S&P Global Ratings

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Die Schweizerische Post AG

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Die Schweizerische Post AG

SACP	a-	+	Support	+5	+	Additional Factors	0

Anchor	a-	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Weak	-2
Funding	Above Average	+1
Liquidity	Strong	

GRE Support	+5
Group Support	0
Sovereign Support	0

Issuer Credit Rating
AA+/Stable/A-1+

Major Rating Factors

Strengths:	Weaknesses:
• Extremely high likelihood of extraordinary support for the group from the Swiss government. • Franchise as legally mandated provider of essential banking services in Switzerland. • Superior funding and liquidity profile.	• Concentrated business model in its financial services segment under severe pressure from expected lower-for-longer interest rate environment. • Limited strategic options to improve weak shareholder returns under existing legal restrictions on financial services operations. • Structural decline in mail volumes combined with high fixed costs.

Outlook: Stable

S&P Global Ratings' outlook on Switzerland-based Die Schweizerische Post AG (DSP) and its banking subsidiary PostFinance AG (together, the Swiss Post group) is stable, reflecting our stable outlook on the ultimate owner, Switzerland (unsolicited AAA/Stable/A-1+), over our 24-month forecast horizon. We expect that the Swiss Post group's very close links to the state, its ownership, and its mandate to provide key public services will not materially change in the foreseeable future. Moreover, the outlook reflects our view that the group will maintain a sound financial profile in an expected stable economic operating environment in Switzerland.

We regard core members of the Swiss Post group, such as PostFinance, as government-related entities (GREs) with an extremely high likelihood of receiving extraordinary government support if needed. Since the Swiss Post group operates essentially on behalf of the government, it provides key public services to the Swiss population, and it has a very strong and durable link with the government.

Consequently, we continue to closely monitor any material change of group members' roles and links with the government that could lead us to revise our assessment of their GRE status. This in turn could have one or more notches of negative rating implications for DSP, as the group's nonoperating holding company (NOHC), and for PostFinance. We acknowledge discussions about the potential privatization of PostFinance, but, in our base-case expectations, we think that there will be no changes to its GRE status in the foreseeable future.

We view the likelihood of a positive rating action for DSP and PostFinance as remote at this stage, because this would require a material strengthening of DSP's unsupported group credit profile (UGCP) by three notches or more to 'aa-' or better. A positive rating action would also depend on our view that a long-term equalization of the ratings on the Swiss Post group with those on Switzerland is appropriate in the absence of an explicit state guarantee.

Rationale

Our ratings on DSP rest on the aggregated creditworthiness of the consolidated Swiss Post group, headed by DSP, and the GRE status of its core subsidiary PostFinance. Our ratings also reflect our expectation of Swiss Post group's sound and stable business franchise as the legally mandated provider of postal, financial, and payment services through the post office network in Switzerland. Moreover, we expect that DSP will continue to benefit from Switzerland's highly diversified and competitive economy, the country's very high household income levels, and Swiss banks' prudent loan underwriting standards. We also believe that DSP's funding and liquidity will remain a clear strength when compared globally considering PostFinance's operations and DSP's close ties to the Swiss government. We note that we consider the nonbanking activities, which are based on cash flows, to be neutral to our funding and liquidity assessment. Consequently, our funding and liquidity metrics for the group, although outstanding compared with banks we rate globally, do not fully reflect the aggregate group's funding and liquidity profile.

We continue to see DSP's key weakness as its limited prudent strategic options to improve weak shareholder returns from Postfinance under existing legal restriction. These prevent the company from extending loans to Swiss households and companies. More than at any other Swiss peer bank, PostFinance's concentrated business model therefore will remain under significant pressure from an expected lower-for-longer interest rate environment in the foreseeable future. Moreover, we see additional ongoing earnings pressures from the structural decline in mail volumes combined with high fixed costs. In the absence of major strategic alternative options, we believe DSP needs to undergo increasing cost cuts and digitalization efforts to improve its efficiencies and substantiate its group business profile. We note that we have used our bank rating methodology to determine Swiss Post's group credit profile (GCP) because the main subsidiary--PostFinance--is a major deposit-taking institution in Switzerland and dominates the group's balance sheet and operating profit (96% and 46%, respectively, as of year-end 2018). Nevertheless, we include the group's corporate activities in our overall assessment as well.

Anchor:'a-' to mainly reflect the exposures of PostFinance's operations in Switzerland

Our criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor stand-alone credit profile (SACP), the starting point in assigning an issuer credit rating (ICR). Our anchor for a bank like PostFinance operating mainly in Switzerland is 'a-'. We view the trends for both economic and industry risk as stable.

