derivatives for trading purposes				
Currency risk				
Foreign exchange forward contracts	4	6	4	3
Total derivative financial instruments	**163**	**342**	**232**	**334**

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
31.12.2019					
Currency risk					
Cross-currency interest rate swaps	8,121	53	200	5,674	2,194
Other					
Completed non-fulfilled transactions	219	219	–	–	–
31.12.2020					
Currency risk					
Cross-currency interest rate swaps	8,129	–	679	5,909	1,541
Other					
Completed non-fulfilled transactions	1	1	–	–	–

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
31.12.2019						
Currency risk						
Cross-currency interest rate swaps	106	171	206	206	–	–266
Other						
Completed non-fulfilled transactions	0	–	0	0	–	–
31.12.2020						
Currency risk						
Cross-currency interest rate swaps	181	120	128	128	–	–134
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
31.12.2019		
Currency risk		
FVTOCI		
Bonds	–206	–182
31.12.2020		
Currency risk		
FVTOCI		
Bonds	–128	–187

The hedging reserves in other comprehensive income underwent the following change in the reporting periods:

PostFinance | Hedging reserves

CHF million	2019	2020
Balance as at 1.1	**–97**	**–148**
Change in fair value of hedging instruments		
Currency risk	206	128
Other	0	0
Net amount reclassified from cash flow hedging reserve to income statement		
Currency risk	–266	–134
of which from discontinued hedging relationships	26	20
of which from changes in foreign currency basis spreads	1	3
Change in deferred income taxes	9	1
Balance as at 31.12	**–148**	**–153**

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

PostFinance | Cash flows (not discounted)		Term to maturity		
CHF million	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2019				
Cash inflows	11	28	116	20
Cash outflows	–38	–97	–389	–66
31.12.2020				
Cash inflows	6	29	90	12
Cash outflows	–28	–94	–320	–31

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			Term to maturity		
CHF million	Total	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2019					
Interest rate and currency risk					
Interest rate swaps	2,209	246	25	700	1,238
31.12.2020					
Interest rate and currency risk					
Interest rate swaps	3,159	75	200	530	2,354

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
31.12.2019				
Interest rate and currency risk				
Interest rate swaps	–	160	–60	–
31.12.2020				
Interest rate and currency risk				
Interest rate swaps	2	179	–18	–

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 fair 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 remaining in the balance sheet from fair value hedge adjustments for hedged items that are no longer adjusted for gains and losses from hedging
31.12.2019				
Interest rate and currency risk				
Amortized cost				
Bonds	1,298	92	56	–
Loans	1,064	54	4	–
31.12.2020				
Interest rate and currency risk				
Amortized cost				
Bonds	2,379	116	24	0
Loans	963	48	–6	–

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 710 million francs (31 December 2019: 845 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 an 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 195.

6 | Fair value disclosures

Carrying amounts and fair values of financial instruments and other assets

The carrying amounts and corresponding fair values of financial assets and liabilities and real estate held as financial investments are as follows on 31 December 2019 and 31 December 2020:

Fair values and carrying amounts of financial instruments and other assets	31.12.2019		31.12.2020	
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Financial assets				
FVTOCI				
Shares	186	186	212	212
Bonds	8,279	8,279	8,187	8,187
FVTPL mandatory				
Shares	20	20	20	20
Bonds	5	5	2	2
Funds	164	164	126	126
Positive replacement values	163	163	232	232
Financial assets not measured at fair value				
Financial assets				
Amortized cost				
Bonds	52,369	53,549	52,626	53,800
Loans	15,272	15,715	15,158	15,524
Financial liabilities measured at fair value				
Other financial liabilities				
Negative replacement values	342	342	334	334
Deferred purchase price payments (earn out)	3	3	2	2
Financial liabilities not measured at fair value				
Other financial liabilities				
Private placements	845	941	710	789
Other assets not measured at fair value				
Investment property	328	546	341	595

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.

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				31.12.2019				31.12.2020
CHF million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
FVTOCI								
Shares	186	85	–	101	212	117	–	95
Bonds	8,279	7,670	609	–	8,187	7,692	495	–
FVTPL mandatory								
Shares	20	0	–	20	20	0	–	20
Bonds	5	–	–	5	2	–	–	2
Funds	164	–	164	–	126	–	126	–
Positive replacement values	163	0	163	–	232	0	232	–
Amortized cost								
Bonds	53,549	44,930	8,619	–	53,800	46,720	7,080	–
Loans [1]	15,715	–	15,671	44	15,524	–	15,493	31
Negative replacement values	342	2	340	–	334	4	330	–
Deferred purchase price payments (earn out)	3	–	–	3	2	–	–	2
Private placements	941	–	941	–	789	–	789	–

1 For the loans of 9 million francs to PostBus companies that are included in level 2 (31 December 2019: 18 million francs) and the loans totalling 31 million francs included in level 3 (31 December 2019: 44 million francs), the fair values considered above on the balance sheet date correspond approximately to the carrying amounts given in the balance sheet.

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, FVTPL mandatory and amortized cost underwent the following changes in 2019 and 2020:

Fair value hierarchy: changes in level 3

CHF million	FVTOCI	FVTPL mandatory	Amortized cost
Balance as at 1.1.2019	**78**	**13**	**45**
Gains/losses recorded in the income statement	–	0	0
Gains/losses recorded in other comprehensive income	23	–	–
Additions	0	12	4
Disposals	–	– 1	– 5
Reclassifications to level 3	–	1	–
Balance as at 31.12.2019	**101**	**25**	**44**
Balance as at 1.1.2020	**101**	**25**	**44**
Gains/losses recorded in the income statement	–	– 3	– 11
Gains/losses recorded in other comprehensive income	– 6	–	–
Additions	0	7	2
Disposals	0	– 7	– 4
Balance as at 31.12.2020	**95**	**22**	**31**

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 2019 and 31 December 2020 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
31.12.2019			
Bellinzona, Viale Stefano Franscini 30	Capitalized earnings	6.2	11
Bern PostParc, Schanzenstrasse 4/5	DCF	3.2	357
Delsberg [1], Postplatz	DCF	3.7	23
Dübendorf [1], Wilstrasse 13 + 15	DCF	3.0	21
Frauenfeld Cupola [1], Rheinstrasse 1	DCF	3.5	34
Interlaken, Marktgasse 1	DCF	3.6	19
Zurich [1], Franklinstrasse 27	DCF	4.0	50
Zurich, Molkenstrasse 8	DCF	2.5	31
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

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.

7 | Segment information

Basic principles

The operating 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 operating segments were aggregated. Transactions between the segments are based on a range of services and a transfer pricing concept. Transfer prices are calculated on the basis of commercial criteria. For information on the composition of segment assets and liabilities, please see the separate section "Composition of segment assets and liabilities".

Note 27, Subsidiaries, associates and joint ventures, shows the segments to which Swiss Post and its subsidiaries have been assigned.

Segmentation

Segmentation	Description
Communication market	
PostMail	Services relating to addressed letters, newspapers, unaddressed items (domestic, import and export)
Swiss Post Solutions	Document management and postal-related business process outsourcing solutions in Switzerland and internationally
PostalNetwork	Sales channel for postal products/services and additionally for third-party products for private customers and small and medium-sized enterprises.
Logistics market	
PostLogistics	Digital commerce, national/international parcels, freight and warehousing, customs clearance, the transport of valuables, Innight/Express/Courier/SameDay in Switzerland and cross-border
Financial services market	
PostFinance	Payments, savings, investments, retirement planning and financing in Switzerland as well as international payment transactions
Passenger transport market	
PostBus	Regional, municipal and urban transport as well as system services in Switzerland and in selected countries abroad
Other	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

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.

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 PostMail segment.

State compensatory payments

PostBus received compensation of 206 million francs from the Swiss Confederation (previous year: 199 million francs), 201 million francs from cantons (previous year: 194 million francs) and 8 million francs from municipalities (previous year: 7 million francs) for providing legally required public passenger transport services. These compensatory payments are included in net revenue from logistics services.

Composition of segment assets and liabilities

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

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

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

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

Changes in segment assets and liabilities

In comparison with 31 December 2019, the segment assets of PostFinance fell by 8,366 million francs to 117,146 million francs, particularly with regard to amounts due from banks, mitigated by an increase in interest-bearing amounts due from customers. The decrease is due to lower other financial liabilities on the liabilities side. The segment liabilities of PostFinance decreased by 8,503 million francs to 111,264 million francs in comparison with 31 December 2019. The segment liabilities of PostBus increased by 112 million francs to 603 million francs in comparison with 31 December 2019. The increase is mainly due to higher trade accounts payable, contract liabilities and higher employee benefit obligations. Assets in the "Other" segment were up 180 million francs to 4,545 million francs compared with 31 December 2019. The increase is mainly due to higher amounts due from banks, trade accounts receivable and property, plant and equipment, reduced by a decrease in other receivables. Higher employee benefit obligations on the liabilities side led to an increase in liabilities in the "Other" segment of 99 million francs compared to 31 December 2019, to 2,927 million francs.

More information

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

Results by business segment and region

Result by business segment

Up to or as at 31.12.2019 CHF million	Notes	PostMail	Swiss Post Solutions	PostalNetwork	PostLogistics	PostFinance[1]	PostBus[2]	Other[3]	Consolidation	Group
Revenue										
from customers[5]		2,483	561	87	1,403	1,568	802	43		6,947
from other segments		128	32	604	246	6	2	473	–1,491	–
Other operating income[5]		4	6	2	63	86	37	413	–390	221
Total operating income[4, 5]		**2,615**	**599**	**693**	**1,712**	**1,660**	**841**	**929**	**–1,881**	**7,168**
Operating profit[4]		**370**	**32**	**–132**	**128**	**240**	**–24**	**–163**	**–1**	**450**
Net financial income	15, 16									–32
Net income from associates and joint ventures	27	6	–	–	2	–6	0	1		3
Income taxes	17									–137
Group profit from continuing operations										**284**
Segment assets		681	340	492	744	125,512	550	4,365	–1,416	131,268
Associates and joint ventures	27	102	–	–	19	5	2	4		132
Unallocated assets[6]										1,144
Total assets										**132,544**
Segment liabilities		616	238	551	611	119,767	491	2,828	–1,416	123,686
Unallocated liabilities[6]										2,024
Total liabilities										**125,710**
Investment in property, plant and equipment, intangible assets and investment property[5]	21–24	54	11	8	114	53	63	136		439
Depreciation and amortization	21–24	26	23	7	72	92	40	173		433
Impairment	5, 21–24	–	–	–	2	5	16	3		26
Reversal of impairment	5, 21–24	–	–	–	–	0	–	–		0
Other non-cash (expenses)/income		–11	–18	–42	–15	–38	–44	–266		–434
Headcount[7]		14,110	6,909	4,298	5,620	3,248	2,339	3,146		39,670

1 PostFinance Ltd also applies the Swiss accounting standards for banks, securities dealers, financial groups and conglomerates (ARB). There are differences between the ARB and the IFRS results.
2 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.
3 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
4 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
5 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).
6 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 71 million francs and deferred income tax assets of 1,073 million francs. The unallocated liabilities comprise other financial liabilities (excluding PostFinance) of 1,714 million francs and deferred income tax liabilities of 310 million francs. The unallocated assets and liabilities are eliminated via internal Group transactions.
7 The average is expressed in terms of full-time equivalents (excluding trainees).

Result by region

		location of the revenue-generating subsidiary					location at which the revenue is generated			
Up to or as at 31.12.2019 CHF million	Notes	Europe	Americas	Asia	Consolidation	Group	Switzerland	International and cross-border	Consolidation	Group
Revenue from customers[2]		6,837	110	0		6,947	5,908	1,039		6,947
Operating profit[1]		445	4	1		450	383	67		450
Segment assets		131,229	65	3	–29	131,268	130,698	664	–94	131,268
Investment in property, plant and equipment, intangible assets and investment property[2]	21–24	438	1	0		439	420	19		439

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

Result by business segment

Up to or as at 31.12.2020 CHF million	Notes	PostMail	Swiss Post Solutions	Postal Network	Post-Logistics	Post-Finance [1]	PostBus [2]	Other [3]	Conso-lidation	Group
Revenue										
from customers		2,348	499	64	1,633	1,479	767	44		6,834
from other segments		174	31	565	240	6	1	487	–1,504	–
Other operating income		4	9	2	60	81	41	399	–376	220
Total operating income [4]		**2,526**	**539**	**631**	**1,933**	**1,566**	**809**	**930**	**–1,880**	**7,054**
Operating profit [4]		**293**	**25**	**–105**	**201**	**161**	**–79**	**–223**	**–1**	**272**
Net financial income	15, 16									–29
Net income from associates and joint ventures	27	14	–	–	8	–2	0	1		21
Income taxes	17									–86
Group profit from continuing operations										**178**
Segment assets		640	348	508	758	117,146	533	4,545	–1,436	123,042
Associates and joint ventures	27	112	–	–	23	8	2	4		149
Unallocated assets [5]										1,083
Total assets										**124,274**
Segment liabilities		649	175	517	599	111,264	603	2,927	–1,436	115,298
Unallocated liabilities [5]										2,070
Total liabilities										**117,368**
Investment in property, plant and equipment, intangible assets and investment property	21–24	21	8	7	110	32	32	167		377
Depreciation and amortization	21–24	26	22	6	75	80	38	186		433
Impairment	5, 21–24	–	0	–	1	24	1	14		40
Reversal of impairment	5, 21–24	–	–	–	–	–	–	0		0
Other non-cash (expenses)/income		–12	–16	–	–10	–72	–50	–304		–464
Headcount [6]		13,791	6,393	3,911	5,931	3,260	2,528	3,275		39,089

1 PostFinance Ltd also applies the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”. There are differences between the RelV-FINMA/FINMA Circular 20/1 results and the IFRS results.
2 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.
3 Includes function units (e.g. Real Estate, Informatics, Human Resources, Finance and Communication).
4 Operating income and operating result by segment are reported before management, licence fees and net cost compensation.
5 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 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. Unallocated assets and liabilities are eliminated in intra-Group transactions.
6 The average is expressed in terms of full-time equivalents (excluding trainees).

