

RatingsDirect®

Aargauische Kantonalbank

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Aargauische Kantonalbank

Ratings Score Snapshot

Issuer Credit Rating

AA+/Stable/A-1+

SACP: a+



Support: +3



Additional factors: 0

Anchor	a-	
Business position	Adequate	0
Capital and earnings	Very strong	+2
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0

Issuer credit rating
AA+/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths

Extremely high likelihood of support from the financially strong Canton of Aargau, if needed.

Sound financial profile underpinned by very strong capitalization and sustained profitability.

High-quality loan book dominated by granular and well-collateralized residential mortgages.

Key risks

Concentration risks and limited earnings diversification due to focus on residential mortgage lending.

Subdued growth prospects and lower market share in its competitive home market compared with cantonal bank peers.

S&P Global Ratings expects Aargauische Kantonalbank (AKB) will maintain its solid franchise and strong operating stability despite lower market share in its home canton than cantonal bank peers. AKB focuses mainly on its home canton of Aargau and neighboring regions of German-speaking Switzerland. The competitive environment in AKB's core market is tougher than for many cantonal banks we rate, with several other domestic and regional banks competing in the canton. AKB's market share in its home canton, at about 25%, is lower than that of other cantonal banks. This is a weakness, in our view, as a dominant market share generally reflects close and longstanding customers relationships. AKB is well positioned to weather external shocks, with 90% of its loan book consisting of well-collateralized residential mortgage lending, and the remainder comprising local small and midsize enterprises (SMEs) in its home and neighboring regions. We expect limited risk to the real estate market from Switzerland's current interest rate environment.

The bank's capitalization remains a rating strength and provides a buffer against tail risk. We anticipate that AKB will maintain its superior capitalization. Its risk-adjusted capital (RAC) ratio stood at 22.2% as of Dec. 31, 2023, and we forecast that it will stabilize at about 22.5%-23.0% over the next 24 months. AKB's capitalization is among the world's strongest, in line with some cantonal bank peers.

We expect AKB will receive government support from its sole owner, the Canton of Aargau, if needed. We believe AKB will maintain its integral link with and very important role for Aargau, which are largely facilitated by cantonal bank law. The law stipulates the cantonal ownership and guarantee and the objectives of the bank. We expect the canton will maintain the existing guarantee in the future.

Outlook

The stable rating outlook on AKB mirrors that on its owner and guarantor, the Canton of Aargau. We believe AKB will continue to benefit from being a government-related entity (GRE) with an extremely high likelihood of receiving support from Aargau over the next two years, if needed. We anticipate that AKB will maintain its sound financial profile, underpinned by its very strong capitalization and sound earnings capacity over that period.

Downside scenario

We would revise our outlook on AKB to negative after a similar rating action on the canton of Aargau.

A downgrade could also be triggered by a significant weakening of AKB's role for or link with Aargau due to changes in the statutory guarantee, for example. However, we consider this scenario unlikely and expect AKB's existing obligations would be grandfathered.

A deterioration in AKB's stand-alone credit profile (SACP) would not immediately affect the overall rating because we expect the canton's support would compensate for the bank's weaker stand-alone creditworthiness.

Upside scenario

A positive rating action is highly unlikely. This would only be triggered if we raised our assessment of AKB's SACP, which we view as extremely unlikely, since it is already high.

Key Metrics

Aargauische Kantonalbank--Key ratios and forecasts

(%)	--Fiscal year ended Dec. 31--				
	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	3.9	30.8	(4.2)-(5.1)	0.7-0.9	1.6-1.9
Growth in customer loans	4.4	3.0	3.6-4.4	2.7-3.3	1.8-2.2
Growth in total assets	11.1	-5.7	3.1-3.8	2.4-3.0	1.8-2.2

Aargauische Kantonalbank--Key ratios and forecasts (cont.)

(%)	--Fiscal year ended Dec. 31--				
	2022a	2023a	2024f	2025f	2026f
Net interest income/average earning assets (NIM)	1.2	1.6	1.4-1.5	1.3-1.5	1.3-1.5
Cost-to-income ratio	49.5	41.7	44.9-47.2	45.9-48.2	46.0-48.3
Return on average common equity	6.6	8.8	8.0-8.8	7.6-8.4	7.5-8.2
Return on assets	0.5	0.7	0.6-0.7	0.6-0.7	0.5-0.7
Gross nonperforming assets/customer loans	1.2	1.8	1.4-1.6	1.2-1.4	1.0-1.2
Risk-adjusted capital ratio	19.1	22.2	22.1-22.7	21.5-22.1	22.4-23.0

All figures include S&P Global Ratings' adjustments. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For Banks Operating Mainly In Switzerland

Our anchor for banks, such as AKB, operating mainly in Switzerland is 'a-'. We consider the trend for economic and industry risk in Switzerland to be stable.

