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Research Update:

Swiss Financial Services Provider PostFinance AG Assigned 'AA+/A-1+' Ratings; Outlook Stable

Primary Credit Analyst:
Salla von Steinaecker, Frankfurt (49) 69-33-999-164; salla.vonsteinaecker@standardandpoors.com

Secondary Contact:
Dirk Heise, Frankfurt (49) 69-33-999-163; dirk.heise@standardandpoors.com

Table Of Contents

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Overview

- Swiss financial services provider PostFinance AG was legally separated from its parent, Die Schweizerische Post AG (DSP), on June 26, 2013, and obtained a bank license.
- We consider PostFinance a government-related entity with an "extremely high" likelihood of potential extraordinary government support.
- Furthermore, we consider PostFinance a core member of the Swiss Post group because it provides the basic payment transaction infrastructure in Switzerland.
- We are therefore assigning our 'AA+/A-1+' long- and short-term ratings to PostFinance, which is in line with the Swiss Post group's group credit profile, including government support.
- The stable outlook reflects that on the Swiss Federation and our assumption that PostFinance's ownership, integral role in DSP's strategy, and GRE status will not change over the next two years.

Rating Action

On June 28, 2013, Standard & Poor's Ratings Services assigned its 'AA+' long-term and 'A-1+' short-term counterparty credit ratings to Swiss financial services provider PostFinance AG. The outlook is stable.

Rationale

We consider PostFinance to be a government-related entity (GRE) with an "extremely high" likelihood of extraordinary government support, giving it three-notches of support above its stand-alone credit profile (SACP). This is based on our assessment that PostFinance will remain among the most important GREs in Switzerland, with a central role in meeting the government's political objectives. By providing basic payment transaction infrastructure and banking services in Switzerland, PostFinance fulfills the legal mandate for public services assigned by law to its parent company, Die Schweizerische Post (DSP). We therefore assess PostFinance's role in Switzerland as "critical." As PostFinance is party to two-thirds of the country's payment transactions and holds a substantial market share of customer deposits, we view it as systemically important to Switzerland. We consider that a disruption of PostFinance's services would have a major negative effect on the banking system.

Furthermore, we assess PostFinance's link to Switzerland as "very strong." The

Swiss government is PostFinance's ultimate owner. PostFinance's strategy is confirmed by the Swiss Federal Council for periods of four years, and PostFinance reports at least quarterly to the government. We believe that PostFinance will remain a core member of the Swiss Post group in the foreseeable future. We consider the possibility of a full or even partial privatization of PostFinance as very remote over the medium term, even though Swiss Postal Law does allow minority shareholding by a third-party investor.

Although we consider PostFinance to be a GRE with an "extremely high" likelihood of extraordinary government support if needed, we expect that potential government support would be provided to PostFinance indirectly through the group's nonoperating holding company, DSP, if ever needed, in line with the legal framework in place.

Our ratings on PostFinance reflect the 'a-' anchor reflecting a blended economic risk score of '2' for exposures in its investment portfolio and industry risk score of '2' for Switzerland, its "adequate" business position, "very strong" capital and earnings, "moderate" risk position, "above-average" funding, and "strong" liquidity, as our criteria define these terms. The stand-alone credit profile SACP is 'a+'.

PostFinance was legally separated from DSP on June 26, 2013, although DSP will remain its full owner. PostFinance was granted a conditional banking license to operate as a bank and securities dealer by the Swiss regulator FINMA in December 2012. Following the fulfillment of the conditions set by FINMA, the license came into force concurrently with the legal separation.

Outlook

The stable outlook on PostFinance reflects that on the Swiss Confederation. It also reflects our assumption that PostFinance's ownership, its GRE status, and "extremely high" likelihood of extraordinary government support will not change over the next two years, and that the company will maintain sound stand-alone characteristics.

In the unlikely event of a change in PostFinance's role for and link with the Swiss government, we may review our assessment of PostFinance as a GRE.

We could lower the SACP if PostFinance's management and strategy were adversely affected by a departure from its prudent capital and investment policies, leading to higher risks in its investment portfolio.

Ratings upside is remote at this stage, in our view, because we do not expect that the company will adjust its comparatively concentrated business model over the medium term.

Ratings Score Snapshot

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

Related Criteria And Research

- Group Rating Methodology, May 7, 2013
- Swiss Financial Services Provider PostFinance AG Assigned 'AA/A-1+' Preliminary Ratings; Outlook Stable, March 21, 2013
- Swiss Confederation, Feb. 20, 2013
- Banking Industry Country Risk Assessment: Switzerland, April 11, 2012
- 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

New Rating

PostFinance AG	
Counterparty Credit Rating	AA+/Stable/A-1+

Additional Contact:
Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

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