Result by region

Up to or as at 31.12.2020 CHF million	Notes	location of the revenue-generating subsidiary: Europe	Americas	Asia	Consoli-dation	Group	location at which the revenue is generated: Switzer-land	Inter-national and cross-border	Consoli-dation	Group
Revenue from customers		6,735	99	0		6,834	5,852	982		6,834
Operating profit [1]		268	4	0		272	211	61		272
Segment assets		123,003	64	5	–30	123,042	122,448	748	–154	123,042
Investment in property, plant and equipment, intangible assets and investment property	21–24	374	3	0		377	369	8		377

1 Operating profit by segment is reported before management, licence fees and net cost compensation.

8 | Revenue

Breakdown of net revenue from contracts with customers

Up to or as at 31.12.2019 CHF million	PostMail	Swiss Post Solutions	Postal-Network	PostLogistics	PostFinance	PostBus	Other	Consoli-dation	Group
Net revenue from contracts with customers									
of which logistics services	2,611	593	603	1,621	–	803	516	– 1,480	5,267
of which resale merchandise [1]	–	–	88	28	–	1	–	– 5	112
of which financial services and commission business	–	–	–	–	731	–	–	– 5	726
Total net revenue from contracts with customers [1]	**2,611**	**593**	**691**	**1,649**	**731**	**804**	**516**	**– 1,490**	**6,105**
Other revenue from financial services [2]									842
Total revenue [1]									**6,947**
Other operating income [1]									221
Total operating income [1]									**7,168**

Up to or as at 31.12.2020 CHF million	PostMail	Swiss Post Solutions	Postal-Network	PostLogistics	PostFinance	PostBus	Other	Consoli-dation	Group
Net revenue from contracts with customers									
of which logistics services	2,522	530	565	1,852	–	767	531	– 1,496	5,271
of which resale merchandise	–	–	64	21	–	1	0	– 2	84
of which financial services and commission business	–	–	–	–	716	–	–	– 5	711
Total net revenue from contracts with customers	**2,522**	**530**	**629**	**1,873**	**716**	**768**	**531**	**– 1,503**	**6,066**
Other revenue from financial services [2]									768
Total revenue									**6,834**
Other operating income									220
Total operating income									**7,054**

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

Future revenue from remaining performance obligations

The total transaction price amount arising from performance obligations that exist as at 31 December 2020 and have not yet been met stands at 808 million francs (prior year: 1,156 million francs). 585 million francs of this amount is expected to be recorded as revenue in the next year, 105 million francs within two to three years and 118 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.

Revenue recorded from contract balances

Revenue declined by one million francs during the reporting period (prior year: one 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 244 million francs (prior year: 252 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.

9 | 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	2019	2020
Interest income on financial instruments – amortized cost, incl. effects from hedging transactions	550	526
Interest income on financial assets FVTOCI, incl. effects from hedging transactions	45	43
Net interest income from financial instruments FVTPL incl. effects from hedging transactions	–14	1
Dividend income on financial assets	27	8
Interest and dividend income	**608**	**578**
Interest expense on financial instruments – amortized cost	–38	–26
Interest expense	**–38**	**–26**
Net interest and dividend income	**570**	**552**
Impairment/reversal of impairment on amounts due from banks, interest-bearing amounts due from customers and financial assets	–4	–26
Net interest and dividend income, net of impairment/reversal of impairment	**566**	**526**
Commission income on lending business	19	19
Commission income on securities and investment business	65	80
Commission income on other services	84	87
Commission expenses	–52	–51
Net income from services	503	467
Net services and commission income	**619**	**602**
Net trading income FVTPL and mandatory	233	164
Net income from the disposal of financial assets FVTOCI	11	31
Net income from the disposal of financial assets – amortized cost	0	5
Losses on payment transactions	–10	–11
Other fees and duties	–9	–10
Net income from financial services	**1,410**	**1,307**
Reported in Note 8 Revenue and in the consolidated income statement:		
Net revenue from contracts with customers, financial services and commission business	726	711
Other revenue from financial services	842	768
Expenses for financial services	–158	–172

In 2020 interest income from the deposit-taking business of 173 million francs (prior year: 64 million francs) was generated. Interest expense from financial assets stands at 2 million francs (prior year: 5 million francs).

10 | Other operating income

Other operating income

CHF million	2019 [1]	2020
Rental income	110	124
Rental income from subleases	1	1
Profits on the sale of property, plant and equipment	40	33
Other income	70	62
Total other operating income	**221**	**220**

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

Most of the rentals accrued as income were 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, military mail and charges for the collection of VAT and customs duties.

11 | Personnel expenses

Composition

Breakdown

CHF million	Notes	2019	2020
Wages and salaries		3,011	3,077
Social security benefits		326	331
Employee benefit expenses	12	335	340
Other personnel expenses		92	85
Total personnel expenses		**3,764**	**3,833**

Headcount

Headcount

Number of employees [1]	2019	2020
Employees at Swiss Post Group (excluding trainees)	39,670	39,089
Trainees at Swiss Post Group	1,918	1,879

1 Average expressed in terms of full-time equivalents.

12 | Staff pension plan

Swiss Post insures its employees with various pension plans in Switzerland. Plan assets are either kept separate in autonomous foundations or in collective foundations. The foundation board of the autonomous foundations is made up of an equal number of employee and employer representatives. In accordance with the law and employee benefit regulations, foundation boards have an obligation to act exclusively in the interests of the foundation and of beneficiaries (39,559 active contributors and 37,597 pensioners as at 31 December 2020). 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 2020, 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. 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.

Actuarial assumptions

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

Actuarial assumptions made in calculating annual employee benefit expenses		
Percent	2019	2020
Imputed interest rate	0.75	0.25

Actuarial assumptions as at 31.12		
Percent	2019	2020
Imputed interest rate	0.25	0.17
Expected change in salaries	1.00	1.00
Pension indexation	0.00	0.00
Interest on retirement assets	1.00	1.00
Staff turnover	3.40	3.46
Lump-sum capital withdrawal ratio	25.00	25.00
Employee share of funding gap	25.00	25.00
Years		
Current average life expectancy for a man/woman aged 65	23/25	23/25

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 4.89 percent; 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 1.5 percent 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.

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

Employee benefit expenses

Employee benefit expenses

CHF million	2019	2020
Current service cost	303	342
Administrative costs	9	9
Additional employee benefits	2	2
Other plans, reclassifications, other expenses	21	–13
Total employee benefit expenses recognized in personnel expenses	**335**	**340**
Interest expense arising from employee benefit obligations	136	48
Interest income on assets	–119	–42
Total net interest expense recognized in financial expenses	**17**	**6**
Total employee benefit expenses recognized in the income statement	**352**	**346**

Revaluation elements recorded in the statement of comprehensive income

CHF million	2019	2020
Actuarial losses		
due to the adjustment of demographic assumptions	–	–
due to the adjustment of economic assumptions	1,079	180
due to experience adjustments	333	355
Income from plan assets (excluding interest income)	–1,246	–467
Other	1	1
Total revaluation gains recorded in other comprehensive income (OCI)	**167**	**69**
Total employee benefit expenses	**519**	**415**

For 2020, employee benefit expenses fell by 44 million francs (previous year: 41 million francs) and employee benefit obligations declined by 967 million francs (previous year: 915 million francs) as at 31 December 2020 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.

Cover status

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

Summary of cover status

CHF million	31.12.2019	31.12.2020
Present value of employee benefit obligations including assets set aside	19,875	20,094
Benefit plan assets at fair value	–17,062	–17,137
Shortfall	**2,813**	**2,957**
Employee benefit obligations excluding assets set aside	5	5
Total recognized employee benefit obligations arising from defined benefit plans	**2,818**	**2,962**
Employee benefit obligations arising from other benefit plans	6	9
Total recognized employee benefit obligations	**2,824**	**2,971**

Performance of recognized employee benefit obligations from defined benefit plans

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

CHF million	2019	2020
Balance as at 1.1	**2,602**	**2,818**
Employee benefit expenses arising from defined benefit plans	332	357
Revaluation gains recognized in other comprehensive income	167	69
Employer contributions	−285	−285
Pension payments by the employer	−1	−1
Translation differences	0	0
Company acquisitions, disposals or transfers	3	4
Balance as at 31.12	**2,818**	**2,962**
of which:		
current, i.e. payments falling due within the next twelve months	284	280
non-current	2,534	2,682

Change in employee benefit obligations

Change in employee benefit obligations

CHF million	2019	2020
Balance as at 1.1	**18,715**	**19,880**
Current service cost	303	342
Employee contributions	216	217
Interest expense arising from employee benefit obligations	137	48
Actuarial (gains)/losses	1,412	535
Company acquisitions, disposals or transfers	14	14
Additional employee benefits	2	2
Benefits paid from plan assets	−919	−938
Pension payments by the employer	−1	0
Translation differences	1	−1
Balance as at 31.12	**19,880**	**20,099**
Employee benefit obligations including assets set aside	19,875	20,094
Employee benefit obligations excluding assets set aside	5	5
Total employee benefit obligations	**19,880**	**20,099**

Change in plan assets

Change in fair value of plan assets

CHF million	2019	2020
Balance as at 1.1	**16,113**	**17,062**
Interest income on assets	119	42
Income from plan assets (excluding interest income)	1,246	467
Employee contributions	216	217
Employer contributions	285	285
Benefits paid from plan assets	−919	−938
Administrative costs	−9	−9
Company acquisitions, disposals or transfers	11	11
Translation differences	0	0
Balance as at 31.12	**17,062**	**17,137**

Asset categories

Asset allocation			31.12.2019			31.12.2020
CHF million	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds	5,127	2,107	7,234	4,529	2,712	7,241
Shares	4,995	–	4,995	5,064	–	5,064
Real estate	7	2,173	2,180	7	2,301	2,308
Alternative investments	340	1,610	1,950	479	1,658	2,137
Qualified insurance paper	–	14	14	–	14	14
Other financial assets	–	12	12	–	13	13
Cash and cash equivalents	–	677	677	–	360	360
Total	**10,469**	**6,593**	**17,062**	**10,079**	**7,058**	**17,137**

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.

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 2019 and 2020:

Sensitivity of pension obligations to changes in actuarial assumptions

CHF million	Deviation	Resulting change in present value 31.12.2019	Resulting change in present value 31.12.2020	Deviation	Resulting change in present value 31.12.2019	Resulting change in present value 31.12.2020
Imputed interest rate	+0.25 percentage point	–553	–565	–0.25 percentage point	593	606
Expected change in salaries	+0.25 percentage point	46	46	–0.25 percentage point	–45	–45
Interest on retirement assets	+0.25 percentage point	67	69	–0.25 percentage point	–65	–67
Pension indexation	+0.25 percentage point	402	411	–0.25 percentage point	–	–
Employee share of funding gap	+10.00 percentage point	–293	–313	–10.00 percentage point	293	313
Life expectancy at age 65	+1 year	870	888	–1 year	–871	–888

Information on employer contributions

The following table shows the employer contributions for the previous financial year, as well as the expected contributions for 2021.

Employer contributions

CHF million	Effective	Expected
2020	285	284
2021		280

Maturity profile of the defined benefit employee benefit obligation

The weighted average term of the defined benefit employee benefit obligation is 16.0 years as at 31 December 2020 (previous year: 15.9 years).

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)
2021	987
2022	985
2023	979
2024	967
2025	955
2026–2030	4,585

13 | Resale merchandise and service expenses

Resale merchandise and service expenses

CHF million	2019[1]	2020
Working materials, semi-finished and finished goods	34	27
Resale merchandise expenses	58	45
Service expenses	241	246
Compensation paid to PostBus operators	333	338
Compensation paid to forwarding companies	372	398
Compensation paid for international postal traffic	117	122
Temporary employees	204	241
Total resale merchandise and service expenses	**1,359**	**1,417**

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

14 | Other operating expenses

Other operating expenses

CHF million	2019	2020
Premises	62	62
Maintenance and repairs of property, plant and equipment	120	128
Energy and fuel	52	49
Operating materials	47	32
Consulting, office and administrative expenses	394	402
Marketing and communications	87	78
Loss on disposal of property, plant and equipment	4	2
Other expenses	220	159
Total other operating expenses	**986**	**912**

15 | Financial income

Financial income

CHF million	Notes	2019	2020
Interest income on financial assets at amortized cost	5	4	4
Interest income on financial lease		4	4
Foreign currency gains		18	9
Other financial income		17	6
Total financial income		**43**	**23**

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

16 | Financial expenses

Financial expenses

CHF million	Notes	2019	2020
Interest expense on financial liabilities at amortized cost		14	13
Interest expense for employee benefit obligations	12	17	6
Interest charges on finance leases		15	13
Foreign currency losses		21	15
Other financial expenses		8	5
Total financial expenses		**75**	**52**

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

17 | Income taxes

Income taxes recognized in the income statement

CHF million	2019	2020
(Expense) for current income taxes	–32	–33
(Expense) for deferred income taxes	–105	–53
Total (expense) for income taxes recognized in the income statement	**–137**	**–86**

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

Income taxes recorded in other comprehensive income

CHF million	2019	2020
Revaluation of employee benefit obligations	–17	–15
Fair value reserves of equity instruments FVTOCI	–9	–5
Fair value reserves of debt instruments FVTOCI	–48	–5
Hedging reserves	9	1
Total income taxes recorded in other comprehensive income	**–65**	**–24**

Deferred taxes relating to balance sheet items

Deferred taxes relating to balance sheet items			31.12.2019			31.12.2020
CHF million	Deferred tax assets	Deferred tax liabilities	Net assets/(liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/(liabilities)
Financial assets	35	–83	–48	39	–98	–59
Investments in subsidiaries, associates and joint ventures	2	–81	–79	2	–107	–105
Property, plant and equipment	191	–1	190	176	–1	175
Intangible assets	115	0	115	99	–1	98
Right-of-use assets	–	–126	–126	–	–112	–112
Lease liabilities	127	–	127	113	–	113
Other liabilities	1	0	1	2	0	2
Provisions	38	–3	35	27	–3	24
Employee benefit obligations	473	–	473	471	–	471
Other balance sheet items	1	–16	–15	7	–19	–12
Deferred taxes arising from temporary differences	**983**	**–310**	**673**	**936**	**–341**	**595**
Tax assets recognized for loss carryforwards	90		90	92		92
Deferred tax assets/liabilities, gross	**1,073**	**–310**	**763**	**1,028**	**–341**	**687**
Deferred tax assets/liabilities, prior year	–1,050	116	–934	–1,073	310	–763
Deferred taxes recorded in other comprehensive income	8	57	65	15	9	24
Changes in the composition of the Group	–3	4	1	–1	0	–1
Deferred taxes recognized in the income statement	**28**	**–133**	**–105**	**–31**	**–22**	**–53**

Deferred tax assets of 1,028 million francs (previous year: 1,073 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 assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 341 million francs (previous year: 310 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 2020, temporary differences in relation to interests amounted to 314 million francs (previous year: 205 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.

