S&P Global
Ratings

RatingsDirect®

Aargauische Kantonalbank

Primary Credit Analyst:
Harm Semder, Frankfurt + 49 693 399 9158; harm.semder@spglobal.com

Secondary Contact:
Heiko Verhaag, CFA, FRM, Frankfurt + 49 693 399 9215; heiko.verhaag@spglobal.com

Research Contributor:
Joshua C Joseph, Mumbai; joshua.joseph1@spglobal.com

Table Of Contents

Table Of Contents (cont.)

Aargauische Kantonalbank

SACP	a+
Anchor	a-
Business Position	Adequate — 0
Capital and Earnings	Very Strong — +2
Risk Position	Adequate — 0
Funding	Average — 0
Liquidity	Strong — 0

+

Support	+2
ALAC Support	0
GRE Support	+2
Group Support	0
Sovereign Support	0

+

Additional Factors	0

Issuer Credit Rating

AA/Positive/A-1+

Credit Highlights

Overview

Key strengths	Key risks
Ownership and statutory guarantee by, and extremely high likelihood of support from, the financially strong Canton of Aargau, if needed.	Concentration risks from limited geographic diversity and focus on residential mortgage lending.
A sound financial profile underpinned by very strong capitalization and sustained profitability.	Subdued growth prospects in the competitive home market.
High-quality loan book dominated by granular and well-collateralized residential mortgages.	Limited earnings diversification.

Despite the pandemic, Aargauische Kantonalbank's (AKB) performance will remain resilient, due to a solid franchise and high business stability offsetting concentration risks in real estate lending in Aargau. We forecast AKB will maintain a relatively stable return on equity (RoE) of 5%-6% through 2023, despite COVID-19, thanks to its solid business model, history of prudent risk management and cautious lending standards, and customer loyalty instilled by the canton's ownership and guarantee. AKB is also helped by the resilient credit conditions in its home canton and real state financings in particular; more than 90% is well collateralized residential mortgage lending and the remainder financing of local small and midsize enterprises (SMEs) in its home and neighboring regions.

The bank's capitalization remains a rating strength and provides cushioning against tail risk. We anticipate that AKB will maintain its superior capitalization, also supported by the resilience of the Swiss economy amid COVID-19. We anticipate relative earnings stability due to prudent underwriting standards and resilient Swiss real estate markets. We forecast that our main capital indicator, our risk-adjusted capital (RAC) ratio, will hover around 20%-21% over the next 24 months, which makes AKB's capitalization among the world's strongest, together with some cantonal bank peers.

We anticipate that AKB will receive government support from its sole owner the Canton of Aargau, if ever needed, for the foreseeable future. In our view, AKB will maintain its integral link with and a very important role for Aargau, which is largely facilitated by the cantonal bank law. The law stipulates the cantonal ownership and guarantee, as well as the objectives of the bank. We expect the canton will maintain the existing guarantee for the medium term.

Although not tangible to date, we remain mindful of potential long-term risks 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.

Outlook: Stable

Our positive outlook on AKB mirrors that on its owner and guarantor, the Canton of Aargau. We expect that 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 expect AKB will maintain its sound financial profile, underpinned by its very strong capitalization and sound earnings capacity over that period.

Downside scenario

We would consider revising our outlook on AKB to stable if we revised the outlook on Aargau to stable.

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

Upside scenario

We could consider an upgrade of AKB over the next two years if Aargau's creditworthiness were to strengthen to 'AAA' or if AKB's stand-alone credit profile (SACP) were to improve to 'aa-'. However, we regard the latter scenario as unlikely, given the banks high 'a+' SACP and our expectation that the bank will not change its concentrated business model or be able to materially improve its risk and funding position.

