Glarner Kantonalbank

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This report does not constitute a rating action.

Ratings Score Snapshot

SACP: a-

Anchor	a-	
Business position	Moderate	-1
Capital and earnings	Very Strong	2
Risk position	Adequate	0
Funding	Moderate	-1
Liquidity	Adequate	
CRA adjustment		0

Support: +4

ALAC support	0
GRE support	4
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
AA/Stable/A-1+

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

Credit Highlights

Overview

Key strengths	Key risks
Sound retail banking franchise in the small Canton of Glarus.	Concentration risk from focus on residential mortgage lending in Glarus and neighboring cantons.
Very strong and sustainably high capitalization.	Weaker cost efficiency and risk-adjusted profitability than most rated peers.
Extremely high likelihood of receiving extraordinary government support from the canton, if needed.	Higher reliance on wholesale funding than peers.

The 'AA/A-1+' ratings on Glarner Kantonalbank (GLKB) benefit considerably from our view of extremely high likelihood of extraordinary government support from Glarus. The uplift for potential extraordinary government support comes on top of the bank's 'a-' stand-alone credit profile (SACP). We expect GLKB to receive timely and sufficient extraordinary support from Glarus if needed. Also, the SACP incorporates significant ongoing implicit government support benefits such as lower funding costs and a sticky cantonal customer base, which support overall profitability and stability.

We believe GLKB has a somewhat weaker franchise than many other Swiss cantonal banks. This stems from its material loan book outside its home canton, which is too small to enable sufficient scale for the banking business model. In our view, this results in a more price-sensitive and less stable customer base. However, GLKB remains the market leader in its home canton of Glarus, covering almost 50% of retail mortgages in the canton. Also, the bank has a higher share of wholesale funding compared with other cantonal banks in the country, as outside the home canton, lending is largely refinanced through capital markets. Our funding assessment reflects this structural weakness.

The bank's capitalization remains a rating strength and provides a buffer against tail risk. We anticipate that GLKB will maintain its superior capitalization. Its risk-adjusted capital (RAC) ratio stood at 22.6% as of Dec. 31, 2024, and we forecast it at about 23.5%-24% over the next 24 months. On capitalization, GLKB ranks as one of the strongest banks we rate globally--in line with some cantonal bank peers.

Outlook

The stable outlook reflects our view that GLKB would receive extraordinary support from its majority owner, the Canton of Glarus, if needed. Consequently, the likelihood of a downgrade is remote over the next two years because, in the event of a deterioration of the bank's creditworthiness, we would include additional support from the canton into our ratings, assuming all else remained equal.

Downside scenario

We could lower the rating if we concluded that GLKB's ties with Glarus had loosened, or if renewed attempts to change the cantonal bank law emerged. However, we consider this scenario unlikely. In addition, a negative rating action could occur if we were to lower our assessment of the canton's creditworthiness.

Upside scenario

A positive rating action on the canton would trigger an upgrade of GLKB. However, improvements in GLKB's SACP would not translate into an upgrade.

Key Metrics

Glarner Kantonalbank--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2023	2024	2025e	2026f	2027f
Growth in operating revenue	14.1	-3.1	(0.5)-(1.0)	1.8-2.2	3.5-4.0
Growth in customer loans	2.7	3.4	1.8-2.2	1.8-2.2	2.3-2.8
Growth in total assets	2.4	3.1	1.3-1.8	1.3-1.8	1.7-2.1
Net interest income/average earning assets (NIM)	0.94	0.83	0.75-0.85	0.75-0.85	0.80-0.85
Cost-to-income ratio	67.5	69.1	72.0-73.0	72.5-73.5	71.5-72.5
Return on average common equity	6.2	5.6	4.2-4.7	4.0-4.5	4.3-4.8

Glarner Kantonalbank--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2023	2024	2025e	2026f	2027f
New loan loss provisions/average customer loans	0.03	0.03	0.0-0.1	0.0-0.1	0.0-0.1
Gross nonperforming assets/customer loans	0.06	0.22	0.1-0.3	0.1-0.3	0.1-0.2
Risk-adjusted capital ratio	23.1	22.7	23.5-24.0	23.5-24.0	23.5-24.0

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

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

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

The Swiss private sector has proven its resilience against multiple external stress scenarios. We expect banks to maintain their strong asset quality, reflecting the superior financial strength of Swiss households and corporations as well as prudent underwriting standards amid difficult global economic conditions worldwide.

