Am richtigen Ort.ch

Aargauische Kantonalbank

Annual Report 2023 Short Version

This unaudited short version of the annual report is not a complete annual report. It is a translation of selected segments of the original German annual report and the Pillar 3 report for information purposes only. In the event of variances, the German version shall take precedence over the English translation. You can find the full German annual report and the Pillar 3 report at report.akb.ch for additional information.

At a glance

in CHF million	2022	2023	Change in %
Income statement			
Operating income	425.5	544.1	27.9
Operating expenses	– 208.4	– 229.8	10.2
Operating result	209.5	307.0	46.5
Profit	179.0	253.8	41.8
Appropriation of profit			
Allocation to statutory retained earnings reserve	87.0	136.9	57.4
Distribution to the canton	92.0	117.0	27.2

in CHF million	31.12.2022	31.12.2023	Change in %
Balance sheet			
Total assets	38 145.2	35 986.5	– 5.7
Loans to customers	25 347.5	26 107.3	3.0
Funds due to customers (inclusive cash bonds)	24 283.8	24 165.0	– 0.5
Net equity before distribution of net profit	2 780.2	2 982.0	7.3
Customer volumes			
Customer assets [1]	33 385.1	33 895.1	1.5
Net new money	2 749.6	861.4	– 68.7
Business volume [2]	62 427.4	63 890.4	2.3
Key figures in %			strategic targets
Return on equity (ROE) [3]	8.0	11.1	6–7
Total capital ratio incl. national countercyclical buffer, without voluntary retained earnings reserves	16.5	16.9	16–18
Total capital ratio incl. national countercyclical buffer	17.3	17.7	
National countercyclical buffer ratio	1.2	1.2	
Total capital ratio according to Pillar 3	18.5	18.9	
Leverage ratio	6.9	7.7	
Cost-income ratio	49.0	42.2	<55
Personnel [4]	**Jobs**	**Jobs**	
FTE (full-time equivalent)	764.3	807.4	5.6
of which apprentices / trainees	42.2	43.9	4.0
Rating			
Standard & Poor's	AA+	AA+	

[1] Basis: Deposits and assets under management (exclusive corporate assets).
[2] Basis: Client assets, corporate assets and loans to customers.
[3] Calculation return on equity: Operating result / average net equity.
[4] FTE is shown as part-time adjusted, apprentices, trainees and employees in the trainee pool are counted as 50%.

Business performance

AARGAUISCHE KANTONALBANK ACHIEVES STRONG EARNINGS AND ABOLISHES A FURTHER FEE

The strong annual earnings of Aargauische Kantonalbank (AKB) are attributable to a substantial improvement in interest operations, resulting in an increase in operating result to CHF 307.0 million (+46.5%). Profit rose to CHF 253.8 million (+41.8%).

After eliminating all account management and transaction fees on private and corporate accounts from 1 April 2023, AKB is additionally waiving the fee for the AKB Debit Mastercard of CHF 48 per year and card from 1 April 2024.

AKB with top results in surveys and expansion of its market position
In the "Top Banks 2024" customer survey conducted by "Handelszeitung" and data provider "Statista", AKB ranked highly in two categories, achieving first place in the "Corporate clients" category and second place in the "Private clients North West Switzerland" category. With more than 22,000 new clients, roughly 10% of whom are SMEs, the client base has widened to more than 250,000 relationships.

Record transfers to the public sector
Aargauische Kantonalbank exceeded the previous year's record figures substantially, posting its highest ever annual earnings. Operating result rose by CHF 97.5 million (+46.5%) to CHF 307.0 million. Profit increased to CHF 253.8 million, up from CHF 179.0 million in the previous year.

The Board of Directors has proposed to the Executive Council and for the attention of the Grand Council a profit distribution to the canton of Aargau of CHF 117.0 million (previous year: CHF 92.0 million). Together with the compensation of the state guarantee in the amount of CHF 14.0 million, the canton of Aargau will receive total remuneration of CHF 131.0 million for the 2023 financial year, CHF 27.1 million higher than in the previous year. In addition, AKB will be paying CHF 13.3 million (+25.7%) in taxes to the municipalities in which it is located. Accordingly, a total of CHF 144.2 million, representing an increase of CHF 29.8 million or 26.1%, will be transferred to the public sector.

Higher operating income thanks to turnaround in interest rates
AKB increased its operating income by 27.9% to CHF 544.1 million, largely underpinned by interest operations as a result of the turnaround in interest rates. This therefore marked an end of the phase of negative interest rates, which had exerted pressure on earnings. Interest operations, which are by far the Bank's most important earnings pillar, increased net by CHF 120.1 million (+38.5%) to CHF 431.8 million. The interest rate hikes by the Swiss National Bank (SNB) are reflected in interest income and interest expenses. In addition to higher income from the interest on sight balances held with the SNB and the SARON-based money-market

mortgages, clients are also benefiting from the higher interest on all CHF-denominated accounts. AKB was one of the few universal banks to pass on these higher interest rates without any differentiation based on the amount of the balances held. Thus, interest expense rose by roughly CHF 200 million last year.

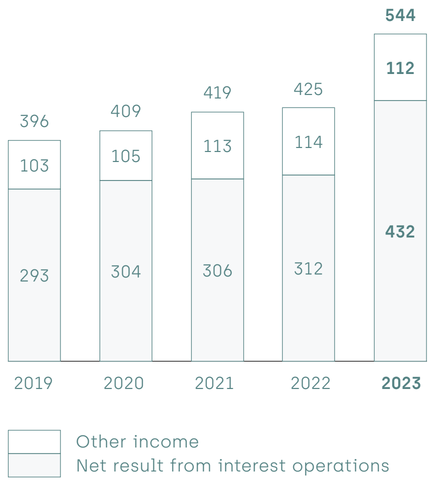
Pre-emptive risk detection
Value adjustments and losses on interest operations amounted to CHF 25.4 million in the reporting year, compared with CHF 10.1 million in 2022. This was partly due to increased impairments for inherent credit risks, which help to cover certain stress scenarios. Moreover, more muted economic growth, particularly on the part of export companies, as well as higher interest rates left traces, prompting the Bank to pre-emptively recognise impairments on various individual exposures. AKB's risk provisioning is thus well funded and the loan portfolio is generally very robust.

Growth in lending business in line with the strategy – further sharp rise in corporate loans
With respect to customer loans, the Bank registered growth of 2.6% in mortgages thanks to continued stable demand for owner-occupied residential property. This was also aided by "green" mortgages, which increased by a good CHF 100 million. The high additional demand for loans to SMEs and key-account clients continued with growth of +8.3% (previous year: +9.2%). All in all, customer loans thus rose by CHF 0.8 billion (+3.0%), reaching CHF 26.1 billion at the end of 2023. More than 90% of all customer loans are mortgage-secured and more than 90% are located in AKB's core market (Canton of Aargau and bordering regions). The mortgage-secured loans of CHF 23.9 billion were backed by collateral in the form of mortgage notes on properties valued at CHF 47.1 billion.

Above-average growth in deposits from private clients
Turbulence in the Swiss financial market and the attractive terms offered by AKB led to a sharp rise in customer deposits. With business volumes rising by CHF 1.5 billion (+2.3%), AKB benefited from sharp growth in deposits from private clients of over CHF 1.3 billion (+8.7%) and net new money depot assets of CHF 0.7 billion (+10.2%). On the other hand, reallocations by a small number of

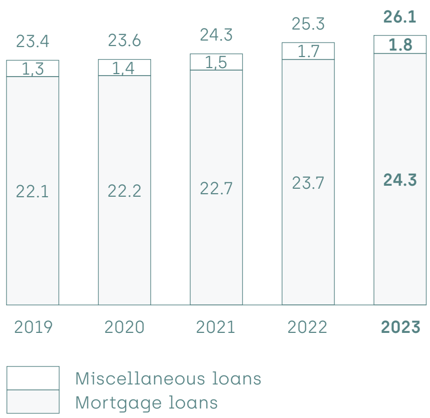
544 m

Operating income in CHF m



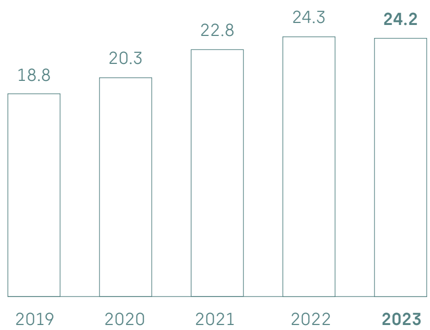
26.1 bn

Customer loans in CHF bn



24.2 bn

Customer funds in CHF bn



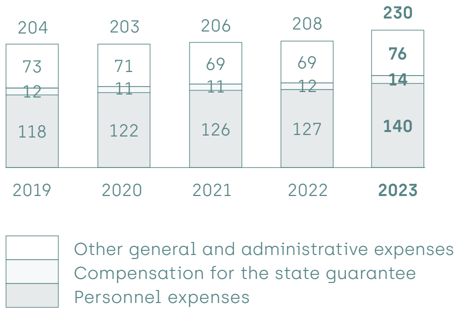
institutional investors and the active non-renewal of expiring funding operations by Treasury had a negative impact on growth in customer assets.

Result from commission business and services unchanged over the previous year due to the waiver of fees
At CHF 83.2 million (–0.6%), the result from commission business and services was almost the same as in the previous year. The waiver of transaction and account management fees from April 2023 in favour of the Bank's clients resulted in a decline in commission income from other services. Adjusted for this effect, the result from commission business and services would have risen by roughly 3%. This result was underpinned by the Bank's solid investment and asset management business, which has been successfully expanded over the last 25 years.

Earnings from trading activities rose by +6.5% to CHF 24.5 million in line with expectations.

230 m

Operating expenses in CHF m



Higher operating expenses due to investments in future growth
Operating expenses rose by CHF 21.4 million (+10.2%) to CHF 229.8 million. Personnel expenses, as the largest single expense item, climbed by CHF 12.6 million (+9.9%) to CHF 140.0 million. AKB was able to increase its employee numbers by 43 full-time equivalent positions (+5.6%) to 807, of whom 32.0% make use of a part-time working model. The increase in employee numbers is also a direct consequence of the roughly 22,000 new clients gained by the Bank. In addition to the higher remuneration for personnel, the once-only contribution of roughly CHF 3 million to the pension fund – due to the change in the APK decree – caused personnel expenses to increase.