Because PostFinance has no lending business, we consider the weighted-average economic risk in the countries that PostFinance is exposed to through its large investment portfolio and from its operations in Switzerland. About 20% of the portfolio relates to countries with comparatively higher economic risk than Switzerland. Therefore, the anchor is sensitive to an increase in exposure to such countries.

Our economic risk score of '2' for Switzerland is supported by the country's highly diversified and competitive economy, very high household income levels, and banks' prudent loan underwriting standards. However, we also consider housing market risks. In our view, both house prices and household indebtedness remain historically high. The investment property segment (30% of the market) is a particular risk, in our view, where we have observed the first signs of a price correction. We expect imbalances to remain moderate in a global context, also due to the regulator's macro prudential measures to rein in growth in mortgage indebtedness and because of further strengthening of self-regulatory measures to prevent excessive risk taking in mortgage financing. We recognize that house price growth has cooled down materially since 2014 with lending growth remaining at moderate levels. We also take some comfort from the very high mortgage debt level being mitigated by the large amount of financial assets, including pensions, held by households in Switzerland. Our industry risk score of '2' primarily reflects the banking sector stability and a relatively high share of deposit funding. In our view, the Swiss regulator's regulatory initiatives are more stringent than those in other European banking industries. Banks' net interest margins continue to decline gradually, given the pressure on deposit margins from the negative yield environment. This is partly offset, however, by higher margins on lending products, fee income from investment advisory-related activities, and cost management. As a result, banks are able to generate returns on core banking products that are adequate to meet their cost of capital. We consider risk for Swiss banks from technology disruption as limited as of today, given the population's preference for cash payments, the small size of the market with few foreign banks, own regulatory framework, and technologically well-equipped banks.

Table 1

Die Schweizerische Post AG--Key Figures

	--Year ended Dec. 31--				
(Mil. CHF)	**2019***	**2018**	**2017**	**2016**	**2015**
Adjusted assets	125,109.0	123,684.0	126,910.0	126,213.0	119,891.0
Customer loans (gross)	15,914.0	15,956.0	12,261.0	13,278.0	11,399.0
Adjusted common equity	6,366.0	5,904.0	5,599.0	3,784.0	3,609.0
Operating revenue	3,537.0	7,493.0	7,643.0	7,891.0	7,964.0
Noninterest expenses	3,286.0	7,021.0	7,191.0	7,240.0	7,127.0
Core earnings	206.1	371.7	351.9	525.3	631.0

*Data as of June 30. CHF--Swiss franc.

Business position:A solid franchise as the nation's postal provider and leading deposit-taking institution, but weak profitability due to the narrow banking business model.

We expect the Swiss Post group will continue to defend its superior franchise as the legally mandated provider of postal, financial, and payment services through the post office network in Switzerland. We consider DSP's management and strategy to be prudent, led by the public mandate. DSP is the incumbent postal operator in Switzerland. The company has a dense branch network and its revenue totaled Swiss franc (CHF) 3.5 billion in first-half 2019, compared with CHF3.8 billion in first-half 2018. DSP's assets totaled CHF127 billion as of June 30, 2019, and it is the third-largest employer in Switzerland, with more than 39,000 employees (full-time equivalent).