Unused loss carryforwards

Unused loss carryforwards CHF million	31.12.2019 Recognized	 Not recognized	 Total	31.12.2020 Recognized	 Not recognized	 Total
Maturing within 1 year	0	–	0	0	0	0
Maturing in 2 to 6 years	15	80	95	423	578	1,001
Maturing in more than 6 years	433	643	1,076	54	226	280
Total unused loss carryforwards	**448**	**723**	**1,171**	**477**	**804**	**1,281**

Tax loss carryforwards of 804 million francs (previous year: 723 million francs) were not capitalized within Swiss Post Group, as it seems uncertain that they will be utilized in the future. The increase year-on-year is mainly due to the loss registered at Swiss Post Ltd for 2020 under the Swiss Code of Obligations.

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 28.4 percent (previous year: 13.5 percent). The 14.9 percent increase 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	2019	2020
Group profit before tax	421	264
Weighted average tax rate	13.5%	28.4%
Tax expense at weighted average tax rate	**57**	**75**
Reconciliation with expenses for income taxes accounted for:		
Effect of change in tax status/tax rates	–3	14
Effect of investments/impairment of goodwill	–78	22
Effect of back taxes and tax refunds from previous years	–5	–4
Effect of change in impairment for deferred income tax assets	7	2
Effect of fiscally non-relevant income/expenses	–14	–17
Effect of loss carryforwards	80	–8
Other effects	93 [1]	2
Expenses for income taxes accounted for	**137**	**86**

1 The other effects are mainly due to differing tax rates for the measurement of deferred taxes.

18 | Financial assets and liabilities

Carrying amounts

31.12.2019 CHF million	FVTPL, incl. derivatives	FVTOCI, debt instruments	FVTOCI, equity instruments	Amortized cost	Total
Cash holdings				1,938	1,938
Amounts due from banks				46,677	46,677
Interest-bearing amounts due from customers				500	500
Trade accounts receivable				687	687
Other receivables [1]				1,131	1,131
of which receivables from finance lease				150	150
Financial assets	352	8,279	186	67,641	76,458
Derivatives	163				163
Bonds	5	8,279		52,369	60,653
Shares	20		186		206
Funds	164				164
Loans				15,272	15,272
Total financial assets	**352**	**8,279**	**186**	**118,574**	**127,391**
Customer deposits (PostFinance)				108,669	108,669
Other financial liabilities	342			11,722	12,064
Derivatives	342				342
Finance leases				728	728
Private placements				845	845
Other				10,149	10,149
Trade accounts payable				310	310
Other liabilities [1]				766	766
Total financial liabilities	**342**	**–**	**–**	**121,467**	**121,809**

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

Carrying amounts

31.12.2020 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	334			2,534	2,868
Derivatives	334				334
Finance leases				702	702
Private placements				710	710
Other				1,122	1,122
Trade accounts payable				312	312
Other liabilities [1]				761	761
Total financial liabilities	**334**	**–**	**–**	**112,944**	**113,278**

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 2020: 85 million francs, as at 31 December 2019: 64 million francs) and other receivables (as at 31 December 2020: 14 million francs, as at 31 December 2019: 11 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 2020, limits amounting to 821 million francs were provided, of which 390 million francs had been used by the reference date.

The carrying amount of financial assets pledged as collateral stood at 490 million francs on 31 December 2020 (prior year: 84 million francs).

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 3 million francs in the current year (previous year: 9 million francs).

A minor interest from the FVTOCI category (PostFinance) was sold in 2020. The cumulative gain (less than one million francs) was reclassified from other comprehensive income to retained earnings within equity.

19 | Inventories

Inventories

CHF million	31.12.2019 [1]	31.12.2020
Resale merchandise	21	12
Fuel and operating materials	17	17
Production materials	11	28
Work in progress and finished goods	0	0
Impairment loss for inventories which are not easily marketable	0	0
Total inventories	**49**	**57**

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

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

Non-current assets held for sale

"Non-current assets held for sale" are no longer systematically amortized and are likely to be sold within one year.

Non-current assets held for sale

CHF million	Notes	Investments in associates	Property, plant and equipment	Total
As at 1.1.2019		**24**	**1**	**25**
Additions arising from reclassifications in accordance with IFRS 5		–	17	17
Disposals	27	–24	–17	–41
As at 31.12.2019		**–**	**1**	**1**
As at 1.1.2020		**–**	**1**	**1**
Additions arising from reclassifications in accordance with IFRS 5	21	–	20	20
Disposals		–	–15	–15
As at 31.12.2020		**–**	**6**	**6**

Information on fair values can be found in Note 6, Fair value disclosures.

Discontinued operations

The passenger transport business of PostBus in France was classified as held for sale in the second quarter of 2019. The CarPostal France Group was subsequently classed as a disposal group and a discontinued operation from the second quarter of 2019 and shown separately in the consolidated income statement under discontinued operations. The group was longer included in the segment disclosure or revenue. The sale took place on 30 September 2019. More information can be found in the Financial Report 2019, pages 155 to 157.

CarPostal France Group | Income statement

CHF million	2019 1.1 to 30.9
Net revenue from contracts with customers	85
Other operating income	4
Operating income	**89**
Operating expenses	−84
Operating profit	**5**
Impairment expense due to revaluation at fair value less costs to sell	−19
Losses on disposal	−13
Group loss before tax from discontinued operations	**−27**
Income tax associated with profit before tax from usual business activities during the reporting period	−2
Income tax due to revaluation at fair value less costs to sell	–
Group loss after tax from discontinued operations	**−29**

CarPostal France Group | Net cash flows

CHF million	2019 1.1 to 30.9
Cash flow from operating activities	3
Cash flow from investing activities	−10
Cash flow from financing activities	7
Change in cash and cash equivalents	**0**

21 | Property, plant and equipment

Investment commitments for property, plant and equipment amount to 187 million francs (previous year: 190 million francs).

As at 31 December 2020, 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 2020.

Property, plant and equipment

2019 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[2]	Total
Acquisition cost						
As at 1.1.2019	**4,762**	**88**	**1,190**	**828**	**37**	**6,905**
Additions to the consolidated Group	–	–	0	0	–	0
Additions	0[1]	107	53	109	122	391
Disposals	–207	–4	–48	–39	–3	–301
Reclassifications	53	–52	51	–15	–73	–36
Disposals arising from reclassifications (IFRS 5)	–6	–	–7	–132	0	–145
Currency translation differences	–1	–	–1	–2	0	–4
As at 31.12.2019	**4,601**	**139**	**1,238**	**749**	**83**	**6,810**
Cumulative amortization						
As at 1.1.2019	**3,589**	**–**	**822**	**406**	**5**	**4,822**
Depreciation	81	–	76	82	–	239
Impairment	–	–	5	8	3	16
Disposals	–199	–	–42	–33	0	–274
Reclassifications	0	–	0	–15	–	–15
Disposals arising from reclassifications (IFRS 5)	–3	–	–5	–85	0	–93
Currency translation differences	0	–	0	–1	–	–1
As at 31.12.2019	**3,468**	**–**	**856**	**362**	**8**	**4,694**
Carrying amount as at 1.1.2019	**1,173**	**88**	**368**	**422**	**32**	**2,083**
Carrying amount as at 31.12.2019	**1,133**	**139**	**382**	**387**	**75**	**2,116**

1 Includes less than one million francs from subsidies for railway track installations for 2019.
2 Figures have been adjusted (see Note 2, Basis of accounting, Accounting changes).

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	–	–113
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
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**	**2,238**

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

22 | Investment property

Investment property	2019			2020		
CHF million	Investment property	Investment property under construction	Total	Investment property	Investment property under construction	Total
Acquisition cost						
Balance as at 1.1.	**311**	**47**	**358**	**344**	**51**	**395**
Additions	0	38	38	0	27	27
Disposals	0	0	0	2	–	2
Reclassifications	33	–34	–1	12	–11	1
Balance as at 31.12.	**344**	**51**	**395**	**358**	**67**	**425**
Cumulative amortization						
Balance as at 1.1.	**54**	**–**	**54**	**67**	**–**	**67**
Depreciation	13	–	13	14	–	14
Impairment	–	–	–	–	–	–
Disposals	0	–	0	2	–	2
Reclassifications	–	–	–	–	–	–
Balance as at 31.12.	**67**	**–**	**67**	**83**	**–**	**83**
Carrying amount as at 1.1.	**257**	**47**	**304**	**277**	**51**	**328**
Carrying amount as at 31.12.	**277**	**51**	**328**	**275**	**67**	**342**

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

– Rental income: 29 million francs (previous year: 20 million francs)
– Direct operating expenses (including depreciation) that generated rental income during the reporting period: 22 million francs (previous year: 19 million francs)

On 31 December 2020, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale.

There are investment commitments for investment property of 43 million francs (previous year: 61 million francs).

23 | Intangible assets and goodwill

Intangible assets and goodwill				2019				2020
CHF million	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total
Acquisition cost								
Balance as at 1.1.	**299**	**556**	**11**	**866**	**283**	**559**	**19**	**861**
Additions to the consolidated Group	1	2	–	3	32	0	–	32
Additions	–	15	18	33	–	17	20	37
Disposals	–	–14	–	–14	–	–36	–1	–37
Reclassifications	–	12	–10	2	–	19	–17	2
Disposals arising from reclassifications (IFRS 5)	–15	–10	–	–25	–	0	–	0
Currency translation differences	–2	–2	0	–4	–4	0	0	–4
Balance as at 31.12.	**283**	**559**	**19**	**861**	**311**	**559**	**21**	**891**
Cumulative amortization								
Balance as at 1.1.	**34**	**313**	**1**	**348**	**34**	**342**	**1**	**377**
Depreciation	–	50	–	50	–	53	–	53
Impairment	2 [2]	0	0	2	14 [2]	0	–	14
Disposals	–	–13	–	–13	–	–36	–1	–37
Reclassifications	–	1	–	1	–	0	–	0
Disposals arising from reclassifications (IFRS 5)	–2	–8	–	–10	–	0	–	0
Currency translation differences	0	–1	–	–1	1	0	–	1
Balance as at 31.12.	**34**	**342**	**1**	**377**	**49**	**359**	**–**	**408**
Carrying amount as at 1.1.	**265**	**243**	**10**	**518**	**249**	**217**	**18**	**484**
Carrying amount as at 31.12.	**249**	**217**	**18**	**484**	**262**	**200**	**21**	**483**

1 Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of these equity interests (see Note 27, Subsidiaries, 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 2 million francs (previous year: 6 million francs).

Reviewing the recoverable amount of goodwill

In the event of a new acquisition, goodwill is allocated to identifiable groups of units known as cash-generating units and tested in the fourth quarter of each year for impairment. A cash-generating unit is usually a company.

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

Goodwill by segment						31.12.2019						31.12.2020
CHF million	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Other	Total goodwill	PostMail	Post-Logistics	Swiss Post Solutions	PostBus	Other
PostMail segment	68	68	–	–	–	–	68	68	–	–	–	–
PostLogistics	27	–	27	–	–	–	27	–	27	–	–	–
BPS Group	14	–	14	–	–	–	14	–	14	–	–	–
notime Group	9	–	9	–	–	–	9	–	9	–	–	–
SPS Germany Group	39	–	–	39	–	–	39	–	–	39	–	–
SPS USA Group	35	–	–	35	–	–	31	–	–	31	–	–
Swiss Post Solutions AG	29	–	–	29	–	–	29	–	–	29	–	–
Swiss Post Solutions Ltd	22	–	–	22	–	–	21	–	–	21	–	–
KLARA Business Ltd [1]	–	–	–	–	–	–	19	–	–	–	–	19
Other cash-generating units [2]	6	–	5	1	–	–	5	–	4	1	–	–
Total	**249**	**68**	**55**	**126**	**–**	**–**	**262**	**68**	**54**	**121**	**–**	**19**

1 Goodwill of 13 million francs was impaired.
2 Goodwill of 1 million francs was impaired (previous year: 2 million francs).

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	2019	2020
PostMail segment	7.3	6.8
PostLogistics	7.1	6.9
BPS Group	7.1	8.2
notime Group	6.9	7.4
SPS Germany Group	7.6	8.1
SPS USA Group	8.1	8.3
Swiss Post Solutions AG	6.6	6.5
Swiss Post Solutions Ltd	7.3	7.0
KLARA Business Ltd	–	7.6
Other cash-generating units	7.3	7.4

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.

Results of the verification of the recoverable amount of goodwill

At 31 December 2020, impairment losses totalling 14 million francs (prior year: 2 million francs) had to be recognized on goodwill. The majority acquisition of KLARA Business Ltd resulted in goodwill amounting to around 32 million francs. With its investment in the start-up, Swiss Post has also acquired growth and synergy potential that pursuant to its plans can only be realized in the medium term. Positive results are therefore only expected in the medium term, which is why the recoverable amount of the cash-generating unit as at 31 December 2020 is below its carrying amount, resulting in a need for impairment on goodwill of around 13 million francs. For more information on the company, see Note 27, Subsidiaries, associates and joint ventures.

All other goodwill items remain recoverable as at 31 December 2020. 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

Right-of-use assets 2019 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**	**523**	**15**	**68**	**719**
Additions to the consolidated Group	–	0	–	–	0
Additions	4	207	2	19	232
Disposals	–2	–40	0	–2	–44
Reclassifications	–	–	–	–3	–3
Disposals arising from reclassifications (IFRS 5)	–	–	–	–49	–49
Currency translation differences	–	0	0	0	0
Balance as at 31.12.	**115**	**690**	**17**	**33**	**855**
Cumulative amortization					
Balance as at 1.1.	**–**	**–**	**–**	**13**	**13**
Depreciation	4	118	4	8	134
Impairment	–	–	–	–	–
Disposals	–	0	0	0	0
Disposals arising from reclassifications (IFRS 5)	–	–	–	–14	–14
Currency translation differences	–	0	0	0	0
Balance as at 31.12.	**4**	**118**	**4**	**7**	**133**
Carrying amount as at 1.1.	**113**	**523**	**15**	**55**	**706**
Carrying amount as at 31.12.	**111**	**572**	**13**	**26**	**722**

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
Reclassifications	–	0	–	–	0
Disposals arising from reclassifications (IFRS 5)	–	–	–	–	–
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)	–	–	–	–	–
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**

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 2020. The volume of contractually agreed lease contracts, which had not yet entered into force, stood at 2 million francs as at 31 December 2020 (previous year: 2 million francs). There are no significant sale-and-leaseback transactions, restrictions or covenants in the entire portfolio.