General and administrative expenses rose by 10.8% to CHF 89.8 million. Rising IT expenses reflect the further expansion of innovative services and customer experiences and account for roughly 42% of general and administrative expenses. The increased investments have enabled the launch of new investment and lending products, the expansion of the b-link interface for various accounting software systems, the implementation of new e-banking and mobile banking functions as well as investments in security and technologies of the future. Upscaling of the advisory tool is additionally enhancing the quality of advisory services, as testified to by the 88,000 advisory sessions provided for the Bank's clients.

The compensation payable to the Canton of Aargau for the state guarantee rose by roughly CHF 2.1 million (+17.9%) to CHF 14.0 million.

The AKB foundation LEBENSRAUM AARGAU is receiving an annual endowment of 1% of the annual profit for 2023 of CHF 2.5 million (+0.7 million) to support and fund community projects and initiatives in the Bank's core market. Last year, the foundation provided support of CHF 1.4 million for 110 projects.

The Bank invested CHF 0.8 million (+53.1%) to provide more favourable terms for the "green" mortgages and to implement the AKB support programme. The costs are partially financed from the revenue earned from the provision of ESG-related finance of CHF 0.4 million (–43.2%) and the preferential interest rates on "green" bonds and "green" time deposits of CHF 0.1 million. The proportion of sustainable securities increased both in asset management (institutional clients +11.1%) and in investment advisory business (+3.7%). Greater attention is being paid to sustainability matters in employee training.

High efficiency and record capital resources
Operating result rose to CHF 307.0 million, thus exceeding the previous year's already good figure by almost CHF 100 million. The higher income and slower increase in expenses led to an improvement in the cost/income ratio to an excellent 42.2% (previous year: 49.0%). The reflects the universal Bank's high operating efficiency, also by market standards. The equity ratio of 11.1% clearly exceeds the strategic requirements.

The allocation of CHF 40 million to the reserves for general banking risks additionally strengthened equity, which (after the planned appropriation of profit) stood at CHF 2.95 billion at the end of the year (CHF +185.5 million).

This additional equity results in an increase in the total capital ratio to 18.9% (+0.4 percentage points). Excluding voluntary retained earnings reserves, which were created in anticipation of the financial impact of the Basel III regulations and to soften its effect, and in consideration of the SNB's countercyclical capital buffer, which was reactivated at the end of September 2022, the ratio widened by 0.4 percentage points to 16.9% and continues to fall within the strategic target range of 16–20% in line with the new owner strategy.

Fee for Debit Mastercard waived

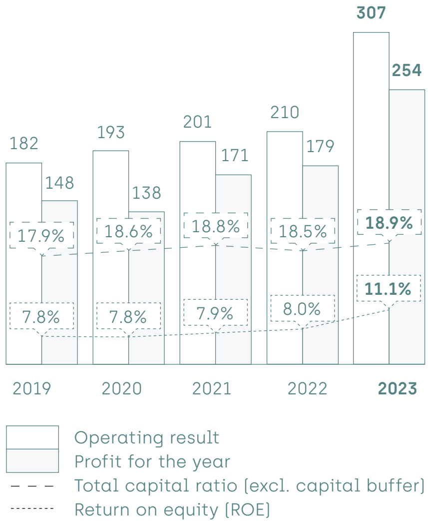
AKB is and remains one of the most attractive universal banks in Switzerland. After the abolition of the account management and transaction fees for private and corporate accounts from 1 April 2023, the Bank is now also waiving the annual fee of CHF 48 on the Debit Mastercard as of 1 April 2024. Together with the attractive interest rates on private, savings, client and pension accounts – which, it should be noted, apply free of any restrictions, i.e. without any differentiation based on the size of the balance – the Bank is thus able to share its success with its clients and unconditionally offer all new clients an attractive basic service.

Outlook

Over the past two years, the major global central banks have increased their base rates substantially in some cases in order to combat the sharp rise in inflation rates. These measures have been yielding the desired effect since mid-2023. Consequently, the central banks will be able to reduce interest rates step by step in the course of this year.

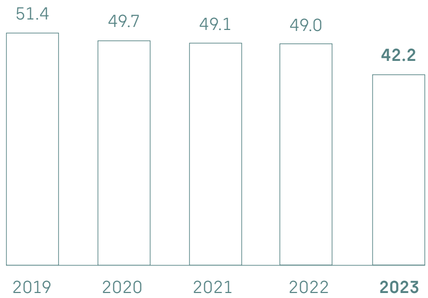
AKB will remain on the course which it has adopted and is striving to preserve its resilience in multiple ways. The Bank's financial situation is extremely solid, allowing it to overcome any adversities free of any problems. Looking forward to 2024, the Bank expects slightly lower earnings, chiefly as a result of the anticipated decline in interest rates.

Operating result, profit for the year, total capital ratio and return on equity (ROE)
in CHF m



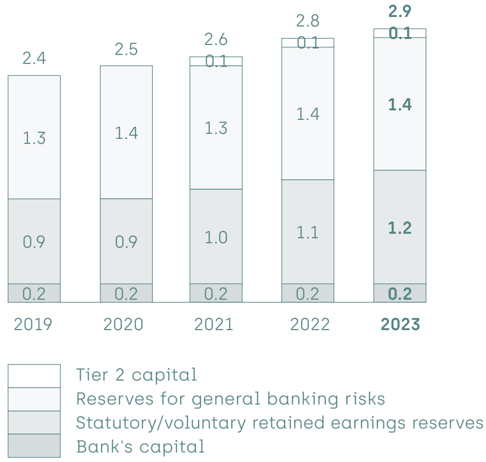
42.2%

Cost-income ratio in percentage
(incl. compensation for the state guarantee)



2.9 bn

Total capital after distribution of net profit in CHF bn



Balance sheet before appropriation of profit

in CHF 1000	31.12.2022	31.12.2023	Change in %
Assets			
Liquid assets	8 792 983	6 536 017	–25.7
Amounts due from banks	1 220 245	382 418	–68.7
Amounts due from customers	1 679 614	1 819 105	8.3
Mortgage loans	23 667 916	24 288 167	2.6
Trading portfolio assets	35 879	42 424	18.2
Positive replacement values of derivative financial instruments	139 438	109 213	–21.7
Financial investments	2 481 208	2 674 707	7.8
Accrued income and prepaid expenses	33 455	40 060	19.7
Participations	17 738	17 737	–0.0
Tangible fixed assets	59 146	60 927	3.0
Other assets	17 533	15 682	–10.6
Total assets	**38 145 155**	**35 986 457**	**–5.7**
Total subordinated claims	–	–	n. a.
of which subject to mandatory conversion and/or debt waiver	–	–	n. a.
Liabilities			
Amounts due to banks	4 254 364	2 174 333	–48.9
Liabilities from securities financing transactions	1 523 485	1 421 947	–6.7
Amounts due in respect of customer deposits	24 273 088	24 155 296	–0.5
Negative replacement values of derivative financial instruments	92 967	120 272	29.4
Liabilities from other financial instruments at fair value	35 721	41 924	17.4
Cash bonds	10 735	9 700	–9.6
Bond issues and central mortgage institution loans	4 938 495	4 834 435	–2.1
Accrued expenses and deferred income	94 166	106 198	12.8
Other liabilities	100 119	93 566	–6.5
Provisions	41 809	46 750	11.8
Reserves for general banking risks	1 377 000	1 417 000	2.9
Bank's capital	200 000	200 000	–
Statutory retained earnings reserve	903 880	990 880	9.6
Voluntary retained earnings reserves	120 000	120 000	–
Profit carried forward	297	326	9.8
Profit	179 029	253 830	41.8
Total liabilities	**38 145 155**	**35 986 457**	**–5.7**
Total subordinated liabilities	–	–	n. a.
of which subject to mandatory conversion and/or debt waiver	–	–	n. a.
Off-balance-sheet transactions			
Contingent liabilities	251 590	226 668	–9.9
Irrevocable commitments	1 211 211	1 518 484	25.4
Obligations to pay up shares and make further contributions	66 350	66 350	–
Credit commitments	–	–	n. a.

Income statement

in CHF 1000	2022	2023	Change in %
Result from interest operations			
Interest and discount income	303 596	633 435	108.6
Interest and dividend income from financial investments	6 934	11 589	67.1
Interest expense	11 248	–187 823	–1 769.8
Gross result from interest operations	**321 778**	**457 201**	**42.1**
Changes in value adjustments for default risks and losses from interest operations	–10 074	–25 446	152.6
Subtotal net result from interest operations	**311 704**	**431 755**	**38.5**
Result from commission business and services			
Commission income from securities trading and investment activities	67 437	67 158	–0.4
Commission income from lending activities	4 921	5 843	18.7
Commission income from other services	24 132	23 348	–3.2
Commission expense	–12 824	–13 165	2.7
Subtotal result from commission business and services	**83 666**	**83 184**	**–0.6**
Result from trading activities and the fair value option	**23 001**	**24 503**	**6.5**
Other result from ordinary activities			
Result from the disposal of financial investments	2 263	544	–76.0
Income from participations	2 191	1 867	–14.8
Result from real estate	2 510	2 310	–8.0
Other ordinary income	830	514	–38.1
Other ordinary expenses	–693	–594	–14.3
Subtotal other result from ordinary activities	**7 101**	**4 641**	**–34.6**
Operating income	**425 472**	**544 083**	**27.9**
Operating expenses			
Personnel expenses	–127 423	–140 010	9.9
General and administrative expenses	–81 026	–89 796	10.8
of which compensation for the state guarantee	–11 871	–13 993	17.9
Subtotal operating expenses	**–208 449**	**–229 806**	**10.2**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–7 298	–7 791	6.8
Changes to provisions and other value adjustments, and losses	–223	535	–339.9
Operating result	**209 502**	**307 021**	**46.5**
Extraordinary income	17 469	60	–99.7
Extraordinary expenses	–	–	n. a.
Changes in reserves for general banking risks	–37 400	–40 000	7.0
Taxes	–10 542	–13 251	25.7
Profit	**179 029**	**253 830**	**41.8**

Appropriation of profit

in CHF 1000	2022	2023	Change in %
Appropriation of profit			
Profit	179 029	253 830	41.8
Profit carried forward	297	326	9.8
Distributable profit	**179 326**	**254 156**	**41.7**
Allocation to statutory retained earnings reserve	87 000	136 900	57.4
Distribution to the canton	92 000	117 000	27.2
Profit carried forward	**326**	**256**	**–21.5**

Risk management

In connection with its business model and its strategic orientation, AKB is mainly exposed to credit risks, market risks, liquidity risks, operational risks (including information security and cyber risks) as well as compliance risks.