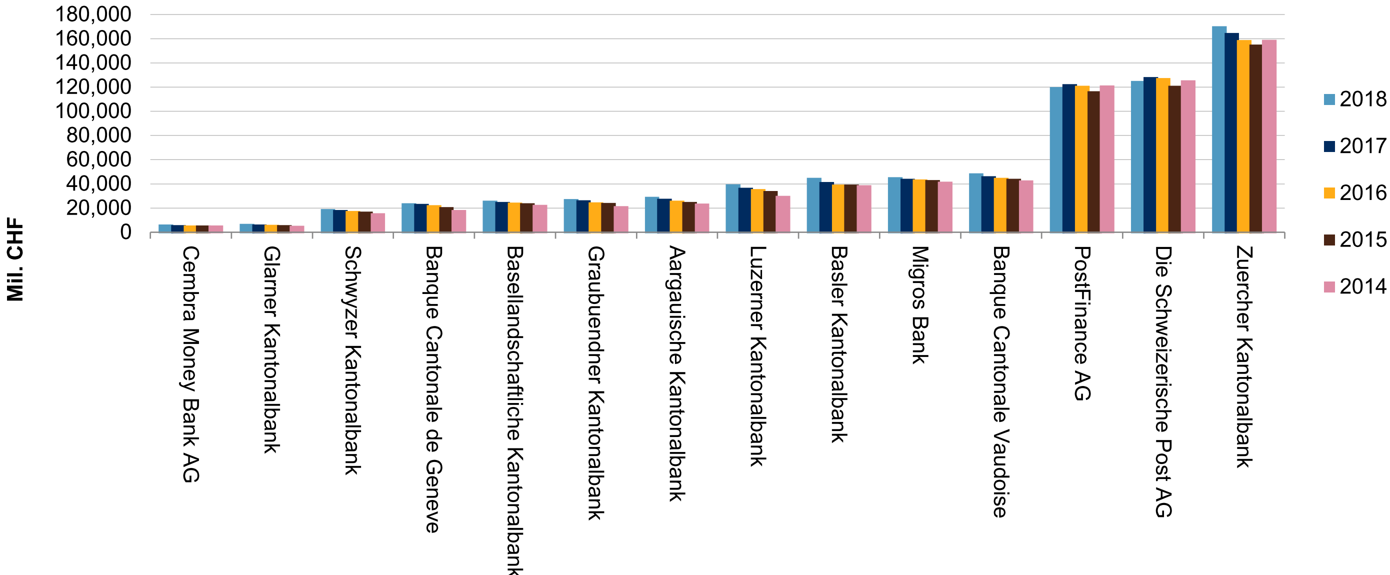
The Swiss Post group's market-leading position is also supported by Switzerland's conservative market liberalization policy compared with that in EU countries. We do not expect any significant competitor to enter the market over the next few years. Furthermore, we view as positive the Swiss Post group's business diversification and granular customer base, which allow it to maximize the use of its large distribution network. We consider regulatory or legislative changes to pose a key risk to the group's business stability, although we do not expect such changes to materialize over the medium term.

The group's main nonbanking weaknesses come from structurally declining mail volumes and the high fixed costs of maintaining the postal branch network. Furthermore, geographic revenue diversification remains low, with 90% generated domestically. We believe that the fairly stable cash flows from the mail business will erode over time and the Swiss Post group will not be able to fully compensate for this erosion with income from the logistics business. In addition, we view the Swiss Post group's operating structure as fairly inflexible, exacerbating its declining profitability. We note, however, that the group is implementing restructuring measures to gradually improve operating efficiency.

We expect that DSP's banking subsidiary PostFinance will continue to defend its superior franchise as one of Switzerland's largest retail banks, with 2.8 million customers and a solid 14% market share in customer deposits. Moreover, PostFinance dominates about two-thirds of all noncash processing payments transactions in Switzerland, with about one trillion transactions annually. These numbers highlight PostFinance's legal mandate under Swiss postal law to provide basic services for payment transactions in Switzerland, which we do not expect to change. Apart from payment services we understand that PostFinance has no intention of expanding its business outside Switzerland.

