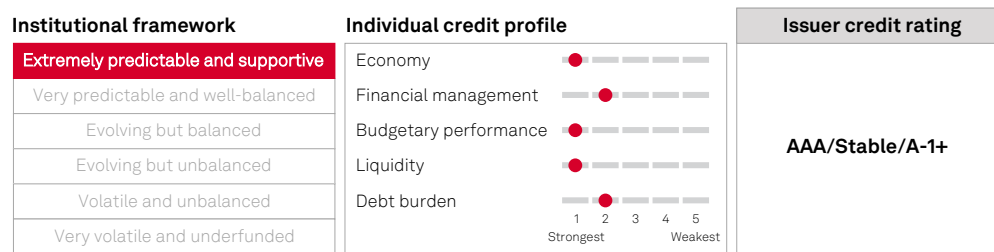


Canton of Aargau

June 15, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Credit context and assumptions

The Swiss economy has remained comparatively resilient amid the currently challenging global economic conditions.

Aargau continues to benefit from Switzerland's highly predictable and supportive institutional framework for regional governments, including material receipts under the national fiscal equalization scheme.

Aargau's substantial financial reserves--derived from strong recent performance and augmented by large distributions, particularly from the Swiss National Bank--strengthen its competitive position by at least temporarily making material cuts to its tax multiplier.

Base-case expectations

The reduction in Aargau's tax multiplier is for now envisaged to be transitory, and we expect planned upward adjustments after two years to support long-term fiscal stability.

Still, together with rising infrastructure investments, budgetary performance over 2026-2028 should be slightly weaker than in recent years.

S&P Global Ratings anticipates the canton will finance its temporary deficit with accumulated cash or investments and therefore have limited need for borrowings until at least 2028.

Switzerland's strong institutional framework for cantons and its solid economic performance remains a key factor supporting our ratings on Aargau. In particular, stable and sizeable transfers from the Swiss fiscal equalization system bolster Aargau's fiscal resilience.

We do not expect international trade tensions to substantially affect Aargau's fiscal health.

Despite the notable presence of manufacturing in the canton, approximately three-quarters of Aargau's tax revenue is derived from personal income tax, reducing its sensitivity to fluctuations in corporate tax receipts. Exports to the U.S. represent 23% of the canton's total, diversification

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should mitigate potential volatility in corporate tax revenues related to U.S. import tariffs on Swiss goods.

We anticipate that the Canton of Aargau will maintain its overall solid budgetary performance, low debt, and exceptional liquidity. Still, we project that recently implemented reductions of the canton's tax multiplier and higher capital spending over 2026-2028 will temporarily increase the canton's deficit, which will be covered by large, accumulated savings.

Outlook

The stable outlook on Aargau reflects our expectation that the canton will maintain solid budgetary performance over the medium term, as well as cautious use of liquidity and debt, offsetting any volatility of budgetary performance.

Downside scenario

We could lower the rating if Aargau's management were to loosen its grip on financial performance, leading to material debt accumulation. For instance, this could result from higher investments, further capital injections to cantonal hospitals, or Aargau's failure to eventually realign its tax multiplier with evolving budgetary requirements. In addition, pressure on the ratings would build if the cantonal bank called upon Aargau for support.

Rationale

Aargau benefits from a solid economic base and a supportive institutional framework

Although international trade tensions continue weighing on economic performance, we expect resilient private consumption and an uptick in investment activity will support Switzerland's export-oriented economy. S&P Global Ratings forecasts Switzerland's national real GDP to increase by 1.1% in 2026, accelerating to 1.5% and 1.6% in 2027 and 2028, respectively. Economic growth in Aargau is likely to broadly track national trends, with no material deviations.