At AKB, climate-related financial risks are defined as “horizontal risks”, i.e. risks that manifest themselves in the aforementioned traditional financial risk types.

With regard to the disclosure of climate-related financial information, please refer to AKB’s Sustainability Report.

For AKB, risk management is a process in which all relevant risks with a potential negative impact on the Bank are systematically identified, analysed, assessed, managed and monitored. This process is supported by appropriate organisational structures as well as methods, tools and guidelines. Furthermore AKB strives to manage the risks in a transparent and timely manner within the defined limits.

I. Risk governance structure

Ultimate responsibility for risk management rests with the Board of Directors. It is responsible for the regulation, establishment and monitoring of effective risk management as well as overall risk management as such. Thus it establishes the framework for institution-wide risk management.

The Audit and Risk Committee of the Board of Directors assists the Board of Directors in assessing and monitoring the functionality and appropriateness of institution-wide risk management and compliance.

The Executive Management is required to implement the operational business in accordance with the framework for institution-wide risk management. It must specify, set up and implement appropriate processes for identifying, assessing, managing and monitoring the risks taken by the Bank.

The Bank’s risk governance is based on the three lines of defence model.

First line of defence: ownership, assumption and management of risks

The specific risk assumption is delegated by the Executive Management to the operational units by means of guidelines and instructions subject to clearly defined specifications and risk limits.

In some significant types of risk, risk assumption is also delegated to defined internal committees.

As risk owners, these operational bodies or committees are responsible for the assessment, management, controlling and handling of risks.

Second line of defence: risk monitoring and control

The second line of defence is used to manage and monitor the risk management functions of the first line of defence in the interests of the greatest possible effectiveness. This includes defining methods and procedures for risk management, guidelines, monitoring of risks and reporting to the company’s management.

At AKB, the Risk/CRO and Compliance units constitute the second line of defence for risk management.

The Risk/CRO sector, headed by the Chief Risk Officer (CRO), which belongs to the Finance & Risk division, comprises the functions of risk control as well as information security and cyber risks. They ensure the systematic monitoring and reporting of both individual and aggregated exposures. In addition to regular reports, a comprehensive and consolidated risk report for all material risk categories is prepared quarterly for the attention of the Executive Management, the Audit and Risk Committee and the Board of Directors.

In addition, the CRO immediately triggers the defined escalation and emergency procedures for significant risk-relevant developments. The CRO has direct access to the executive management, the Audit and Risk Committee and the Board of Directors.

Third line of defence: independent assurance

The independent internal auditing department, which is independent of and organisationally separate from the Executive Management, assists the Board of Directors in the performance of its senior management function. In this role, it assesses the Bank’s risk management, controlling and governance processes.

II. Framework for institution-wide risk management

The Bank has a framework for institution-wide risk management specified by the Board of Directors. It consists of the internal risk policy, the risk tolerance guidelines and the risk limits as well as the specific internal regulations and guidelines issued for the main types of risk.

The main risk types are capped by means of limits. Based on the risk profile and risk-bearing capacity of the Bank, these limits define the risk tolerance of the Bank as a whole and for the main types of risk. Risk tolerance requirements are reviewed at least annually and monitored on an ongoing basis. The defined risk tolerances are set up so that they do not compromise the continued existence of the Bank even if they are cumulatively utilised.

The specific implementation rules regarding the tasks, competencies and responsibilities as well as the principles of identification and evaluation, limitation and management, monitoring and reporting are contained in the specific internal regulations on the main types of risk.

A. Credit risks

The credit regulations establish the regulatory framework for all banking transactions that generate credit risks for the Bank. At the implementation level, the credit regulations are supplemented by credit guidelines as well as by directives and process descriptions. The credit guidelines specify the regulatory principles and guidelines in lending based on the current risk assessment of the market and economic environment.

Credit risks are restricted by limits, quality requirements, fixed cover margins and guidelines on risk diversification. When loans and other exposures subject to credit risks are approved, creditworthiness and solvency are assessed according to uniform criteria. Authorisation is granted on a multi-level, risk-oriented basis.

The units responsible for acquiring and servicing clients are completely separate from loan processing and credit administration.

The credit risk monitoring at portfolio level is carried out by the Risk/CRO sector, which is independent of the sales organisation and monitors changes in the credit portfolio in a variety of ways. Appropriate methods and models are used to assess credit risks periodically and on an ad hoc basis. The aim of monitoring at the portfolio level is to identify at an early stage existing and potential credit risks due to concentrations, interdependencies or influences of significant market developments and to evaluate and demonstrate their effects on the risk tolerance, risk limits or thresholds of the Bank as a whole.

Monthly reports are sent to the senior credit approval department regarding changes in the credit portfolio. The Executive Management, the Audit and Risk Committee and the Board of Directors are each informed about the specific credit risk analyses. In addition, the risk assessment of the entire loan portfolio is reported in detail quarterly.

To measure and manage credit risk, the Bank classifies its loans according to a rating system. The system is used to ensure the uniform assessment of credit risks and to determine the expected losses which the Bank faces when lending. This component is used for the risk-based definition of credit conditions and thereby directly influences the conclusion of credit transactions.

<u>Methods used to identify credit risks and to determine impairments</u>

Besides a comprehensive rating system, credit monitoring is based on defined early warning indicators (exceeded thresholds, outstanding interest, etc.), which point to a deterioration in credit quality as early as possible and ensure the timely introduction of corrective measures.

AKB differentiates between three types of credit risk prevention: Specific loss allowances, impairments for inherent credit risks (normal recognition process and specific risk portfolio) and risk provisions.

Specific loss allowances

The Bank attaches great importance to the consistent management of problem exposures and loss positions. Support is provided by the Recovery department, either directly or together with the client advisor of the sales organisation, for exposures that are impaired or for which provisions have been set aside as well as for exposures that are non-performing. In addition, Recovery monitors the "watchlist" exposures and, along with the Real Estate Management department, is also responsible for the management and the rapid re-sale of properties foreclosed on by the Bank.

Receivables for which the Bank considers it unlikely that the borrower will be able to fully comply with its future obligations are considered at risk. Loans at risk are valued individually and the impairment is covered by specific loss allowances.

Impairments and provisions for inherent credit risks

Impairments and provisions are recognised for non-impaired receivables where "inherent credit risks" exist. These are calculated according to a parametric approach for existing credit positions and include:

— Receivables from clients/mortgage loans/ contingent liabilities/irrevocable commitments,
— Receivables from banks and debt instruments held by the Bank as financial assets to maturity.

The calculation is essentially based on the probability of default (PD) of the debtor, the expected loss given default (LGD) and the credit volume or credit risk (exposure at default, EAD). The assumptions underlying the calculation are based on expert assessments as well as internal and external historical averages that represent an entire economic cycle.

When creating impairments and provisions for inherent credit risks, a distinction is made between the normal creation process as well as the creation of a specific risk portfolio.

a) Impairments and provisions for inherent credit risks using a normal process

The impairments and provisions for inherent credit risks created in a normal process can be used to create specific loss allowances in an extraordinary risk situation. For an extraordinary risk situation to be recognised, AKB must be in an exceptional risk situation and the Bank must consider this economic situation to be negative.

AKB is considered to be in an exceptional risk situation if the cumulative specific loss allowances and provisions for credit risks created during the last 12 months exceed a certain percentage of the total impairments and provisions for inherent credit risks as at the reporting date.

When a negative assessment of the overall economic situation is evaluated by internal AKB experts, a variety of economic indicators are applied including, for example, the Aargau Economic and Real Estate Barometer (Aargauer Konjunktur- und Immobilienbarometer), stock market trends, GDP growth and the Swiss unemployment rate.

In an extraordinary risk situation, the creation of impairments and provisions for inherent credit risks can be disregarded in accordance with the specified methodology and the impairments and provisions previously created can be used in accordance with the intended purpose. This means that the new specific loss allowances are recognised at the expense of impairments/provisions already recognised for the inherent credit risks of the exposure/contingent liability concerned. The respective discarding or intended use may not exceed the gross amount of specific loss allowances in the respective reporting year.

The extraordinary risk situation must be reviewed no later than 36 months after recognition, thereafter at least once a year, and reversed if the defined criteria are no longer met. If the extraordinary risk situation is reversed, the existing shortfall in impairments and provisions for inherent credit risks must be reduced again within a maximum of five years. In reporting year 2023, no impairments or provisions for inherent credit risks were used to create specific loss allowances.

The impairments and provisions for inherent credit risks as at 31 December 2023 corresponded in full to the internal model calculations mentioned above.

b) Specific risk portfolio for inherent credit risks

In certain risk situations, clearly definable and distinguishable criteria make it possible to identify sub-portfolios that are exposed to specific risks. This may include risk situations such as a crisis or pandemic affecting parts of the portfolio or certain sectors/ loan segments or borrowers. The creation or management of a specific risk portfolio for inherent credit risks enables a timely response to be taken to such risk situations or adverse scenarios. If such scenarios materialise, the impairments and provisions recognised can be used for their intended purpose in the absence of the prior emergence of an extraordinary risk situation. The appropriateness and amount of the specific risk portfolio is reviewed and assessed every six months.

In order to take account of the current risk situation and the credit risks liable to arise as a result of it, the Board of Directors made an additional allocation to the existing specific risk portfolio on 31 December 2023.

Risk provisions – reserves for general banking risks

"Risk provisioning" is used to avert the risk of future unexpected losses from client loans. Its aim is to create additional, voluntary reserves for unexpected loan defaults and to use these reserves to cover losses when singular events occur.

