



Interview

with **Hansruedi Köng**,
CEO


We very much welcome the turn towards a positive interest rate environment – which is also in the interests of our customers.



Watch a video
of the interview

Hansruedi Köng, 2022 was a turbulent year for the financial sector. How did PostFinance fare?

I'm happy with the result. Despite difficult market conditions, we have remained firmly on track. Thanks to the normalized interest rate environment, we were able to free our customers from the unpopular customer asset fees (negative interest rates) in October. In addition, we have continuously optimized our product range and shown that we are bold and innovative.

Since September 2022, the SNB policy rate has again been positive. The period of negative interest rates is history. What was the significance of this step towards "normality" for you?

In the medium term, the return to positive interest rates is a financial blessing for PostFinance, and we very much welcome the

turn towards a positive interest rate environment – which is also in the interest of our customers. In the short term, the positive yields on investment do not yet fully offset the loss of income from negative interest rates in the interbank business. However, the gradual normalization of interest margins – combined with revenue in the interest differential business – will provide PostFinance with the potential to significantly improve profitability from 2024.

In response to the persistent negative interest rates, PostFinance cut back on customer deposits and reduced its balance sheet. But with interest rates rising, that is counterproductive. Why did PostFinance pursue this strategy?

The balance sheet reduction was necessary to secure our economic viability. Because of the lending prohibition, it was simply impos-

sible for us to place customer deposits on the market during the period of negative market interest rates without incurring losses of our own.

Logically, PostFinance would have to attract customer deposits again.

Correct! In today's normalized market situation, we are available to our customers again in the usual way. Customer deposits can again be placed on the market so that they cover costs and yield a profit. We also comfortably meet the statutory requirements governing minimum capital requirements, even allowing for the requirement for domestic systemically important banks to accrue increased emergency capital by 2026, as set out in the Capital Adequacy Ordinance. The key to controlled growth is in the quality of our services.

At the political level, FINMA's capital requirements are a recurring topic of discussion. What is PostFinance's position in this regard?

In the summer of 2015, PostFinance was classified as a systemically important bank by the Swiss National Bank (SNB). A core element of the special requirements for systemically important banks is the build-up of additional equity for emergencies (gone-concern capital). Under the Capital Adequacy Ordinance (CAO), PostFinance has until the end of 2025 to meet these additional capital requirements. With an ARB leverage ratio of 5.54 percent and a risk-weighted capital ratio of 21.3 percent, PostFinance today is solidly capitalized and meets the requirements of the law and ordinance. Should other additional requirements enter into force, PostFinance will of course be able to adhere to these, too.

PostFinance wants to offer its customers fresh solutions and smart innovations for their finances. What did PostFinance achieve in 2022?

Alongside our ongoing business operations, we have also launched various new products to help our customers make digital payments easily. Despite difficult market conditions, the investment solutions introduced in previous years are proving very popular. In our flagship product, e-asset management, we have expanded the assets under management to over one billion. In our strategy and retirement funds, we have migrated to sustainable, ESG-compliant solutions. We can be very proud of that.

At the beginning of this interview, you mentioned the optimized product range. For example, PostFinance has launched a new PostFinance Card combined with Debit Mastercard. How does this benefit customers?

We have been driving the development of convenient and secure cashless payment solutions for many years. The new PostFinance Card can now be used to make payments practically anywhere in Switzerland and abroad. The yellow card can also be used for online orders from domestic and international e-commerce providers from home and on the go. This is our response to customer needs and the growing tendency to replace cash with electronic payment methods.

TWINT remains on course for success.

What are the plans for PostFinance TWINT in the future?

Here at PostFinance, we are proud that TWINT Ltd, which we founded in 2014, is performing so well. Today, we hold just over

a quarter of the capital, and along with SIX, are the largest single shareholder in TWINT. Customers like the fact that they don't have to enter personal data when making payments and that the payments are fast and inexpensive. TWINT continues to grow in terms of transactions, revenue and popularity with retailers, businesses and consumers. Our goal is to establish TWINT as the clear number one in Switzerland's mobile payment landscape by continuously adding new features.