25 | Provisions

Provisions

CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Litigation risks	Other	Total
As at 1.1.2019	**211**	**65**	**41**	**9**	**126**	**452**
Recognition	23	54	32	4	33	146
Present value adjustment	1	–	–	–	–	1
Use	–3	–29	–16	–2	–17	–67
Reversal	–14	–12	–11	–2	–7	–46
Reclassifications	0	–	–	–	–	0
Currency translation differences	–	0	–	0	0	0
As at 31.12.2019	**218**	**78**	**46**	**9**	**135**	**486**
of which short term	14	52	23	5	10	104
As at 1.1.2020	**218**	**78**	**46**	**9**	**135**	**486**
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	–	–	–	–	–	–
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

Provisions of 43 million francs were recognized for planned and communicated restructuring plans (previous year: 54 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.

Contingent liabilities: guarantees and guarantee obligations

There were no guarantees or guarantee obligations at the end of 2020.

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 9 million francs (previous year: 34 million francs).

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.

Other long-term employee benefits

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

The following parameters were applied:

Assumptions for the calculation	Loyalty bonuses		Staff vouchers	
As at	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Imputed interest rate	0.10%	0.10%	0.27%	0.22%
Annual change in salaries	1.00%	1.00%	–	–
Percentage rate of staff voucher use	–	–	95.00%	95.00%
Leave share	55.80%	55.80%	–	–
Voluntary turnover	8.56%	8.41%	3.52%	3.48%
Average remaining service in years	9.50	9.45	11.28	11.23

Change in other long-term employee benefits

Other long-term employee benefits	Loyalty bonuses		Staff vouchers	
CHF million	2019	2020	2019	2020
Balance as at 1.1.	**77**	**78**	**130**	**136**
Accrued claims	9	9	3	4
Benefits paid	–10	–12	–4	–4
Interest on employee benefit obligations	0	0	1	0
Expenses from plan amendments	–	33	–	–
(Gains)/losses resulting from changes in assumptions	1	0	11	1
Actuarial (gains)/losses	1	0	–5	–1
Balance as at 31.12.	**78**	**108**	**136**	**136**

In addition to loyalty bonuses, sabbaticals and staff vouchers, other benefits amounting to 1 million francs (previous year: 4 million francs) are also included in provisions for other long-term employee benefits. Expenses arising from plan amendments in the amount of 33 million francs in 2020 relate to the increase in loyalty bonuses for long-serving employees with 20 or more years of service, which were granted as part of the CEC adjustments.

Other long-term employee benefits recognized in the income statement

Expenses recognized in the income statement	Loyalty bonuses		Staff vouchers	
CHF million	2019	2020	2019	2020
Accrued claims	9	9	3	4
Interest on employee benefit obligations	0	0	1	0
Expenses from plan amendments	–	33	–	–
Actuarial (gains)/losses	2	0	6	0
Total expenses for other long-term employee benefits	**11**	**42**	**10**	**4**

26 | Equity

Share capital

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

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 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.

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.

Appropriation of profit

The General Meeting of Swiss Post Ltd held on 28 April 2020 decided to pay a dividend totalling 50 million Swiss francs (previous year: 200 million francs). The dividend was paid on 11 May 2020.

According to the proposal submitted by the Board of Directors to the General Meeting of Swiss Post Ltd, a dividend of 50 million francs will be distributed for the 2020 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 1.1.2019		**–522**	**83**	**–97**	**–68**	**5**	**–599**	**0**	**–599**
Revaluation of employee benefit obligations	12	–167	–	–	–	–	–167	–	–167
Change in fair value reserves of equity instruments FVTOCI		–	40	–	–	–	40	–	40
Change in share of other comprehensive income from associates and joint ventures		–	–	–	–	0	0	–	0
Change in deferred income taxes	17	–17	–9	–	–	–	–26	–	–26
Items not reclassifiable in the consolidated income statement, after tax		**–184**	**31**	**–**	**–**	**0**	**–153**	**–**	**–153**
Change in currency translation reserves		–	–	–	14	–	14	0	14
Change in share of other comprehensive income from associates and joint ventures		–	–	–	–	0	0	–	0
Change in fair value reserves of debt instruments FVTOCI, net		–	257	–	–	–	257	–	257
Change in hedging reserves, net[1]		–	–	–60	–	–	–60	–	–60
Change in deferred income taxes	17	–	–48	9	–	–	–39	–	–39
Reclassifiable items in income statement, after tax		**–**	**209**	**–51**	**14**	**0**	**172**	**0**	**172**
Other comprehensive income		**–184**	**240**	**–51**	**14**	**0**	**19**	**0**	**19**
Balance as at 31.12.2019		**–706**	**323**	**–148**	**–54**	**5**	**–580**	**–**	**–580**
Balance as at 1.1.2020		**–706**	**323**	**–148**	**–54**	**5**	**–580**	**–**	**–580**
Revaluation of employee benefit obligations	12	–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		–	–	–	–	0	0	–	0
Change in deferred income taxes	17	–15	–5	–	–	–	–20	–	–20
Items not reclassifiable in the 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		–	–	–	–	–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 consolidated 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**

1 Additional information can be found in the consolidated statement of comprehensive income.

27 | Subsidiaries, associates and joint ventures

The main majority interests of Swiss Post Ltd, as the Group's parent company, are in Post CH Ltd, PostFinance Ltd and PostBus Ltd.

Subsidiaries (scope of consolidation)

The companies listed below are fully consolidated.

Segment	Company	Domicile	Currency	Share capital in thousands	Equity interest in percent as at 31.12.2019	Equity interest in percent as at 31.12.2020
Switzerland						
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	Basel	CHF	100	100	100
1	ASMIQ AG	Zurich	CHF	100	100	100
1	DMB Direct Mail Biel-Bienne AG	Biel/Bienne	CHF	100	100	100
2	SPS Holding AG [1]	Zurich	CHF	5,000	–	100*
2	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
3	Post CH Network Ltd [1]	Bern	CHF	100	–	100*
4	Post Company Cars Ltd	Bern	CHF	100	100	100*
4	PostLogistics Ltd	Dintikon	CHF	20,000	100	100
4	SecurePost Ltd	Oensingen	CHF	4,000	100	100
4	Botec Boncourt S.A.	Boncourt	CHF	200	100	100
4	Relatra AG	Tägerwilen	CHF	180	100	100
4	DESTINAS AG	Tägerwilen	CHF	140	100	100
4	Eden-Trans GmbH [2]	Leuk	CHF	100	100	–
4	Walli-Trans AG	Leuk	CHF	100	100	100
4	BPS Speditions-Service AG	Pfungen	CHF	100	100	100
4	BPS Speditions-Service Basel AG, Arlesheim	Arlesheim	CHF	150	100	100
4	notime AG [3]	Zurich	CHF	259	57	100
4	notime (Schweiz) AG [4]	Zurich	CHF	115	57	79
4	BLUESPED LOGISTICS Sàrl	Boncourt	CHF	20	100	100
5	PostFinance Ltd	Bern	CHF	2,000,000	100*	100*
6	PubliBike AG	Fribourg	CHF	200	100	100*
6	PostBus Ltd	Bern	CHF	1,000	100*	100*
7	Post Real Estate Management and Services Ltd	Bern	CHF	1,000	100	100
7	Post Real Estate Ltd [5]	Bern	CHF	100,000	20*/80	100*
7	Post CH Communication Ltd [1]	Bern	CHF	100	–	100*
7	KLARA Business Ltd [6]	Lucerne	CHF	354	9	50
1, 3, 4, 7	Post CH Ltd	Bern	CHF	500,000	100*	100*

* Equity interest is held by Swiss Post Ltd.
1 Company founding (100 percent).
2 Merger with BPS Speditions-Service AG.
3 Acquisition of shares (42,97 percent).
4 Indirect change to shareholding due of the acquisition of shares in notime AG as well as the sale of shares (21.28 percent) and a share capital increase of 15,000 francs.
5 Swiss Post Ltd now holds 100 percent of the shares.
6 Acquisition of shares and capital increase due to transfer of assets (41.27 percent).

Segment
1 = PostMail
2 = Swiss Post Solutions
3 = PostalNetwork
4 = PostLogistics
5 = PostFinance
6 = PostBus
7 = Other

Segment	Company	Domicile	Currency	Share capital in 000s	Equity interest in percent as at 31.12.2019	Equity interest in percent as at 31.12.2020
China						
2	Swiss Post Enterprise Services (Shanghai) Co., Ltd. [7]	Shanghai	CNY	13,208	–	100
Germany						
2	Swiss Post Solutions GmbH	Bamberg	EUR	5,000	100	100
2	Swiss Post Solutions Holding GmbH [8]	Bamberg	EUR	25	100	–
2	Swiss Post Solutions GmbH	Prien	EUR	1,050	100	100
4	Zollagentur Imlig GmbH	Rheinfelden Baden	EUR	25	100	100
4	Bächle Logistics GmbH	Villingen-Schwenningen	EUR	26	100	100
France						
2	Swiss Post Solutions SAS	Paris	EUR	50	100	100
4	Tele Trans SAS	Saint-Louis	EUR	38	100	100
4	Botec Sàrl	Fêche-l'Église	EUR	15	100	100
4	BLUESPED France Sàrl	Delle	EUR	10	100	100
United Kingdom						
2	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100	100
Italy						
2	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
Liechtenstein						
6	PostAuto Liechtenstein Anstalt	Vaduz	CHF	1,000	100	100
7	Swiss Post Insurance AG	Triesen	CHF	30,000	100*	100*
Singapore						
2	Swiss Post Solutions Holding Pte. Ltd. [7]	Singapore	SGD	3,397	100	100
USA						
2	Swiss Post Solutions Inc.	New York	USD	45	100	100
2	Swiss Post US Holding Inc.	New York	USD	10,100	100	100
Vietnam						
2	Swiss Post Solutions Ltd.	Ho-Chi-Minh City	VND	1,821,446	100	100

* Equity interest is held by Swiss Post Ltd.
7 Capital increase.
8 Merger with Swiss Post Solutions GmbH, Bamberg.

Segment
2 = Swiss Post Solutions
4 = PostLogistics
6 = PostBus
7 = Other

Additions and disposals of subsidiaries

Full year 2019

Post CH Ltd, based in Bern, acquired 100 percent of the shares in Distriba AG, based in Basel, on 2 May 2019. The company operates in the area of delivery of unaddressed items in the Basel region and employs 184 members of staff.

Lendico Schweiz AG, based in Zurich, was sold (100 percent) on 28 May 2019.

Post CH Ltd, based in Bern, acquired 100 percent of the shares in BLUESPED LOGISTICS Sàrl, based in Boncourt and BLUESPED France Sàrl, based in Delle (France), on 11 June 2019. The companies operate in the areas of national and international transport and customs clearance. They employ a total of twelve members of staff. Thanks to the takeover of these two companies, Swiss Post is further expanding its services in the freight, express and warehousing international unit, including customs clearance, and increasing its presence in the area of Boncourt, crossing the border into France.

Swiss Post Solutions Holding Pte. Ltd., based in Singapore, was founded on 28 June 2019. Post CH Ltd, based in Bern, holds 100 percent of the shares.

Swiss Post SAT Holding Ltd, based in Bern, was sold on 9 July 2019 (100 percent). Swiss Post SAT Holding Ltd holds 100 percent of the shares in Société d'Affrètement et de Transit S.A.T. SAS and Société de Transports Internationaux S.T.I. SARL, both of which are based in Bartenheim (France), in Trans-Euro GmbH, based in Weil am Rhein (Germany), and in Société d'Affrètement et de Transit S.A.T. SA, based in Brussels (Belgium). Société d'Affrètement et de Transit S.A.T. SAS holds 100 percent of the shares in SCI S.A.T., based in Bartenheim (France).

CarPostal France SAS, based in Saint-Priest (France), was sold on 30 September 2019 (100 percent). CarPostal France SAS holds 100 percent of the shares in CarPostal Bourg-en-Bresse SAS, based in Bourg-en-Bresse (France), CarPostal Haguenau SAS, based in Haguenau (France), CarPostal Interurbain SAS, based in Voreppe (France), CarPostal Dole SAS, based in Dole (France), CarPostal Foncière SCI, based in Saint-Priest (France), CarPostal Villefranche-sur-Saône SAS, based in Arnas (France), CarPostal Agde SAS and CarPostal Méditerranée SAS, both based in Agde (France), CarPostal Bourgogne Franche-Comté SAS, based in Foucherans (France), Holding Rochette Participations SAS, based in Montverdun (France), CarPostal Riviera SAS, based in Menton (France), CarPostal Salon de Provence SAS and Autocars Trans-Azur, both based in Salon-de-Provence (France), CarPostal Bassin de Thau SAS, based in Sète (France), Autocars et Transports Grindler SAS, based in Vif (France), and 48 percent of the shares in GR4, based in Crolles (France). The holding Rochette Participations SAS holds 100 percent of the shares in CarPostal Loire SARL, based in Montverdun (France). Autocars Trans-Azur holds 50 percent of the shares in SCI Les Romarins, based in Salon-de-Provence (France).

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 71 people (equivalent to 64 full-time equivalents).

Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated, based on temporary figures, in connection with the acquisition of a subsidiary: Temporary figures were used because the acquisition balance sheet had not yet been fully audited as at 31 December 2020.

Assets and liabilities arising from acquisitions	Total fair value [1]	Total fair value [2]
CHF million	2019	2020
Cash and cash equivalents	6	2
Trade accounts receivable and other receivables	2	3
Inventories	0	–
Property, plant and equipment, intangible assets, right-of-use assets and financial assets	3	1
Other financial liabilities	0	–7
Trade accounts payable	0	–3
Provisions and other liabilities	–2	–5
Fair value of net assets	**9**	**–9**
Goodwill	1	32
Cash and cash equivalents acquired [3]	–6	–2
Fair value of existing investments	–	–6
Fair value of non-controlling interests	–	5
Purchase price payments falling due at a later date (earn-outs)	–3	–
Payment of liabilities from acquisitions in previous years	2	1
Net cash outflow for acquisitions	**3**	**21**

1 Composition: Distriba Ltd, BLUESPED LOGISTICS Sàrl, BLUESPED France Sàrl.
2 Composition: KLARA Business Ltd.
3 Composition: cash and current amounts due from banks.

