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Die Schweizerische Post AG

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Die Schweizerische Post AG

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

+

Support	+5
GRE Support	+5
Group Support	0
Sovereign Support	0

+

Additional Factors	0

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

Major Rating Factors

Strengths:	Weaknesses:
• Legally mandated provider of essential banking services in Switzerland. • Extremely high likelihood of extraordinary support for the group from the Swiss government. • Above-average funding profile and superior liquidity position.	• Low-interest-rate cycle materially challenges earnings capacity in financial services business. • Narrow business model in its financial services business, due to restriction under Switzerland's postal law. • 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 which 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, we assume 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 (GCP) by three notches or more to 'aa-' or higher. A positive rating action would also depend on our view that a long-term mirroring of the ratings on the Swiss Post group with those on Switzerland is appropriate in the absence of an explicit state guarantee.

Rationale

We derive our issuer credit rating on DSP from the creditworthiness of the consolidated group. Our 'a' consolidated group creditworthiness excluding any uplift for support as a government related entity (unsupported GCP) on the Swiss Post group, headed by DSP, stems from its core banking subsidiary PostFinance's 'a-' anchor, the starting point of our ratings assessment for banks in Switzerland. We take into account that PostFinance benefits from operating in Switzerland's highly diversified and competitive economy, the country's very high household income levels, and Swiss banks' prudent loan underwriting standards.

Moreover, we regard the Swiss Post group's business position as adequate, given that we expect the group's stable business generation and its position as the legally mandated provider of postal, financial, and payment services through the post office network in Switzerland to remain unchanged for the time being.

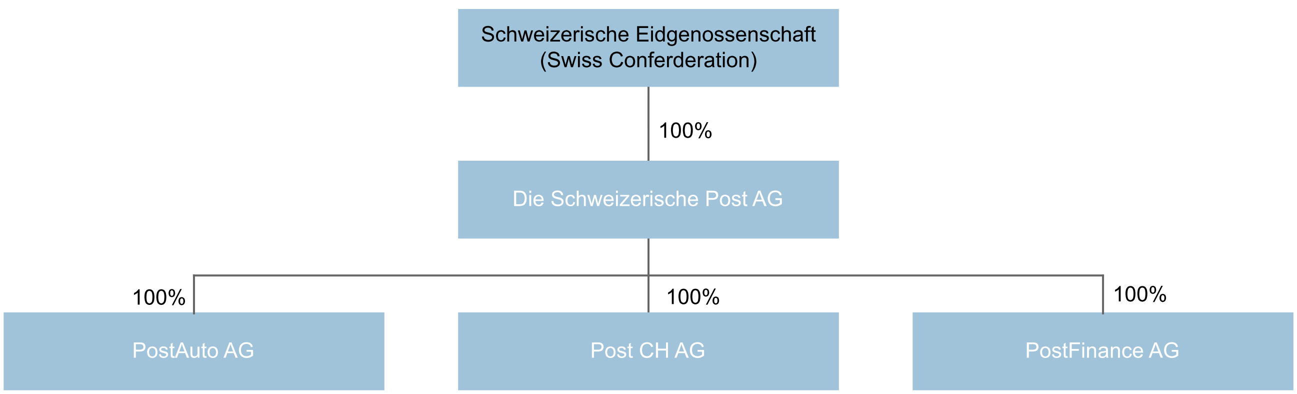
We also expect that the Swiss Post group's capital and earnings remains strong, primarily because our projected risk-adjusted capital (RAC) ratio (before adjustments) for the group over the next 18-24 months is 10.5%-11.5%, after 10.7% as of Dec. 31, 2017. We consider the Swiss Post group's overall risk position as weak, mainly reflecting the single-name and sector concentrations in PostFinance's investment portfolio, and that our RAC ratio cannot fully capture the risks in DSP's nonbanking activities.

We consider the Swiss Post group's funding above average and its liquidity position strong, mainly reflecting 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.

As a result, the consolidated group creditworthiness is 'aa+' (supported GCP) when we include the likelihood of support from Switzerland.

On June 26, 2013, DSP's legal form changed to a special-law joint-stock company from that of a public-law institution. 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 below).