We anticipate the country's GDP will expand by 1.3% in 2026. Overall, we see limited risks to Swiss banks' mortgage exposures as structural factors such as immigration, the scarcity of building land, and higher commodity prices underpin real estate prices over the coming years.

Our view of industry risk in Switzerland factors in the stability of the country's multi-tiered banking system, which includes government-guaranteed credit institutions viewed as safe havens. Proposals by the regulator and parliament could strengthen banks' corporate governance and supervision, as well as their access to liquidity during crises. Tech disruption poses a moderate risk for the Swiss market, in our opinion.

A lack of economies of scale in retail banking makes the country less attractive to international competitors. Swiss customers generally do not demand pure online retail banking products, and digital banks have yet to establish full alternatives to traditional banks, in our view.

Business Position: Growth Strategy Outside The Home Canton Weakens Business Stability

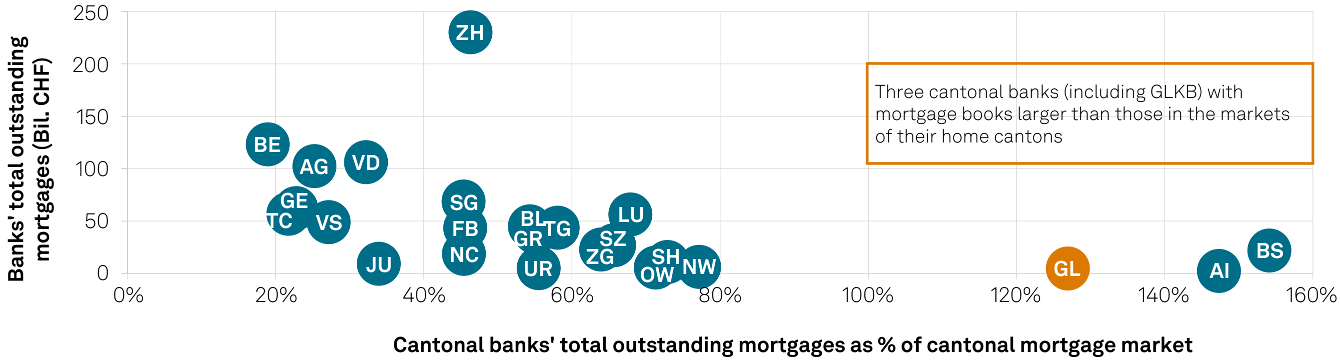
With assets of Swiss franc (CHF)9.2 billion in June 2025, GLKB is among the smaller cantonal banks in Switzerland. While it is the leading bank for retail mortgages and corporate clients in the canton of Glarus, given the small size of the canton, mortgage exposures in neighboring cantons and other parts of German-speaking Switzerland account for a higher share than that for most other cantonal bank peers (see chart 1).

An important distribution channel for mortgages outside the bank’s home markets is its online portal Hypomat, which we consider driven by prices rather than franchises and therefore less stable.

Chart 1

GLKB has higher exposures outside its small home cantonal market than peers

Outstanding mortgages of Swiss cantonal banks (as of Dec. 31, 2024)



CHF--Swiss franc. AG--Aargau, AI--Appenzell Innerrhoden, BL--Basel-Landschaft, BS--Basel Stadt, BE--Bern, FR--Fribourg, GE--Geneva, GL--Glarus, GR--Graubuenden, JU--Jura, LU--Luzern, NE--Neuchatel, NW--Nidwalden, OW--Obwalden, SG--St. Gallen, SH--Schaffhausen, SZ-Schwyz, TG--Thurgau, TI--Ticino, UR--Uri, VS--Valais, VD-Vaud, ZG--Zug, ZH--Zurich. Source: SNB, Association of Swiss Cantonal Banks, S&P Global Ratings.

GLKB has successfully executed strategic measures to unlock new sources of fee income and reduce its dependence on net interest income in recent years (see chart 2). The bank generates additional income by acting as a service provider for business-to-business clients, offering mortgage loan-related services to insurance and pension companies, and selling Hypomat licenses to third parties. Small-scale corporate banking and asset management activities round out its operations.