Key Metrics

Aargauische Kantonalbank Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2019a	2020a	2021f	2022f	2023f
Growth in operating revenue	1.5	5.6	(5.0)-(5.3)	2.3-2.5	2.3-2.5
Growth in customer loans	2.5	1.0	2.9-3.2	2.9-3.2	2.9-3.2
Growth in total assets	6.7	5.1	2.1-2.3	2.2-2.4	2.2-2.4
Net interest income/average earning assets (NIM)	1.1	1.2	1.0-1.2	1.0-1.2	1.0-1.2
Cost to income ratio	55.4	51.9	54.7-57.5	54.5-57.3	54.3-57.0
Return on average common equity	6.1	5.5	4.4-4.9	4.6-5.1	4.8-5.3
Return on assets	0.5	0.4	0.3-0.4	0.4-0.4	0.4-0.5
New loan loss provisions/average customer loans	0.0	0.0	0.1-0.1	0.1-0.1	0.0-0.0
Gross nonperforming assets/customer loans	0.7	0.9	0.8-0.9	0.7-0.8	0.7-0.8
Net charge-offs/average customer loans	0.0	0.0	0.1-0.1	0.1-0.1	0.1-0.1
Risk-adjusted capital ratio	20.6	20.9	20.9-22.0	21.0-22.1	21.1-22.2

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For A Bank Operating Mainly In Switzerland

Our anchor for a bank operating mainly in Switzerland is 'a-'. We consider the trend for economic and industry risk in Switzerland as stable.

We expect Switzerland's economy will have contracted materially in 2020 due to the spread of COVID-19, but will fully recover over the coming two years. Under this base case, we think the Swiss banking sector will remain resilient, supported by very high household income levels and a corporate sector that has proven to withstand stress well. We think Swiss authorities' material support measures should cushion the short-term effect on Swiss banks' loan books. Additionally, we view positively banks' prudent loan underwriting standards and high collateralization of the residential mortgage loans, which dominate most banks customer portfolios. Considering these factors, we expect only a limited increase in credit losses, from historical low levels. We also expect that price growth in the owner-occupied segment will remain muted in the wake of the pandemic. However, a particular risk remains the investment property segment, where we already observed signs of a price correction before the pandemic.

Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector and our expectation that damage from the pandemic will remain contained. We view positively the limited presence of foreign players, the banks' high capitalization in an international comparison, and their low reliance on capital markets for funding. In our view, the Swiss regulator remain ahead in terms of both regulatory oversight and innovations. We think FINMA's thorough investigations of past international large-scale money-laundry cases has improved market discipline. We particularly consider compliance with highest anti-money-laundering standards as crucial for the stability of the banking sector reflecting the importance of the wealth management industry.

We expect that banks' interest margins will further decline gradually in a permanent low-interest-rate environment However, we expect that repricing of lending products, additional fee income from investment advisory-related activities, and ongoing cost management can offset some of the pressure. We consider risk for Swiss banks from tech disruption as limited as of today given the small size of the market with high barriers of entry, and technologically well-equipped banks

Business Position: Geographic And Product Concentration Mitigated By Solid Franchise And Stable Business Activity

We expect AKB will maintain its solid franchise and high business stability, which offsets 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. Our assessment is further supported by customer loyalty, which is instilled by the cantonal ownership and guarantee.

AKB is a midsize cantonal bank and ranks No. 6 out of a total of 24 cantonal banks in Switzerland (by total assets at June 2021) and operates in northwest Switzerland, which is characterized by its 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 92% of the current loan book at June 2021) and in financing local

SMEs. AKB's business activity also includes private-banking services.

Compared with many other cantonal banks we rate, the competitive environment in AKB's core market is tougher--several other domestic and regional banks compete in the canton. AKB's market share, at about 20%, is consequently lower than other cantonal banks. That said, 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 cantonal bank.