Chart 1

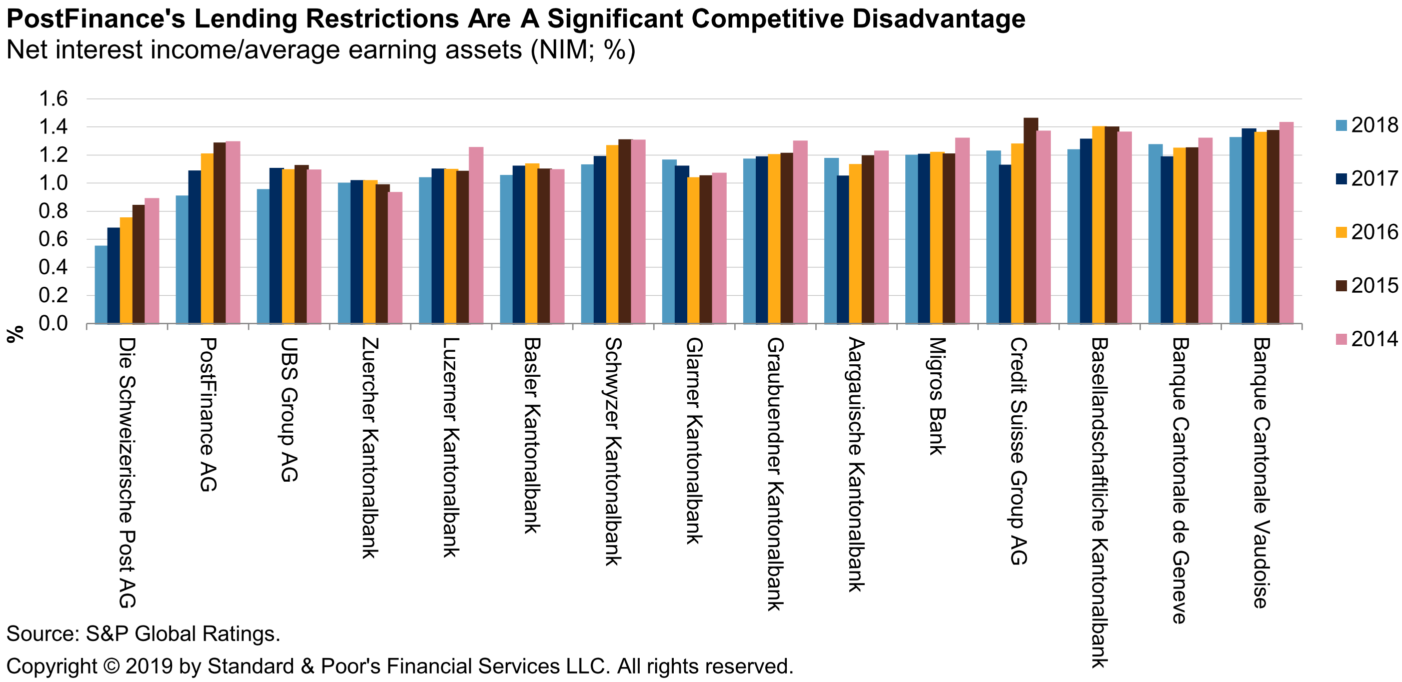
DSP's Banking Subsidiary PostFinance Is One Of The Country's Largest Retail Banks



CHF--Swiss franc. Source: S&P Global Ratings.

We continue to believe PostFinance's key weakness will remain its limited strategic options to improve its weak shareholder returns under existing legal restrictions, which mean it invests excess liquidity in the Swiss National Bank (SNB) and in the international capital markets. Therefore, we believe PostFinance will remain under more significant pressure from an expected lower-for-longer interest rate environment than other Swiss peer bank, given we expect interest rates won't improve before 2023. In the absence of major strategic alternative options, we believe Postfinance needs to undergo increasing cost-cutting measures and digitalization efforts to improve its efficiencies and substantiate its business profile.

