



Interview

with **Hansruedi K  ng**,
CEO



We've worked hard on our positioning as an investment bank over recent years.

Hansruedi K  ng, how was the result in the past financial year?

We posted a profit of 223 million francs in 2021. That equates to 94 million francs – or around 73 percent – more than in the previous year. Measured against our equity capital of 6.3 billion, however, the return is still comparatively low.

How do you explain this improvement?

We've worked hard on our positioning as an investment bank over recent years. We've developed competencies, extended our product range and launched new, digital investment solutions. By adopting this strategic approach and thanks to the newly introduced banking package fees, we

achieved an improvement of 53 million francs in our result from commission business and services last year. Trading portfolio assets also performed well, while personnel expenses were higher due to a rise in employer contribution reserves. Interest operations remain under pressure. Although we managed to increase interest income by a total of 41 million francs by stepping up activities on the interbank money market and thanks to higher customer asset fees and the reversal of impairments on bonds, net interest income in our core business continued to decline. This is because interest on the financial and capital markets is still at a very low level, and it is very difficult for us to find profitable investment opportunities for our customer deposits.

This tough situation on the financial markets is also being felt by customers in the form of rising fees.

Unfortunately, there was no way to avoid increasing the proportion of negative market interest rates that we pass on to our customers. Liquidity has already had a negative market price for several years, and we can no longer fully shield our customers from this. We have therefore adjusted the exemption limits for private and business customer credit balances and, at the same time, created an incentive system to encourage our customers to move more of their account balances into investment solutions. This is a win-win situation: it enables us to make our customer deposits profitable and take the pressure off our balance sheet, while customers benefit from lower fees and higher potential returns. Because, ultimately, they also lose purchasing power by putting their money into a savings account at zero interest.

How is PostFinance affected by the coronavirus pandemic?

The effects are very complex. We've been observing the trend towards digital solutions and processes for some time now. The coronavirus pandemic has greatly accelerated this trend over the past two years. Many of our customers are looking for simple digital products and services. Our new SpeedUp strategy is our response to this

need. In terms of our result, we are in particular feeling the effects of reduced travel among our customers. This has led to a sharp decline in credit card transactions, in cash withdrawals at home and abroad and in foreign currency transactions. And from an employer's point of view, the requirement for some people to work from home has completely changed the way in which we collaborate. Purely in terms of infrastructure, we were well prepared for this, because location-independent working has already been established at our company for several years. Nevertheless, it was and is a challenge when, all of a sudden, your only connection with your colleagues is online.

You mentioned the new SpeedUp strategy. PostFinance embarked on this new strategy period at the beginning of 2021. How satisfied are you with what you've achieved so far?

We're pleased, but we know that we still have a long way to go. The first months of 2021 were influenced by the implementation of our new operating model. We are focusing on four thematic priorities that we are driving forward in independent business fields: payment solutions, retail banking, digital first banking and platform business. This meant changes for many employees. In parallel, we have implemented various operational projects to ensure that our services are tailored even more precisely to

customer requirements. I am thinking, for example, of the new PostFinance App, the Smart and Smart Plus banking packages and Yuh.

The new PostFinance App in particular was heavily criticized in its first few weeks. What went wrong?

There were many different reactions. Some customers missed the previous design, the fast service feature and various functionalities. I was of course not happy with this feedback, or with the low ratings in the various app stores. However, the sharp rise in user numbers makes it clear that we are on the right track with the new app and that users have quickly grown comfortable with it. We have also released several updates over the course of the year that introduced many additional features, and the app is now well-regarded again, widely popular and receiving much better ratings.

Last May, you launched another banking app – Yuh. Why does PostFinance have two apps on the market?

If you include TWINT, we actually have three apps (laughs). As the growing numbers of neobank users show, there is a great deal of demand for streamlined solutions of this kind, which are often also free. This is a need we only partially cover with our very comprehensive range of retail services. That's



Our customers are looking for simple digital products and services. The new strategy is our response to this need.

Hansruedi Kög



As part of Swiss Post, we aim to be carbon neutral by 2040, in terms of both our own and indirect emissions.

Hansruedi K ng

why we developed our joint banking app Yuh in collaboration with Swissquote. Thanks to Yuh, we offer our customers a tool they can use to manage their money flexibly from their smartphones, however it suits them. And with well-known partners in the background whom they can trust. It's going well: after just under eight months, Yuh already has 42,000 active users.

What innovations can customers look forward to in the course of this year?

Back in February, we introduced the new e-finance with an updated design and new features, making it easier and more intuitive to use. In addition, our customers can now sign up for investment-based 3a solutions independently more easily and intuitively in e-finance. And this spring, we will also be launching the new PostFinance Card. In

doing so, we have focused on broader acceptance of our card, because we have some catching up to do in that respect.

What does that mean in concrete terms?

The number of card transactions has increased steadily in recent years, and we expect this growth to continue. However, as far as acceptance of our cards in retail is concerned, we are still faced with certain limitations. This is partly because it has never been possible to make payments with the PostFinance Card outside Switzerland. Inside Switzerland, meanwhile, acceptance is declining, because it is often not possible to use the cards for payments at new terminals. We are tackling this problem by combining the PostFinance Card with Debit Mastercard®, enabling our customers to use it to make payments at even more points

of sale in Switzerland and abroad in future. This enhances the value of the PostFinance Card considerably – and with no additional charge, I might add.

In the SpeedUp strategy, you have focused more heavily on the issue of corporate responsibility. What specific goals have you defined?

Back in autumn 2020, the Executive Board made the decision to embed the issue of corporate responsibility into our strategy. Our CR team then took stock of various matters, carried out some initial work and developed a general conceptual overview of the issue. In August 2021, we approved five specific and measurable impact goals. We aim to firmly embed CR amongst our staff by raising awareness of the issue and implementing joint projects. We aim to gradually reduce our CO₂ footprint and – as part of Swiss Post – become carbon neutral by 2040 in terms of both our direct and indirect emissions, such as those stemming from our own investments. We provide sustainable market services in investment and retirement planning. When it comes to innovations, we're focusing on sustainable finance. And we're promoting gender equality by aiming to ensure that a third of management positions are held by women by 2024.

Gender equality also means that men and women in the same positions earn the same pay. What's the situation at PostFinance in this respect?

As an enterprise affiliated with the Swiss Confederation, we have long been committed to equal pay, and we are actively opposed to any form of discrimination and in favour of equal employment conditions – regardless of language, cultural origin and gender. We want to pay comparable salaries for comparable work. To enable us to identify and correct any salary differences, we undertake an equal pay analysis every two years. In 2021, we found that there was still an unexplained salary gap of 2.3 percent to the disadvantage of women. While this does mean that we are below the 5 percent tolerated by the Confederation, and also below the figure for 2019, when the salary difference was still 3.8 percent, we have defined measures to further close the gap. These include actively raising awareness of this issue among managers, particularly during the recruitment process. Equality is also an important issue in the collective employment contract. And we are looking into publishing the expected salary range in job advertisements in the future.