S&P Global
Ratings

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Die Schweizerische Post AG

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Die Schweizerische Post AG

Rating Score Snapshot

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

SACP: a- → **Support: +5** → **Additional factors: 0**

SACP: a-		
Anchor		
Business position		
Capital and earnings		
Risk position		
Funding		
Liquidity		
CRA adjustment		

Support: +5	
ALAC support	0
GRE support	+5
Group support	0
Sovereign support	0

Issuer credit rating
AA+/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Extremely high likelihood of extraordinary support from the Swiss government.	Need for material investment to execute the growth strategy and secure a self-financed business model in the medium term.
Essential role of fulfilling community service obligations.	Execution risks related to business transformation following declining mail volumes.
Strong market position and extensive network as the legally mandated provider of postal services in Switzerland.	

The creditworthiness of Die Schweizerische Post AG (DSP) drives S&P Global Ratings' assessment of the consolidated Swiss Post group, consisting of banking and logistics activities. Reflecting PostFinance's importance for the overall group, we derive the group stand-alone credit profile (SACP) by weighting our credit assessment of DSP's nonbanking activities--communications, transportation, and logistics--and the SACP of subsidiary PostFinance. Given the Swiss Council of States and National Parliament's rejection in 2022 the Federal Council's proposal to privatize PostFinance, we are unlikely to change our rating approach.

DSP's legal mandate and its importance for Switzerland will continue to support its creditworthiness. Our ratings reflect the group's status as the legally mandated provider of postal, financial, and payment services through its extensive post office network in the country. We continue to view DSP as a government-related entity (GRE) with an extremely high likelihood of extraordinary support from the Swiss government and expect that governmental support would guard against a potential five-notch deterioration in the SACP.

DSP needs material investment to manage its business model transformation, accelerating its "Post of Tomorrow" strategic program. To combat deteriorating performance, the group started seeking alternative paths to growth and efficiency by launching Post of Tomorrow in early 2020. The group is exposed to investment needs for parcel processing and new technologies to adapt its business model and compensate for lower mail volumes. Its 2023 half-year results have been negatively impacted by record-high inflation, lower income because of the turnaround in interest rates, and declining letter and parcel volumes. However, we expect an improvement in 2024 considering interest rate developments and Swiss Post's consistent implementation of its Post of Tomorrow strategy.

Outlook

Our stable outlook on DSP reflects that on its ultimate owner and support provider, Switzerland, over our 24-month forecast horizon. We expect that the Swiss Post group's very close links to the state, as well as its ownership and mandate to provide key public services, will not materially change for the foreseeable future. While we see increasing pressure on DSP's financial risk profile, our base-case scenario is that the group will manage its transformation program to compensate for decreasing revenue and higher investment in new technologies.

Downside scenario

We could lower our issuer credit rating if the group's ties to Switzerland were to weaken or respective legislation changed. This could have negative rating implications of one or more notches for DSP as the group's nonoperating holding company, and for its core subsidiary, PostFinance. We would similarly revise our outlook to negative or lower the ratings if we perceived an increased likelihood of a transition. In any case, we do not expect legislative changes to take effect before 2024. We expect that a potential deterioration in the group SACP would be buffered by government support and would not trigger a downgrade of DSP.

We could revise down the group SACP if we concluded that Swiss Post group's restructuring is unlikely to sufficiently address ongoing earnings deterioration in case of increasing stress. The same holds true if we conclude that the business model is no longer supported by the government to the same extent, increasingly exposing the group to competitive pressure.

Upside scenario

We view the likelihood of a positive rating action on DSP as extremely remote.