Chart 2

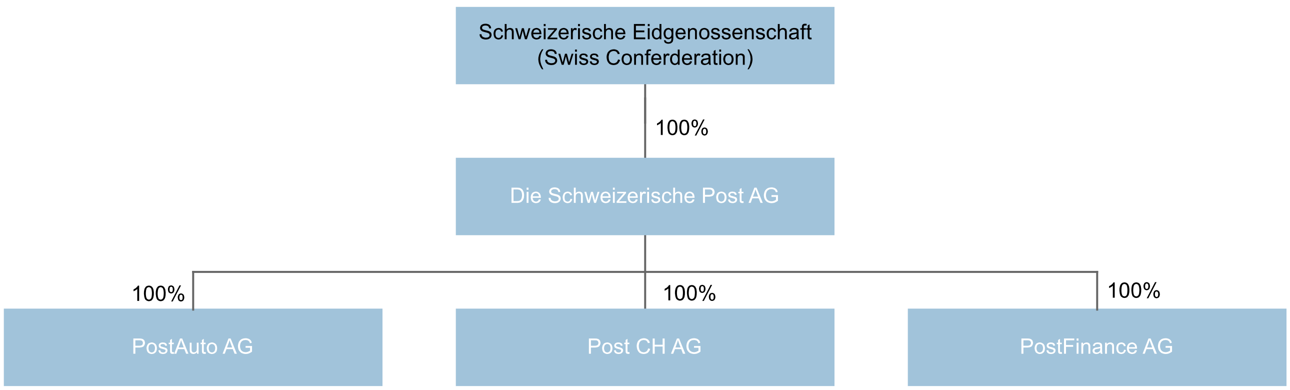


We believe PostFinance's earnings pressures are the main economic reason why the Swiss government announced in late 2018 that it will perform a feasibility study. Under this, PostFinance would be legally allowed to setup a nationwide lending business through a potential change to the law via a parliamentary process. In our view the Swiss government would likely only be willing to privatize PostFinance partially if the company were allowed to lend to Swiss customers, but it also remains committed and legally obliged to hold at least a 51% stake. The government also publicly announced in late 2018 its strong commitment to maintain and extend PostFinance's legal mandate to provide basic services for payment transactions in Switzerland. From today's perspective, we believe a binding decision by the Swiss parliament on maintaining or changing PostFinance's lending restrictions, in conjunction with a privatization scenario, is unlikely to appear before 2021. Our base-case scenario for the parliament decision in 2021 is that there will be no changes to PostFinance's lending restrictions or state ownership. We take into account that a similar political initiative did not find parliamentary consensus back in 2008, and we believe parliament will also discuss a competitive landscape in which PostFinance competes nationwide with cantonal banks. If, around 2021, the Swiss parliament were to decide to change PostFinance's lending restrictions or ownership, we would need to consider a weakening of our GRE approach and potential effects on DSP's and PostFinance's SACP, even though the restructuring and privatization process would likely take another one-to-two years minimum.

DSP's legal form changed to a special-law joint-stock company from a public-law institution on June 26, 2013. Simultaneously, the main operating divisions were legally segregated from DSP, which will remain their full owner. The Swiss Post group comprises the holding company, DSP, and three main subsidiaries: PostFinance (financial services), Post CH AG (communication/logistic operations), and PostAuto AG (public passenger transport) (see chart 3).

Chart 3

Swiss Post Group Organizational Structure



Although DSP is an NOHC, we consider its probability of default not materially different from that of the group's core operating subsidiaries. This is because we believe that any extraordinary government support for core group members, such as PostFinance, would be supplied through DSP. Our view is supported by the current legal framework in Switzerland, under which DSP has an implicit financing agreement with the federal treasury that allows it to receive funding at very short notice if in distress. A capital injection would require approval from the Swiss parliament. We therefore do not consider DSP to be structurally subordinated to the operating entities.

As an NOHC, DSP relies on distributions from its operating subsidiaries, including dividend payments and license fees, to repay its outstanding debt (CHF0.97 billion at year-end 2018). The diversity of the Swiss Post group's activities supports our equalization of the rating on DSP with that on PostFinance, although PostFinance has been regulated by the Swiss Financial Market Supervisory Authority (FINMA) since June 2013. We have used our bank rating methodology to determine Swiss Post's GCP because the main subsidiary--PostFinance--is a major deposit-taking institution in Switzerland and dominates the group's balance sheet and operating profit (96% and 46%, respectively, as of year-end 2018). Nevertheless, we include the group's corporate activities in our overall assessment.

Table 2

Die Schweizerische Post AG--Business Position

	--Year ended Dec. 31--				
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Total revenue from business line (mil. CHF)	3,537.0	7,538.0	7,681.0	7,935.0	7,964.0
Commercial & retail banking/total revenue from business line	22.8	19.2	25.8	25.9	25.9
Other revenue/total revenue from business line	77.2	80.8	74.2	74.1	74.1
Return on average common equity	5.6	6.1	6.5	12.0	13.4

*Data as of June 30. CHF--Swiss franc.

Capital and earnings:DSP's strong capitalization will gradually improve

We expect Swiss Post group's capital and earnings will remain a rating strength that compares well in a global context. Our view is based primarily on our projected risk-adjusted capital (RAC) ratio for the group over the next 18-24 months of 11.0%-12.0%, compared with 11.4% as of Dec. 31, 2018. The main factors for the Swiss Post group's risk-weighted assets (RWA) are credit risk in PostFinance's large investment portfolio (58% of S&P Global Ratings' RWA figure) and operational risk (30% of our RWA), mainly in the nonbanking business lines, based on their large revenue contribution.

Furthermore, we consider the Swiss Post group's quality of capital--consisting of paid-in capital and reserves--to be favorable. We understand that the group manages the capital at the holding level, that is, excess capital is held by DSP. The group's operations are self-financed, and DSP's priority is repaying the existing external funding out of dividends and cash flow from operating subsidiaries. The group's earnings quality is dominated by a high share of declining net interest income and gradually improving net commission income from the financial services business and the relatively robust revenue from nonbanking activities.

However, we believe that the Swiss Post group's earnings will remain below the industry average due to pressures from the low-interest-rate environment for PostFinance and likely subdued profitability for postal operations. We forecast that the group's three-year average earnings buffer will be only about 45 basis points, which indicates that earnings have a moderate capacity to cover normalized losses. We continue to believe operating efficiency will remain weak, based on our projected cost-to-income ratio of about 94%, which is not directly comparable with other Swiss financial institutions', due to the costs of the postal and logistic operations of the Swiss Post group.