Revenue from these products provides some buffers against renewed pressures on net interest margins. That said, we note foreign currency funding affect GLKB's interest expenses, which is partially offset by foreign currency swaps booked in in its trading income. However, we expect the bank's profitability and cost efficiency gap with peers to persist (see chart 3).

As of June 2025, GLKB's S&P Global Ratings-adjusted return on average common equity stood at 4.3% and its cost-to-income ratio at 73%, versus those of domestic peers at 5.7% and 57% on average, respectively.

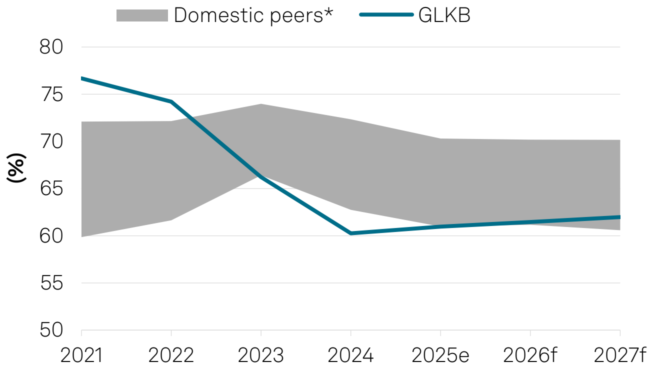
As part of its current strategy, GLKB aims to reach self-reported pre-tax return on equity of at least 7% and cost-to-income ratio below 62% by 2026, which would require marginal improvement versus 2024 levels.

Our forecast assumes moderate loan growth balancing margin pressure and moderate upside in fee income, but also cost pressure from further investment needs in digital services. We expect this will result in broadly flat profitability and cost efficiency metrics.

Chart 2

GLKB reduced its dependence on interest income

Net interest income/operating revenue

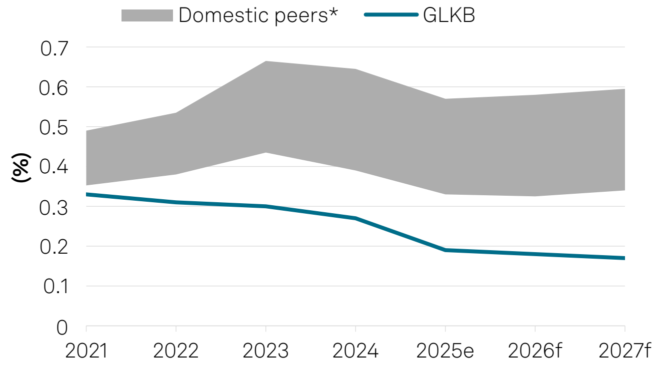


*Interquartile range. e--Estimate. f--Forecast. Source: S&P Global Ratings.

Chart 3

...but the profitability gap widened

Return on average assets



*Interquartile range. e--Estimate. f--Forecast. Source: S&P Global Ratings.

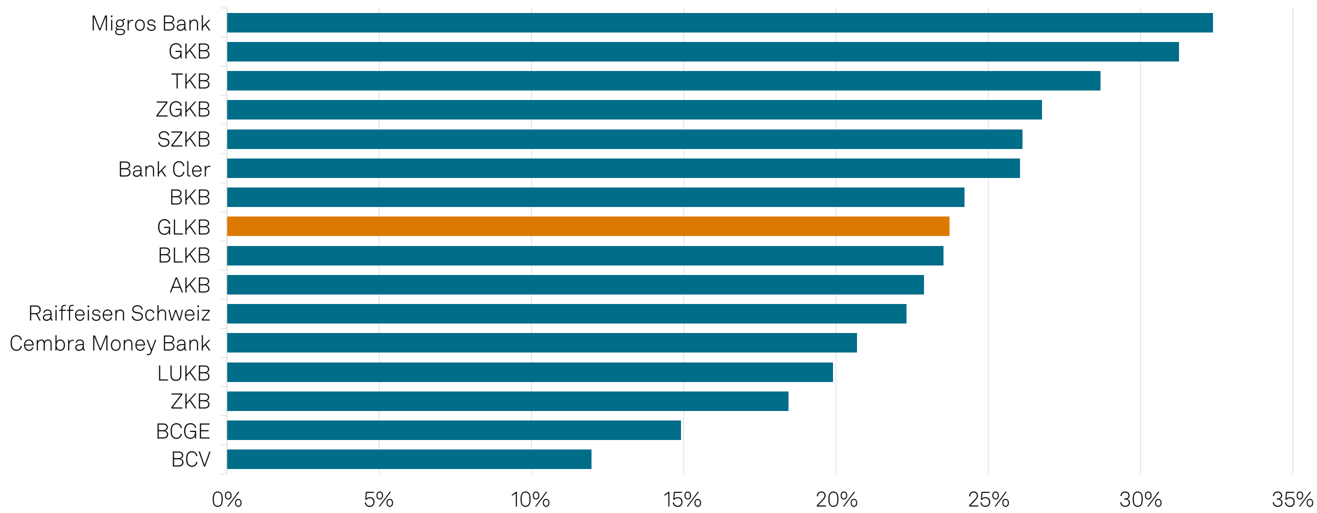
Capital And Earnings: Very Strong Capitalization Remains A Key Rating Strength