Yuh, the joint venture between PostFinance and Swissquote, is also developing successfully.

In May 2022, the Yuh app turned one year old – and celebrated its birthday with 60,000 "Yuhers". The digital financial product, jointly developed by Swissquote and PostFinance, brings together the most important banking functions in a single innovative app. Yuh is an exciting development for people who prefer to take care of everything digitally, ideally with apps on their smartphone. The special thing about Yuh: not only does it support savings plans and payments, it is a neobank that also makes it easy to start trading in securities and cryptocurrencies. At the end of 2022, the app registered more than 100,000 customers for the first time. I am very proud that PostFinance is working with Swissquote to operate one of the most successful neobanks in Switzerland.



We have been driving the development of convenient and secure cashless payment solutions for many years.

Hansruedi Köng



Customer demand for sustainable financial products is growing.

Hansruedi K  ng

What other projects relating to digital payment transactions does PostFinance have up its sleeve for private customers? And what about innovations for business customers?

At PostFinance, we are continuously improving our range of products and services for our private and business customers, and we tell them about innovations once they are ready for use. As an exception to this rule, we announced at an early stage that we are working on a new solution for the retail sector, PostFinance Pay, and on the safeguarding of cryptocurrencies, and we will now see how quickly we make headway with their implementation. PostFinance Pay, for example, is a major undertaking involving not only various teams at PostFinance but also many smaller and larger retailers and payment service providers.

Our business customers also have innovations and improvements to look forward to in 2023: for example, next-generation cash management will give them a central overview of all accounts, including accounts with third-party banks.

PostFinance is looking to get into the crypto market, even though it has not had a good year. Why is PostFinance jumping on this bandwagon now of all times?

Blockchain technology will continue to be a relevant driver of new innovations in the future. The collapse of the FTX trading venue and the massive corrections of all of the major cryptocurrencies do not spell the end of them: they are more like a cleansing storm that has washed away excesses that were in some cases absurd. Through PostFinance's entry into crypto trading, we are addressing a need among our customers – namely the need for a trustworthy provider for the trading and safeguarding of cryptocurrencies. This is something that we at PostFinance can offer our customers.

Sustainability is important to PostFinance. PostFinance has converted its funds into ESG funds. Why do you think this step was necessary?

Customer demand for sustainable financial products is growing. As is our belief that the financing of companies is one of the

factors that can encourage sustainable business management, and PostFinance has continued to develop its services accordingly. Since May, the four PostFinance Pension retirement funds have been strategically geared towards sustainability in accordance with environmental, social and corporate governance (ESG) criteria, with PostFinance adopting the "best in class" approach. This means that investments are made in companies delivering the best sustainability performance within their industry. For each of the investment funds, adhering to these sustainability criteria achieves a better ESG value and a lower CO₂ value.

The QR-bill represents a further step in the digitization process. How is the number of face-to-face transactions over the counter developing?

The introduction of the QR-bill allows for the ongoing digitization of business processes among our business customers, while also implementing the legal requirements aimed at combating money laundering and the financing of terrorism. This means that customers who deposit cash can be better identified. It also means that the confirmations of beneficial ownership required by law can be carried out more easily. It has long been clear to us that this technological development will accelerate the long-standing trend towards declining cash payments at the counter. This trend will continue, and the challenge of financing this expensive physical counter infrastructure will therefore also continue to grow.

Policymakers are discussing the future of Swiss Post's universal service obligation and the associated mandate to provide payment transaction services. What is the current situation in this regard?

The issue is what kind of universal service for payment transactions Switzerland wants to have in the future. That is a political question. The Federal Council is seeking to set out concrete proposals by summer 2023. Swiss Post and PostFinance welcome this, are happy to participate in the work and are providing a basis to facilitate the political decision.

What kind of universal service obligation would you like to see from 2030?

I would like to see a solution that takes the needs of businesses and the general public into account, while also being technically feasible and financially viable.