Table 3

Die Schweizerische Post AG--Capital And Earnings					
	--Year ended Dec. 31--				
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
S&P Global Ratings' RAC ratio before diversification	N/A	11.4	10.7	7.4	7.5
S&P Global Ratings' RAC ratio after diversification	N/A	12.1	11.4	7.2	8.3
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenue	8.5	8.5	10.4	10.9	12.0
Fee income/operating revenue	N/A	7.7	7.5	7.0	7.3
Market-sensitive income/operating revenue	N/A	2.3	4.3	3.9	2.7
Noninterest expenses/operating revenue	92.9	93.7	94.1	91.8	89.5
Preprovision operating income/average assets	0.4	0.4	0.4	0.5	0.7
Core earnings/average managed assets	0.3	0.3	0.3	0.4	0.5

*Data as of June 30. N/A--Not applicable.

Table 4

Die Schweizerische Post AG--Risk Adjusted Capital Framework Data					
(CHF 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	38,198,206.0	228,034.7	0.6	20,946.2	0.1

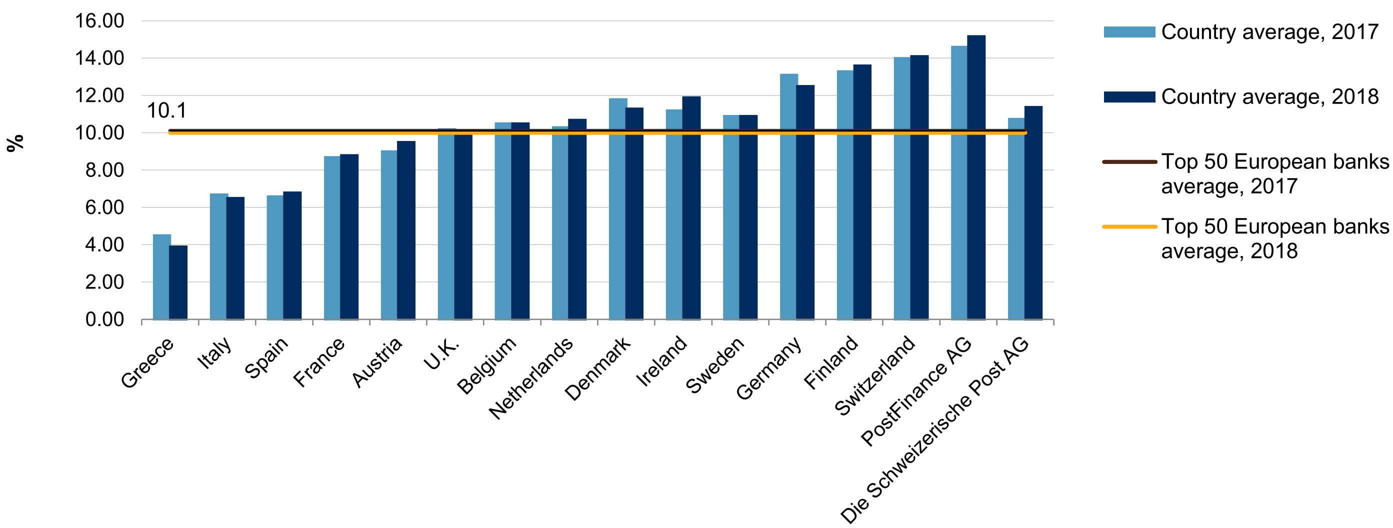
Table 4

Die Schweizerische Post AG--Risk Adjusted Capital Framework Data (cont.)					
Institutions and CCPs	59,464,925.9	9,522,875.0	16.0	10,096,102.5	17.0
Corporate	19,461,654.0	17,080,772.1	87.8	15,222,123.0	78.2
Retail	1,132,134.3	986,056.5	87.1	812,985.1	71.8
Other assets†	2,083,000.0	0.0	0.0	2,060,682.1	98.9
Total credit risk	120,339,920.1	27,817,738.3	23.1	28,212,839.0	23.4
Credit valuation adjustment					
Total credit valuation adjustment	--	149,965.6	--	0.0	--
Market Risk					
Equity in the banking book	1,222,554.6	1,603,517.0	131.2	8,331,051.2	681.4
Trading book market risk	--	367,482.3	--	551,223.5	--
Total market risk	--	1,970,999.3	--	8,882,274.6	--
Operational risk					
Total operational risk	--	2,655,405.9	--	14,795,625.0	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	33,808,980.0	--	51,890,738.6	100.0
Total Diversification/ Concentration Adjustments	--	--	--	(3,003,922.1)	(5.8)
RWA after diversification	--	33,808,980.0	--	48,886,816.5	94.2
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		5,948,680.5	17.6	5,904,000.0	11.4
Capital ratio after adjustments‡		5,948,680.5	17.6	5,904,000.0	12.1

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. Sources: Company data as of Dec. 31 2018, S&P Global Ratings.