The calculation is based on internal stress scenarios. Amounts are allocated to the "Risk provisioning" account presented separately under the balance sheet heading "Reserves for general banking risks" in accordance with the "high water-mark method", i.e. an allocation is made only if the unexpected losses of the CVaR (Credit Value at Risk) calculated in the stress scenario are greater than the amount of risk provisions. The addition or release is made via the income statement item "Changes in reserves for general banking risks".

The effects of the losses based on the stress scenarios on the capital situation are shown in capital planning. The results show that, in the event of very high credit losses affecting the entire banking industry equally, the Bank itself would still have intact equity coverage thanks to the full array of risk prevention measures, meaning that the ordinary course of business is safeguarded in compliance with the capital adequacy requirements.

1. Client loans

The core business of AKB is the granting of mortgages and other mortgage-backed loans. To determine the maximum amount of property financing, the following factors are decisive: collateral values internally defined by the Bank for each property type, the financial viability of the borrower and the observance of amortisation principles. The criteria to be applied are set out in the credit guidelines.

Loans collateralised with securities are subject to guidelines on the assets accepted as securities and their collateral values. The guidelines are restricted on the basis of risk-based criteria and are assessed periodically.

Alongside the mortgage business and securities collateral-secured loans for private clients, the Bank's operations include commercial lending, primarily to companies based in the market territory.

Valuation of collateral

To value property, AKB employs experts to support the client advisor and the approval entities in technical matters, decisions and judgements. The guidelines for valuing all kinds of property are subject to binding regulations. The client advisors can make decisions on standard transactions on their own authority using a set of estimation tools. Properties that do not satisfy the defined parameters for standard transactions are assessed exclusively by real estate experts. They are based in a central unit independent of the front office. For the majority of standard transactions, either a hedonic model for owner-occupied homes and single-family homes, or a capitalised earnings method for multi-family homes and simple residential and commercial buildings is used. Both estimation tools are integrated into the lending process and ensure an efficient and consistent evaluation.

The value of securities collateral is monitored daily. If the collateral values fall below the loan exposure amount, the outstanding amount needs to be reduced or additional collateral put up. In exceptional market conditions or in the case of a growing cover shortfall, the collateral is realised and the loan closed out.

The relevant evaluation criteria for commercial loans are mainly future earnings outlook, market position, an assessment by management and the financial ability to repay the loan on schedule. Unsecured major exposures are restricted by limits at individual and total exposure level.

Additionally, guidelines and benchmarks exist at the overall portfolio level.

2. Credit risks from trading

Responsibilities and technical tasks related to credit risks from trading, including the internal standards for the application of risk mitigation techniques, are set out in the loan regulations, in the credit guidelines and at instruction level. Counterparty risks in interbank business are capped by a limit system. Limits must be approved by the competent approval entities at the request of the operational units in the trading department in accordance with the allocation of authority. The approval entities are completely separate from the units making the request. The limits are reviewed for appropriateness at least once a year. To reduce wrong-way risks, care is taken to ensure appropriate diversification.

Compliance with limits is monitored daily by the Risk/CRO sector and reported on a monthly basis. Furthermore, each quarter the Audit and Risk Committee and the Board of Directors are informed about limit compliance, risk assessment and particular findings.

AKB conducts interbank business primarily for liquidity management and handling of client orders (international payments). This involves short-term money market deposits and transfers from domestic and foreign banks.

3. Country risks

Country risks are limited by the Board of Directors through pre-determined thresholds based on the rating category. Within these thresholds, the competent credit committee sets additional limits in the form of individual limits per country. The Risk/CRO sector monitors compliance with country limits. Exposures in risk countries are assessed at least twice a year for traceability and impairments made if necessary.

B. Market risks

Market risks refer to the risk of losses resulting from changes in market prices (e.g. equities, exchange rates, interest rates) and factors influenced by market price (e.g. volatilities and correlations). A distinction is drawn between the following sub-risk categories: "Market risks in the trading book", "Interest rate risks" and "Other market risks".

1. Market risks in the trading book

Financial instruments that are held for the Bank's own account for resale in order to exploit short-term price and interest-rate volatility are assigned to the trading book and measured on a fair value basis using daily market prices. These positions are actively managed within the defined risk tolerance and risk limits exclusively by the "Forex", "Equity" and "Interest" trading desks. The Bank also acts as an issuer of certificates. The underlying assets or securities of the certificates are held in the trading portfolio as a hedged item.

The specific tasks, competencies and responsibilities as well as the principles of identification and evaluation, limitation and management, monitoring and reporting of the Bank's trading activities are regulated in the internal trading regulations. Entering into risks as a result of proprietary trading is governed in detail by the internal trading guidelines and dealer-specific instructions. With the exception of self-issued certificates, AKB does not engage in any market making activities.

Derivative financial instruments may be used in forex, interest and equitiy trading for the Bank's own or a third-party account. Both standardised and OTC instruments are traded.

Risk is capped by Value at Risk (VaR) limits as well as position and daily loss limits.

The risk tolerance for the entire trading book (forex, equity and interest) is determined as VaR limits by the Board of Directors and its adequacy is verified at least annually. At Executive Management level, the risk tolerance is allocated as VaR risk limits to the individual "Forex", "Equity" and "Interest" trading desks. Daily monitoring of the VaR limits is carried out by the Risk/CRO sector, which is an independent unit of the trading department. Daily reports on the utilisation of the VaR limit are sent to the competent department manager and managers of each trading desk, on a monthly basis to the Executive Management and on a quarterly basis to the Audit and Risk Committee and the Board of Directors.

For the monitoring and reporting of market risks in the trading book, the Risk/CRO sector has a dedicated IT system that derives the trading book positions directly from the core banking system, evaluates them independently and calculates the limit utilisation.

The position and daily loss limits are allocated by the relevant department managers per trading desk or per trader and monitored by the respective manager of the corresponding trading desk. The position limits restrict the exposure for each dealer and are designed to protect the Bank from excessive exposure.

The daily loss limits are intended to restrict short-term losses due to major market volatility and prevent the Bank from exceeding its risk tolerance and/or VaR risk limits through an accumulation of realised and unrealised losses.

2. Interest rate risk

The purpose of interest rate risk management is to ease any pressure on margins caused by changes in market prices and client behaviour, to strengthen the Bank's solvency and thus to safeguard the stability of its capital base by means of optimum balance sheet structure management. Balance sheet structure management is based on the internal regulations for liquidity and balance sheet structure management (Liquiditäts- und Bilanzstruktur-management; LBSM) and the corresponding guidelines.

The “Liquidity & ALM Board” (LAB) is the strategic decision-making committee for monitoring and managing interest rate risks, within the framework of the competencies and limits set by the Board of Directors. The LAB meets monthly and delegates certain well-defined tasks, competencies and responsibilities to the “Liquidity & ALM Committee” (LAC). The LAB comprises the members of the Executive Management and the advisory members of the LAC.

The “Treasury” organisational unit is responsible for implementing the strategic decisions of the LAB. Risk/CRO conducts the supervision/monitoring of the implementation of strategic decisions by the LAB and its compliance with the limits, independently from the operational units. It is also responsible for the monthly risk reporting to the LAC and LAB and quarterly reporting to the Audit and Risk Committee and the Board of Directors.

The management of interest rate risks is based on the present value method and focuses on limiting the negative impact in the net present value of the Bank’s capital base and the income effect.

To calculate the present value of the Bank’s capital base, fixed interest rate products are divided according to their maturity and variable interest rate products are replicated. The replication is reviewed annually for its effectiveness.

Interest rate risks are monitored on the basis of static (sensitivity, present value of the Bank’s capital and VaR) and dynamic calculations (simulations of potential market scenarios). The Bank manages the interest rate risks through on-balance sheet measures. Hedging is conducted depending on the assessment of interest rate risk.

Interest rate risks are limited by the risk tolerance specified by the Board of Directors by limiting the maximum present value loss in the Bank’s capital base. Simulations are carried out periodically to determine future trends in the Bank’s earnings from interest operations. Both the value effect and income effect are measured here.

The net present value of the Bank’s capital base is stressed monthly by means of six different changes in the yield curve. The LAB is informed monthly of the scenarios used and the resulting changes in value.

Future potential changes in the interest balance (income effect) are stressed at regular intervals using various scenarios. These include both different changes in the yield curve and client behaviour, which can, depending on the interest rate environment, lead to massive shifts in capital. The interest balance calculated is based on a dynamic change in interest-bearing positions and the market environment. The results are discussed in the LAB and brought to the attention of the Audit and Risk Committee.

For the monitoring and reporting of interest rate risks as well as for the calculation of key figures and the implementation of stress scenarios, the Risk/CRO sector has a dedicated IT system that derives the balance sheet data directly from the core banking system.

Business policy on the use of derivative financial instruments

The instruments used for balance sheet management serve mainly to hedge interest rate and foreign currency risks in the banking book. Interest rate swaps and cross-currency swaps are also primarily used. Credit derivatives are not used.

Micro- and macro-hedges are used for hedging, with micro-hedges used to hedge the interest rate sensitivity of specific positions and macro-hedges used to hedge the interest rate sensitivity of a specific time bucket.

Hedging relationships, objectives and the effectiveness of specific hedges of derivative financial instruments are documented monthly by Risk/CRO and reported to the LAC/LAB.

The effectiveness of the hedging relationship is reviewed periodically by the independent Risk/CRO unit. For micro-hedges, it monitors whether the sensitivity of the hedging transactions does not exceed the sensitivity of the allocated hedged items by more than 20 per cent. The hedging transaction must always reduce the sensitivity of the hedged items overall.

The effectiveness of macro-hedges is considered to have been demonstrated if the overall sensitivity of the banking book portfolio, including the hedging transactions, is smaller than without the hedging transactions.

If a hedge is no longer considered effective, Risk/CRO reports this to the LAC, which then takes the necessary steps and ensures that the situation is handled correctly in accordance with the specifications of the

FINMA Accounting Ordinance (RelV-FINMA). There were no such hedging relationships in the reporting year.

3. Other market risks

A VaR limit is in place to limit other market risks, which consist in particular of position risks from equity securities and from foreign currency positions.

C. Liquidity risk

The primary objective of liquidity management is to ensure the ongoing solvency of the Bank at all times, particularly during bank-specific and/or market-wide periods of stress.