The Swiss private sector has proven its resilience in multiple external stress scenarios. Banks' strong asset quality reflects the superior financial strength of Swiss households and corporations as well as prudent underwriting standards, which focus on collateralized lending, mainly residential mortgages or Lombard loans.

Overall, we see limited risks to Swiss banks' mortgage exposures from households' debt-servicing capacity faced with higher interest rates. This is because banks' existing stock of mortgage loans is predominately fixed-rate and underwriting standards already integrate much higher interest rates into affordability assessments. Despite slight decreases in inflation-adjusted housing prices, we consider real estate to be supported by structural factors such as immigration, the scarcity of land to build on and higher expected commodity prices over the coming years.

Our view of industry risk in Switzerland encompasses the stability of the country's multi-tiered banking system as medium-size and government-guaranteed credit institutions have again proved to be safe havens. In general, we did not observe a loss in customer confidence, while individual banks profited from shifts in the deposit and mortgage business in 2023, taking market share from former Credit Suisse.

Business Position: Solid Franchise And Stable Business Activity Mitigate Geographic And Product Concentration Risks

We expect AKB will maintain its solid franchise and strong operating stability, offsetting concentration risks arising from its focus on real estate lending in Aargau. AKB's history of sound and sustainable profitability, prudent risk management, and cautious lending standards are fundamental to our business position assessment. Customer loyalty further supports our assessment. This is further underpinned by the cantonal ownership and guarantee, which supports loyalty and deposit inflows during crises.

AKB is a midsize cantonal bank, with total assets of Swiss franc (CHF) 39.0 billion (about €42 billion) and ranked seventh out of 24 cantonal banks in Switzerland by total assets as of June 30, 2024. The bank operates in northwest

Switzerland, which has a strong small and midsize industrial sector. Like most cantonal banks, AKB focuses mainly on its home canton and neighboring regions, and is active primarily in residential mortgage lending (about 93% of the loan book as of June 30, 2024) and in financing local SMEs. Its business activity includes private banking services.

The competitive environment in AKB's core market is tougher than that of many cantonal banks we rate, with several other domestic and regional banks competing in the canton. AKB's market share in its home canton of about 25% is lower than that of other cantonal banks. We expect AKB will be able to protect its market-leading position in Aargau over the next few years, building on its status as the leading cantonal bank.

The bank's geographic concentration in Aargau and neighboring regions exposes its business volumes and earnings to economic swings in a relatively small economy. Risks are somewhat mitigated, however, by a wealthy and resilient customer base. Although we see risks arising from AKB's concentrated business position, we expect the bank will continue to post sound and stable earnings in the coming years by focusing on achieving appropriate risk-adjusted margins, rather than business volumes.

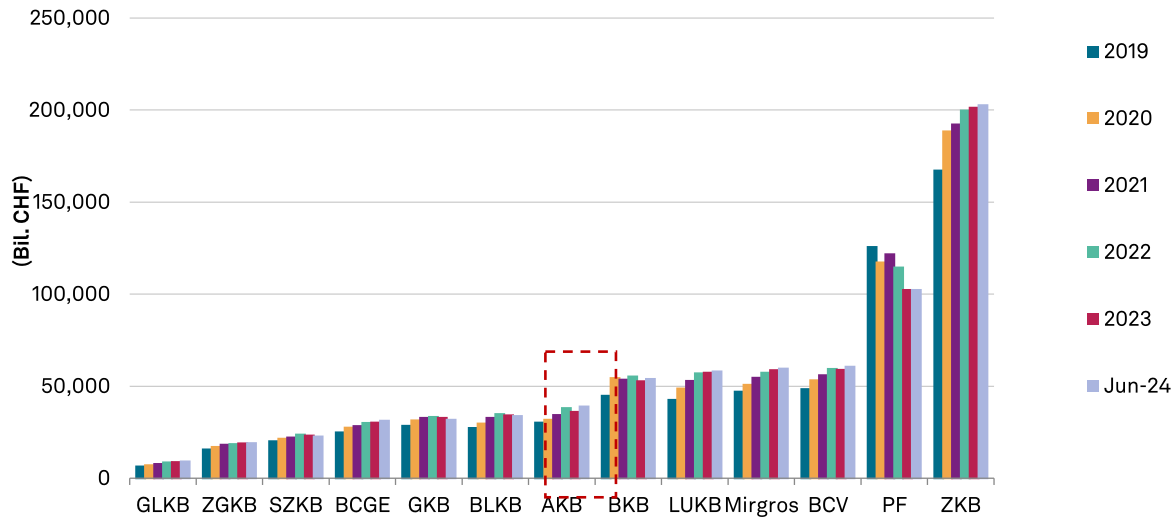
The bank's cost-to-income ratio by S&P Global Ratings' calculation stood at 44.8% as of June 30, 2024. While we forecast an increase in the cost-to-income ratio over the next two years due to rising noninterest expenses and declining margins, we believe the bank will continue to operate with a cost-to-income ratio of below 55.0%.