Swiss Post Group Organizational Structure



Although DSP is an NOHC, its probability of default is not materially different from that of the group's core operating subsidiaries, in our view. 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, which stood at Swiss francs (CHF) 1.3 billion ($1.3 billion at year-end 2017. The diversity of the Swiss Post group's activities supports our equalization of the rating on DSP with those 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 the 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 53%, respectively, as of year-end 2017). Nevertheless, we include the group's corporate activities in our overall assessment.

Anchor: 'a-' to mainly reflect 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 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 10% 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, it also reflects that risks remain, owing to the cumulative rise in Swiss house prices over the past several years. Although imbalances remain moderate in a global context, they have led the regulator to enact macroprudential measures to rein growth in mortgage indebtedness. We recognize that house price growth has cooled down since the beginning of 2014, while lending has recently picked up again after several years of moderate growth. In our view, house prices and household indebtedness remain historically high. The very high mortgage debt level is mitigated by the large amount of financial assets, including pensions, held by Swiss households.

Our industry risk score of '2' primarily reflects the banking sector's stability and a relatively high share of deposit funding. 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 still able to generate adequate returns on core banking products to meet their cost of capital. Moreover, in our view, the Swiss regulator's regulatory measures are more stringent than those of many other European banking regulators.

Table 1

Die Schweizerische Post AG Key Figures

		--Year-ended Dec. 31--			
(Mil. CHF)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	131,884.0	126,910.0	126,213.0	119,891.0	124,300.0
Customer loans (gross)	16,574.0	12,261.0	13,278.0	11,399.0	11,301.0
Adjusted common equity	6,243.0	5,599.0	3,784.0	3,609.0	4,277.0
Operating revenues	3,770.0	7,643.0	7,891.0	7,964.0	8,065.0
Noninterest expenses	3,495.0	7,191.0	7,240.0	7,127.0	7,196.0
Core earnings	218.0	351.9	525.3	631.0	638.0

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

Business position: Sound market position as the nation's postal provider and leading deposit-taking institution

We expect the Swiss Post group's business position will remain adequate, given our expectation that the group's very stable business generation and its position as the legally mandated provider of postal, financial, and payment services through the post office network in Switzerland will remain unchanged for the time being.

DSP is the incumbent postal operator in Switzerland. It has a dense branch network and its revenues totaled CHF3.8 billion for the six months ended June 30, 2018, compared with CHF4.0 billion in the first half of 2017. DSP's assets totaled CHF132 billion as of June 30, 2018, and it is the second-largest employer in Switzerland, with more than 49,000 employees (full-time equivalent).

DSP's banking subsidiary PostFinance is one of the country's largest retail banks. Mid-year 2018, it had total assets of CHF127 billion, and about 3 million retail and business clients. PostFinance has a legal mandate to provide basic services for payment transactions in Switzerland according to Swiss postal law, which we expect will continue over the medium term. We expect the bank to build on its leading position in domestic payment transactions; it is effectively party to two-thirds of noncash payments in Switzerland, with about 1 trillion transactions annually. The banking operations should, in our view, further benefit from very strong customer confidence, shown by high client penetration, especially among retail and business customers, and its solid market share of domestic customer deposits (estimated at 15%), as demonstrated by ongoing customer asset inflow. We understand that PostFinance has no intention to expand its business outside Switzerland (apart from payment services).

Swiss postal law prohibits PostFinance from lending; therefore it invests its excess liquidity in the Swiss National Bank (SNB) and in the international capital markets. We do not expect this restriction to change any time soon. However, PostFinance's revenues are particularly pressured by the ongoing low-interest environment due to this restriction, and we don't expect interest rates will improve before late 2019. We believe this is a main economic reason why the Swiss government announced late 2018 to do a feasibility study under which PostFinance would receive the legal possibility to do nationwide lending business and to decide on that in a parliament process. If PostFinance were to be allowed lending business, the Swiss government indicated it would be willing to privatize PostFinance partially, but also to remain committed and legally obliged to hold a minimum stake of 51% stake in PostFinance. This is also in the context of the government publicly announcing in late 2018 its strong commitment to maintain and rather extend PostFinance's legal mandate to provide basic services for payment transactions in Switzerland.

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 be announced before 2020. In our base case, we assume that the parliament decision will be taken in 2020 and 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 take into consideration the competitive landscape in which PostFinance competes nationwide with cantonal banks. If 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 impacts on our assessment of the stand-alone creditworthiness of PostFinance and DSP. That said, the restructuring and privatization process would likely take another one or two years minimum.