Although Aargau's GDP per capita is just about 76% of the Swiss average, at Swiss franc (CHF) 68,616 (equivalent to \$82,535) in 2025, this is very strong compared with regions we rate internationally. The canton benefits from its geographic location between Basel and Zurich, two important Swiss economic centers. Aargau is comparatively more focused on production and manufacturing than the average Swiss canton, with pharmaceuticals, chemicals, electrical, and engineering being the most important economic sectors. Following the EU as a block (42%), the U.S. is Aargau's second biggest trading partner and accounts for 23% of the canton's exports. However, we believe that any volatility in corporate tax revenue related to U.S. import tariffs on Swiss goods should be sufficiently offset by stability in trade with other countries. In any case, the canton's revenue base relies predominantly on taxes collected from individuals, with personal income tax receipts representing three-quarters of its total tax revenue.

Aargau benefits from Switzerland's robust institutional framework for local and regional governments, which is extremely predictable, well-balanced, and underpinned by strong national fundamentals. The canton will receive about CHF600 million in fiscal equalization payments annually between 2026 and 2028, representing about 10% of its adjusted operating revenue.

The canton is cutting taxes to enhance competitiveness

To remain competitive within other Swiss cantons, Aargau is implementing a series of structural and transitory tax measures. Temporary tax reductions include an 8-percentage-point reduction in the tax multiplier in 2026 as part of Aargau's 2022-2030 overall tax strategy, which aims to strengthen its appeal as a residential, business, and economic location and is being implemented gradually. The first phase of the revisions was implemented in 2025 and focused on structurally reducing wealth taxes and increasing deductions for third-party childcare costs, job-oriented training, and further education costs. The current, second phase is implementing personal income tax measures and, in our view, reflects in its magnitude the significant outperformance of the canton's budgets in recent years. The canton is staggering the phases so it can assess the fiscal viability of the revisions, which aligns with our view of its financial management as cautious.

We anticipate that, despite our perception of the current parliament having a preference for low taxes and a lean government, Aargau's financial leadership will have sufficient political strength to return to a higher tax multiplier after just two years, if indicated by fiscal developments. Currently, our projections for the development of Aargau's tax multiplier are more conservative than the canton's official financial plan. We assume a phased implementation of the planned increase to 108%, from 100% currently, and believe this target will be achieved in two stages, starting in 2028 and ending in 2029.

Substantial reserves support budgetary stability and low debt over the forecast horizon

We expect the canton to maintain a robust fiscal performance over our 2026-2028 forecast period though falling short of its very strong results in 2023-2025. Although we expect Aargau's multi-year financial performance to remain solid, it will weaken temporarily in 2026-2028 due to lower tax revenue and higher spending, especially on capital investments. We anticipate investment spending to continue rising, particularly in areas such as educational infrastructure projects. In addition, expenditure pressure, particularly in health care, education, and social assistance, will continue. Overall, we project operating margins at 4.8%-3.9% and balances after capital accounts of 0.9%-(1.21)% over 2026-2028. Thereafter, Aargau's operating margin should rise again, exceeding 5%, and its balance after capital accounts return to positive territory.

Aargau's fiscal results in 2025 significantly outperformed its budget. They were primarily driven by higher tax collections and robust profit distributions from the Swiss National Bank, as well as strong dividends from energy generation and trading group Axpo. Increases in health care and social insurance expenditure partly offset these gains. Nevertheless, the resulting operating surplus has further bolstered the canton's reserves to almost CHF1.5 billion, largely held as short-term financial assets. These reserves provide a critical buffer to finance the canton's current political agenda of, at least, temporarily reducing taxation.

Aargau's debt burden will remain low and continue to follow a downward trajectory, driven by the canton's use of reserves to amortize existing obligations, without the need for external refinancing. We anticipate tax-supported debt, which encompasses the canton's direct debt and the liabilities of several government-related entities, most notably the Aarau and Baden cantonal hospitals, to average 30% of consolidated operating revenue through 2028. We have included the Baden cantonal hospital's financial debt in the canton's tax-supported debt since 2025, when the hospital reported operating losses and its dependence on support from the canton markedly increased. Aargau's conservative debt-management policies rely on conventional, Swiss-franc-denominated debt only, with no use of derivatives or foreign currency-denominated borrowings.