AKB's loyal and conservative customer base means we see relatively low risk that new fintech competitors could disrupt its business model. The bank's customer base is likely to continue to favor a relationship-based bank over a purely digital bank. This will give AKB time to gradually adjust its product offering and digital customer interaction.

Chart 1

AKB is a medium-sized cantonal bank

Total assets vs. peers as of June 30, 2024



CHF--Swiss franc. SZKB--Schwyzer Kantonalbank, GKB--Graubuendner Kantonalbank, AKB--Aargauische Kantonalbank, BKB--Basler Kantonalbank, GLKB--Glarner Kantonalbank, LUKB--Luzerner Kantonalbank, ZKB--Zuercher Kantonalbank, ZGKB--Zuger Kantonalbank, BLKB--Basellandschaftliche Kantonalbank, BCV--Banque Cantonale Vaudoise, BCGE--Banque Cantonale de Geneve, PF--PostFinance AG, Migros--Migros Bank.

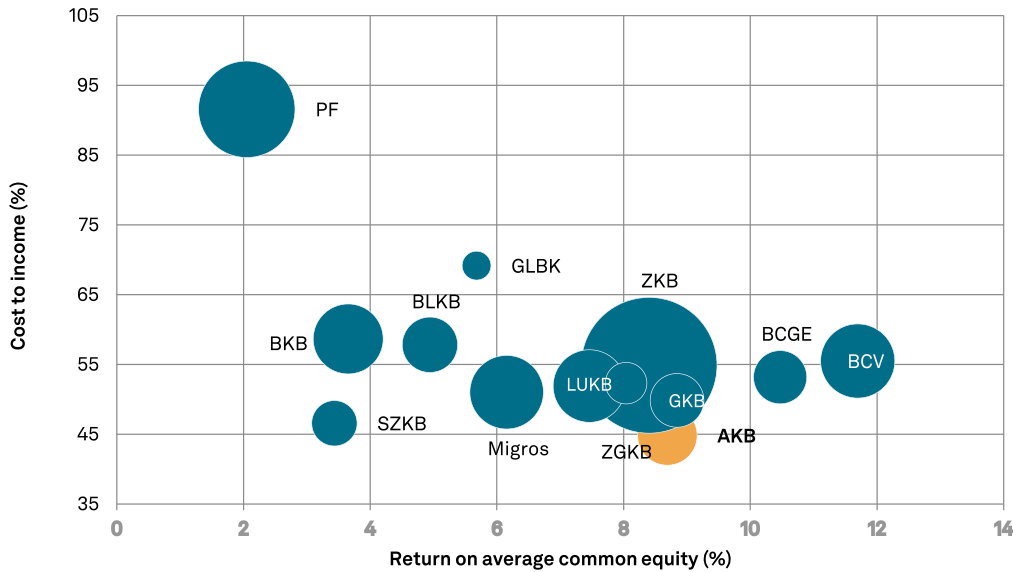
Source: S&P Global Ratings.