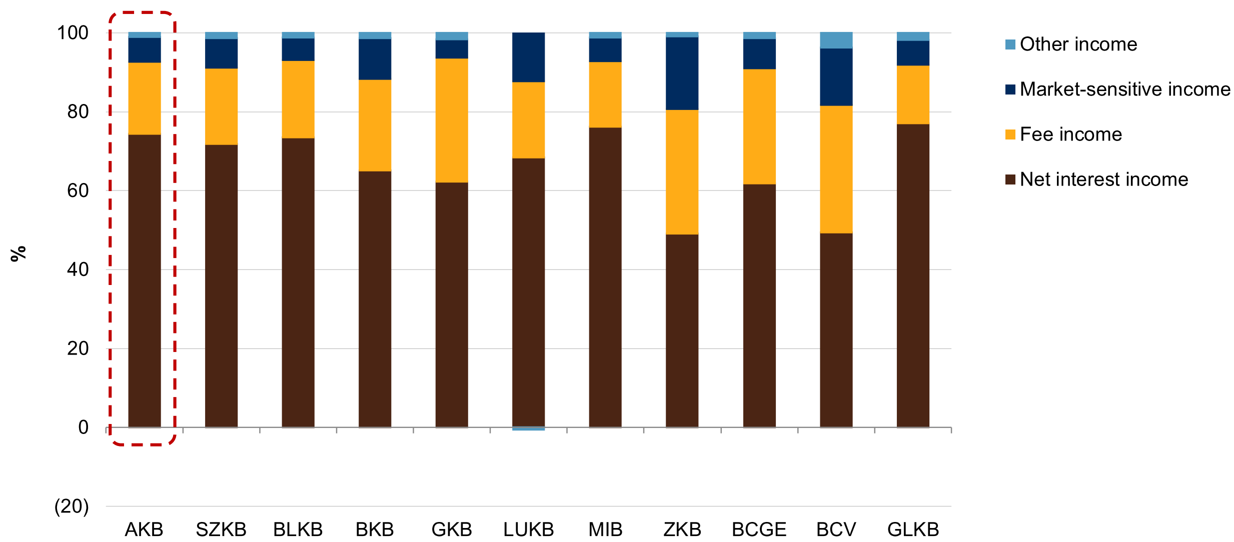
The bank's geographic concentration in Aargau and neighboring regions exposes its business volumes and earnings to economic swings in a rather small economy. Its location between the metropolitan areas of Basel and Zurich, however, suggests customers that are generally wealthy. Although we see risks arising from AKB's concentrated business position, we expect the bank will continue to post very sound and stable earnings in the coming years by retaining its focus on achieving appropriate risk-adjusted margins, rather than business volumes.

The cost-income ratio remains at a very good level, and stood at 49% as of end-2020. We expect the bank to meet its long-term cost-to-income target of 50%-55%. The fees and commission income continues to develop very positively, increasing to Swiss franc (CHF) 41.0 million, an increase of 6.9%. The demand for asset management products remains strong and most of the commission income growth (12%) came from the securities and investment business.

We see relatively low risk that new fintech competitors could disrupt AKB's business model in future, given its loyal and conservative client base, which is likely to continue to favor a relationship-based bank over pure digital banks. This will give AKB time to gradually adjust its product offering and digital customer interaction.

Chart 1

Swiss Banks' Breakdown Of Operating Revenue



Data relates to fiscal year 2020. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. MIB--Migros Bank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank.
Source: S&P Global Ratings.

Capital And Earnings: Capitalization Is A Key Rating Strength

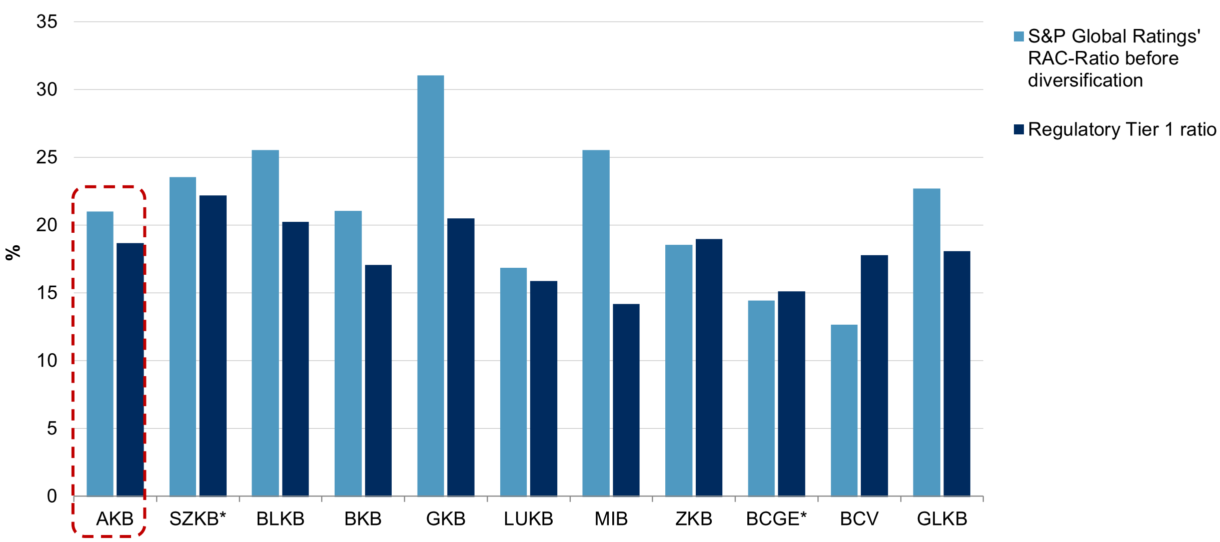
We expect that AKB will maintain its rating strength of superior capitalization, mainly based on our projected RAC ratio of over 21% over the next two years. This compares to our RAC ratio for AKB of 20.92% at year-end 2020 and shows that growth in risk-weighted assets from the growing mortgage book in 2020 was balanced by sufficiently high earnings retention into capital.