Our assessment of Aargau's contingent liabilities reflects that Aargauische Kantonalbank represents a substantial contingent liability to the canton. Aargauische Kantonalbank is 100% owned by the canton and benefits from a statutory cantonal guarantee. Although the bank's

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balance sheet is almost seven times larger than the canton's budget, we regard the likelihood of the guarantee being called as very low. Other contingent liability exposure mainly stems from Aargau's 14% direct stake in Axpo, and a further 14% indirect stake via the subsidiary AEW Energie AG.

Aargau's liquidity position remains exceptional and covers its annual debt service several times. In addition to cash and money market deposits, together amounting to CHF1.57 billion at year-end 2025, the canton maintains contractually committed and uncommitted credit lines. Aargau can comfortably repay its remaining debt redemptions of CHF45 million in 2026 and CHF200 million in 2028 from liquid assets. The canton's proven access to capital market financing is an additional positive factor in our liquidity assessment.

Canton of Aargau Selected Indicators

Mil. CHF	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	5,555	5,878	6,368	6,253	6,266	6,542
Operating expenditure	5,133	5,448	5,742	5,953	6,061	6,290
Operating balance	421	430	627	300	205	252
Operating balance (% of operating revenue)	7.6	7.3	9.8	4.8	3.3	3.9
Capital revenue	53	45	48	55	77	86
Capital expenditure	483	260	291	301	395	418
Balance after capital accounts	(9)	215	384	54	(113)	(80)
Balance after capital accounts (% of total revenue)	(0.2)	3.6	6.0	0.9	(1.8)	(1.2)
Debt repaid	49	0	100	365	0	200
Gross borrowings	0	0	320	0	0	0
Balance after borrowings	(58)	215	604	(311)	(113)	(280)
Direct debt (outstanding at year-end)	690	690	910	545	545	345
Direct debt (% of operating revenue)	12.4	11.7	14.3	8.7	8.7	5.3
Tax-supported debt (outstanding at year-end)	1,167	1,229	2,316	2,151	2,251	2,151
Tax-supported debt (% of consolidated operating revenue)	18.7	18.7	31.2	29.3	30.6	28.1
Interest (% of operating revenue)	0.2	0.3	0.3	0.3	0.3	0.2
Local GDP per capita (\$)	74,893.9	77,476.3	82,535.0	87,376.6	85,105.8	84,151.2
National GDP per capita (\$)	103,593	107,161	114,152	120,848	117,705	116,394

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. CHF--Swiss franc. \$--U.S. dollar.

Canton of Aargau--Rating component scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	1
Liquidity	1

Canton of Aargau--Rating component scores

Key rating factors	Scores
Debt burden	2
Stand-alone credit profile	aaa
Issuer credit rating	AAA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- [Sovereign Risk Indicators](#), Feb. 9, 2026

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S.](#), July 15, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Economic Outlook Europe Q2 2026: Global Shock Leaves Recovery Uncertain](#), March 25, 2026
- [Sovereign Ratings List](#), March 12, 2026
- [Sovereign Ratings History](#), March 12, 2026
- [Sovereign Ratings Score Snapshot](#), March 9, 2026
- [Subnational Government Outlook 2026: Resilient, But Signs Of Stress Emerge](#), Jan. 20, 2026
- [Institutional Framework Assessment: Swiss Cantons Use Fiscal Autonomy To Retain Attractiveness](#), Jan. 31, 2025

Ratings Detail (as of June 11, 2026)*

Aargau (Canton of)

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

Issuer Credit Ratings History

16-Dec-2022	Foreign Currency	AAA/Stable/A-1+
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Canton of Aargau

Ratings Detail (as of June 11, 2026)*

18-Jun-2021		AA+/Positive/A-1+
20-Jul-2018		AA+/Stable/A-1+
16-Dec-2022	<i>Local Currency</i>	AAA/Stable/A-1+
18-Jun-2021		AA+/Positive/A-1+
20-Jul-2018		AA+/Stable/A-1+

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

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