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Chart 2

AKB has sound profitability and exceptional efficiency metrics

Peer comparison as of June 30, 2024



Data is as of June 30, 2024. Bubble size represents total assets. SZKB--Schwyzer Kantonalbank, GKB--Graubuendner Kantonalbank, AKB--Aargauische Kantonalbank, BKB--Basler Kantonalbank, GLBK--Glarner Kantonalbank, LUKB--Luzerner Kantonalbank, ZKB--Zuercher Kantonalbank, ZGKB--Zuger Kantonalbank, BLKB--Basellandschaftliche Kantonalbank, BCV--Banque Cantonale Vaudoise, BCGE--Banque Cantonale de Geneve, PF--PostFinance AG, Migros--Migros Bank. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Capital And Earnings: Capitalization Remains A Key Rating Strength

We expect AKB will maintain the rating strength it gains from its superior capitalization. This is based on our projected RAC ratio of about 22.5% over the next two years, compared with 22.2% at year-end 2023.

The bank's agreement with the canton that it will maintain a 4.0%-8.0% buffer above its current 13.2% regulatory total capital requirement supports the stability in capital ratios. AKB therefore targets a total capital ratio of 19.0%. The bank's reported total capital ratio as of June 30, 2024, was 16.3%, compared with 16.9% as of Dec. 31, 2023, maintaining a 3.1 percentage point buffer. Although we understand that this agreement is not binding, we expect the canton would adjust its dividend requirement to allow AKB's common equity Tier 1 ratio to stay above the target. At the same time, the owner expects AKB to earn a return on equity (ROE) higher than 7.5%, which is below the bank's ROE of about 8.7% as of June 30, 2024. The bank has not issued any hybrid securities, which results in high quality of capital.

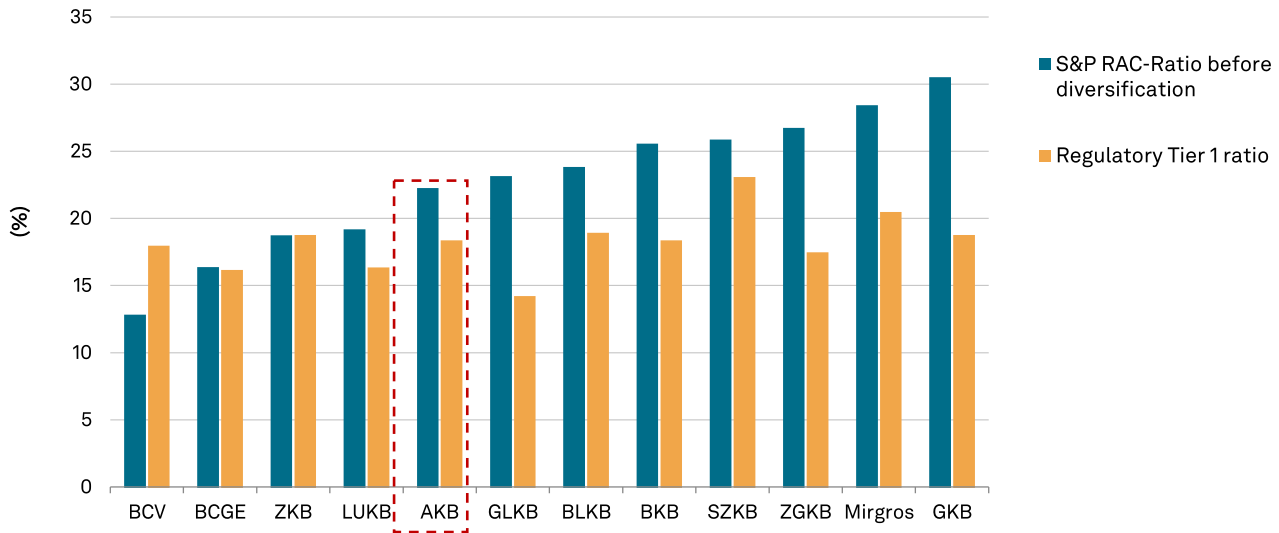
In our view, AKB's earnings are predictable and stable. We forecast its net income to be approximately CHF150 million-CHF200 million between 2024 and 2026. This is a decline from the 2023 level of CHF 253 million because of

the decrease in net interest margins. We also forecast AKB's earnings buffer will remain at about 1.5% in 2024 and beyond, compared with 2.2% in 2023, broadly in line with that of its Swiss peers. This buffer, which measures a bank's capacity of pre-provision operating income to cover normalized (annual average through the cycle) credit losses, would act as a first line of defense.