Company Description: Legally Mandated Provider Of Postal, Financial, And Payment Services In Switzerland

DSP is Switzerland's main postal carrier and the third-largest employer in the country. The group operates about 800 self-operated branches and intends to increase the number of overall contact points to more than 5,000 (including, for instance, in retail stores) by 2024. DSP's business model is embedded within a regulatory framework that can provide implicit guarantees, immediate emergency credit provisions, and compensation for loss-making operations, which supports our analysis. At the same time, DSP is mandated to provide comprehensive and cost-effective postal and payment services in Switzerland on (at least) five working days a week. Also, 90% of the population should have post offices and access to universal payment services within 20 minutes of them by walking or public transport.

Schweizerische Post organizes its activities into five key divisions:

- Logistics services, including mail and parcel.
- Communication services, trust-based information services, and digital offerings to public authorities.
- The postal network, managing its nationwide presence.
- Mobility services, including the Swiss-wide network of PostBus as well as company cars.
- PostFinance, providing payment services and conducting retail banking.

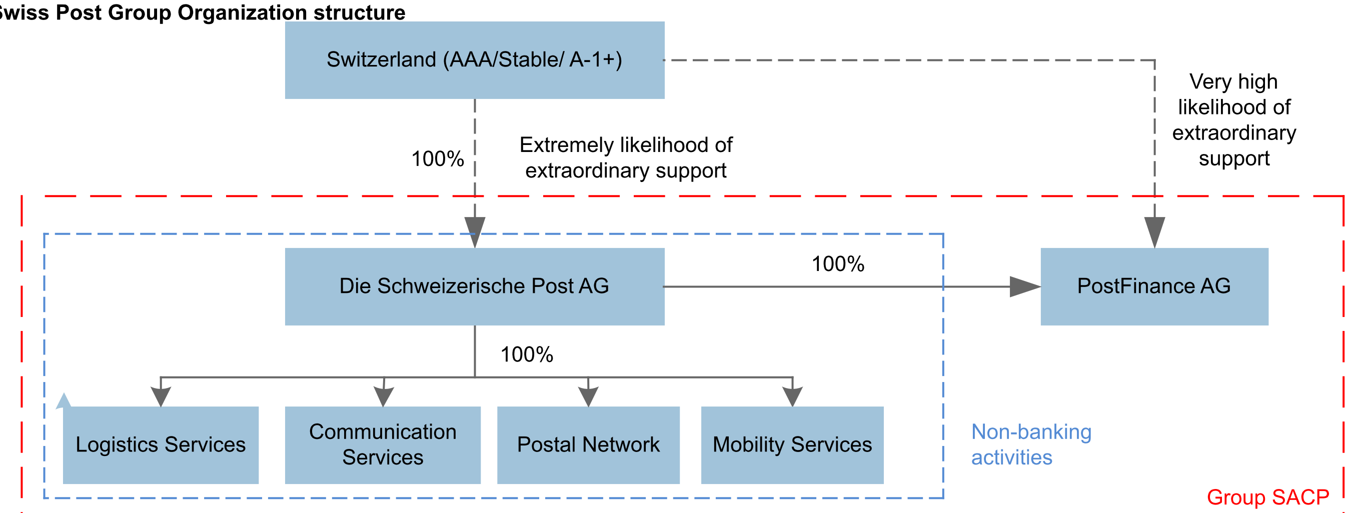
Its former subsidiary, Swiss Post Solutions (SPS), which offered document managing systems, was eventually sold to a private vendor in March 2022 as part of the group's strategic overhaul.

Rationale

We base our ratings on DSP on our assessment of the group credit profile and our view of the likelihood of extraordinary support from Switzerland.

We employ a cross-sector group approach to reflect the group's wide range of activities. We determine DSP's group SACP according to a cross-sector group approach. In doing so, we first assess the intrinsic creditworthiness of the group's various businesses. Then, we derive the group SACP by weighting our credit assessment of DSP's nonbanking activities--logistics, communications, and mobility services--and the SACP of PostFinance.

Chart 1
Swiss Post Group Organization structure



The group is transitioning toward a digitalized business model to defend its market position. In January 2021, DSP embarked on its 10-year strategy to transforming its postal services according to customer demand so as to protect its franchise and legal mandate. Group assets totaled around Swiss franc (CHF) 119 billion as of June 30, 2023.

