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Research Update:

Outlook Revised To Stable On Switzerland's Die Schweizerische Post AG; 'AA+/A-1+' Ratings Affirmed

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Overview

- On June 26, 2013, Die Schweizerische Post AG's (DSP) legal form was changed from that of a public-law institution to a special-law joint-stock company ("Aktiengesellschaft"; AG), and the main operating divisions were legally separated from DSP.
- Consequently, DSP became a nonoperating holding (NOHC) company of the Swiss Post group and full owner of its main subsidiaries PostFinance AG, Post CH AG, and PostAuto AG.
- Based on its diversified stream of cash flow from operating subsidiaries and specifically our view on the route of extraordinary support through the NOHC to the operating subsidiaries, we now no longer consider DSP structurally subordinated and therefore do not notch down from the group credit profile.
- We are revising our outlook on DSP to stable from negative and affirming our 'AA+/A-1+' ratings.
- The stable outlook reflects that on the Swiss Confederation, the sole owner of DSP.

Rating Action

On June 28, 2013, Standard & Poor's Ratings Services revised the outlook on Swiss financial services and postal operator Die Schweizerische Post AG (DSP) to stable from negative. The ratings on DSP were affirmed at 'AA+/A-1+'.

Rationale

The outlook revision follows the change in DSP's legal status and group structure on June 26, 2013. Although DSP is now a nonoperating holding company (NOHC), its probability of default is not materially different from that of the Swiss Post group's core operating subsidiaries, in our view. This is because we believe any extraordinary government support for core members of the group, such as PostFinance AG, would be supplied through DSP. We therefore no longer believe DSP is structurally subordinated to the operating entities.

Our 'a+' unsupported group credit profile (GCP) on the Swiss Post group, headed by DSP, stems from banking entity PostFinance AG's 'a-' anchor, the group's "adequate" business position, "very strong" capital and earnings, "moderate" risk position, "above average" funding, and "strong" liquidity, as our banking criteria define these terms. Our group credit profile is 'aa+' when including government support from the Swiss Confederation (unsolicited ratings AAA/Stable/A-1+).

As an NOHC, DSP will be reliant on distributions from its operating subsidiaries, including dividend payments and license fees to repay outstanding debt. The diversity of the Swiss Post group's activities supports our equalization of our NOHC issuer credit rating on DSP with that on PostFinance, a core operating entity, although PostFinance is subject to prudential regulation. This is because of the comparably small size of the group's nonbanking activities, and because we believe that extraordinary government support for the subsidiaries would be provided directly to DSP in a potential stress scenario. DSP in turn would reallocate the support to ailing core subsidiaries. Our view is supported by the current legal framework in which DSP has an implicit financing agreement with the federal treasury that allows it to receive credits within very short notice if in distress. A capital injection would require approval from the Swiss parliament.

We continue to consider DSP a government-related entity (GRE). However, we derive the ratings on DSP from the government-supported GCP on the Swiss Post group, given its status as an NOHC. The Swiss Confederation is DSP's sole owner, and we regard the possibility of a full or even partial privatization as very remote in the medium term.

DSP's legal form was changed from that of a public-law institution to a special-law joint-stock company on June 26, 2013 (retrospectively as of Jan. 1, 2013). Simultaneously, the main operating divisions were legally segregated from DSP, which will still remain their full owner. Consequently the Swiss Post group comprise a holding company, DSP, and three main subsidiaries: PostFinance AG (financial services), Post CH AG (mail/logistic operations), and PostAuto AG (public passenger transport).

Outlook

The stable outlook on DSP reflects that on the Swiss Confederation. It also reflects our expectation that the Swiss Post group's very close links to the state, its ownership, and its mandate to provide key public services ("Grundversorgungsauftrag") will not change in the foreseeable future. Moreover, it reflects our view that the group will maintain a sound financial profile that is relatively resilient against the increasing economic imbalances in Switzerland.

Any changes in the group members' roles and links with the Swiss government could change our assessment of the GRE status of the group entities, which could have rating implications for DSP as the NOHC. We consider such a scenario remote.

We view the likelihood of rating upside as remote at this stage.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	AA+/Stable/A-1+	AA+/Negative/A-1+
SACP	a+	a+
Anchor	a-	a-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Very Strong (+2)	Very Strong (+2)
Risk Position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Above Average and Strong (+1)	Above Average and Strong (+1)
Support	+3	+3
GRE Support	+3	+3
Group Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

Related Criteria And Research

- Banking Industry Country Risk Assessment: Switzerland, May 15, 2013
- Group Rating Methodology, May 7, 2013
- Research Update: Swiss Financial And Postal services Provider Die Schweizerische Post Rated 'AA+/A-1+'; Outlook Negative, March 21, 2013
- Swiss Confederation, Feb. 20, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Die Schweizerische Post AG		
Issuer Credit Rating	AA+/Stable/A-1+	AA+/Negative/A-1+

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