Chart 3

AKB continues to demonstrate very strong capitalization

Peer comparison as of Dec. 31, 2023



Ratios as of Dec. 31, 2023. RAC--Risk-adjusted capital. SZKB--Schwyzer Kantonalbank, GKB--Graubuendner Kantonalbank, AKB--Aargauische Kantonalbank, BKB--Basler Kantonalbank, GLKB--Glarner Kantonalbank, LUKB--Luzerner Kantonalbank, ZKB--Zuercher Kantonalbank, ZGKB--Zuger Kantonalbank, BLKB--Basellandschaftliche Kantonalbank, BCV--Banque Cantonale Vaudoise, BCGE--Banque Cantonale de Geneve, Migros--Migros Bank. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Risk Position: Concentration In Residential Mortgage Lending

We regard AKB's risk position as in line with peers in Switzerland and other countries with a similar economic risk environment. The Swiss private sector has proven its resilience in the face of multiple external shocks. Despite its inherent regional and segment concentrations, we assess the asset quality of AKB's loan portfolio as high and well managed, based on AKB's prudent risk management and conservative lending standards. We expect loan book growth to remain at about 2.0%-4% over the next couple of years.

As of June 30, 2024, AKB's mortgage loan portfolio accounts for about 93.0% of the loan book and mostly consists of residential real estate loans. It benefits from high granularity, high collateralization, and a comparably favorable average loan-to-value ratio of about 60.0%.

We believe the strong Swiss labor market, tight and inelastic supply in housing, scarcity of building plots, and ongoing high demand due to steady immigration supports house prices. Given AKB's focus on mortgage lending, a major correction could pressure its asset quality. We see the risk of a material price correction in the real estate market as remote. In an adverse scenario, we believe the Aargau housing market would not be immune from developments in the national housing market.

We generally view commercial lending as riskier than residential real estate loans. We see AKB's commercial loan portfolio as sound because of its modest exposure to cyclical and riskier sectors, such as tourism or real estate development. Nevertheless, the bank's commercial lending exposes the bank to higher credit losses in a recessionary scenario than its retail business.

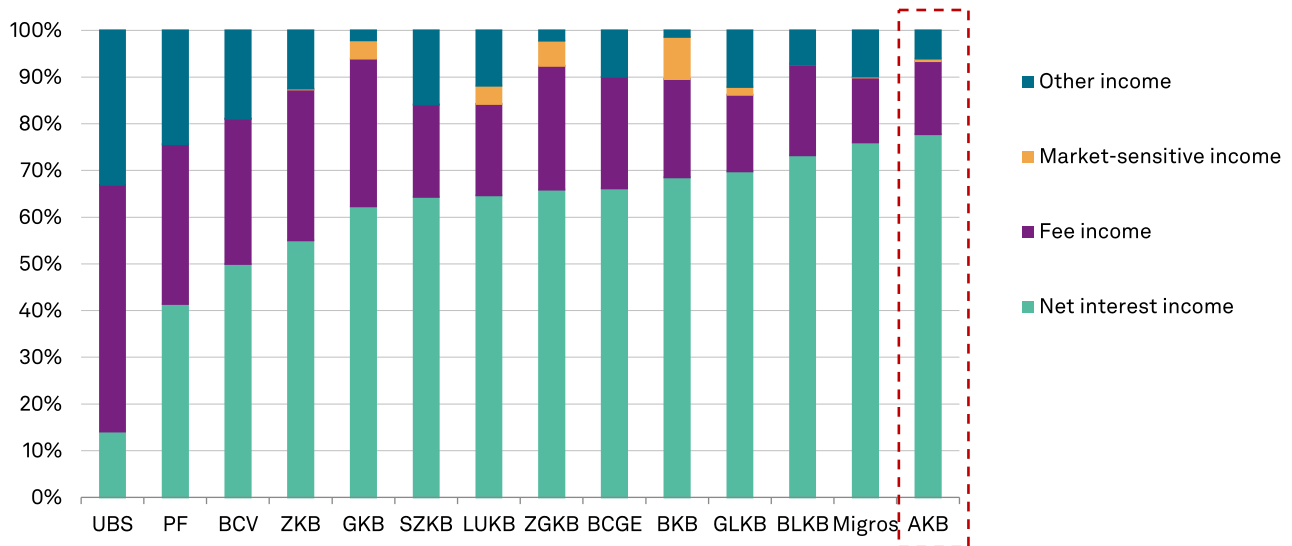
We expect the bank will continue to maintain its conservative underwriting standards in new mortgage lending, helping it keep nonperforming loans (NPL) in its loan book to a minimum. Its NPL ratio of 1.7% as of June 30, 2024 was based on AKB's disclosure of loans at risk, which is more conservative than the 90 days past due standard we usually reference. We expect NPLs will decline toward pre-pandemic levels of about 1.0% by 2026.