The principles, responsibilities and competencies for managing liquidity risks are defined in the regulations and in the liquidity and balance sheet structure management guidelines.

The LAC is responsible for the central management of tactical liquidity. The LAC is a committee that reports directly to the LAB. The LAC meets twice monthly and, among other duties, is responsible for developing and fleshing out strategies for managing liquidity risk and the liquidity reserves.

The central operational unit Treasury implements the tactical decisions of the LAC and safeguards and manages intraday or short-term liquidity. The Risk/CRO sector conducts the supervision and monitoring of the implementation of tactical decisions by the LAC and its compliance with the limits, independently from the operational units. It is also responsible for daily liquidity reporting to Treasury and monthly risk reporting to the LAC and the LAB. The Audit and Risk Committee and the Board of Directors are informed at least quarterly about changes in liquidity risks.

Operational measurement and management of liquidity risks is based on a daily liquidity schedule, which compares the expected cash inflows and outflows in a normal market phase.

The liquidity schedule therefore shows the time horizon during which the Bank is still liquid or viable.

Liquidity risks are monitored based on both static and dynamic calculations (including simulations of possible stress scenarios).

Liquidity risks are limited by rules governing the maintenance of liquidity reserves (e.g. on quality and diversification) and guidelines on the financing structure (e.g. on counterparties, time buckets and currencies). In addition, the Board of Directors limits liquidity risk by setting the liquidity risk tolerance.

The liquidity risk tolerance defines the minimum time horizon for which the Bank must be continually liquid and solvent in a specified stress scenario. Both institution-specific events and the effects of a global economic crisis are considered as possible stress scenarios.

To promptly detect risks in a liquidity position and potential funding options for the Bank, it has defined appropriate early warning indicators and set out potential emergency procedures with potential response measures. The defined early warning indicators are constantly monitored and improved on.

D. Operational risk

Operational risk management (OpRisk) is part of the independent risk control function within the Risk/CRO division. The risk control function is responsible for the design, implementation and maintenance of an effective and efficient operational risk framework and ensures the comprehensive and systematic monitoring and reporting of operational risks.

AKB defines operational risks as the risk of losses arising as a result of inadequate or failed internal procedures, people or systems or as a result of external events. Included are all legal risks, including fines from regulators and settlements. Operational risks are managed comprehensively and include in accordance with FINMA Circular 2023/1risk from information and communications technology (ICT), cyber risks and risks arising from critical data and from the design and implementation of business continuity management (BCM). Whereas BCM addresses the recovery of business operations in the event of serious disruptions or interruptions, the new requirements for AKB’s operational resilience set out by FINMA as part of the circular relate to the strategic identification and strengthening of the functions that are most important for the institution and the financial market (“critical functions”). Operational resilience is thereforebbased on robust operational risk management and BCM.

Strategic risks and reputational risks as secondary risks have an indirect effect on operational risks. Responsibility for strategic risks and reputational risks lies with the Board of Directors and the Executive Management respectively.

AKB defines operational risk management as a comprehensive process. The focus is on the risk-oriented protection of persons, services, information and assets of the individual areas of responsibility as well as the maintenance and recovery of critical business processes in an operational emergency.

The principles, responsibilities and competencies for operational risk management and designing the internal control system (ICS) are defined in a specific set of internal regulations.

The risk tolerance for operational risks and information security risks is limited and monitored by qualitative principles, early warning indicators and security standards. In addition, tolerance levels for disruption are defined for each of AKB's critical functions to ensure operational resilience. The tolerance for disruption refers to the extent to which the Bank can tolerate the disruption of the critical function on the basis of severe but plausible scenarios.

The basis for operational risk management is the inventory of inherent operational risks at the level of the Bank as a whole. For the identification and assessment of operational risks, AKB uses numerous instruments (including periodic risk and control assessments [RCA], continuous recording of loss events, an approval process for the introduction of new or major adjustments to existing products, services, processes or systems). For example, within the RCA process the operational risks of each business unit are assessed bottom-up on the basis of a defined methodology.

The operational risks identified are systematically categorised and prioritised.

Operational risks are reduced by an effective and suitable ICS.

The starting point for designing the ICS is the systematic risk analysis. This is the result of a comprehensive and systematic process to assess the overall risks to which the Bank is exposed. By conducting the systematic risk analysis, the Board of Directors ensures that all significant risks in the Bank are recorded, limited and monitored.

It is also used as a basis for the regular review of the adequacy and effectiveness of the ICS.

Internal and external operational risk events are systematically recorded, analysed and assessed in order to identify the reasons for their occurrence and to close potential gaps in the ICS.

The Bank uses a tool for documenting, monitoring and evaluating the adequacy and effectiveness of the ICS.

Information security and cyber risks are managed on the basis of regular security analyses depending on the current threat situation. It provides adequate and effective security measures to protect information and infrastructures with respect to the goals of protecting confidentiality, integrity, availability and traceability.

The appropriateness and effectiveness of internal controls are assessed by the division managers at least once a year. Another essential criterion of the assessment is the extent to which the ICS has been updated. The assessment is also the basis for defining and carrying out any necessary corrective actions. To reduce risk, specific types of insurance are also used. AKB's entire insurance portfolio is reviewed periodically by an external insurance broker, discussed with the Bank and approved by the Executive Management.

Precautions have been taken for critical processes under the BCM and the management of operational resilience. In this context, AKB considers recognised standards. The relevant BCM principles, responsibilities and procedures are defined in a specific set of internal regulations.

The Audit and Risk Committee and the Board of Directors are informed quarterly about changes in early warning indicators, the assessment of operational risks and changes in the operational risk profile (including information security and cyber risks). Reporting includes the results of significant internal and relevant external operational risk events.

In addition, the CRO produces a yearly report for the Board of Directors, the Audit and Risk Committee and the Executive Management on the assessment of the ICS of the Bank as a whole. This report also contains the findings and changes in the risk situation with respect to operational risk, information security, BCM and operational resilience.

E. Compliance risk

Compliance risk refers to any legal, reputational and loss risks which may arise from the violation of legal or professional standards or ethical principles.

The principles, responsibilities and competencies for the compliance risks are defined in a specific set of internal regulations and specifications. Compliance with legal, regulatory, professional or internal regulations is monitored by the independent compliance function within the General Counsel – Legal & Compliance sector.

Compliance activities relate in particular to combating money laundering and terrorist financing, implementing sanctions, preventing insider dealing, complying with the relevant legislation (banking, financial-market and stock exchange law), observing product distribution rules, monitoring the risks from cross-border client transactions, avoiding conflicts of interest and ensuring the tax transparency of the client funds deposited with AKB.

Compliance reviews the compliance risk inventory twice a year as a basis for drawing up a plan of action. Compliance risks identified are managed and limited through the issue of directives, tailored operational systems and processes, employee training and downstream, independent monitoring and controls. The Compliance unit also advises the Executive Management and employees on compliance-related issues.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the reporting date that had a significant influence on the Bank's financial position and financial performance as at 31 December 2023.

Key prudential metrics (KM1)

	in CHF 1000	e 31.12.2022	d 31.03.2023	c 30.06.2023	b 30.09.2023	a 31.12.2023
	Eligible Capital					
1	Common equity tier 1 (CET1)	2 688 206		2 688 206		2 865 036
2	Tier 1 capital	2 688 206		2 688 206		2 865 036
3	Total capital	2 760 424		2 760 424		2 945 918
	Risk-weighted assets (amounts)					
4	RWA	14 940 545		15 305 515		15 616 428
4a	**Minimum capital requirement**	**1 195 244**		**1 224 441**		**1 249 314**
	Risk-based capital ratios as a percentage of RWA					
5	Commen equity tier 1 ratio	18.0%		17.6%		18.3%
6	Tier 1 capital ratio	18.0%		17.6%		18.3%
7	Total capital ratio	18.5%		18.0%		18.9%
	Additional CET1 buffer requirements as a percentag of RWA					
8	Capital conservation buffer as per the Basel minimum standards (2.5% from 2019)	2.5%		2.5%		2.5%
9	Countercyclical capital buffer (Art. 44a CAO) in accordance with the Basel minimum standards					
10	Additional capital buffer due to international or national system relevance					
11	Total of bank CET 1 specific buffer requirements	2.5%		2.5%		2.5%
12	CET 1 available after meeting the bank's minimum capital requirements	10.5%		10.0%		10.9%
	Capital target ratios in accordance with Annex 8 of the CAO (in % of risk-weighted assets)					
12a	Capital conservation buffer in accordance with Annex 8 of the CAO	4.0%		4.0%		4.0%
12b	Countercyclical buffer in accordance with Art. 44 and 44a of the CAO	1.2%		1.2%		1.2%
12c	CET 1 target ratio in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with Art. 44 and 44a of the CAO	9.0%		9.0%		9.0%
12d	T1 target ratio in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with Art. 44 and 44a of the CAO	10.8%		10.8%		10.8%
12e	Total capital target ratio in accordance with Annex 8 of the CAO plus the countercyclical buffer in accord-ance with Art. 44 and 44a of the CAO	13.2%		13.2%		13.2%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure	39 194 456		38 338 968		37 233 632
14	Basel III leverage ratio (tier 1 capital in % of total exposures)	6.9%		7.0%		7.7%
	Liquidity coverage ratio (LCR) [1]					
15	LCR Numerator: total high quality liquid assets	9 387 908	9 302 561	9 043 013	8 590 330	7 563 266
16	LCR Denominator: net cash outflows	6 378 835	6 613 652	6 187 744	5 853 175	5 298 887
17	Liquidity coverage ratio (LCR) %	147.2%	140.7%	146.1%	146.8%	142.7%
	Net stable funding ratio (NSFR)					
18	Available stable refinancing	27 019 982		27 317 573		26 870 446
19	Required stable refinancing	18 287 510		18 085 064		18 508 872
20	Net stable funding ratio, NSFR	147.8%		151.1%		145.2%

[1] The LCR values are shown as avarage values per quarter.

Sustainability Report

Foreword

DEAR READER

We live up to our responsibility as a regional financial partner and make our own contribution to achieving sustainable development. Our aim is to become the most sustainable bank in Aargau.