While we view DSP's core markets as having relatively high entry barriers, we see an increasing risk of the group not being able to defend its position in some areas, like the parcel delivery market, against competitors and cost pressure in the medium term. Rising energy and transportation costs will oblige DSP to pass on additional costs to its customers. Also, changes to the public mandate, while not our base-case scenario, could expose the group to more competitive stress.

High fixed costs and investment needs in the transition toward a digitalized business model are increasingly straining the group's financial results. In our opinion, widening its product portfolio beyond its legal monopoly, for example by offering digital health or e-government services, could support overall profitability if successful. With the premiere of its new e-voting system in April 2023, Swiss Post has shown it can offer secure digital solutions for Switzerland.

Declining metrics in 2023 reflect the challenging business environment for Logistics Services and at PostFinance. Swiss Post's operating performance in 2023 has been undermined by ongoing record-high inflation, lower income because of the turnaround in interest rates, and declining letter and parcel volumes. However, thanks to continued efficiency measures, the PostNetz segment has kept its operating losses in the branch network to almost the same level as the year before, to minus CHF71 million for fiscal 2022 (versus minus CHF68 million in fiscal 2021) from minus CHF159 million in fiscal 2017. We attribute this to the ongoing implementation of the Post of Tomorrow strategy. In the first six months of 2023, Swiss Post generated a profit of CHF118 million, down CHF141 million from the first half of 2022. The decline in earnings is mainly attributed to the sale of former subsidiary Swiss Post Solutions, which had a positive impact of CHF28 million on interim profit in the previous year.

To execute DSP's growth strategy and secure the self-financed basic service for the future, the group will accelerate its investments in infrastructure and the refreshed business model. Total investments will top CHF3.5 billion over 2021-2024, although CHF1.4 billion for Logistics, Communication, Network, and Sustainability should be self-financing. In our view, Swiss Post is well on track with its 2021–2024 strategy.

Following DSP's economic challenges, Switzerland temporarily reduced the dividend to CHF50 million per year, starting in 2020, which still guarantees a minimal and somewhat symbolic return on equity.

Large liquidity buffers stem from the PostFinance business and implicit government support. Due to the financial services businesses' regulated nature, we look at the liquidity of each segment individually, while recognizing that the fungibility of liquidity is more restricted than for a standard corporate group.

Our assessment reflects the group's funding and liquidity metrics, although these cannot fully capture the group's nonfinancial activities. PostFinance's operations and DSP's close ties to the Swiss government, supporting customer trust and deposit stability, are positive for our overall assessment.

In our view, Swiss Post's key weakness remains its limited strategic options to improve its weak shareholder returns under existing legal restrictions. These include its public service mandate, mandatory services, and PostFinance being not allowed to extend loans. Because of this it invests most of its liquidity in high-quality securities. Despite increasing interest rates, such assets--offering adequate returns--are still somewhat rare and we expect only a gradual increase in PostFinance's net interest income over the medium term.

If, in future, the Swiss parliament accepts the legislative proposal and initiates a privatization of PostFinance, we would reconsider the group's business as well as liquidity and funding position given that any changes in ownership status could affect customer confidence.

Support: Five Notches Of Uplift For Potential Government Support

Our supported GCP of 'aa+' includes five notches of uplift for extraordinary government support from Switzerland above the group SACP of 'a-'.

We view DSP as a GRE with an extremely high likelihood of extraordinary government support. We expect that governmental support would guard against a potential deterioration in the SACP. Our view reflects our assessment of the group's:

- Critical role for the government, being mandated to provide essential services to the Swiss population. We view the group as 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, bound by an implicit financing agreement, the obligation to provide emergency liquidity, and its ultimate status as a shareholder.

Should the ongoing debate about PostFinance reveal a risk that the government's stance toward DSP could change, we could reassess its GRE status, with potential implications for the SACP, outlook, and ratings on the group.