The acquisition costs for the company acquired in 2020 amount to a total of 22 million francs. There are no purchase price payments falling due at a later date (earn-outs) The full amount was settled in cash and cash equivalents.

The goodwill arising from this transaction consists of assets that are not separately identifiable or cannot be reliably determined, primarily growth potential and synergies expected within the Group. Goodwill is not tax deductible.

The directly attributable acquisition expense amounts to around 0.1 million francs and is recognized in the income statement under “Other operating expenses”.

Since the acquisition date, the acquired entity has contributed 0.3 million francs to operating income and –4 million francs to operating profit.

Overall, the effects of this acquisition on the consolidated financial statements are not material in nature.

Assets and liabilities arising from disposals

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

Assets and liabilities arising from disposals CHF million	Total carrying amount[1] 2019	Total carrying amount 2020
Cash and cash equivalents	57	–
Trade accounts receivable and other receivables	52	–
Inventories	1	–
Property, plant and equipment, intangible assets, right-of-use assets and financial assets	70	–
Other financial liabilities	−65	–
Trade accounts payable	−4	–
Provisions and other liabilities	−73	–
Carrying amount of net assets disposed of	**38**	**–**
Non-controlling interests in the carrying amount of net assets disposed of	0	–
Cash and cash equivalents disposed of[2]	−57	–
Net loss from disposals[3]	−1	–
Realized currency translation reserves	16	–
Net cash outflow from disposals	**−4**	**–**

1 Composition: Lendico Schweiz AG, SAT Group, CarPostal France Group.
2 Composition: cash and current amounts due from banks.
3 In the prior-year period, the net loss from disposals was reported in net financial income (12 million francs) and in Group loss from discontinued operations (–13 million francs) in the income statement.

There were no disposals of subsidiaries in 2020.

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 31.12.2019	Equity interest in percent as at 31.12.2020
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	Prime Data AG [1]	Brugg	CHF	100	25	–
4	TNT Swiss Post GmbH	Buchs (AG)	CHF	1,316	38	38
5	Finform Ltd	Bern	CHF	100	50	50
5	TWINT Ltd	Zurich	CHF	12,750	27	27
5	TONI Digital Insurance Solutions AG [2]	Zurich	CHF	1,953	31	29
5	Tilbago AG [3]	Lucerne	CHF	178	23	24
5	Ormera AG	Bern	CHF	100	43	43
6	Sensetalbahn AG	Bern	CHF	2,888	34	34
Germany						
4	GSF Spedition Schweiz GmbH	Gütersloh	EUR	25	50	50
5	moneymeets GmbH [4]	Cologne	EUR	100	26	27
5	moneymeets community GmbH [4]	Cologne	EUR	100	26	27
Liechtenstein						
7	Liechtensteinische Post AG	Schaan	CHF	5,000	25*	25*

* Equity interest is held by Swiss Post Ltd.
1 Sale of shares (25 percent).
2 Capital increases with dilution (now 28.89 percent).
3 Capital increase (now 24.43 percent).
4 Capital increase (now 27.38 percent).

Segment
1 = PostMail
4 = PostLogistics
5 = PostFinance
6 = PostBus
7 = Other

Additions and disposals of associates and joint ventures

Full year 2019

On 31 January 2019, PostFinance Ltd, based in Bern, sold its shares (25 percent) in Swiss Euro Clearing Bank GmbH, based in Frankfurt am Main (Germany). The sales contract was signed on 3 September 2018. From this date, the company was no longer recognized using the equity method in the consolidated financial statements, but was reported under non-current assets held for sale in accordance with IFRS 5.

PostFinance Ltd, based in Bern, acquired a further 5.7 percent in Tilbago AG, based in Lucerne, on 1 March 2019, in addition to the 19 percent already held. Since this date Tilbago AG has been accounted for using the equity method in the consolidated financial statements.

On 27 March 2019, PostFinance Ltd, based in Bern, sold its shares (25 percent) in SIX Interbank Clearing Ltd, based in Zurich.

Ormera AG, based in Bern, was founded on 5 September 2019. PostFinance Ltd, based in Bern, holds 42.5 percent of the shares. Since this date the company has been accounted for using the equity method in the consolidated financial statements.

The shares (50 percent) in SCI Les Romarins, based in Salon-de-Provence (France), were sold as part of the disposal of CarPostal France SAS, based in Saint-Priest (France), on 30 September 2019.

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.

Investments in associates and joint ventures

No substantial investments in associates or joint ventures exist. In addition, there were no material transactions between the Group and its associates and joint ventures (see also Note 28, Transactions with related companies and parties).

Investments in associates and joint ventures

CHF million	Notes	2019	2020
Balance as at 1.1.		**153**	**132**
Additions		1	4
Disposals		– 13	0
Disposals resulting from reclassifications as per IFRS 5	20	– 1	–
Dividends		– 6	– 7
Share of net profit (after taxes) recognized in the income statement		3	21
Share of net profit (after taxes) recorded in other comprehensive income		0	– 1
Currency translation differences		– 5	0
Balance as at 31.12.		**132**	**149**

Swiss Post has not recognized losses totalling 8 million francs (previous year: 5 million francs) in respect of its interests in associates and joint ventures as it has no obligation in respect of these losses.

Comprehensive income from associates

Net income from associates

CHF million	2019	2020
Share of net profit (after taxes) recognized in the income statement	3	21
Share of net profit (after taxes) recorded in other comprehensive income	0	– 1
Comprehensive income from associates	**3**	**20**

Comprehensive income from joint ventures

Net income from joint ventures

CHF million	2019	2020
Share of net profit (after taxes) recognized in the income statement	0	0
Share of net profit (after taxes) recorded in other comprehensive income	–	–
Comprehensive income from joint ventures	**0**	**0**

28 | 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	2019	2020	2019	2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Swiss Confederation	246 [1]	253 [1]	4	4	446	215	639	603
Swisscom	69	59	23	12	158	357	151	179
Swiss Federal Railways SBB	44	48	47	45	253	110	409	198
RUAG	1	1	0	0	0	0	1	0
SKYGUIDE	3	3	0	0	200	200	17	14
Companies with joint management or significant influence	**363**	**364**	**74**	**61**	**1,057**	**882**	**1,217**	**994**
Associates and joint ventures	**127**	**133**	**46**	**35**	**63**	**64**	**29**	**42**
Other related companies and parties	**1**	**1**	**10**	**8**	**0**	**0**	**11** [2]	**23** [2]

1 Includes compensation for public transport of 206 million francs for 2020 (previous year: 199 million francs).
2 Primarily includes customer deposits of the Swiss Post pension fund held at PostFinance.

Remuneration paid to members of management

In the past financial year, compensation including fringe benefits of 5.81 million francs (previous year: 5.44 million francs) and pension benefits of around 0.87 million francs (previous year: around 0.83 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 2020 was based on target attainment in 2018 and 2019 and amounted to around 1.34 million francs (previous year: around 1.01 million francs). There are no loan agreements in place with members of the Board of Directors or Executive Management.

29 | Key exchange rates

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

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2019	31.12.2020	31.12.2019	31.12.2020
1 euro	EUR	1.08	1.08	1.11	1.07
1 US dollar	USD	0.97	0.88	0.99	0.94
1 pound sterling	GBP	1.27	1.20	1.27	1.20

30 | Events after the reporting period

Prior to the approval of the 2020 consolidated annual financial statements by Swiss Post Ltd’s Board of Directors on 8 March 2021, no events came to light which either would have resulted in changes to the carrying amounts of the Group’s assets and liabilities or would have to be disclosed in this section of the Report.

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To the General Meeting of
Swiss Post Ltd, Berne

Berne, 8. March 2021

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the pages 82 to 177 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 2020, 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 2020, 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.

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	2019	2020
Operating income		
Trade income	69	61
Income from investments	216	–
Total operating income	**285**	**61**
Operating expenses		
Personnel expenses	–5	–6
Other operating expenses	–63	–59
Depreciation of intangible assets	–67	–67
Total operating expenses	**–135**	**–132**
Operating profit	**150**	**–71**
Financial income	100	100
Financial expenses	–629	–137
Total net financial income	**–529**	**–37**
Expenses from other accounting periods	–	0
Net annual loss before tax	**–379**	**–108**
Direct taxes	2	–
Net annual loss	**–377**	**–108**

Balance sheet

Swiss Post Ltd | Balance sheet

CHF million	31.12.2019	31.12.2020
Assets		
Current assets		
Cash and cash equivalents	1,236	1,441
Trade accounts receivable	83	0
Other current receivables	1,274	870
Accrued income and prepaid expenses	28	29
Total current assets	**2,621**	**2,340**
Fixed assets		
Financial assets	790	760
Interests	7,441	7,701
Intangible assets	533	467
Total fixed assets	**8,764**	**8,928**
Total assets	**11,385**	**11,268**
Equity and liabilities		
Liabilities		
Trade accounts payable	10	19
Current interest-bearing liabilities	460	664
Other current liabilities	4	7
Deferred income	2	2
Total current liabilities	**476**	**692**
Non-current interest-bearing liabilities	845	675
Provisions	5	0
Total non-current liabilities	**850**	**675**
Total liabilities	**1,326**	**1,367**
Equity		
Share capital	1,300	1,300
Statutory capital reserves		
Other capital reserves	8,685	8,685
Distributable profit/loss		
Profit carried forward	451	24
Net annual loss	–377	–108
Total equity	**10,059**	**9,901**
Total equity and liabilities	**11,385**	**11,268**

Notes

1 | Basic principles

1.1 General

A description is given below of any significant valuation policies applied that are not specified by law.

1.2 Legal form

Swiss Post Ltd was established as a company limited by shares subject to a special statutory regime. It is domiciled in Bern.

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 Interests

Swiss Post Ltd controls various subsidiaries. These interests are carried in the balance sheet at acquisition cost less any necessary impairment losses.

1.5 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 depreciated on a straight-line basis. If there are any signs of overvaluation, the carrying amounts are checked and impairment losses recognized if necessary.

1.6 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 a recognized financial reporting standard (International Financial Reporting Standards, IFRS). Consequently, and as set out in article 961d, 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	31.12.2019	31.12.2020
Bank deposits due from third parties	1,176	1,422
Bank deposits due from PostFinance Ltd	60	19
Total cash and cash equivalents	**1,236**	**1,441**

2.2 Trade accounts receivable

Swiss Post Ltd | Trade accounts receivable

CHF million	31.12.2019	31.12.2020
Amounts due from third parties	0	0
Amounts due from interests	83	–
Total trade accounts receivable	**83**	**0**

2.3 Other current receivables

Swiss Post Ltd | Other current receivables

CHF million	31.12.2019	31.12.2020
Amounts due from third parties	227	75
Amounts due from interests	1,047	795
Total other current receivables	**1,274**	**870**

2.4 Accrued income and prepaid expenses

Swiss Post Ltd | Accrued income and prepaid expenses

CHF million	31.12.2019	31.12.2020
Accrued income and prepaid expenses due from third parties	6	9
Accrued income and prepaid expenses due from interests	22	20
Total accrued income and prepaid expenses	**28**	**29**

2.5 Financial assets

Swiss Post Ltd | Financial assets

CHF million	31.12.2019	31.12.2020
Financial assets due from interests	790	760
Total financial assets	**790**	**760**

2.6 Interests

Swiss Post Ltd | Interests		Share capital		Investment in percent	
Company	Domicile	Currency	In 1000	Balance as at 31.12.2019	Balance as at 31.12.2020
Directly held interests					
Switzerland					
PostFinance Ltd	Bern	CHF	2,000,000	100	100
Post Real Estate Ltd [1]	Bern	CHF	100,000	20	100
Post CH Ltd	Bern	CHF	500,000	100	100
PostBus Ltd	Bern	CHF	1,000	100	100
SPS Holding Ltd [2]	Zurich	CHF	5,000	–	100
Post CH Communication Ltd [2]	Bern	CHF	100	–	100
Post CH Network Ltd [2]	Bern	CHF	100	–	100
Post Company Cars Ltd [3]	Bern	CHF	100	–	100
PubliBike Ltd [3]	Fribourg	CHF	200	–	100
Germany					
Swiss Post Solutions Holding GmbH [4, 5]	Bamberg	EUR	25	100	–
Liechtenstein					
Swiss Post Insurance AG	Triesen	CHF	30,000	100	100
Liechtensteinische Post AG	Schaan	CHF	5,000	25	25
Significant indirectly held interests					
Switzerland					
Swiss Post Solutions Ltd	Zurich	CHF	1,000	100	100
Post Company Cars Ltd [3]	Bern	CHF	100	100	–
PostLogistics Ltd	Dintikon	CHF	20,000	100	100
SecurePost Ltd	Oensingen	CHF	4,000	100	100
Germany					
Swiss Post Solutions Holding GmbH [5]	Bamberg	EUR	5	100	100

1 Acquisition of shares (80 percent).
2 Company founding (100 percent).
3 Acquisition of shares (100 percent).
4 Transfer to SPS Holding Ltd, Zurich.
5 Merger of Swiss Post Solutions Holding GmbH, Bamberg with Swiss Post Solutions GmbH, Bamberg.

2.7 Intangible assets

The intangible assets disclosed in the balance sheet are capitalized Swiss Post brands.

2.8 Trade accounts payable

Swiss Post Ltd | Trade accounts payable		
CHF million	31.12.2019	31.12.2020
Liabilities relating to third parties	0	4
Liabilities relating to interests	10	15
Total trade accounts payable	**10**	**19**

2.9 Current interest-bearing liabilities

Swiss Post Ltd | Current interest-bearing liabilities

CHF million	31.12.2019	31.12.2020
Liabilities relating to third parties	401	595
Liabilities relating to interests	59	69
Total current interest-bearing liabilities	**460**	**664**

2.10 Other current liabilities

Swiss Post Ltd | Other current liabilites

CHF million	31.12.2019	31.12.2020
Liabilities relating to third parties	4	7
Liabilities relating to interests	0	–
Total other current liabilities	**4**	**7**

2.11 Non-current interest-bearing liabilities

Swiss Post Ltd | Non-current interest-bearing liabilities

CHF million	31.12.2019	31.12.2020
Liabilities relating to third parties	845	675
Total non-current interest-bearing liabilities	**845**	**675**

2.12 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.

2.13 Trade income

Trade income principally discloses revenue from licence fees.