The stability in capital ratios is supported by the bank's agreement with the canton that it would maintain a 4%-6% buffer above its current 12% regulatory total capital requirement. Thus, it targets a total capital ratio above 16%. The bank reported a total capital ratio as of June 30, 2021, was 17.9% (Dec. 31, 2020: 18.6%) thus maintaining a 5.9 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 (CET1) ratio to stay above the target. AKB has not issued any hybrid securities, which results in a high quality of capital.

In our view, AKB's earnings are predictable and stable. We forecast a stable net income of CHF123 million-CHF141 million over 2021-2023. We expect the bank's net interest margin (NIM) to come under pressure, largely offset by growing lending volumes. We project strained risk-adjusted profitability and expect AKB's earnings buffer will remain between 0.87x and 0.90x in 2021-2023 compared with 1.11X in 2020, still 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 2

Swiss Banks' Capitalization



Ratios as of December 2020. *As of 2019. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. MIB--Migros Bank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank.
Source: S&P Global Ratings.

Risk Position: Concentration In Residential Mortgage Lending, But Strong Risk Metrics

We expect AKB's risk position will remain a neutral rating factor. In our base case, we assume that Swiss domestic markets will continue to recover and remain resilient against COVID-19 risk. We think that the asset quality of AKB's loan portfolio is well-managed and high, despite its inherent regional and segment concentrations. We base our view on AKB's prudent risk management and lending standards, which we consider to be conservative. We expect that loan book growth will pick and remain at about 3% in the next couple of years.

As of June 2021, AKB's mortgage loan portfolio represented close to 92% of the loan book and mostly consisted of residential real estate loans. It benefited from its high granularity, high collateralization, and a comparably favorable average loan-to-value ratio of about 62%.

We think that the housing price increases in Switzerland over the past several years have heightened the risk of a correction. Given AKB's focus on mortgage lending, a correction could erode its asset quality. That said, residential real estate price increases in Aargau have been lower than the Swiss average. The prices for single-family houses in the canton of Aargau have increased by 3.3% on average since the first quarter of 2020, and prices for condominiums have even increased by about 4.1%. We believe, in an adverse scenario, the Aargau housing market would not be able to delink itself from developments in the national housing market.