Chart 4

2018 RAC Ratio Before Diversification For The 50 Largest Rated European Banks By Country



Note: Excluding countries where only one rated bank is part of the top-50 Western European banks.
RAC--Risk-adjusted capital. F--S&P Global Ratings forecast. NIM--Net interest margin. Source: S&P Global Ratings.

Risk position:Operational risks in nonbank activities and concentration risks in PostFinance's large investment portfolio

We expect Swiss Post group's overall risk position to remain a particular weakness compared with many Swiss peers, mainly reflecting the single-name and sector concentrations in PostFinance's investment portfolio. Because PostFinance is not allowed to extend loans, it invests most of its liquidity in high-quality securities. Although the quality of the portfolio is very high, we believe concentrations result in higher sensitivity to tail events than for the Swiss banking peer average and other peers operating in a similar economic risk environment. In addition, although we incorporate the nonbanking activities in our RAC ratio, we consider that our RAC framework cannot fully capture the risks in these operations.

PostFinance's investments totaled about CHF79 billion (66% of total assets) at year-end 2018, comprising mainly covered bonds (25%) and public-sector bonds (42%). We expect the portfolio's quality to remain very high--48% rated 'AAA' or 94% at least 'A'--in line with PostFinance's conservative investment policy, although the risks from single-name exposures will likely stay high. We also note that PostFinance's exposure to bonds issued by sovereign governments on Europe's southern periphery, mainly Spain and Italy, has decreased to a manageable less than 5% of mid-year 2018 TAC. PostFinance records most of the financial assets as "held to maturity", which reduces earnings volatility. Furthermore, PostFinance has no trading book, but is marginally exposed to market risk from foreign currency positions in international payment transactions.

Table 5

Die Schweizerische Post AG--Risk Position					
	--Year ended Dec. 31--				
(%)	2019*	2018	2017	2016	2015
Growth in customer loans	(0.5)	30.1	(7.7)	16.5	0.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(5.8)	(5.9)	2.3	(8.9)
Total managed assets/adjusted common equity (x)	19.7	21.0	22.8	33.5	33.3
New loan loss provisions/average customer loans	N.M.	0.0	(0.3)	0.2	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	0.0	0.0	0.1	0.1	0.2
Loan loss reserves/gross nonperforming assets	N/A	114.3	323.1	285.7	173.7

*Data as of June 30. N/A--Not applicable. N.M.--Not meaningful. RWA--Risk-weighted assets.

Funding and liquidity:One of the largest deposit-taking institutions in Switzerland, with ample liquidity

We consider the Swiss Post group's funding and liquidity position to be a particular rating strength, reflecting primarily PostFinance's operations and DSP's close ties to the Swiss government. Furthermore, we consider the nonbanking activities, which are based on cash flows, to be neutral to our funding and liquidity assessment. Consequently, our funding and liquidity metrics for the group, although outstanding compared with banks we rate globally, do not fully reflect the group's funding and liquidity profile.

With customer deposits of about CHF110 billion on June 30, 2019, PostFinance is a cash provider in the domestic interbank market. Customer deposits comprise equal shares of granular and very stable retail and business accounts, and we believe customer confidence is very robust, thanks to the group's government ownership. The group does not rely on wholesale funding and so far has a limited amount of debt at the holding company level (CHF1.6 billion). We therefore expect our stable funding ratio to remain superior to the ratios of most global banks at about 210% in 2019-2021, which is in line with levels as of June 30, 2019 (PostFinance stood at 485% as of June 30, 2019).

We expect liquidity to remain superior as well, because the group's liquidity sources would allow it to operate for more than 12 months in the event of sudden customer withdrawals at PostFinance, without resorting to the debt capital markets. This is demonstrated by DSP's ratio of broad liquid assets to short-term wholesale funding of about 198x as of June 30, 2019, which is superior to that of global banks.

Since mid-year 2011, the Swiss Post group's retail finance segment has been placing excess liquidity with the SNB, where it now holds a liquidity buffer of more than CHF35 billion. We do not expect a significant reduction in PostFinance's liquidity at the SNB in the short term, despite negative interest on sight deposits at the SNB and the anticipated increase in PostFinance's investment activity in the capital market, under its conservative policy. In addition, the group has a substantial portfolio of assets eligible for sale-and-repurchase transactions with the SNB, access to bank lines, and a financing agreement with the federal treasury.