2.14 Income from interests

Income from interests in 2019 includes dividend income from the interests in Post CH Ltd and PostFinance Ltd.

2.15 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.

2.16 Financial expenses

Financial expenses mainly consist of interest expenses, foreign exchange losses and impairment losses on interests and loans to interests. There was an impairment loss of 92 million francs on the interest in PostBus Ltd in 2020 and an impairment loss of 582 million francs on the interest in Post-Finance Ltd in 2019.

2.17 Expenses from other accounting periods

The expenses from other accounting periods are due to the initial recognition of provisions for employee entitlements to loyalty bonuses and sabbaticals amounting to CHF 103,000 francs as at 1 January 2020. In the subsequent measurement, any recognition and reversal of provisions will be entered via personnel expenses.

3 | Additional information

3.1 Full-time equivalents

The average annual number of full-time equivalents did not exceed 50, either in the year under review or in the previous year.

3.2 Bond issues

Swiss Post Ltd has several outstanding private placements totalling 710 million francs. Eight 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 was eight years at the end of 2020.

3.3 Liabilities relating to employee benefits schemes

The liabilities relating to the Swiss Post pension fund totalled 70,114 francs as at 31 December 2020 (31 December 2019: 60,639 francs), and are reported in other current liabilities. They are classed as liabilities relating to third parties.

3.4 Collateral for third party liabilities

As at 31 December 2020, guarantees and guarantee obligations amounted to 16 million francs (31 December 2019: 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 2019: 100 million francs).

In addition, on 31 December 2020, letters of comfort of 1,525 million francs existed, deposited by Swiss Post Ltd (31 December 2019: 1,538 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).

3.5 Material events after the reporting period

As part of Swiss Post's new strategy (Swiss Post of tomorrow), there will be a reorganization of the legal structure in 2021. In this context, function units and Corporate Services functions including their employees will be transferred from Post CH Ltd to Swiss Post Ltd.

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 accumulated loss

Swiss Post Ltd | Distributable profit/accumulated loss

CHF million	31.12.2020
Loss for the year	-108
Profit carried forward	24
Total accumulated loss	**–84**

At the General Meeting on 27 April 2021, the Board of Directors will propose that the accumulated loss of 83,742,967 francs be carried forward to the new account. It will also propose a distribution of dividends amounting to 50,000,000 francs from the other capital reserves.

Swiss Post Ltd | Appropriation of profit/loss

CHF million	31.12.2020
Dividend distributions	–
Loss carried forward to new account	–84
Total accumulated loss	**–84**

Swiss Post Ltd | Other distributions

CHF million	31.12.2020
Distributions from the capital reserve	–50
Total distributions from the capital reserve	**–50**

Building a better working world

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To the General Meeting of
Swiss Post Ltd, Berne

Berne, 8. March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the pages 182 to 189 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 2020.

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 2020 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 recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Olivier Mange	Michel Wälchli
Licensed audit expert (Auditor in charge)	Licensed audit expert

PostFinance annual financial statements

PostFinance Ltd reports to the Group in accordance with IFRS (International Financial Reporting Standards) and the FINMA Accounting Ordinance together with FINMA Circular 2020/1 "Accounting – banks".

Reconciliation

PostFinance Ltd reports to the Group in accordance with IFRS and issues its financial statements pursuant to the FINMA Accounting Ordinance (RelV-FINMA) and FINMA Circular 2020/1 (FINMA-RS 20/1) "Accounting – banks" (until 31 December 2019: Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB), FINMA Circular 2015/1 "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/loss pursuant to RelV-FINMA/FINMA-RS 20/1 .

PostFinance Ltd | Reconciliation of profit

CHF million	2019	2020
PostFinance segment operating profit (EBIT) as per IFRS before fees and net cost compensation	**240**	**161**
Management / licence fees / net cost compensation	5	–30
PostFinance segment operating profit (EBIT) as per IFRS after fees and net cost compensation	**245**	**131**
Net income from associates	–6	–2
Net financial income	–42	–36
PostFinance segment earnings before tax (EBT)	**197**	**93**
Income tax	–98	11
PostFinance segment profit	**99**	**104**
Consolidation effects from associates	26	0
Consolidation effects from subsidiaries	1	–
PostFinance Ltd profit before reconciliation	**126**	**104**
Valuation differences for financial assets	–3	26
Reversal of impairment / impairment on financial assets and receivables, incl. taxes	–	0
Realized gains from (earlier than scheduled) repayments	–4	–34
Valuation differences between IAS 19 and Swiss GAAP ARR 16	6	52
Valuation differences, IFRS 16 Leases	1	0
Depreciation of revalued real estate	–4	–4
Individual impairment charge due to lower fair value (fixed assets)	–1	–3
Value adjustment and depreciation of goodwill	–800	–
Valuation differences for investments	–1	–3
Realized gains from investments	0	0
Adjustment of deferred tax effects as per IFRS	98	–9
PostFinance Ltd profit/loss as per Accounting – banks	**–582**	**129**

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 an offset of 30 million francs on the operating profit (previous year: charge of 5 million francs).

The goodwill capitalized as part of the conversion to a private limited company in 2013 was completely impaired at the end of the 2019 financial year. Consequently, there is no longer any amortization of goodwill in 2020.

PostFinance Ltd statutory annual financial statements

PostFinance issues annual financial statements in accordance with the accounting rules under banking law (articles 25–28 of the Banking Ordinance, the FINMA Accounting Ordinance and FINMA Circular 2020/1 “Accounting – banks”).

For 2020, the statutory financial statements indicate profit after tax of 129 million francs.

Total assets amount to 117 billion francs.

Balance sheet

PostFinance Ltd | Balance sheet as per Accounting – banks

CHF million	Notes	31.12.2019	31.12.2020
Assets			
Liquid assets		46,946	38,308
Amounts due from banks		3,889	3,655
Amounts due from securities financing transactions	5	22	–
Amounts due from customers	6	12,075	12,527
Mortgage loans	6	0	0
Trading portfolio assets		–	–
Positive replacement values of derivative financial instruments	7	162	232
Other financial instruments at fair value		–	–
Financial investments	8	60,406	60,477
Accrued income and prepaid expenses		383	315
Participations	9, 10	105	106
Tangible fixed assets	11	1,166	1,121
Intangible assets		–	–
Other assets	12	420	448
Total assets		**125,574**	**117,189**
Total subordinated claims		11	12
of which subject to mandatory conversion and/or debt waiver		1	–
Liabilities			
Amounts due to banks		1,324	1,026
Liabilities from securities financing transactions	5	9,125	22
Amounts due in respect of customer deposits		108,469	109,340
Trading portfolio liabilities		–	–
Negative replacement values of derivative financial instruments	7	340	330
Liabilities from other financial instruments at fair value		–	–
Cash bonds		71	12
Bond issues and central mortgage institution loans		–	–
Accrued expenses and deferred income		105	108
Other liabilities	12	5	71
Provisions	15	35	51
Reserves for general banking risks		–	–
Bank’s capital	16	2,000	2,000
Statutory capital reserve		4,682	4,682
of which tax-exempt capital contribution reserve		4,682	4,682
Statutory retained earnings reserve		–	–
Voluntary retained earnings reserves		–	–
Profit/loss carried forward		–	–582
Profit/loss		–582	129
Total liabilities		**125,574**	**117,189**
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	31.12.2019	31.12.2020
Contingent liabilities	24	52	75
Irrevocable commitments		699	1,109
Obligations to pay up shares and make further contributions		–	–
Credit commitments		–	–

Income statement

PostFinance Ltd | Income statement as per Accounting – banks

CHF million	Notes	2019	2020
Interest and discount income	27	140	126
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		392	276
Interest expense	27	33	150
Gross result from interest operations		**565**	**552**
Changes in value adjustments for default risks and losses from interest operations		–4	–29
Net result from interest operations		**561**	**523**
Commission income from securities trading and investment activities		65	79
Commission income from lending activities		21	21
Commission income from other services		645	615
Commission expense		–385	–371
Result from commission business and services		**346**	**344**
Result from trading activities and the fair value option	26	**214**	**189**
Result from the disposal of financial investments		8	3
Income from participations		10	3
Result from real estate		73	72
Other ordinary income		87	58
Other ordinary expenses		–	–
Other result from ordinary activities		**178**	**136**
Operating income		**1,299**	**1,192**
Personnel expenses	28	–442	–433
General and administrative expenses	29	–552	–536
Operating expenses		**–994**	**–969**
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–892	–81
Changes to provisions and other value adjustments, and losses		–10	–10
Operating result		**–597**	**132**
Extraordinary income	30	27	1
Extraordinary expenses	30	–2	–
Changes in reserves for general banking risks		–	–
Taxes	31	–10	–4
Profit/loss		**–582**	**129**

Appropriation of profit/loss

PostFinance Ltd | Distributable profit/loss

CHF million	31.12.2019	31.12.2020
Profit/loss for the year	−582	129
Profit/loss carried forward	–	−582
Total distributable profit/loss	**−582**	**−453**

At the General Meeting on 26 April 2021, the PostFinance Board of Directors will propose the following appropriation of profit/loss, including the profit distribution from capital reserves:

PostFinance Ltd | Appropriation of profit/loss

CHF million	31.12.2019	31.12.2020
Dividend distributions	–	–
Profit/loss carried forward to new account	−582	−453
Total distributable profit/loss	**−582**	**−453**

PostFinance Ltd | Other distributions

CHF million	31.12.2019	31.12.2020
Distributions from the capital reserve	–	−129
Total distributions from the capital reserve	**–**	**−129**

Cash flow statement

PostFinance Ltd | Cash flow statement as per Accounting – banks

CHF million	Cash inflow 2019	Cash outflow 2019	Cash inflow 2020	Cash outflow 2020
Cash flow from operating activities (internal financing)				
Profit/loss for the year	–	582	129	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	891	–	81	–
Provisions and other value adjustments	–	20	17	
Change in value adjustments for default risks and losses	5	–	29	–
Accrued income and prepaid expenses	85	–	68	–
Accrued expenses and deferred income	11	–	4	–
Other items	–	–	–	–
Previous year's dividend	–	66	–	–
Subtotal	**324**	**–**	**328**	**–**
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	–	–	–
Subtotal	**–**	**–**	**–**	**–**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	14	3	0	6
Real estate	11	48	–	23
Other tangible fixed assets	0	13	–	9
Intangible assets	–	–	–	–
Subtotal	**–**	**39**	**–**	**38**
Cash flow from banking operations				
Medium and long-term business (>1 year):				
Amounts due to banks	–	–	–	–
Amounts due in respect of customer deposits	204	–	–	–
Cash bonds	–	8	–	59
Other liabilities	–	–	–	15
Amounts due from banks	532	–	190	–
Amounts due from customers	–	73	0	–
Mortgage loans	0	–	0	–
Financial investments	2,141	–	–	92
Other accounts receivable	–	98	–	28
Short-term business:				
Amounts due to banks	229	–	–	298
Liabilities from securities financing transactions	9,125	–	–	9,103
Amounts due in respect of customer deposits	–	2,236	950	–
Negative replacement values of derivative financial instruments	–	138	–	10
Amounts due from banks	173	–	45	–
Amounts due from securities financing transactions	–	–	22	–
Amounts due from customers	–	330	–	461
Positive replacement values of derivative financial instruments	–	60	–	69
Financial investments	–	–	–	–
Subtotal	**9,461**	**–**	**–**	**8,928**
Liquidity				
Liquid assets	–	9,746	8,638	–
Subtotal	**–**	**9,746**	**8,638**	**–**
Total	**9,785**	**9,785**	**8,966**	**8,966**

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 / loss carried forward	Result of the period	Total
Equity as at 1.1.2020	2,000	4,682	–	–	–582	–	6,100
Dividends and other distributions	–	–	–	–	–	–	–
Profit	–	–	–	–	–	129	129
Equity as at 31.12.2020	2,000	4,682	–	–	–582	129	6,229

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	31.12.2019	31.12.2020
EUR	1.0849	1.0841
USD	0.9679	0.8820
GBP	1.2695	1.2026
JPY	0.0089	0.0086

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. Real estate available for sale is recognized in the balance sheet under financial investments and valued according to the principle of the lower of cost or market value.

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 initial recognition, 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 slightly above-average 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

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

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

In the financial year 2020, there were no changes in the accounting and valuation principles versus the previous year.

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. As a rule, 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 2020 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:

- 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.
- 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.
- 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 2^{nd} LoD and ensure that their risks and controls are complete and up-to-date in the risk and control inventory. Within the 1^{st} 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 2^{nd} LoD. The management of security risks at the operational level is the responsibility of the Security unit.

The units in the 2^{nd} LoD independently monitor risk management in the 1^{st} 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 2^{nd} LoD function. The independence of the 2^{nd} LoD units from the 1^{st} 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 2^{nd} 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 1^{st} LoD, and monitors their correct implementation and application. Risk Control defines appropriate requirements 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 2^{nd} LoD, it ensures that the 1^{st} 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 2^{nd} 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 2^{nd} LoD promptly and on an ad hoc basis. Risk Control coordinates the reporting activities of all 2^{nd} LoD functions.

As part of the 3^{rd} LoD, Internal Auditing is responsible for risk monitoring and for overseeing the 1^{st} and 2^{nd} 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 following market interest changes Fluctuating net interest income over time	Absolute and relative sensitivity limits for equity Implementation of multi-period dynamic revenue analyses
– Liquidity risks	Insolvency	Compliance with the minimum regulatory requirements for the liquidity coverage ratio (LCR) 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 operational and strategic risks faced by 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.

Operational and strategic 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. 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 the customer deposits held by PostFinance do not earn a fixed rate of interest or require capital commitment. The interest rate and capital commitment of these deposits are therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing interest margin volatility.

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 perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to 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 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	31.12.2019	31.12.2020
Flattener shock in accordance with FINMA Circular 2019/2.[1]	–	– 190
Standard parallel up shock in accordance with FINMA Circular 2019/2.[1]	– 160	–

1 In order to determine the present value sensitivity of equity, the six standard shocks in accordance with FINMA Circular 2019/2 "Interest rate risks – banks" have been applied since 1 January 2019. The scenario which leads to the greatest negative change in the present value of equity is disclosed for each 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 on a monthly basis. 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 and a long-term 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.

Liquidity over a one-month horizon is guaranteed and limited by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure.