Our Bank achieved some progress in 2023: with the release of our Climate Position Paper we laid the foundation for our Climate Strategy. As part of this process we determined our carbon footprint for the first time, which includes emissions not only from our own operations but also our financed emissions. We shall verify and refine these data. We can only set binding climate targets and establish measures for achieving a sustainable transformation if we know in which areas of business we cause the most greenhouse gas emissions. Transparency towards our stakeholders is important for us. We therefore aim to publish our Climate Strategy by the end of 2024.

We took the adoption of the Swiss Bankers Association (SBA) Guidelines on minimum requirements for investments and mortgage loans, which have been applicable since 1 January 2024, as an opportunity to provide comprehensive sustainability training to all of our employees. Our aim in doing so was to establish a shared understanding of Switzerland as a sustainable financial centre by the end of 2023 – and also to act in accordance with our responsibility as a financial service provider.

In 2023 we included the additional investment product "Green time deposit" in our product range, as well as "AKB sustainability (-linked) loans" for large corporate clients.

In conjunction with the University of Applied Sciences and Arts Northwestern Switzerland (FHNW), we operated the AKB support programme for the second time, assisting local companies in achieving their sustainability goal. Also in partnership with the FHNW, we launched the CAS "Erfolgsfaktor Nachhaltigkeit" ("Sustainability as the key to success"), which is designed for SMEs and will be held for the first time in the spring of 2024.

Last but not least, we established a "top sharing tandem" for the first time within Human Resources Management (HR) and look forward to our HR Department being led by two female managers.

Our efforts to constantly pursue sustainability projects are also being appreciated within specialist circles – and indeed in the summer of 2023 we managed to improve our sustainability rating with the international ratings agency MSCI to "A".

We remain aware of the fact that we are travelling along a pathway towards becoming a sustainable financial service provider. Further milestones beckon in 2024: in line with the target of publishing our Climate Strategy, we will continue to develop our products and services further in order to enable us to offer sustainable solutions to our clients. In addition, we are taking steps to make our sustainability report even more transparent and even more reliable, and hence in future will report "in accordance with the GRI Standards 2021".

Kind regards
Dieter Widmer, CEO

The AKB Sustainability Strategy

As a sustainable, regional and responsible financial service provider, AKB accepts responsibility for what it does and what it does not do. It can use its influence to ensure that money is directed towards meaningful uses and to reduce negative effects on sustainable development. The Bank aims to set an example for clients and for society. This means in particular that it:

- is always secure and reliable for its clients.
- proactively performs its role as a pioneer of sustainable transformation.
- successfully directs financial flows over the long term in an environmentally friendly and socially responsible manner, acting in accordance with responsible governance processes, whilst also earning a profit.
- consciously develops products and services with reference to sustainability aspects.
- endeavours to achieve a socially and economically strong, attractive and resilient Canton of Aargau.
- offers its employees an inspiring environment with which they can identify and acts as an attractive, trustworthy and reliable employer.

In 2022, AKB embodied the core mission of "sustainability" rooted in the overall banking strategy within an internal Sustainability Strategy. Related projects were pursued and implemented in 2023. As part of this process, the primary focus was placed on the core business, as AKB has the largest impact here. This involved the rigorous development of AKB's products and services. In particular, the comprehensive, expert advice provided by AKB client advisors was systematically expanded in order to enable sustainability considerations to be addressed in discussions with clients.

Environmental

Carbon footprint and emissions
Promotion of low-emission technologies
Responsible approach to natural resources
Minimisation of pollution and waste
Promotion of species diversity and biodiversity

Social

Respect for human capital
Diversity and equal opportunities
Prohibition on discrimination
Ban on child labour
Training and career development
Working conditions
Promotion of health
Product safety
Privacy and data protection
Combatting poverty and food security
Local social initiatives and projects

Governance

Ethical conduct
Integrity and credibility
Transparency
Fair competition
Combatting corruption
Management diversity
Risk management
Remuneration system

SUSTAINABLE CORPORATE GOVERNANCE

Sustainability is firmly established within the corporate culture on all levels of the Bank's organisation as the core mission within the overall banking strategy for 2021–2024. This is based on the service mandate set out in the cantonal Banking Act requiring the promotion of economic and social development in the Canton of Aargau with reference to the three ESG goals (E–Environment, S–Social, G–Governance).

Reporting, proposals to the Executive Board and the granting of mandates

Board of Directors

Executive Board

Sustainability Committee

Sustainability Sounding Board

Specialist Sustainability Unit

Dialogue and inputs, reporting and implementation within departments

Overall Bank departments and Sales
Private Clients & Private Banking
Corporate Banking & Institutional Banking — Lending
Investment — Core Services
Human Resources — Infrastructure & Security
Risk — Marketing — Sponsorship & Events

The Board of Directors
The Board of Directors is responsible for the management and supervision of the Executive Board. It is also competent amongst other things for the strategic focus of AKB in the field of sustainability. Accordingly, it is represented on the Sustainability Committee by the Chair of the Audit and Risk Committee.

The Executive Board
The Executive Board is responsible for the Bank's operational business and thus for implementing sustainability throughout the various departments. It is represented on the Sustainability Committee by the CEO.

The Sustainability Committee
The Sustainability Committee pursues the development of sustainability issues in accordance with the overall banking strategy for 2021–2024 as well as the sustainability sub-strategy. This includes the designation of priority areas for action, the drafting of preparatory decisions for the Executive Board and the pre-emption of trends and developments. The Sustainability Committee currently has eleven members. Further information is available at akb.ch/nachhaltigkeit.

Sustainability Sounding Board
The Sustainability Sounding Board is comprised of employees working in various areas and at various hierarchical levels within the Bank. It is intended as a reflection group for the Sustainability Committee, the Specialist Sustainability Unit as well as the relevant departments and as a source of input, especially in response to concerns raised by client advisors.

The Specialist Sustainability Unit
The Specialist Sustainability Unit coordinates and promotes efforts relating to sustainability throughout the Bank. It acts as an interface with all stakeholders and reports regularly to the Sustainability Committee, the Executive Board and the Board of Directors. It implements the short-term and long-term sustainability goals of AKB, acting in conjunction with the individual departments. The specialist unit directs the Sustainability Committee and draws up a sustainability report each year. It is comprised of the Head of Sustainability and a sustainability specialist.

Departments
The following sustainability issues are firmly established throughout the individual areas of the Bank:

— Lending: The Head of Credit Management and the credit specialist are responsible for incorporating ESG targets into lending business (mortgage and corporate credit), with the aim of structuring financial flows in an environmentally friendly and socially responsible manner.
— Investment: The Sustainability Investment Specialist is responsible for incorporating ESG targets into investment business, and creates appropriate structures and processes in relation to asset management and investment advice.
— Human Resources: The remit of those with responsibility covers the socially responsible and economically expedient recruitment, development and loyalty of employees, adopting a long-term focus. When doing so they mould the strategic goals of the company, develop and design

staff policy, foster a corporate culture, accompany processes of change and take responsibility for tools and processes.
— Operational Ecology: The Head of Infrastructure and Security is responsible along with his sector for implementing the ISO 14001 environmental management system. This provides for optimisations in terms of electricity and heating demand, travel and other environmental issues such as separate waste collection, proper recycling etc.
— Risk: The remit of those with responsibility within the Risk Sector covers risk analysis and the control of transition and physical risks associated with natural or climate phenomena, which they take into account accordingly within the risk management process.
— Core Services: The Head of Product Management is responsible for the development of sustainable basic products for clients.
— Sponsorships and Events: Those with responsibility for sponsorships and events ensure the sustainable focus of sponsorship activity and events at AKB and that they make a contribution to social development.
— Private and corporate clients: The two areas "Private Clients and Private Banking" and "Corporate Clients and Institutional Banking", along with the respective client advisors, are responsible for the distribution of sustainable products and services and for providing expedient advice to clients.

Details concerning the composition and organisation of other bodies within the Bank are set out in the Corporate Governance Report from page 79 of the Annual Report*. The main features of the Bank's salary system as well as the rules for setting and disclosing the remuneration of the members of governance bodies are presented in the Remuneration Report from page 87 of the Annual Report*.

* 2023 Annual Report available for download at report.akb.ch, only available in German.

Economic development in the Canton of Aargau

RELEVANCE OF THE MATERIAL TOPIC FOR AKB

Under the terms of the Constitution of the Canton of Aargau and the AKB Act (Section 2(2)), according to the owner strategy of the Canton of Aargau, AKB has the task of promoting economic development within the cantonal territory. Through projects and initiatives – alongside financing – AKB provides targeted support to the sustainable development of the local economy, which has a positive impact on the environment and society, establishing AKB as a committed partner. Working within a sustainable economy and with businesses that incorporate long-term planning and sustainability into their business model has a positive impact on AKB (reduced risk, along with long-term, sustainable success), and also means that it is better placed for the future.

MANAGEMENT SYSTEM OF MATERIAL TOPICS

AKB has more than 15,000 corporate clients in its market segment. It has a strong regional presence at its 32 locations. Client advisors are familiar with local conditions and incorporate their knowledge into the advice given to SMEs. Teams of experts based at the headquarters in Aarau provide support to large corporate clients (key account management) and institutional clients. All corporate clients at AKB have their own specific contact person. This enables client advisors to offer added value to corporate clients through needs-based solutions and assist them with bespoke financing solutions. In addition, AKB accepts its responsibility within the local economy through unremunerated engagement, such as for example by providing assistance in relation to corporate succession as well as through the AKB support programme.

The economic engagement of AKB is directed at all operators. There is no need for there to be any business relationship with it. This enables AKB to perform its social and economic service mandate, as set out amongst others in the AKB owner strategy.

AKB is an important business and financing partner for local businesses, primarily SMEs. It can support its corporate clients on the path towards a sustainable future and provide targeted support for sustainable business models. In addition, AKB provides committed support to new entrepreneurs, who are full of ideas and hungry for success, in the form of sound financial solutions. This is because Aargau as an economic region is reliant on the dynamism of young, innovative firms. Through the AKB network, founders gain direct access to corporate know-how or flexible infrastructure.

Having a sustainable business purpose is not a mandatory requirement for support from AKB. Nevertheless, in recent years it has been possible to increasingly support companies whose business models have an environmental focus.