Environmental, Social, And Governance

The Swiss government is DSP's sole owner, and the group reports quarterly to the government, which also appoints DSP's management and supervisory boards. Its board of directors supervises the fulfillment of its public service, which backs our assessment of the probability of extraordinary support. At the same time, political influence of DSP's strategic settings is very high and entails tail risk.

Key Statistics

Table 1

Die Schweizerische Post AG--Key figures

	--Year ended Dec. 31--				
(Mil. CHF)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	118,289	119,820	127,805	123,791	132,060
Customer loans (gross)	15,069	14,909	15,221	16,045	15,780
Adjusted common equity	9,218	9,167	7,824	6,048	6,020

Table 1

Die Schweizerische Post AG--Key figures (cont.)

	--Year ended Dec. 31--				
(Mil. CHF)	**2023***	**2022**	**2021**	**2020**	**2019**
Operating revenues	3,323	6,895	6,862	7,044	7,147
Noninterest expenses	3,164	6,504	6,231	6,785	6,718

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

Table 2

Die Schweizerische Post AG--Business position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	3,323	6,936	6,893	7,077	7,147
Commercial & retail banking/total revenues from business line	26.5	19.0	20.3	18.5	19.7
Other revenues/total revenues from business line	73.5	81.0	79.7	81.5	80.3
Return on average common equity	2.4	3.8	7.3	2.6	3.8

*Data as of June 30.

Table 3

Die Schweizerische Post AG--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted common equity/total adjusted capital	100	100	100	100	100
Net interest income/operating revenues	4.9	7.9	7.6	7.4	7.1
Fee income/operating revenues	N/A	9.1	9.4	8.5	8.7
Market-sensitive income/operating revenues	N/A	2.9	3.2	2.8	3.4
Cost to income ratio	95.2	94.3	90.8	96.3	94.0
Preprovision operating income/average assets	0.3	0.3	0.5	0.2	0.3
Core earnings/average managed assets	0.2	0.3	0.4	0.1	0.2

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

Table 4

Die Schweizerische Post AG--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	85.1	82.8	80.7	97.7	90.3
Customer loans (net)/customer deposits	16.6	16.6	16.2	14.7	14.5
Long-term funding ratio	88.8	86.5	83.8	99.4	92.3
Stable funding ratio	195.6	195.8	196.1	210.5	209.7
Short-term wholesale funding/funding base	12.2	14.7	17.3	0.7	8.1
Broad liquid assets/short-term wholesale funding (x)	5.0	4.2	3.7	92.5	7.8
Broad liquid assets/total assets	54.1	55.2	57.6	54.5	57.4
Broad liquid assets/customer deposits	70.7	73.9	78.6	61.9	70.0
Net broad liquid assets/short-term customer deposits	56.5	56.2	57.2	61.3	61.1

Table 4

Die Schweizerische Post AG--Funding and liquidity (cont.)

	--Year ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Short-term wholesale funding/total wholesale funding	81.4	85.3	90.0	28.9	83.4
Narrow liquid assets/3-month wholesale funding (x)	5,204.3	4.2	3.7	117.8	244.7
*Data as of June 30.					

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- 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
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Switzerland, August 18, 2023
- Select Swiss Banks Affirmed After Review Of Banking Sector; BICRA Group Remains '2', July 24, 2023
- Swiss Public Liquidity Backstop For Banks Comes With Strings Attached, July 17, 2023
- Economic Outlook Eurozone Q3 2023: Short-Term Pain, Medium-Term Gain, June 26, 2023
- Full Analysis: Switzerland, Feb. 13, 2023
- Research Update: PostFinance AG Outlook Revised To Stable From Negative On Subsiding Political Discussions; Ratings Affirmed, Nov. 28, 2022
- Full Analysis: Die Schweizerische Post AG, Sept. 20, 2022

Ratings Detail (As Of November 1, 2023)*	
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.