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. The long-term structural liquidity situation is reassessed by the Executive Board on an annual basis. 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 2020, value at risk for the income statement stood at 10 million francs (previous year: 14 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. Operational and strategic risks are assumed by PostFinance within the framework of its business model, business strategy and business activities. The Board of Directors sets out the principles for managing operational and strategic risks and the associated risk appetite in the framework for risk management throughout the institution.

On the basis of the risk appetite, PostFinance determines the total amount of risk it is prepared to take. The risk appetite is defined using quantitative and/or qualitative directives and is a key element in the planning of PostFinance's business activities. The risk management process ensures compliance with the risk appetite by means of appropriate control instruments and appropriate risk limits. 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 risk is defined according to the principles of various risk 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, PostFinance does not tolerate any activities that are unlawful or unethical or that otherwise jeopardize PostFinance's reputation as a credible, reliable, trustworthy and responsible company. For sourcing partnerships, PostFinance is guided by the principle that outsourced services must be adequately monitored and regulatory directives must be complied with.

The risk appetite for strategic risks is not defined in principle, but determined and given due regard by the Board of Directors during the process of elaborating the strategic focus. 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 2016/01

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 2020. The information in the "Capital adequacy disclosure" meets the requirements of Annexes 1 and 2 of the FINMA Circular 2016/01 "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 www.postfinance.ch.

Information on the balance sheet

5 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2019	31.12.2020
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	22	–
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	9,125	22
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	13,128	3,203
with unrestricted right to resell or pledge	13,128	3,203
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	4,803	3,460
of which, repledged securities	–	–
of which, resold securities	–	–

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

Presentation of collateral for loans/receivables

31.12.2020 CHF million		Type of collateral			
		Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		–	1,588	10,964	12,552
Mortgage loans		0	–	–	0
Residential property		0	–	–	0
Total loans (before netting with value adjustments)	**31.12.2020**	**0**	**1,588**	**10,964**	**12,552**
	31.12.2019	0	1,187	10,904	12,091
Total loans (after netting with value adjustments)	**31.12.2020**	**0**	**1,588**	**10,939**	**12,527**
	31.12.2019	0	1,187	10,888	12,075

Presentation of collateral for off-balance-sheet transactions

31.12.2020 CHF million		Type of collateral			
		Secured by mortgage	Other collateral	Unsecured	Total
Off-balance sheet					
Contingent liabilities		–	74	1	75
Irrevocable commitments		–	431	678	1,109
Total off-balance sheet	**31.12.2020**	**–**	**505**	**679**	**1,184**
	31.12.2019	–	51	700	751

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	31.12.2019	31.12.2020 [1]
Gross debt amount	8	67
Estimated liquidation value of collateral	–	0
Net debt amount	8	67
Individual value adjustments	8	63

1 Expired bond and its individual value adjustment have also been disclosed in impaired loans/receivables since 2020.

7 | 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)

31.12.2020 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	–	1
Swaps		–	–	–	2	179	3,159
Foreign exchange/precious metals							
Forward contracts		4	4	655	45	28	5,942
Cross-currency interest rate swaps		–	–	–	181	120	8,129
Equity securities/indices							
Options (exchange-traded)		–	–		–	–	–
Total before netting agreements as at	**31.12.2020**	**4**	**4**	**655**	**228**	**326**	**17,231**
of which, determined using a valuation model		4	4		228	326	
	31.12.2019	4	6	802	158	333	15,220
of which, determined using a valuation model		4	6		158	333	
Total after netting agreements as at	**31.12.2020**	**4**	**4**	**655**	**228**	**326**	**17,231**
	31.12.2019	4	6	802	158	333	15,220

Breakdown by counterparty

31.12.2020 CHF million	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	231	1

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
31.12.2019					
Currency risk					
Cross-currency interest rate swaps	8,121	53	200	5,673	2,194
Other					
Completed non-settled transactions	219	219	–	–	–
31.12.2020					
Currency risk					
Cross-currency interest rate swaps	8,129	–	679	5,909	1,541
Other					
Completed non-settled transactions	1	1	–	–	–

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]
31.12.2019						
Currency risk						
Cross-currency interest rate swaps	106	171	206	206	–	–266
Other						
Completed non-settled transactions	0	–	0	0	–	0
31.12.2020						
Currency risk						
Cross-currency interest rate swaps	181	120	129	129	3	–134
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
31.12.2019		
Currency risk		
Debt securities intended to be held to maturity	–206	–182
31.12.2020		
Currency risk		
Debt securities intended to be held to maturity	–129	–187

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

Hedging reserves in other assets/liabilities CHF million	2019 Hedging reserves – unrealized gains/losses from cash flow hedge	2020 Hedging reserves – unrealized gains/losses from cash flow hedge
Balance at 1.1	**–123**	**–182**
Change in fair value of hedging instrument		
Currency risk	206	129
Other	0	0
Net amount reclassified from cash flow hedging reserves to income statement		
Currency risk	–266	–134
of which arising from discontinued hedging relationships	26	20
of which from changes in foreign currency basis spreads	1	3
Balance at 31.12	**–182**	**–187**

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
31.12.2019				
Cash inflows	11	28	116	20
Cash outflows	–38	–97	–389	–66
31.12.2020				
Cash inflows	6	29	90	12
Cash outflows	–28	–94	–320	–31

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					Term to maturity
CHF million	Total	0–3 months	3 months–1 year	1–5 years	Over 5 years
31.12.2019					
Interest rate and currency risk					
Interest rate swaps	2,209	246	25	700	1,238
31.12.2020					
Interest rate and currency risk					
Interest rate swaps	3,159	75	200	530	2,354

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]
31.12.2019				
Interest rate and currency risk				
Interest rate swaps	–	160	–60	–
31.12.2020				
Interest rate and currency risk				
Interest rate swaps	2	179	–18	–

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	Remaining cumulative amount from fair value hedge adjustments in the balance sheet for hedged items that have ceased to be adjusted for hedging gains or losses
31.12.2019				
Interest rate and currency risk				
Debt securities intended to be held to maturity	1,298	92	56	–
Amounts due from customers and banks	1,064	54	4	–
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	–

8 | Financial investments

Breakdown of financial investments

	Book value		Fair value	
CHF million	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Debt securities	60,257	60,363	61,818	61,958
of which, intended to be held to maturity	60,257	60,363	61,818	61,958
Equity securities [1]	148	114	164	126
Total	**60,406**	**60,477**	**61,982**	**62,084**
of which, securities eligible for repo transactions in accordance with liquidity requirements [2]	23,404	23,863	–	–

1 There are no qualified participations.
2 The securities eligible for repos correspond to the SNB GC Basket.

Breakdown of counterparties by rating [1]

31.12.2020 CHF million	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Below B–	Unrated
Debt securities: book values	37,848	14,328	6,284	185	–	1,719

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.

9 | Participations

Presentation of participations

CHF million	Acquisition cost	Accumulated value adjustments	Book value 31.12.2019	2020 Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals	Book value 31.12.2020	Market value 31.12.2020
Participations										
with market value	45	–	45	–	–	–1	–	–	44	116
without market value	121	–61	60	–	6	0	–5	1	62	–
Total participations	**166**	**–61**	**105**	**–**	**6**	**–1**	**–5**	**1**	**106**	**116**

10 | Significant participations

Significant participations

CHF or EUR, percent	Business activities	Currency	Company capital	Share of capital and of votes[1] 31.12.2019	31.12.2020
Finform Ltd, Bern, Switzerland	Fintech and regtech	CHF	100,000	50.00%	50.00%
Ormera AG, Bern, Switzerland	Automated energy billing	CHF	100,000	42.50%	42.50%
TONI Digital Insurance Solutions AG, Schlieren, Switzerland	Insurance service provider	CHF	1,952,782	30.66%	28.89%
moneymeets community GmbH, Cologne, Germany	Online financial services	EUR	99,631	26.17%	27.38%
moneymeets GmbH, Cologne, Germany	Infrastructure for online financial services	EUR	99,631	26.17%	27.38%
TWINT Ltd, Zurich, Switzerland	Mobile payment	CHF	12,750,000	26.66%	26.66%
TWINT Acquiring Ltd, Zurich, Switzerland	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	22.50%	24.43%

1 TWINT Acquiring Ltd is held indirectly via TWINT Ltd. All other participations are directly owned by PostFinance Ltd.

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 7 million francs (previous year: 3 million francs) and to decrease profit for the year by 7 million francs (previous year: increase of loss for the year by 9 million francs).

11 | Tangible fixed assets

Presentation of tangible fixed assets

CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2019	Reclassi-fications	Additions	Disposals	Depreciation	Reversals	Book value 31.12.2020
				2020					
Bank buildings	225	–56	169	–	6	–	–8	–	167
Other real estate	1,022	–205	817	–	17	–	–35	–	799
Proprietary or separately acquired software	231	–80	151	–	–	–	–24	–	127
Other tangible fixed assets	83	–54	29	–	9	–	–10	–	28
Total tangible fixed assets	**1,561**	**–395**	**1,166**	**–**	**32**	**–**	**–77**	**–**	**1,121**

Future lease obligations under operating leases

CHF million	2021	2022	2023	2024	2025	2026	**Total**
Future lease payments	12	10	9	9	3	0	**43**
of which cancellable within a year	1	1	1	1	0	0	**4**

12 | Other assets and other liabilities

Breakdown of other assets and other liabilities

CHF million	31.12.2019 Other assets	31.12.2020 Other assets	31.12.2019 Other liabilities	31.12.2020 Other liabilities[1]
Compensation account	321	333	–	–
Employer contribution reserves	–	38	–	–
Indirect taxes	92	74	5	8
Other assets and liabilities	7	3	0	63
Total other assets and other liabilities	**420**	**448**	**5**	**71**

1 A sum of 61 million francs was reclassified from amounts due to customers to other liabilities in 2020.

13 | 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	31.12.2019	31.12.2020
Financial investments:		
Book value of assets pledged and assigned as collateral	84	100
Effective commitments	–	–
Amounts due from customers:		
Book value of assets pledged and assigned as collateral	–	390
Effective commitments	–	336

1 Excluding securities lending and securities borrowing, and repurchase and reverse repurchase transactions.

14 | 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 disability insurance (supplementary disability pensions for men up to the age of 65 and women up to the age of 64) and staff vouchers are taken into account in the annual financial statements.

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 the pension schemes generate an economic benefit or an economic obligation for PostFinance. 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 39,354 active insured persons and 29,516 pensioners (as at 31 October 2020), the Swiss Post pension fund had total assets of 17,086 million francs as at 31 December 2020 (previous year: 17,081 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at approximately 105.3 percent (previous year: 108.0 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 551 million francs without a waiver of use (previous year: 552 million francs, of which 550 million francs with a waiver of use). A technical interest rate of 1.75 percent (previous year: 1.75 percent) and the technical basis of OPA 2015 (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; in 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 2020. 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	31.12.2020	31.12.2019	31.12.2020	2020	2020	31.12.2019	31.12.2020
Swiss Post pension fund	56	0	0	0	36	36	36
Staff vouchers	–7	–7	–7	0	0	1	0
Disability pensions	–2	–1	–2	1	0	0	1
Total Swiss GAAP ARR 16	**47**	**–8**	**–9**	**1**	**36**	**37**	**37**

The waiver of use of employer contribution reserves was lifted in 2020 due to the improved level of cover in the most recently audited annual financial statements of the Swiss Post pension fund. 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	31.12.2020	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Swiss Post pension fund	38	0	0	38	0	38
Total Swiss GAAP ARR 16	**38**	**0**	**0**	**38**	**0**	**38**

15 | 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 31.12.2019	Use in conformity with designated purpose [1]	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2020
Provisions for pension benefit obligations	9	–		–	–	0	–	9
Provisions for default risks	0	–		–	–	0	0	0
of which provisions for expected losses	0	–		–	–	0	0	0
Provisions for restructuring	4	–2		–	–	19	–1	20
Other provisions	22	–1		–	–	2	–1	22
Total provisions	**35**	**–3**		**–**	**–**	**21**	**–2**	**51**
Reserves for general banking risks	**–**	**–**		**–**	**–**	**–**	**–**	**–**
Value adjustments for default and country risks [2]	**72**	**–**		**–**	**–**	**29**	**0**	**101**
of which, value adjustments for default risks in respect of impaired loans / receivables	54	–	3	–	–	5	0	62
of which, value adjustments for expected losses	18	–	–3	–	–	24	0	39

1 There were no changes in purpose.
2 Comprises the value adjustments for amounts due from banks, amounts due from customers, mortgage loans and debt securities intended to be held until maturity. In contrast to the previous years, the value adjustments of 62 million francs on participations are no longer included. The figures as at 31 December 2019 have been adjusted accordingly.

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 2019 and 31 December 2020, the levels of expected loss within amounts due from banks, amounts due from customers, held to maturity debt securities and contingent liabilities consisted of the following.

Analysis of expected losses and impaired loans/receivables

CHF million	31.12.2019 12-month expected credit losses (level 1)	31.12.2019 Expected credit losses over remaining term to maturity (level 2)	31.12.2019 Expected credit losses over remaining term to maturity (level 3)	31.12.2019 Total	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
Amounts due from banks	3,890	–	–	3,890	3,656	–	–	3,656
Value adjustments	0	–	–	0	0	–	–	0
Book value	**3,890**	**–**	**–**	**3,890**	**3,656**	**–**	**–**	**3,656**
Amounts due from customers	12,071	6	14	12,091	12,527	4	21	12,552
Value adjustments	–3	–2	–11	–16	–7	–2	–16	–25
Book value	**12,068**	**4**	**3**	**12,075**	**12,520**	**2**	**5**	**12,527**
Debt securities held to maturity								
AAA to AA–	38,405	–	–	38,405	37,848	–	–	37,848
A+ to A–	13,766	–	–	13,766	14,328	–	–	14,328
BBB+ to BBB–	6,053	–	–	6,053	6,284	–	–	6,284
BB+ to B–	145	–	–	145	185	–	–	185
Unrated	1,897	–	46	1,943	1,748	–	46	1,794
Total	**60,266**	**–**	**46**	**60,313**	**60,393**	**–**	**46**	**60,439**
Value adjustments	–9		–46	–56	–29	–	–46	–75
Book value	**60,257**	**–**	**–**	**60,257**	**60,364**	**–**	**0**	**60,364**
Contingent liabilities	52	–	–	52	75	–	–	75
Provisions for expected losses	0	–	–	0	0	–	–	0
Total	**52**	**–**	**–**	**52**	**75**	**–**	**–**	**75**

To combat the coronavirus crisis, the Federal Council adopted extensive and drastic measures, which resulted in a temporary interruption of business activities in many units. These measures may also have an impact on the credit quality of bonds and receivables. In the current situation, the assessment of the effects is still subject to a high degree of uncertainty. 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 an increase in value adjustments required of 23 million francs in the current financial year. Reclassifications within the three levels were immaterial in nature.