The Swiss Post group's share of nonbanking activities accounted for a stable 48% of its CHF281 million operating profit as of June 30, 2018, down from CHF538 million in mid-2017, mainly owing from onetime gains from equity sales last year. The nonbanking activities provide positive revenue diversification, in our view. These activities are supported by the Swiss Post group's strong competitive position as Switzerland's national postal provider, and the profitability and favorable growth prospects of the logistics business.

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 that regulatory or legislative changes pose the key risk for the group's business stability, although we do not expect such changes to materialize over the medium term.

The group's strengths are partly mitigated by structurally declining mail volumes and the high fixed costs of maintaining the postal branch network, which will translate into decreasing revenues from the nonbanking activities. 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 consider DSP's management and strategy to be prudent, led by the public mandate. The financial targets set by the Swiss Federal Council guarantee sustainable profitability and, in our view, are not overly ambitious. The legal restructuring has laid a foundation for a more modern group, regulated by competent authorities, which we consider essential in light of the evolving postal market and the strong growth of the retail bank's activities over the past five years.

Table 2

Die Schweizerische Post AG Business Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Total revenues from business line (mil. CHF)	3,770.0	7,681.0	7,935.0	7,964.0	8,065.0
Commercial & retail banking/total revenues from business line	22.2	25.8	25.9	25.9	27.2
Other revenues/total revenues from business line	77.8	74.2	74.1	74.1	72.8
Return on average common equity	6.5	6.5	12.0	13.4	12.0

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

Capital and earnings: Strong capitalization and stable operating profitability

We expect Swiss Post group's capital and earnings will remain a particular rating strength that compares well in a global context, primarily because our projected RAC ratio for the group over the next 18-24 months is 10.5%-11.5%, after 10.7% as of Dec. 31, 2017. Our RAC ratio forecast is higher than in 2017 and the years before, mainly reflecting reduced pension liabilities, increased transparency on regulatory risk reporting under the Swiss regulator FINMA, and some shifts in the customer group and geographic split reporting. The main factors for the Swiss Post group's risk-weighted assets (RWA) are credit risk in PostFinance's large investment portfolio (53% of S&P Global Ratings' RWA figure) and operational risk (29% 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 very strong. We understand that the group manages the capital at the holding level, that is, excess capital is held by DSP. The group 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, in our view, also very strong, reflecting the high share of stable net interest and net commission income from the financial services business and the relatively robust revenues from the nonbanking activities.

However, we believe that the Swiss Post group's earnings level will remain below industry average due to pressures of a low-interest-rate environment for PostFinance and likely subdued profitability at the postal operations. We forecast that the group's three-year average earnings buffer will be only about 40 basis points (bps), 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 90 bps, 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. We also think that these weaknesses weigh on the overall assessment of the group, reflecting the entity's beneficial track record of risk costs materially below our estimated normalized costs.

Table 3

Die Schweizerische Post AG Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
S&P Global Ratings' RAC ratio before diversification	N/A	10.7	7.4	7.5	9.7
S&P Global Ratings' RAC ratio after diversification	N/A	11.4	7.2	8.3	10.1
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	0.0	10.4	10.9	12.0	12.5
Fee income/operating revenues	N/A	7.5	7.0	7.3	7.1
Market-sensitive income/operating revenues	N/A	4.3	3.9	2.7	2.5
Noninterest expenses/operating revenues	92.7	94.1	91.8	89.5	89.2
Preprovision operating income/average assets	0.4	0.4	0.5	0.7	0.7
Core earnings/average managed assets	0.3	0.3	0.4	0.5	0.5

*Data as of June 30. N/A--Not available. RAC--Risk-adjusted capital.