Table 6

Die Schweizerische Post AG--Funding And Liquidity					
	--Year ended Dec. 31--				
(%)	2019*	2018	2017	2016	2015
Core deposits/funding base	97.8	99.0	98.7	95.8	97.5
Customer loans (net)/customer deposits	14.4	14.3	10.8	12.0	10.6
Long-term funding ratio	99.7	99.8	99.6	97.0	98.7
Stable funding ratio	211.7	209.8	214.8	202.4	406.3
Short-term wholesale funding/funding base	0.3	0.2	0.4	3.1	1.3
Broad liquid assets/short-term wholesale funding (x)	198.3	251.8	152.7	19.3	63.1
Net broad liquid assets/short-term customer deposits	61.6	60.3	62.2	59.0	84.5
Short-term wholesale funding/total wholesale funding	14.1	23.7	32.2	73.6	53.2
Narrow liquid assets/3-month wholesale funding (x)	1,990.9	478.7	724.8	30.7	63.9

*Data as of June 30.

External support: The Swiss Post group benefits from extraordinary government support

Because DSP is an NOHC we do not assess its SACP; rather, we derive the ratings on DSP from the Swiss Post group's GCP, including potential government support. The supported GCP of 'aa+' mainly reflects the operations of PostFinance, which we regard as a GRE. The GCP is five notches higher than the unsupported GCP of 'a-' because of our view of an extremely high likelihood of government support for the core subsidiaries in the event of stress.

We equalize the ratings on DSP with the supported GCP because, in our view, the probability of default of DSP--the parent and holding company--is the same as that of the core operating companies. This follows our understanding that any potential financial support from the Swiss government will likely be directed to DSP instead of to the subsidiaries, in accordance with the legal framework in place. DSP would then allocate such support to its operating subsidiaries as necessary.

We consider PostFinance to be a GRE with an extremely high likelihood of extraordinary government support, which adds three notches of uplift to our assessment of its SACP of 'a+'. However, we expect that, if needed, this support would be provided indirectly through DSP in line with the legal framework in place. Our view of an extremely high likelihood of extraordinary support for PostFinance reflects our assessment of its:

- Critical role for the government as part of the Swiss Post group, which has a legal mandate to provide essential services to the Swiss population. As such, in our view PostFinance remains one of the most important GREs in Switzerland, with a central role of meeting the government's political objectives; and
- Very strong link with the Swiss government, which owns PostFinance through DSP and approves its strategy. We believe that PostFinance will remain a core member of the Swiss Post group in the foreseeable future. We consider the possibility of full or partial privatization of PostFinance to be very remote over the medium-to-long term, even though Swiss Postal Law allows a minority shareholding by a third-party investor.

The Swiss government is DSP's sole owner, and DSP reports quarterly to the government, which also appoints DSP's management and supervisory boards. Two regulatory boards supervise the group's adherence to its public service mandate. We regard the possibility of full or even partial privatization of DSP as very remote in the medium term.

Based on enhancements to the Swiss bank resolution regime that came into effect on Jan. 1, 2016, we consider it uncertain that the Swiss sovereign would provide extraordinary government support to systemically important commercial banks like PostFinance. We also consider the Swiss resolution regime to be effective--that is, likely to ensure an orderly bail-in of liabilities to ensure that stressed systemically important institutions remain going concerns. We can therefore include notches of uplift for systemically important commercial banks that we expect will build sizable bail-in capacity buffers (additional loss-absorbing capacity [ALAC]) over the coming two-to-four years.

However, we consider GRE support to be the stronger external support element, given that it provides more notches of uplift than any uplift potentially available under our criteria for ALAC. Moreover, in our view, the Swiss resolution framework does not impede state or cantonal owners' ability to provide extraordinary support to banks that we consider to be GREs.

Additional rating factors:None

No additional factors affect this rating.

Related Criteria

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	**a-**	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 17, 2019)*

Die Schweizerische Post AG	
Issuer Credit Rating	AA+/Stable/A-1+
Issuer Credit Ratings History	
28-Jun-2013	AA+/Stable/A-1+
21-Mar-2013	AA+/Negative/A-1+
Sovereign Rating	
Switzerland	AAA/Stable/A-1+
Related Entities	
PostFinance AG	
Issuer Credit Rating	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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