We expect GLKB to preserve its very strong capitalization, especially compared to global peers. We expect its RAC ratio to remain stable at 23.5%-24.0% over 2026-2027. While this is a very high level compared with the ratios of global peers, it is in line with that of other cantonal banks in Switzerland which, too, are typically highly capitalized (see chart 4).

With a total capital ratio at 18.5% as of December 2024, GLKB's regulatory capital ratios also remain well above regulatory requirements and the self-set target of at least 17%. Regulatory ratios of domestically-oriented Swiss banks are typically lower than their RAC ratios because we apply lower risk charges than the Swiss regulator to Swiss retail loans. We expect GLKB will continue to distribute around 50% of net income to its owners.

Chart 4

GLKB demonstrates very strong capitalization
RAC ratio before diversification (2025e)



RAC--Risk-adjusted capital. e--Estimate. Source: S&P Global Ratings.

The proportion of hybrid instruments in our core capital measure--total adjusted capital--is higher for GLKB (20%) than for most cantonal peers. We see this as a relative weakness in its capital assessment. GLKB's earnings buffer, which measures the capacity of the bank's earnings to cover normalized losses through a full credit cycle, was also lower than peers' at an estimated 0.5% as of Dec.31, 2025.

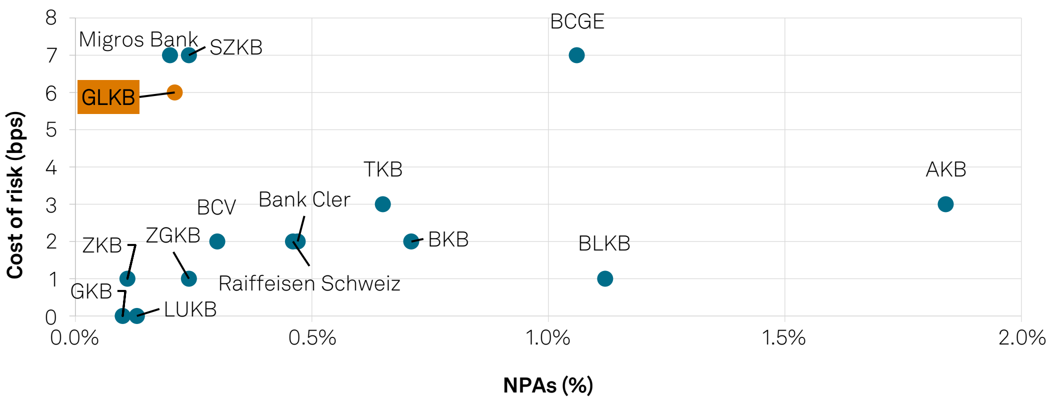
Risk Position: Concentration On Collateralized Mortgages And Solid Asset Quality

As with other cantonal banks, GLKB exhibits strong asset quality metrics. In our view, this is a result of its high underwriting standards focused on well-collateralized lending and the exceptional resilience of its Swiss customer base. We estimate its nonperforming asset ratio for 2025 at a strong 0.2%, versus a national average of 0.8%, and cost of risk at 6 basis points (bps), compared with the domestic average of 10 bps-12 bps. We do not expect the bank will deviate from its underwriting criteria, which should support asset quality through the cycle.

