



 Interview

 with **Hansruedi Köng**
CEO


We're accelerating our digital transformation with SpeedUp.

Hansruedi Köng, how was the result in the past financial year?

In 2020, we generated earnings before tax of 93 million francs. That is 131 million francs or around 58 percent less than in the 2019 financial year.

How do you explain this decline in the result?

Coronavirus had a huge impact. There was a decline of 69 million francs in trading portfolio assets. Our customers have been doing significantly less travelling. This means that we are seeing no substantial conversion gains from cash withdrawals in foreign currencies and from the use of credit cards. The result from the commission and services business decreased by a million francs year-on-year. The coronavirus crisis led to a sharp drop in revenues from over-the-counter transactions at Swiss Post branches and

at ATMs. But we were unable to reduce the costs for maintaining the structures to the same extent.

What other impact has the pandemic had on the year?

The coronavirus crisis has been challenging for everyone. Almost the entire workforce was working from home for a period. Although location-independent working has been an established practice at PostFinance for many years, it still presents an enormous challenge. Despite our prohibition on lending, we pushed strongly to participate in the Federal Council's assistance programme and to provide COVID-19 loans to our SME customers. Thanks to a special effort, we promptly set up processes that enabled us to carry out the evaluation procedures as quickly as possible. This allowed us to provide bridging loans to over 17,000 SMEs.

How have interest operations performed?

The low, and indeed largely negative, interest rates that have prevailed for years continue to erode our interest margin. As a result, net interest income, net of impairment, fell by 41 million francs. And this negative trend is set to continue, as current relatively profitable bonds from previous investments are due to reach maturity, but we will only be able to reinvest them for very low returns.

Did you also see any positive developments?

In the commission business, we saw growth of 18 million francs in revenue thanks to a strong increase in trading activities among our e-trading customers. Particularly after the global price declines on the stock markets in spring 2020, trading among our customers was above average. However, we also recorded much higher trading activities for the year as a whole. This is an encouraging development and shows that there is plenty of potential in the area of investment.

Investment is a key area in which quite a lot happened last year.

That's right. In addition to e-trading, we have been offering our customers four new investment solutions since early May 2020, providing targeted support to enable them to grow their assets long-term. They have the option of conducting their securities transactions independently online, receiving comprehensive personal support or dele-

gating the management of their assets entirely to PostFinance. Not only are we providing highly attractive investment solutions for all relevant customer requirements, but we've also combined the strengths of customer advice with digital processes and integrated them into the existing e-finance environment.

How has that been received by customers?

Really well. Over 5,000 investment solutions have been purchased since the launch. Our customers have invested more than 200 million francs – a third of which is in the "Sustainability" investment focus. These figures put us on track to achieve a leading position in digital investments in the retail customer segment.

The expansion of our investment business was a key part of our digital powerhouse strategy period. This ended on 31 December 2020.**How would you sum it up?**

We've had four intensive and eventful years, during which we've made great progress at various levels. We've repositioned PostFinance and are focusing on clear priorities. In addition to the investment business, we've also significantly expanded and modernized our digital services, such as the self-service hub in the PostFinance App and the new e-finance login. These innovations require a strong technical basis, which we established by launching our new core banking system at Easter 2018.

One thing that wasn't achieved during the last strategy period was the lifting of the prohibition on lending.

That's right – and unfortunately, something that we've long predicted has now materialized as a consequence: our result has fallen sharply over recent years and is approaching the zero line. This is concerning in many respects. We won't generate sufficient profit over the coming years to build up the additional equity required due to our systemic importance for the current size of the balance sheet from our own resources. We'll hardly be able to pay Swiss Post any dividends for years to come. We're also unable to contribute to the funding of the universal service to the same extent as in the past. In light of this situation, we've set out a strategy for the forthcoming period from 2021 to 2024 that will enable us to remain relevant to our customers with a reduced balance sheet, but also self-sufficient – even if our prohibition on lending is not lifted.

What are the key elements of the new strategy?

We're going to accelerate the digital transformation during the SpeedUp strategy period and will focus on four key priorities. They will be driven forward in independent business units: Payment Solutions, Retail Banking, Digital First Banking and Platform Business. Our aim is to stabilize the financial result, and we plan to achieve this by investing in new business areas and continuing to improve the efficiency of existing structures and processes.



We are well on the way to becoming a leader in digital investment for retail customers.

Hansruedi Köng



Corporate responsibility is firmly embedded in our new strategy.

Hansruedi Kӧng

Stabilizing the result sounds like quite a defensive approach.

In the current legal, regulatory and economic environment, it would be unrealistic to aim for significant profit growth. Otherwise, the idea that we're adopting a defensive approach is a misconception. The consistency with which we're implementing concepts such as the new operating model makes SpeedUp a very bold strategy. We have four business units that are developing their business independently of each other and at their own pace. This enables each unit to focus even more consistently on its customers' specific requirements. Customers have different expectations in terms of the type of advice, the level of digitization of products and services and the speed of product development in the various areas of banking.

The new strategy also involves a reduction in headcount. Was this step really unavoidable?

In the current negative interest environment and due to the lending prohibition, we can only improve our earnings situation to a limited extent over the short term. And we can achieve a return on investments in new business areas only over the medium term. To enable us to stabilize our result and to avoid slipping into the red, we must improve efficiency on the cost side. For this reason, headcount will be reduced by around 130 full-time equivalents and employment contract changes will be implemented for some 260 employees by the end of 2021. As far as possible, the reduction in headcount is to be achieved through natural fluctuation, expiring temporary employment relationships and (early) retirements. But where job cuts have to be made, we take

our responsibility as an employer seriously and have drawn up a comprehensive redundancy plan in conjunction with our social partners. We're also creating around 80 new jobs in an exciting digital environment.

Speaking of responsibility, society is increasingly demanding that banks operate more sustainably. What is PostFinance doing in this respect?

Corporate responsibility is firmly embedded in our new strategy, and we believe it's important to adopt an integral approach to this issue – covering environmental, economic and social dimensions. We are already doing a great deal in various ways. I'm thinking of work-life balance, which we strongly promote and for which we have been certified several times to date. Or in the investment business, where our customers can already opt for sustainable investments. We intend to expand this range of options. In other areas, we can certainly do more. In 2021, we will create the foundations and conduct analyses that will be used to set the impact goals for our activities in the coming years. Several months ago, we set up a new unit focusing exclusively on corporate responsibility.

What is PostFinance doing to protect the climate?

As part of Swiss Post Group, we've been committed to climate issues for many years. Swiss Post aims to become carbon-neutral by 2040 and is playing a pioneering role in this respect. PostFinance is a member of the Exemplary Energy and Climate initiative, and we have pledged to make an ambitious contribution to improving energy efficiency and expanding renewable energies in Switzerland.