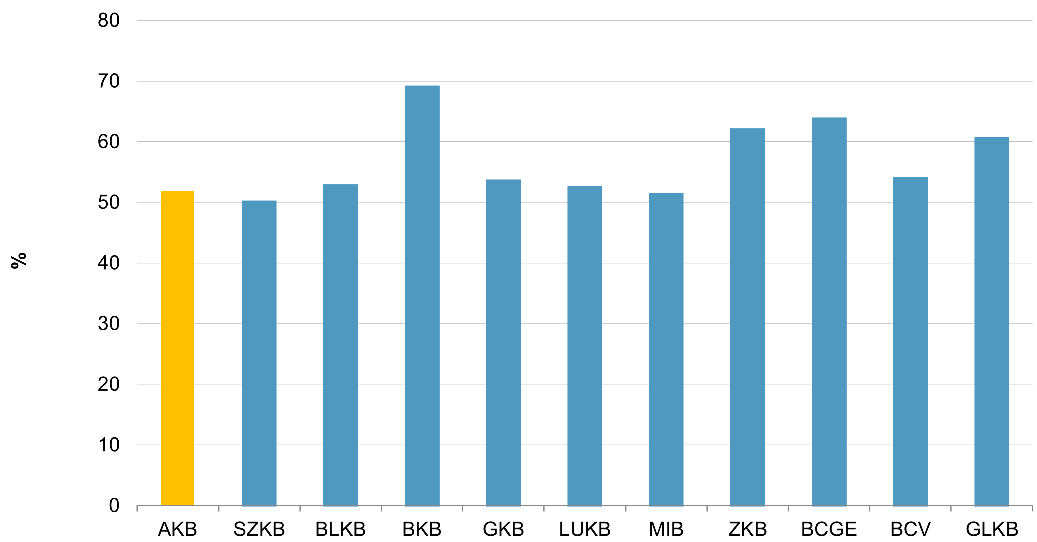
We generally view commercial lending as riskier than residential real estate loan business. That said, we see AKB's commercial loan portfolio as sound in quality because of its modest exposure to cyclical and riskier sectors, such as tourism or real estate development. Nevertheless, AKB's commercial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

Positively, we anticipate that the bank will maintain its conservative underwriting standards in new mortgage lending, helping it to keep a marginal level of nonperforming loans (NPL) in its loan book. The NPL ratio of 0.92% at the end of 2020 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 the NPLs will decline toward pre-pandemic levels by the end of 2023 of 0.73% from 0.82% in 2021.

AKB makes negligible use of complex products because it is dedicated to the local market and only offers standard products. AKB'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, since these are generally client-initiated.

Chart 3

Swiss Banks' Cost-To-Income Ratio



Cost-to-income ratio is defined as noninterest expense as % of operating revenues. Data relates to FY-2020. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. MIB--Migros Bank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Data relates to FY-2019. Cost-to-income ratio is defined as noninterest expense as % of operating revenues. Source: S&P Global Ratings.

Funding And Liquidity: Stable Funding Base, Owing To A Strong Retail Franchise

We expect that our funding assessment for AKB will remain comfortably in line with domestic peers. At the same time, we see the bank's liquidity position and management as a strength. Funding and liquidity benefit from the stability of customer deposits, supported by the guarantee provided by the canton. The bank's core customer deposits accounted for 71.37% of its funding base as of June 2021.

In addition, its leverage ratio stood at 7.1% of total assets in June 2021. Due to the cantonal guarantee, we expect AKB's customer deposits will remain very stable, also in times of stress. That said, we expect customer loans will continue to exceed customer deposits by 125%-130%, which indicates AKB's dependency on other means of funding.

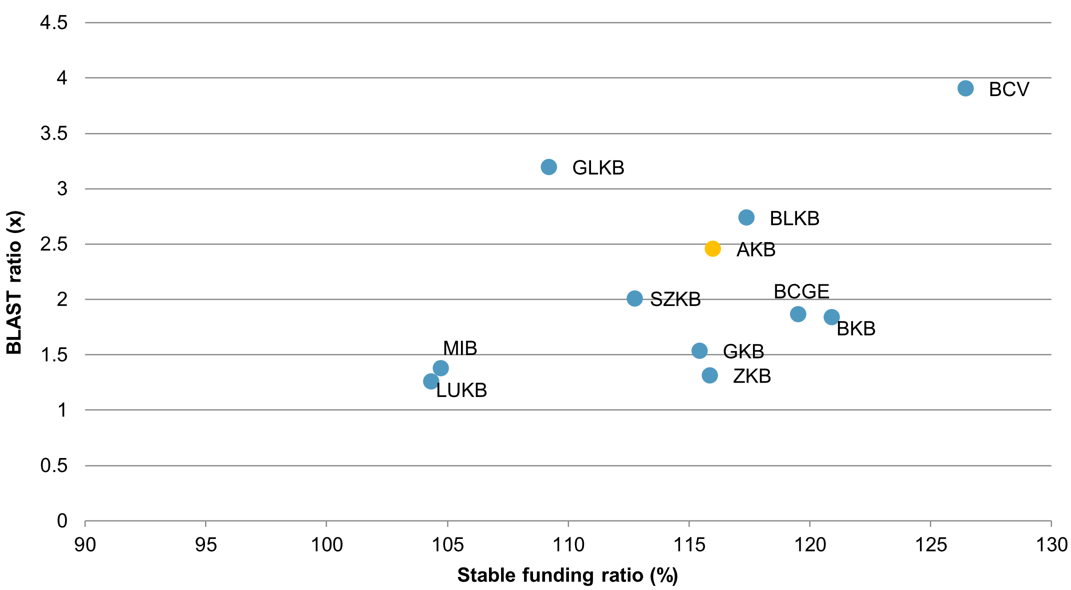
These additional sources of AKB's funding mix are diversified between capital market funding, via secured and unsecured instruments, and interbank funding. We expect AKB's stable funding ratio--our measure of available long-term funding relative to long-term funding needs--will remain at about 110% over the next few years, which is broadly comparable with that at other rated cantonal banks.