AKB promotes the accumulation and transfer of knowledge, inter-regional networking and the visibility of successful and innovative companies in various formats and at various events.

AKB equity financing

AKB is one of the few banks to invest directly in selected start-ups, up to a maximum of CHF 0.5 million per company. Start-ups in the Canton of Aargau or in the Olten-Gösgen-Gäu region that develop innovative products or services are eligible, in some instances in partnership with a scientific institution such as the Paul Scherrer Institute (PSI) in Villigen or the University of Applied Sciences and Arts Northwestern Switzerland (FHNW).

The following criteria are examined by internal experts according to the dual-control principle when deciding whether to invest:

— Connection with the AKB market area
— Level of innovation of the product and scalability of the business model

- Focus on lasting, positive development in relation to economic performance, innovation, jobs etc.
- The product is or will soon be commercially viable ("proof of market").

In addition, the start-up must be willing to work together with a lead investor. This person will take on a leadership role on the investment round, support the founder team regarding entrepreneurial aspects and represent investors, including also AKB, on the start-up's board of directors. In contrast to venture funds, the investments made by AKB are not subject to any time limits, although it should be possible to withdraw after a few years.

AKB itself engages actively with start-ups and can be contacted via the website akb.ch/startup at any time with online financing enquiries from start-ups.

Assistance in relation to corporate succession
As a further key aspect of the promotion of sustainable partnerships, AKB supports companies in planning, coordinating and implementing their succession plans (akb.ch/nachfolge). They are assisted throughout this process by our corporate succession experts. Since 2022 AKB has organised Aera – the AKB focus day on corporate succession – an exclusive platform for entrepreneurs, which offers participants the opportunity to engage with issues relating to succession planning that lie outside their everyday work. The service is free of charge and is available to both clients and non-clients.

DEVELOPMENTS DURING THE REPORTING YEAR

Achievement of targets in 2023: AKB support programme
In 2023, the AKB support programme was carried out for the second time in conjunction with the School of Economics at the University of Applied Sciences and Art Northwestern Switzerland (FHNW) and was once again a success. 88% of all participating companies assessed the programme as good to very good.

Ten selected regional companies received assistance and support in the sustainability efforts over a period of six months. The aim is to achieve results in the region that benefit people, the environment and the economy. AKB and the FHNW supported participating companies with a tailor-made package of measures. This involved a full review by two mentors, the arrangement of direct coaching by experts from the network of FHNW and AKB in all areas of sustainability management as well as the holding of various workshops. This promotes the transfer of knowledge to and among participating companies.

26 companies applied to participate in the second programme. Out of this total, ten companies were selected by a specialist jury comprised of representatives of AKB, the FHNW and the Aargau business community. Participants developed either a Sustainability Strategy or a sustainability project. Amongst other things, stakeholder analysis and materiality analyses were carried out, carbon footprints were determined and the groundwork was laid for achieving ISO 14001 environmental management certification during the course of joint workshops and individual coaching sessions.

Further details concerning the support programme, participating enterprises and the sustainability project is available on the website akb.ch/foerderprogramm.

Launch of CAS "Sustainability as the key to success"
In 2023 the University of Applied Sciences and Arts Northwestern Switzerland (FHNW) developed the CAS "Sustainability as the key to success", which will be carried out for the first time in 2024 and be supported by AKB. Issues addressed within the CAS included, amongst others: the development of a Sustainability Strategy, the designation of areas for action, resource management, the circular economy and more (www.fhnw.ch/de/weiterbildung/wirtschaft/cas-erfolgsfaktor-nachhaltigkeit).

Aargau Start-up Investor Session
In 2023 AKB invested CHF 718,000 in seven start-ups. Four of these start-ups are developing products and business models that directly pursue an ecological purpose (such as CO_2 reduction, energy efficiency, the circular economy and marine protection). A total of CHF 0.3 million was invested directly by AKB in these four start-ups in 2023.

For 16 years AKB has been holding events for young technology and start-up firms in partnership with Standortförderung

Aargau and the Business Angels Club Aargau, since it was founded in 2018. AKB puts start-ups in contact with investors at the Aargau Start-up Investor Session in order to create the best possible starting point for a fruitful exchange of views between founders and investors.

The 2023 Aargau Start-up Investor Session was attended by around sixty investors from Aargau and the wider region. Four start-ups were presented to it, three of which have innovated in one of the ESG thematic areas:

- Aliunid AG, Brugg
- Genuine-Analytics AG, Magden
- Seniors Group GmbH, Basel
- Twiliner Ltd, Zurich

Promoting innovation

As a joint founder of innovAARE AG (parkinnovaare.ch) at the Paul Scherrer Institute (PSI) Villigen and co-promoter of the Aargau Technopark (technopark-aargau.ch) in Brugg/Windisch, for a number of years AKB has been sustainably providing operating contributions to promote the innovation and start-up ecosystem in the Canton of Aargau.

AKB Lab

The AKB Lab, which operates at the AKB location in Bahnhofstrasse, Aarau, was opened at the end of 2022. In 2023 it provided a forum for new ideas and experiences as well as an opportunity for personal exchanges.

The AKB Lab is suitable for anyone within the region who is seeking to test a new product on the market, operate a pop-up store, or organise an exhibition or information event within an unconventional space. A number of promoters were able to bring their products to market in 2023 for a couple of months in an optimal location. Guests included innovative and sustainable clothing labels, a second-hand shop and a small furniture producer. The final exhibitor was a provider of pedagogical products for young children, thus enabling both environmental and socially sustainable projects in the region to be supported.

Throughout the summer weeks AKB held eight information events for any interested members of the public on the topics of "Pensions", "Everyday Sustainability", "Digital AKB" and "Fraud Prevention" in partnership with the Aargau Cantonal Police.

The AKB Lab was positively received by visitors and exhibitors alike. In 2024 the area will be handed over to Aarau Standortförderung, which will coordinate future operations.

Various forms of engagement for the economy

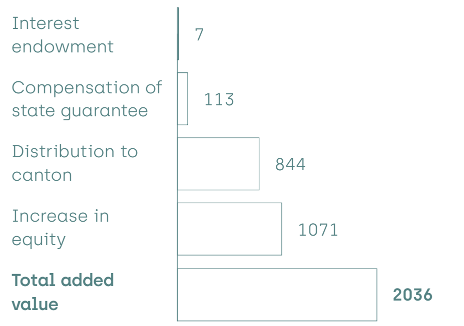
Acting in partnership with the Aargau Trade Association, in 2023 AKB presented the Aargau Business Award (akb.ch/unternehmenspreis) for the 16th time to the best enterprises in the canton. The awards made in the categories of small enterprises, medium-sized enterprises and large enterprises commend successful businesses whose services and ideas influence and fuel the development of the economy.

Acting in partnership with the Wyrsch Unternehmerschule AG from Freienbach, AKB holds the AKB Entrepreneur Workshop (akb.ch/unternehmerworkshop) each year – and did so once again in 2023. The 3.5-day workshop dealt with the most important aspects of corporate management in a simple and compact format, addressed all topical issues and focused on practical action and an exchange of views with like-minded people. In addition, each year a specially designed training course is offered to members of foundation councils of occupational benefits schemes, which covers the various aspects of corporate responsibility and equips attendees to deal with upcoming challenges.

At the AKB Business Conference (akb.ch/wirtschaftskongress), each year AKB chooses a topical issue in the field of sustainability as a focus for discussion. In 2023,

2036 million

Added value for the Canton in CHF m (2014–2023)



speakers from the world of politics and business engaged with the issue of "leadership for the future" in the presence of around 800 participants. The aim of the Business Conference is to raise awareness, stimulate action, inspire and transparently present ideas and examples of other companies.

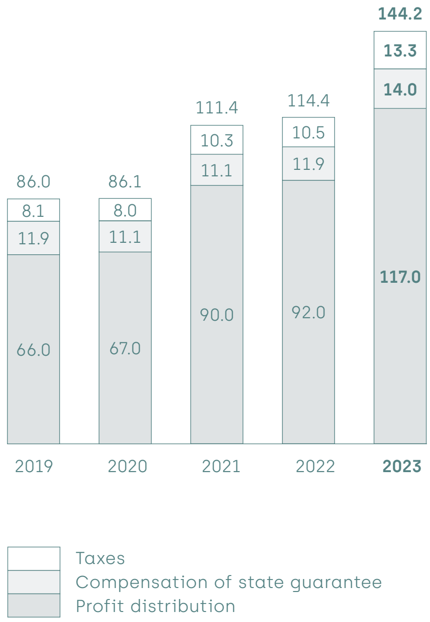
OUTLOOK

The AKB support programme will be operated for the third time in 2024.

Target for 2024
AKB makes targeted investments in innovative start-ups, the business purpose, products or services of which contribute to sustainable development.

144.2 million

Total compensation to public authorities
in CHF million



KEY FIGURES

Entrepreneurial sustainability

Topic	GRI	Unit	2019	2020	2021	2022	2023
Total Capital Ratio	Own standard	%	17.8	18.6	18.8	18.5	18.9

Initiatives for promoting a sustainable business model for corporate clients

Topic	GRI	Unit	2023	in %
Investments in start-ups	G4-EC1 — Expenditure on social/economic engagement as a proportion of pre-tax profit	CHF	718 000	0.27
Investments by the AKB support programme	G4-EC1 — Expenditure on social/economic engagement as a proportion of pre-tax profit	CHF	123 450	0.05
Total		**CHF**	**841 450**	**0.32**

Offer of sustainable investment products

RELEVANCE OF THE MATERIAL TOPIC FOR AKB

Revenues from asset management and investment advice account for a significant proportion of undifferentiated income for the bank. The Bank exerts influence on how its clients' assets are invested and takes seriously its responsibility for the positive and negative effects on sustainable development of the respective investments. Wherever possible, AKB therefore takes account of sustainability criteria when assessing investment opportunities. This involves a consideration of risk aspects above all. AKB excludes business models and business practices associated with high long-term risks, and requires that companies and governments within its investment universe operate a solid management of core sustainability issues. The Bank is convinced that the incorporation of sustainable criteria into the process of selecting investments improves their risk profile and also opens up opportunities for companies and issuers alike, and thus also for investors, thanks to good sustainability management.