AKB makes negligible use of complex products because it is dedicated to the local market and only offers standard products. The bank's loan book consists mainly of longer-term, fixed-rate loans, which are largely funded by shorter-term savings deposits. This exposes the bank to interest rate risks, which are adequately hedged, in our view. Risks from trading activities are very limited because these are generally initiated by clients.

Chart 4

AKB has the highest net interest dependence of its peer group

As of June 30, 2024



Data is as of June 30, 2024. SZKB--Schwyzer Kantonalbank, GKB--Graubundner Kantonalbank, AKB--Aargauische Kantonalbank, BKB--Basler Kantonalbank, GLKB--Glarner Kantonalbank, LUKB--Luzerner Kantonalbank, ZKB--Zuercher Kantonalbank, ZGKB--Zuger Kantonalbank, BLKB--Basellandschaftliche Kantonalbank, BCV--Banque Cantonale Vaudoise, BCGE--Banque Cantonale de Geneve, PostFinance--PostFinance AG, UBS Group--UBS Group AG, Migros--Migros Bank. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Funding And Liquidity: Stable Funding Base Due To A Strong Retail Franchise, Reinforced By Canton Guarantee

The guarantee provided by the Canton of Aargau supports AKB's funding and liquidity assessment, contributing to the stability of customer deposits. The bank's loan-to-deposit ratio, by our calculation, was 115% as of June 30, 2024, similar to recent years, indicating sound refinancing conditions. Over the past few years, the bank's core customer deposits have consistently been in the range of about 70%-75% (69.7% as of mid-year 2024), which is in line with that of many domestic peers.

We expect customer loans will continue to exceed customer deposits, indicating AKB's dependency on other means of funding. These additional sources of the bank's funding mix are diversified between capital market funding, via secured and unsecured instruments, and interbank funding. We expect AKB's stable funding ratio (our measure of available long-term funding relative to long-term funding needs) will remain at about 110.0% over the next two years, which is broadly comparable with other rated cantonal banks.

We assess AKB's liquidity position as adequate, in line with that of most other rated cantonal banks. AKB's broad liquid assets comfortably covered its short-term wholesale funding needs by 1.76x as of June 30, 2024, compared with 2.1x

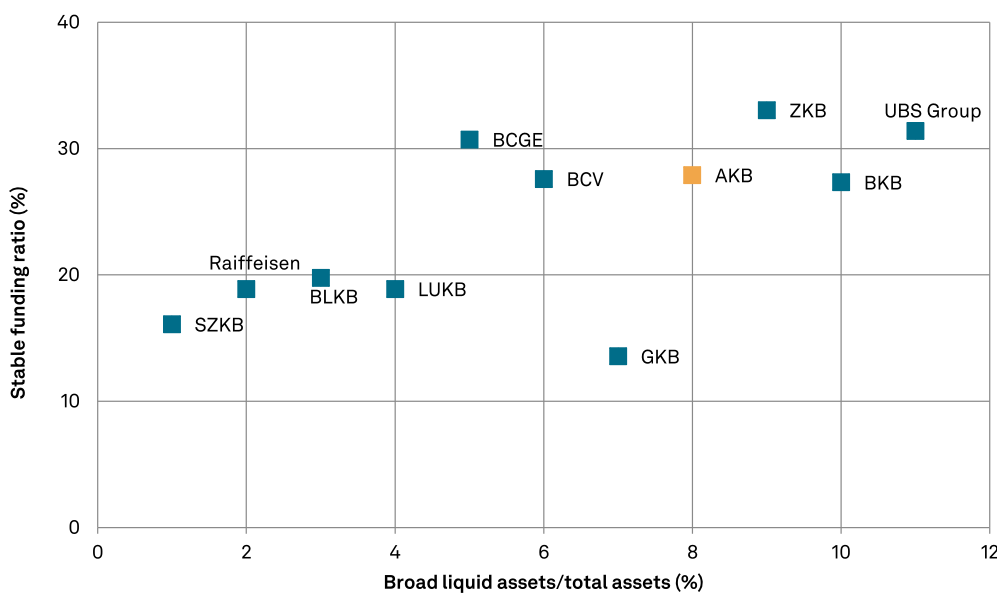
at year-end 2023. We expect AKB to operate with adequate liquidity buffers, supported by its strong deposit business and Switzerland's regulatory framework. Furthermore, broad liquid assets to short-term wholesale funding were about 19.4% as of June 30, 2024 (19.0% as of year-end 2023), which is similar to other Swiss banks. We believe the bank has adequate governance to prevent any funding concentrations and undergoes regular stress testing.