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 and central banks	3,792,132	312,475	8	138,631	4
Of which regional governments and local authorities	0	0	0	0	0

Table 4

Die Schweizerische Post AG Risk-Adjusted Capital Framework Data (cont.)					
Institutions and CCPs	58,998,568	9,853,635	17	9,917,241	17
Corporate	18,356,469	15,978,997	87	14,818,470	81
Retail	1,236,065	1,186,544	96	917,439	74
Of which mortgage	0	0	0	0	0
Securitization§	0	0	0	0	0
Other assets†	2,106,000	30,368	1	2,083,436	99
Total credit risk	84,489,235	27,362,019	32	27,875,217	33
Credit valuation adjustment					
Total credit valuation adjustment	--	119,761	--	0	--
Market risk					
Equity in the banking book	1,326,956	1,735,336	131	9,101,292	686
Trading book market risk	--	131,633	--	197,449	--
Total market risk	--	1,866,969	--	9,298,742	--
Operational risk					
Total operational risk	--	2,617,417	--	14,932,500	--
		Basel III RWA		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		33,218,171		52,106,458	100
Total Diversification/Concentration Adjustments		--		(3,060,706)	(6)
RWA after diversification		33,218,171		49,045,752	94
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		5,682,294	17.1	5,599,000	10.7
Capital ratio after adjustments‡		5,682,294	17.1	5,599,000	11.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡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, 2017, S&P Global.

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

We consider the Swiss Post group's overall risk position weak, mainly reflecting the single-name and sector concentrations in PostFinance's investment portfolio. While quality of the portfolio is very high, we believe concentrations result in higher sensitivity to tail events than for the peer average for Swiss banks and other peers operating in similar economic risk environments. 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 is not permitted to lend, according to Swiss postal law. Consequently, it invests most of its excess liquidity in the international capital markets or places it with the central bank.

PostFinance's investments totaled about CHF80 billion (64% of total assets) on June 30, 2018, comprising mainly covered bonds (25% of investment portfolio) and public-sector bonds (42%). We expect the portfolio's quality to remain very high--48% rated 'AAA' or 95% rated at least 'A'. We expect PostFinance will maintain its conservative investment rules, which, in our view, will continue to be reflected in the good quality of the portfolio, despite risks from high single-name and sector exposures. We also note that PostFinance records more than 90% of its financial assets as "held to maturity," which reduces reported earnings volatility. PostFinance has no trading book, but is marginally exposed to market risk from foreign currency positions in international payment transactions.

The Swiss Post group's pension deficit, which is vulnerable to interest-rate movements, poses an additional risk for the group. However, the Swiss Post group started applying the revised International Accounting Standard No. 19 in 2013, so unrecognized actuarial losses are recognized in the balance sheet under equity, with a retroactive negative equity adjustment of CHF2.5 billion as of Dec. 31, 2012, and we recognize pension deficits in regulatory capital in our RAC calculations.

Table 5

Die Schweizerische Post AG Risk Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	70.4	(7.7)	16.5	0.9	12.8
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(5.9)	2.3	(8.9)	(4.5)
Total managed assets/adjusted common equity (x)	21.2	22.8	33.5	33.3	29.1
New loan loss provisions/average customer loans	N.M.	(0.3)	0.2	(0.0)	0.9
Gross nonperforming assets/customer loans + other real estate owned	0.0	0.1	0.1	0.2	0.2
Loan loss reserves/gross nonperforming assets	N/A	323.1	285.7	173.7	266.7

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

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

We consider the Swiss Post group's funding above average and its liquidity strong, mainly reflecting 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 CHF115 billion on June 30, 2018, the group is a cash provider in the domestic interbank market. Customer deposits comprise equal shares of granular and very stable retail and business accounts. 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 205% in 2018-2020, which is in line with levels as of June 30, 2018 (PostFinance stood at 141% as of June 30, 2018).

We consider liquidity strong 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 153x as of year-end 2017, which is superior to that of global banks.

Since mid-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--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	95.8	98.7	95.8	97.5	98.6
Customer loans (net)/customer deposits	14.4	10.8	12.0	10.6	10.0
Long-term funding ratio	99.0	99.6	97.0	98.7	99.8
Stable funding ratio	205.2	214.8	202.4	406.3	438.5
Short-term wholesale funding/funding base	1.0	0.4	3.1	1.3	0.2
Broad liquid assets/short-term wholesale funding (x)	57.0	152.7	19.3	63.1	351.5
Net broad liquid assets/short-term customer deposits	60.8	62.2	59.0	84.5	86.7
Short-term wholesale funding/total wholesale funding	24.7	32.2	73.6	53.2	17.7
Narrow liquid assets/3-month wholesale funding (x)	1,126.9	724.8	30.7	63.9	19,366.2

*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 the Swiss Post group's NOHC--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 is to fulfil the legal mandate of providing 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) 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 additional loss-absorbing capacity. 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 14, 2018)

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.