16 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital			31.12.2019			31.12.2020
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**

17 | Amounts due from / to related parties

Disclosure of amounts due from/to related parties		Amounts due from		Amounts due to
CHF million	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Holders of qualified participations	713	579	917	840
Linked companies	26	16	284	326
Transactions with members of governing bodies	0	0	17	17

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.

18 | Holders of significant participations

Disclosure of holders of significant participations		31.12.2019		31.12.2020
CHF million	Nominal	% of equity	Nominal	% of equity
With voting rights: Swiss Post Ltd	2,000	100	2,000	100

19 | Maturity structure of financial instruments

Presentation of the maturity structure of financial instruments (assets/financial instruments)

31.12.2020 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		38,308	–	–	–	–	–	–	38,308
Amounts due from banks		196	–	139	75	2,086	1,159	–	3,655
Amounts due from customers		422	1	877	1,151	4,852	5,225	–	12,527
Mortgage loans		–	–	0	–	–	–	–	0
Positive replacement values of derivative financial instruments		–	–	40	54	121	16	–	232
Financial investments		114	–	1,356	5,097	32,884	21,027	–	60,477
Total	**31.12.2020**	**39,039**	**1**	**2,412**	**6,378**	**39,942**	**27,427**	**–**	**115,199**
	31.12.2019	47,802	1	3,620	6,756	36,634	28,687	–	123,500

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

31.12.2020 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		690	336	–	–	–	–	–	1,026
Liabilities from securities financing transactions		–	–	22	–	–	–	–	22
Amounts due in respect of customer deposits		73,494	35,845	1	0	–	–	–	109,340
Negative replacement values of derivative financial instruments		–	–	27	11	106	186	–	330
Cash bonds		–	–	1	3	8	–	–	12
Total	**31.12.2020**	**74,184**	**36,181**	**50**	**14**	**114**	**186**	**–**	**110,730**
	31.12.2019	70,041	37,485	11,401	69	144	189	–	119,329

20 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle		31.12.2019		31.12.2020
CHF million	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	46,945	1	38,308	–
Amounts due from banks	3,758	131	3,574	81
Amounts due from securities financing transactions	22	–	–	–
Amounts due from customers	12,059	16	12,507	20
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	63	99	66	166
Financial investments	31,811	28,595	30,535	29,942
Accrued income and prepaid expenses	253	130	215	100
Participations	86	19	89	17
Tangible fixed assets	1,166	–	1,121	–
Intangible assets	0	–	–	–
Other assets	420	0	448	–
Total assets	**96,583**	**28,991**	**86,863**	**30,326**
Liabilities				
Amounts due to banks	1,227	97	940	86
Liabilities from securities financing transactions	6,675	2,450	22	–
Amounts due in respect of customer deposits	104,407	4,062	105,207	4,133
Negative replacement values of derivative financial instruments	139	201	158	172
Cash bonds	71	0	12	0
Accrued expenses and deferred income	105	0	108	0
Other liabilities	5	–	67	4
Provisions	35	–	51	–
Bank's capital	2,000	–	2,000	–
Statutory capital reserve	4,682	–	4,682	–
Profit/loss carried forward	–	–	–582	–
Profit/loss	–582	–	129	–
Total liabilities	**118,764**	**6,810**	**112,794**	**4,395**

21 | Assets by country/group of countries

Breakdown of total assets by country or group of countries (domicile principle)	31.12.2019		31.12.2020	
CHF million, percent	Absolute	Share as %	Absolute	Share as %
Assets				
Switzerland	96,582	76.91	86,863	74.12
Europe	12,538	9.99	12,155	10.37
North America	7,687	6.12	9,302	7.94
Other countries	8,767	6.98	8,869	7.57
Total assets	**125,574**	**100.00**	**117,189**	**100.00**

22 | Assets by credit rating of country groups

Breakdown of total assets by credit rating of country groups (risk domicile view)	Foreign exposure 31.12.2019		Foreign exposure 31.12.2020	
CHF million, percent	Absolute	Share as %	Absolute	Share as %
Rating (Moody's)				
Aaa	13,882	48.32	15,055	50.64
Aa	9,372	32.62	9,408	31.65
A	4,196	14.6	3,797	12.77
Baa	494	1.72	641	2.16
Ba	13	0.05	67	0.22
B	342	1.19	292	0.98
Caa	319	1.11	319	1.07
No rating	111	0.39	150	0.51
Total	**28,729**	**100.00**	**29,729**	**100.00**

23 | Assets and liabilities by currency

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

31.12.2020 CHF million	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	38,197	111	–	–	–	–	38,308
Amounts due from banks	3,618	19	3	1	9	5	3,655
Amounts due from customers	12,508	7	11	1	0	0	12,527
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	232	–	–	–	–	–	232
Financial investments	44,143	11,392	4,200	–	–	742	60,477
Accrued income and prepaid expenses	230	53	28	0	–	4	315
Participations	89	1	16	–	–	0	106
Tangible fixed assets	1,121	–	–	–	–	–	1,121
Other assets	444	4	0	–	–	–	448
Total assets shown in balance sheet	**100,582**	**11,587**	**4,258**	**2**	**9**	**751**	**117,189**
Delivery entitlements from spot exchange, forward forex and forex options transactions	14,170	249	204	54	0	49	14,726
Total assets	**114,752**	**11,836**	**4,462**	**56**	**9**	**800**	**131,915**
Liabilities							
Amounts due to banks	1,011	10	5	–	0	0	1,026
Liabilities from securities financing transactions	–	22	–	–	–	–	22
Amounts due in respect of customer deposits	106,212	2,522	505	49	9	43	109,340
Negative replacement values of derivative financial instruments	330	–	–	–	–	–	330
Cash bonds	11	1	–	–	–	–	12
Accrued expenses and deferred income	108	0	0	–	–	0	108
Other liabilities	26	35	10	0	–	0	71
Provisions	51	–	–	–	–	–	51
Bank's capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,682	–	–	–	–	–	4,682
Profit/loss carried forward	–582	–	–	–	–	–	–582
Profit	129	–	–	–	–	–	129
Total liabilities shown in the balance sheet	**113,978**	**2,590**	**520**	**49**	**9**	**43**	**117,189**
Delivery obligations from spot exchange, forward forex and forex options transactions	546	9,230	3,925	6	0	753	14,460
Total liabilities	**114,524**	**11,820**	**4,445**	**55**	**9**	**796**	**131,649**
Net position per currency 31.12.2020	**228**	**16**	**17**	**1**	**0**	**4**	**266**
Net position per currency 31.12.2019	84	47	26	0	0	4	161

Information on off-balance sheet transactions

24 | Contingent assets and liabilities

Breakdown of contingent liabilities and contingent assets

CHF million	31.12.2019	31.12.2020
Guarantees to secure credits and similar	51	75
Other contingent liabilities	1	0
Total contingent liabilities	**52**	**75**
Contingent assets arising from tax losses carried forward	70	75
Total contingent assets	**70**	**75**

PostFinance Ltd is jointly and severally liable for all amounts due in connection with 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 2020.

25 | Managed assets

Breakdown of managed assets

CHF million	31.12.2019	31.12.2020
Type of managed assets:		
Assets under discretionary asset management agreements	0	168
Other managed assets	46,058	43,474
Total managed assets (including double counting) [1]	**46,058**	**43,642**
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 does not offer collective investment schemes managed by the bank. The item “Assets under discretionary asset management agreements” comprises assets in connection with the e-asset management offered by PostFinance. 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	31.12.2019	31.12.2020
Total managed assets (including double counting) at beginning	**43,656**	**46,058**
+/– net new money inflow or net new money outflow [1]	1,033	–3,074
+/– price gains/losses, interest, dividends and currency gains/losses	1,369	658
+/– other effects	–	–
Total managed assets (including double counting) at end	**46,058**	**43,642**

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

26 | Result from trading activities and the fair value option

Breakdown by business area

CHF million	2019	2020
Payment transactions and financial investments	226	204
Hedge accounting	–4	0
Proprietary trading	–8	–15
Total result from trading activities	**214**	**189**

Breakdown by risk and based on the use of the fair value option

CHF million	2019	2020
Result from trading activities from:		
Interest rate instruments	–193	–196
Equity securities	0	–2
Foreign currencies	407	386
Total result from trading activities [1]	**214**	**189**

1 PostFinance does not apply the fair value option.

27 | 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. PostFinance also used the temporary relief granted by FINMA for banks due to the COVID-19 crisis to execute repurchase transactions, which resulted in negative interest on the borrowing business offset against interest expense.

Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

CHF million	2019	2020
Negative interest on the lending business offset against interest and discount income	–5	–2
Negative interest on the borrowing business offset against interest expense	65	174

28 | Personnel expenses

Breakdown of personnel expenses

CHF million	2019	2020
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	352	385
Social insurance benefits	73	34
Changes in book value for economic benefits and obligations arising from pension schemes	–	–
Other personnel expenses	17	14
Total personnel expenses	**442**	**433**

29 | General and administrative expenses

Breakdown of general and administrative expenses

CHF million	2019	2020
Office space expenses	37	37
Expenses for information and communications technology	234	235
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	18	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	261	245
Total general and administrative expenses	**552**	**536**

30 | Extraordinary expenses and income

Extraordinary expenses

CHF million	2019	2020
Losses from disposal of participations	2	–
Total extraordinary expenses	**2**	**–**

Extraordinary income

CHF million	2019	2020
Reversals of impairment	1	1
Gains from disposal of participations	25	0
Other extraordinary income	1	–
Total extraordinary income	**27**	**1**

31 | Taxes

Current and deferred taxes

CHF million	2019	2020
Expenses for current capital and income taxes	10	4
Total taxes	**10**	**4**

Owing to the loss carryforward, expenses for current capital taxes and income taxes in 2020 largely consist of capital taxes. In the previous year, expenses for current capital taxes and income taxes also consisted largely of capital taxes due to the loss for the year.

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To the General Meeting of
PostFinance Ltd, Berne

Berne, 11. March 2021

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 196 to 237), for the year ended 31 December 2020.

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 2020 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 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 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 2020 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)
- PostFinance Ltd Annual Report
- Business Report key figures
- Global Reporting Initiative Index

These documents are available in electronic format in the online version of the Business Report at swisspost.ch/annualreport. The Swiss Post Annual 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.

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Five-year overview of key figures

		2016	2017	2018	2019	2020
Result						
Operating income	CHF million	8,188	8,064	7,254	7,168 [1]	7,054
Generated in competition	% of operating income	85.8	85.7	84.8	85.4	85.9
Generated abroad and crossborder	% of operating income	13.7	14.3	14.6	14.8	14.2
Operating profit	CHF million	704	718	505	450	272
Generated in competition	% of operating profit	93.5	86.7	72.5	75.1	69.9
Generated abroad and crossborder	% of operating profit	9.1	11.4	18.0	14.9	22.8
Group profit	CHF million	558	527	404	255	178
Equity	CHF million	4,744	6,583	6,759	6,834	6,906
Value generation						
Economic value added	CHF million	122	102	–24	–17	–101
Added value generated	CHF million	5,145	5,143	4,613	4,616	4,521
to employees	CHF million	4,034	3,989	3,802	3,764	3,833
to creditors	CHF million	64	48	48	75	52
to public sector	CHF million	118	63	42	32	33
to owner	CHF million	200	200	200	50	50
to company	CHF million	729	843	521	695	553
Jobs						
Headcount (excluding trainees)	Full-time equivalents	43,485	42,316	39,932	39,670	39,089
Trainees in Switzerland	Persons	2,118	2,115	2,001	1,894	1,863
Jobs in peripheral regions	Persons	18,176	17,640	16,765	16,073	15,655
Turnover rate (voluntary departures)	As % of average headcount	4.0	4.8	5.5	5.1	4.1
Notice given by employer for economic reasons	Persons	84	161	152	105	73
Employment conditions and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	85.6	85.6	85.2	86.1	85.8
Swiss Post CEC minimum salary	CHF per annum	47,620	47,620	47,620	47,620	47,820
Average salary for employees	CHF per annum	82,231	83,178	83,383	82,741	83,636
Average remuneration paid to members of Executive Management	CHF per annum	588,377	559,044	588,916	582,289	575,822
Salary bandwidth [2]	Factor	7.2	6.7	7.1	7.0	6.9
Health management						
Occupational accidents	Number per 100 FTEs	5.9	6.5	6.0	6.4	6.1
Days lost to illness and accidents	Days per employee	12.5	12.9	13.1	13.3	13.3
Diversity						
Women	% of employees	48.1	47.5	46.3	45.0	44.1
Nationalities represented	Number	143	140	138	140	142
Women on Board of Directors	%	33.3	33.3	33.3	33.3	33.3
Women in Executive Management	%	11.1	20.5	22.9	11.1	11.1
Women in senior management roles	%	12.3	13.4	16.0	17.1	19.8
Women in middle and lower management roles	%	24.2	23.9	23.2	23.8	22.3
Demographics						
Average age of workforce	Years	45.6	46.0	46.1	46.1	46.0
Resource consumption [3]						
Energy consumption	GWh	1,491	1,453	1,479	1,420	1,388
Energy consumption within Swiss Post	GWh	905	887	902	826	799
Renewable share	%	19.3	19.6	20.4	21.0	22.0
Energy consumption outside Swiss Post	GWh	586	567	578	594	589
Carbon footprint (scope 1 – 3) [3]						
Carbon footprint	t CO_2 equivalent	446,151	436,550	439,955	422,748	408,405
CO_2 efficiency increase since 2010 [4]	%	16.5	19.6	20.4	27.6	29.8

1 The figure has been adjusted (see Note 2, Basis of accounting, Accounting changes).
2 Factor = average remuneration paid to Members of Executive Management vs. average employee salary.
3 Adjusted figures for 2019: factual data from subsidiaries acquired between 2013–2019 was recorded with retroactive effect for 2019 as 2019 serves as the base year for the 2024/2030 objectives. No figures for the years 2013 to 2018 were subsequently recorded.
4 The rise in CO_2 efficiency is measured as the change in CO_2 equivalents per core service in the year under review compared with the base year. Each core service is defined by unit (consignment, transaction, passenger kilometre, kilometre, full-time equivalent, etc.).

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