We do not believe the bank would be exposed to large withdrawals of customer deposits in times of economic stress owing to AKB's close ties with, and the statutory guarantee from, the canton. On the contrary, during the 2007-2008 global financial crisis, we observed a flight to quality that strengthened AKB's funding and liquidity profile.

Chart 5

AKB has average funding and liquidity metrics compared with peers

As of June 30, 2024



AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GKB--Graubuedner Kantonalbank. LUKB--Luzerner Kantonalbank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. ZGKB--Zuger Kantonalbank. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Support: Three Notches Of Uplift

We expect AKB will remain a GRE, reinforced by its full ownership by Aargau. The long-term rating on AKB is three notches higher than its SACP, reflecting what we believe is an extremely high likelihood of timely and sufficient extraordinary government support for AKB from its owner in the event of financial distress.

We view AKB as having an integral link with and a very important role for Aargau, which is largely facilitated by cantonal bank law. The law stipulates the cantonal ownership and guarantee as well as the bank's objectives. We think

a potential default of AKB would have a significant systemic impact on the local economy, and this further incentivizes support mechanisms for the bank if it were to encounter financial distress.

We expect the canton will maintain the existing guarantee for the foreseeable future. Beyond our outlook horizon, we see a potential risk that future agreements between Switzerland and the EU regarding preferential market access for Switzerland might include the removal of the remaining guarantees for all cantonal banks.

Environmental, Social, And Governance

ESG factors have a neutral impact on our assessment of AKB's creditworthiness. The bank plays a dominant role in serving the financial needs of rural communities in the canton, and provides substantial support for financial inclusion initiatives. AKB's governance and oversight framework is supported by sound Swiss governance standards and its cantonal ownership. Environmental risks are broadly in line with the banking industry. Like other cantonal banks, AKB lends to some carbon-intensive sectors but we consider its exposure to be manageable overall.

Key Statistics

Table 1

Aargauische Kantonalbank--Key figures					
--Year-ended Dec. 31--					
(Mil. CHF)	2024*	2023	2022	2021	2020
Adjusted assets	38,969.3	35,984.5	38,144.4	34,329.9	31,775.4
Customer loans (gross)	26,881.5	26,175.1	25,404.2	24,325.7	23,660.8
Adjusted common equity	3,013.1	2,863.1	2,687.5	2,562.5	2,516.9
Operating revenues	278.6	569.5	435.5	419.4	409.8
Noninterest expenses	124.9	237.6	215.7	214.0	212.7
Core earnings	149.0	293.3	200.1	195.0	187.8

*Data as of June 30. CHF--Swiss franc.

Table 2

Aargauische Kantonalbank--Business position					
--Year-ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020
Total revenues from business line (mil. CHF)	279.6	570.1	452.8	421.5	406.7
Commercial and retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	8.7	8.8	6.6	6.5	5.5

*Data as of June 30. CHF--Swiss franc.

Table 3

Aargauische Kantonalbank--Capital and earnings					
	--Year-ended Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Tier 1 capital ratio	17.7	18.3	18.0	18.4	18.6
S&P Global Ratings' RAC ratio before diversification	N/A	22.2	19.1	20.7	20.9
S&P Global Ratings' RAC ratio after diversification	N/A	18.2	15.3	17.0	17.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	77.8	80.3	73.9	73.0	74.4
Fee income/operating revenues	15.6	14.6	19.2	19.8	18.4
Market-sensitive income/operating revenues	5.3	4.4	5.8	6.2	6.2
Cost to income ratio	44.8	41.7	49.5	51.0	51.9
Preprovision operating income/average assets	0.8	0.9	0.6	0.6	0.6
Core earnings/average managed assets	0.8	0.8	0.6	0.6	0.6