Our strong liquidity assessment mainly indicates that AKB's broad liquid assets comfortable covered its short-term wholesale funding needs by 2.73x as of June 2021 (end-2020: 2.5x), implying that it can operate for more than 12 months with no access to market funding. This level of liquid assets to short-term liquidity needs is in line with strong levels at most other rated cantonal banks. Furthermore, broad liquid assets over short-term wholesale funding still exceeded short-term customer deposits by about 24% as of June 2021 (21% as of year-end 2020). We consider that the bank has proper governance in place to prevent any funding concentrations and undergoes regular stress testing. Although some funding is in U.S. dollar and euro, we do not anticipate a material increase in risk in its funding profile.

Owing to AKB's close ties with, and the statutory guarantee by, the canton, we do not think that the bank would be exposed to large withdrawals of customer deposits in times of stress. On the contrary, during the global financial crisis, we observed a flight to quality that strengthened AKB's funding and liquidity profile. Nevertheless, AKB also considers severe idiosyncratic stress in its stress testing.

Chart 4

Swiss Banks' Funding And Liquidity Profile



BLAST ratio is calculated as broad liquid assets divided by short-term wholesale funding. Ratios as of Dec. 2019. AKB--Aargauische Kantonalbank. BCGE--Banque Cantonale de Geneve. BCV--Banque Cantonale Vaudoise. BLKB--Basellandschaftliche Kantonalbank. BKB--Basler Kantonalbank. GLKB--Glarner Kantonalbank. GKB--Graubuendner Kantonalbank. LUKB--Luzerner Kantonalbank. MIB--Migros Bank. SZKB--Schwyzer Kantonalbank. ZKB--Zuercher Kantonalbank. Source: S&P Global Ratings.

Support: Extremely High Likelihood Of Extraordinary Support

We expect AKB will remain a GRE, given its full ownership by Aargau. The long-term rating on AKB is two notches higher than its SACP, reflecting our opinion of 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 the cantonal bank law. The law stipulates the cantonal ownership and guarantee, as well as the objectives of the bank. We think a potential default of AKB would have a significant systemic impact on the local economy, which further incentivizes support mechanisms for the bank if it encounters financial distress.

We expect the canton will maintain the existing guarantee for the short-to-medium term. 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 in our assessment of AKB's credit worthiness. Social and environmental credit factors are in line with those of peers in the banking industry, while the bank's governance standards are comparable with the practice in its home country.

Key Statistics

Table 1

Aargauische Kantonalbank--Key Figures

		--Year-ended Dec. 31--			
(Mil. CHF)	**2020***	**2019**	**2018**	**2017**	**2016**
Adjusted assets	31,509.9	30,240.4	28,348.6	26,959.1	25,243.6
Customer loans (gross)	23,712.2	23,437.9	22,876.3	21,914.3	20,952.3
Adjusted common equity	2,499.5	2,398.7	2,289.6	2,174.2	2,086.8
Operating revenues	203.4	388.0	382.4	372.7	363.6
Noninterest expenses	105.2	214.9	209.1	197.0	187.4
Core earnings	102.3	173.0	173.9	177.4	182.6

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

Table 2

Aargauische Kantonalbank--Business Position

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Total revenues from business line (mil. CHF)	203.4	389.7	388.7	378.9	371.1
Commercial & retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	5.5	6.1	6.2	6.5	6.6