MANAGEMENT APPROACH

Investment concept with two sustainability approaches
AKB's Sustainable Investment Policy is applied to the entire investment universe, within both asset management as well as advisory business. This involves the application of two sustainability approaches in relation to direct investments in equities and bonds. During the first stage, business models involving high sustainability and reputational risks are excluded. These exclusion criteria are periodically reviewed. Any companies that violate any of the ten principles of the UN Global Compact (UNGC) are also excluded. These principles require companies to respect international labour standards, to prevent damage to the environment and the combat corruption. AKB's portfolio companies and issuers respect the declaration of human rights by the application of exclusions in accordance with the UNGC Principles.

During the second stage, the sustainability performance of companies and issuers is assessed with reference to sustainability criteria. The sustainability performance of a company or issuer is considered to be solid by AKB if it is rated by the sustainability rating agency MSCI ESG as at least "BBB". This assessment guarantees that the management of the most important sustainability issues is done at least at an average level compared to the respective industry. The current catalogue of exclusion criteria and the detailed descriptions, including revenue thresholds, can be consulted at any time at akb.ch/nachhaltiges-anlegen.

Around 20% of issuers have been excluded from the global bond universe with reference to exclusion and ESG criteria, and around 40% of companies from the global equity universe. The sustainability assessments of companies and issuers are reviewed monthly. Any stocks that are no longer sustainable are sold from the portfolio within a defined period of time (asset management business) or their sale is recommended (Advisory business) and the investment universe is adjusted accordingly.

At present the Investment Policy of AKB covers the investment categories of equities and bonds as well as the thematic areas of micro-finance, insurance-linked securities and gold. Other investments such as real estate or commodities are classified by AKB as "unrated" owing to the lack of any sustainability standards. AKB closely monitors developments in terms of the offer of sustainable products and policies and regularly reviews whether to expand the Sustainable Investment Policy to additional investment categories and themes. The proportion covered by sustainable investments in the various investment strategies lies between 60% and 100%. A list of the other – clearly justified – exceptions from the Sustainable Investment Policy can be found at akb.ch/nachhaltiges-anlegen.

Sustainability assessments of third-party funds and ETFs
The system of sustainability assessments for third-party investment products is based on two pillars. First of all, the ESG Policy applied by the provider of the product is compared with that of AKB and assessed in order to establish its compatibility. Secondly, AKB makes sure whether the strategies referred to in the policy are being implemented accordingly within the product and whether there are any discrepancies with the AKB approach in terms of implementation. For thematic products, the assessment examines whether the theme is deemed to be sustainable from an AKB perspective as well as the quality of implementation. In 2021 to 2023 AKB assessed more than 100 third-party products and was able to confirm the robustness and reliability of its approach.

Comprehensive transparency
Transparency is very important for AKB. We therefore place a major emphasis on ensuring that clients are informed concerning the sustainability approach and the focus of their portfolios. Accordingly, AKB indicates in periodic statements of assets, in asset reports and in e-banking how the relevant investment has been assessed by AKB in terms of sustainability. In addition, the reasons for any assessment of a position as being "not sustainable" are indicated in the statement of assets. Transparency and sustainability reporting in relation to investment products were both enhanced and expanded during the reporting year through the publication of sustainability factsheets relating to the AKB portfolio funds ESG Fokus. These sustainability factsheets provide information concerning the key sustainability characteristics of products. As such, AKB is making a contribution to the expansion of information concerning sustainable investment, thereby preventing greenwashing.

UNPRI (United Nations Principles for Responsible Investments)
AKB is a signatory to the global investor initiative UNPRI and a member of the Swiss industry association Swiss Sustainable Finance. These engagements help AKB to monitor closely and contribute to lively developments in the field of sustainable investment. Comprehensive UNPRI reporting was published in 2023 (as at 31 December 2022) on the UNPRI website and shows how the assets of AKB are managed sustainably.

DEVELOPMENTS DURING THE REPORTING YEAR

Achievement of targets in 2023
The development of a Climate Policy for the assets managed by AKB, planned during 2023, was completed as part of the development of a Climate Strategy for the Bank. The Investment Centre engaged with the issue in some depth in a number of workshops. Specific measures and targets will be published alongside AKB's Climate Strategy in 2024. This will be based on the Climate Position Paper published in the summer of 2023 (akb.ch/positionspapier).

Since June 2023, reporting on the sustainability focus of AKB portfolio funds has been provided through the regular publication of sustainability factsheets.

Developments in the Sustainable Investment Policy
AKB is now able to subject investments in gold and insurance-linked securities to a sustainability review. This has been possible thanks to further developments in the sector standards, coupled with greater transparency in terms of sustainable selection criteria.

Asset management mandates
AKB portfolio funds and standardised asset management mandates have been fully aligned with the Sustainable Investment Policy of AKB since the middle of 2021. Accordingly, at the end of 2023, 100% of private client mandates and all AKB portfolio funds were invested according to the AKB Sustainable Investment Policy. The proportion for institutional mandates was 33.8%, which was significantly higher than the previous year's figure (22.6%). In most cases, these mandates reflect specific client requirements, which are as a rule set out in separate investment regulations, and are not compatible with the application of the Sustainable Investment Policy in all instances. Over the longer term, AKB aims to further enhance the reach of sustainable investment by raising its clients' awareness of the benefits of a sustainable investment strategy.

Advisory mandates
Where possible, the investment advisory universes (equities, bonds, funds) only include

sustainable investments. The universes were reassessed in 2022 in line with the AKB policy, clients were informed concerning any unsustainable investments in their custody accounts and proposals concerning switches were presented. By the end of 2023, 58.8% of Portfolio and Fokus advisory custody accounts were invested in sustainable investments. 38.3% originated from unrated investment categories (around 40% of which indirect real estate investments) and 2.9% were rated by AKB as not sustainable. Clients who manage securities positions independently without any advice from AKB are classified as "execution only". Since AKB is unable to exert any decision-making influence over these assets held in custody, they have not been assessed.

Expansion of the sustainable product range
In order to be able to offer products to clients with a particular interest in sustainable investment as well, AKB worked intensively on a second product line in 2023. From 2024, AKB clients who are particularly interested in this issue will be able to invest a substantial proportion of their assets in dedicated impact investments, alongside the existing products suitable for clients with a neutral to interested stance towards sustainable investment, which will remain unchanged.

Green time deposit
With a time deposit (previously a medium-term note) it is possible to dedicate as little as CHF 1,000 to a secure investment. A maturity of between 2 and 10 years can be chosen, and the interest rate is guaranteed for the entire term. In addition, no fees are charged. Since May 2023, AKB has included a sustainable variant of the time deposit within its basic services: the "green time deposit".

AKB is committed to using AKB green time deposits exclusively for environmental purposes. The full amount of the interest deduction of 0.05% (compared to the standard time deposit) is used to refinance the "AKB green mortgage". Further details can be found in chapter 8, page 139*.

The green time deposit is externally certified (ISS ESG), and the purpose for which green mortgages are used along with the award criteria are described in a published framework concept.

Further details and up-to-date interest rates can be found on the website: akb.ch/greentermingeld

Training employees in the investment business
In the spring of 2023 all client advisors at AKB completed an e-learning module on "sustainable investment" at AKB. This included the provision of training to front office employees for the second time since 2020. The internal monthly publication "Sustainable Investment News" provides regular updates concerning sustainability issues, including amongst others articles on the following topics in 2023:

- Climate Position Paper and Climate Policy for AKB investments
- sustainability performance of specific listed Swiss equities
- chats with ChatGPT concerning sustainable investment
- circular economy
- legal requirements on ESG reporting

Training took place at the end of 2023 concerning the implementation of the "SBA Guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management". All client advisors participated in a half-day training course on recording ESG preferences and offering products for the respective preference. Newly appointed employees receive respective training during the general investment business training.

The recording of ESG preferences was introduced in January 2024. From 2024 onwards, AKB clients with a particular interest in sustainable investment will have the opportunity to invest a substantial portion of their assets in impact investments. Detailed information is available at akb.ch/nachhaltiges-anlegen. The existing AKB investment sustainability criteria for the ESG preference "neutral to interested regarding sustainability" are suitable, and will continue to be applied as previously to the entire investment universe.

OUTLOOK

The implementation of ESG preferences according to SBA Guidelines is set to be consolidated further within advice in 2024 through various channels.

AKB aims to enhance even further the transparency regarding the sustainability focus and is introducing more comprehensive reporting on the climate focus of its portfolio funds.

* 2023 Annual Report available for download at report.akb.ch, only available in German.

Target for 2024

In order to be able to assess the additional investment categories according to sustainability characteristics, in 2024 AKB will adopt sustainable selection criteria for real estate investments, which it will start to apply.
This will entail a significant reduction in the proportion of unrated investments within its assets under management.

KEY FIGURES

	GRI	Unit	2021	2022	2023
Asset management: Proportion of assets managed according to the Sustainable Investment Policy of AKB [1)]	G4-FS11 – Assets subject to positive and negative environmental or social screening				
Private clients (VVA [2)])		in CHF million (%)	1 692 (100)	1 483 (100)	1 531 (100)
AKB portfolio funds ESG Fokus [3)]		in CHF million (%)	1 298 (100)	1 432 (100)	1 698 (100)
Institutional clients (VVA [2)] and AKB funds)		in CHF million (%)	1 388 (25.70)	1 073 (22.63)	1 347 (33.76)
Portfolio and Fokus advisory custody funds [4)]					
Proportion of sustainable investments		in %	55.08	55.11	58.78
Proportion of non-sustainable investments		in %	2.78	2.82	2.93
Proportion of unrated investments		in %	42.14	42.07	38.29

1) The AKB Sustainable Investment Policy exclusively is applied to asset management mandates of private clients and AKB's own funds. With institutional clients AKB is under the obligation to follow client instructions which only embrace the AKB Sustainable Investment Policy to a limited extent.
2) Asset management mandates
3) Covers all category, portfolio and pension funds admitted for public distribution.
4) Investments in advisory custody accounts are based on individual recommendations.

www.akb.ch

Am richtigen Ort.ch

Aargauische Kantonalbank