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Aargauische Kantonalbank--Risk-adjusted capital framework data					
(Mil. CHF)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's Global Ratings' RWA	Average Standard & Poor's Global Ratings' RW (%)
Credit risk					
Government and central banks	6,695	0	0	201	3
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	2,198	810	37	433	20
Corporate	9,777	6,117	63	5,872	60
Retail	18,169	7,560	42	4,577	25
Of which mortgage	15,886	5,830	37	3,206	20
Securitization§	0	0	0	0	0
Other assets†	61	61	100	55	90
Total credit risk	36,900	14,548	39	11,139	30
Credit valuation adjustment					
Total credit valuation adjustment	'--	33	'--	0	'--
Market risk					
Equity in the banking book	85	94	111	600	707
Trading book market risk	'--	54	'--	80	'--
Total market risk	'--	148	'--	681	'--
Operational risk					
Total operational risk	'--	888	'--	1,083	'--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	'--	15,616	'--	12,902	100

Table 4

Aargauische Kantonalbank--Risk-adjusted capital framework data (cont.)					
Total diversification/Concentration adjustments	'--	'--	'--	2,810	22
RWA after diversification	'--	15,616	'--	15,712	122
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		2,865	18.3	2,863	22.2
Capital ratio after adjustments†		2,865	18.3	2,863	18.2

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). CCP--Central counterparty. RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5

Aargauische Kantonalbank--Risk position	--Year-ended Dec. 31--				
	2024*	2023	2022	2021	2020
(%)					
Growth in customer loans	5.4	3.0	4.4	2.8	1.0
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	21.8	25.1	21.6	21.3
Total managed assets/adjusted common equity (x)	12.9	12.6	14.2	13.4	12.6
New loan loss provisions/average customer loans	(0.0)	0.1	0.0	0.0	0.0
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	1.7	1.8	1.2	1.1	0.9
Loan loss reserves/gross nonperforming assets	14.5	14.5	19.0	22.0	28.9

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

Aargauische Kantonalbank--Funding and liquidity					
Aargauische Kantonalbank--Funding and liquidity	--Year-ended Dec. 31--				
	2024*	2023	2022	2021	2020
(%)					
Core deposits/funding base	69.7	74.0	69.3	72.6	70.2
Customer loans (net)/customer deposits	107.9	108.0	104.4	106.7	116.3
Long-term funding ratio	84.0	88.5	85.1	90.3	90.8
Stable funding ratio	115.5	115.2	121.2	121.0	116.0
Short-term wholesale funding/funding base	17.3	12.5	16.1	10.6	10.0
Regulatory net stable funding ratio	142.0	145.2	147.8	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	1.8	2.1	2.0	2.7	2.5
Broad liquid assets/total assets	27.9	23.9	30.2	26.1	22.3
Broad liquid assets/customer deposits	43.7	35.5	47.4	39.3	34.9
Net broad liquid assets/short-term customer deposits	19.4	19.0	24.7	25.3	21.2
Regulatory liquidity coverage ratio (LCR) (%)	158.4	142.7	147.2	N/A	N/A
Short-term wholesale funding/total wholesale funding	57.2	48.3	52.3	38.5	33.4

Table 6

Aargauische Kantonalbank--Funding and liquidity (cont.)					
(%)	--Year-ended Dec. 31--				
	2024*	2023	2022	2021	2020
Narrow liquid assets/3-month wholesale funding (x)	3.7	2.7	2.2	6.4	4.1

*Data as of June 30. N/A--Not applicable.

Aargauische Kantonalbank--Rating component scores	
Issuer credit rating	AA+/Stable/A-1+
SACP	a+
Anchor	a-
Economic risk	1
Industry risk	3
Business position	Adequate
Capital and earnings	Very strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+3
ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Three Swiss Cantonal Bank Ratings Affirmed; Outlooks Stable; Liquidity Revised To Adequate From Strong, Oct. 25, 2024
- Banking Industry Country Risk Assessment: Switzerland, July 30, 2024
- Canton of Aargau, June 17, 2024

Ratings Detail (As Of November 29, 2024)*

Aargauische Kantonbank

Issuer Credit Rating AA+/Stable/A-1+

Issuer Credit Ratings History

19-Dec-2022	<i>Foreign Currency</i>	AA+/Stable/A-1+
01-Jul-2021		AA/Positive/A-1+
24-Jul-2018		AA/Stable/A-1+
19-Dec-2022	<i>Local Currency</i>	AA+/Stable/A-1+
01-Jul-2021		AA/Positive/A-1+
24-Jul-2018		AA/Stable/A-1+

Sovereign Rating

Switzerland AAA/Stable/A-1+

Related Entities

Aargau (Canton of)

Issuer Credit Rating	AAA/Stable/A-1+
Senior Unsecured	AAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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