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

Table 3

Aargauische Kantonalbank--Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	N/A	17.9	17.4	17.1	17.2
S&P Global Ratings' RAC ratio before diversification	N/A	20.6	20.4	20.4	20.5
S&P Global Ratings' RAC ratio after diversification	N/A	16.7	16.7	16.6	16.6
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	74.9	73.6	74.5	64.9	68.4
Fee income/operating revenues	18.8	18.2	17.1	16.7	16.2
Market-sensitive income/operating revenues	5.5	6.6	6.5	17.2	14.3
Cost to income ratio	51.7	55.4	54.7	52.9	51.5
Preprovision operating income/average assets	0.6	0.6	0.6	0.7	0.7
Core earnings/average managed assets	0.7	0.6	0.6	0.7	0.7

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

Table 4

Aargauische Kantonalbank Risk-Adjusted Capital Framework Data

(Mil. CHF)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government & central banks	5,671	1	0	170	3
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	1,768	515	29	326	18
Corporate	8,385	5,219	62	5,537	66
Retail	16,588	6,837	41	4,745	29
Of which mortgage	14,491	5,340	37	3,360	23
Securitization§	0	0	0	0	0
Other assets†	58	58	100	57	99
Total credit risk	32,470	12,629	39	10,835	33
Credit valuation adjustment					
Total credit valuation adjustment	--	72	--	0	--
Market risk					
Equity in the banking book	51	60	118	365	718
Trading book market risk	--	39	--	59	--
Total market risk	--	99	--	424	--
Operational risk					
Total operational risk	--	733	--	774	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	13,534	--	12,034	100

Table 4

Aargauische Kantonalbank Risk-Adjusted Capital Framework Data (cont.)

Total diversification/ concentration adjustments	--	--	--	2,561	21
RWA after diversification	--	13,534	--	14,595	121
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,519	18.6	2,517	20.9
Capital ratio after adjustments‡		2,519	18.6	2,517	17.2

*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). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. CCP--Central clearing counterparty. Sources: Company data as of Dec. 31 2020, S&P Global Ratings.

Table 5

Aargauische Kantonalbank--Risk Position

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	2.3	2.5	4.4	4.6	5.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	23.2	22.2	23.3	23.4
Total managed assets/adjusted common equity (x)	12.6	12.6	12.4	12.4	12.1
New loan loss provisions/average customer loans	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
Net charge-offs/average customer loans	N.M.	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.0	0.7	0.7	0.8	1.0
Loan loss reserves/gross nonperforming assets	N.M.	42.6	50.3	50.9	53.4

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

Table 6

Aargauische Kantonalbank--Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	68.5	68.4	70.8	70.8	71.5
Customer loans (net)/customer deposits	120.1	124.3	124.9	126.1	127.8
Long-term funding ratio	88.7	88.6	91.3	90.3	91.0
Stable funding ratio	112.1	108.8	108.0	107.0	105.5
Short-term wholesale funding/funding base	12.3	12.5	9.4	10.6	9.8
Broad liquid assets/short-term wholesale funding (x)	1.9	1.7	1.9	1.7	1.6
Net broad liquid assets/short-term customer deposits	17.0	13.2	12.0	10.6	8.8
Short-term wholesale funding/total wholesale funding	39.1	39.5	32.4	36.2	34.5
Narrow liquid assets/3-month wholesale funding (x)	4.5	3.4	2.9	2.8	2.6

*Data as of June 30.

Related Criteria

- 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
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	**a-**	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of November 19, 2021)*		
Aargauische Kantonalbank		
Issuer Credit Rating		AA/Positive/A-1+
Issuer Credit Ratings History		
01-Jul-2021	*Foreign Currency*	AA/Positive/A-1+
24-Jul-2018		AA/Stable/A-1+
26-Jul-2016		AA+/Negative/A-1+
01-Jul-2021	*Local Currency*	AA/Positive/A-1+
24-Jul-2018		AA/Stable/A-1+
26-Jul-2016		AA+/Negative/A-1+

Ratings Detail (As Of November 19, 2021)*(cont.)	
Sovereign Rating	
Switzerland	AAA/Stable/A-1+
Related Entities	
Aargau (Canton of)	
Issuer Credit Rating	AA+/Positive/A-1+
Senior Unsecured	AA+

*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.