Chart 5

We forecast slightly higher cost of risk than peers, but still solid asset quality

GLKB's key metrics versus those of peers



NPAs--Nonperforming assets. bps--Basis points. Data as of first-half 2025. Source: S&P Global Ratings.

Mortgage lending dominates GLKB’s credit risk exposures: it accounts for more than 85% of gross customer loans, 90% of which qualify as prime residential real estate from a regulatory perspective. The average loan-to-value ratio of GLKB’s mortgage portfolio is stable at about 50%. Exposures to corporates, largely small and midsize enterprises, and some consumer financing complement retail mortgages.

Despite offering online mortgages nationwide, the bank's regional concentration remains significant, especially when accounting for exposure to the nearby canton of Zurich and Glarus' direct neighbors. We consider mortgage exposures in other cantons similar to those in Glarus from a risk perspective.

GLKB avoids complex products and conducts limited trading activity. This translates into only marginal market risk.

Funding And Liquidity: Below-Average Metrics, But Cantonal Ownership Supports Funding Stability

We assess GLKB's funding profile as weaker than that of other cantonal banks we rate because of the banks' higher reliance on wholesale funding. At the same time, we believe the bank’s liquidity buffers are sufficient to withstand a potential stress scenario. The cantonal guarantee supports our assessment.

GLKB’s core customer deposits accounted for about 53% of its funding base as of June 2025, which is significantly lower than the figures recorded by most of its cantonal bank peers.

We believe this stems from the bank’s out-of-canton growth strategy, for which it cannot raise sufficient deposits in the small canton of Glarus despite its strong market position. Its weaker-than-peer-average loan-to-deposit ratio of 153% as of June-end 2025 reflects this (see chart 6).

GLKB raises the rest of its funding from various wholesale sources:

- About 12% of its funding from long-term covered bonds, which we consider a comparatively stable source;

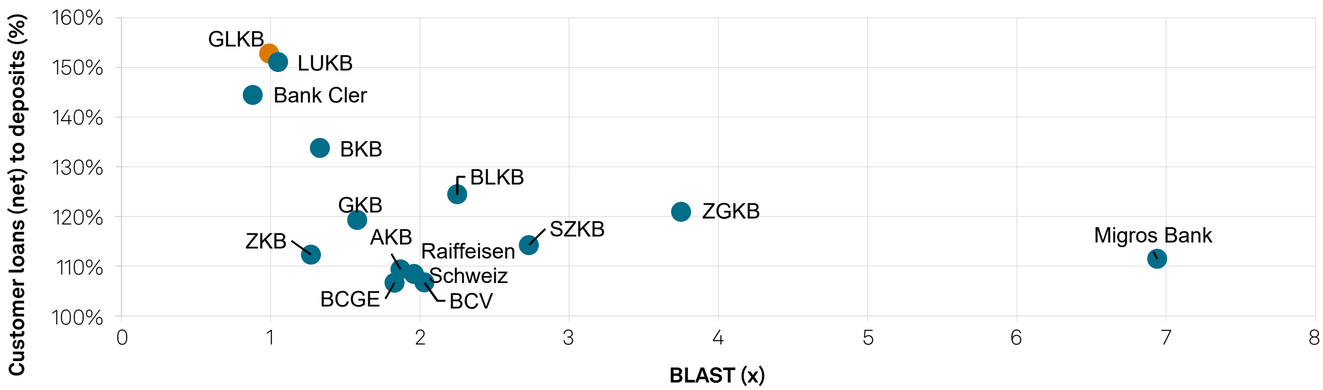
- Long-term senior unsecured debt, which represents about 10%; and
- Short-term bank deposits, which represent about 11%; we consider these potentially more volatile during certain market stress scenarios.

The remainder of GLKB's funding largely constitutes of a mix of maturing long-term and subordinated debt instruments.

Chart 6

GLKB's funding and liquidity metrics are slightly weaker than domestic peers'

Loan-to-deposit and BLAST ratios of select peers



BLAST--Broad liquid assets to short-term funding. Data as of first-half 2025. Source: S&P Global Ratings.

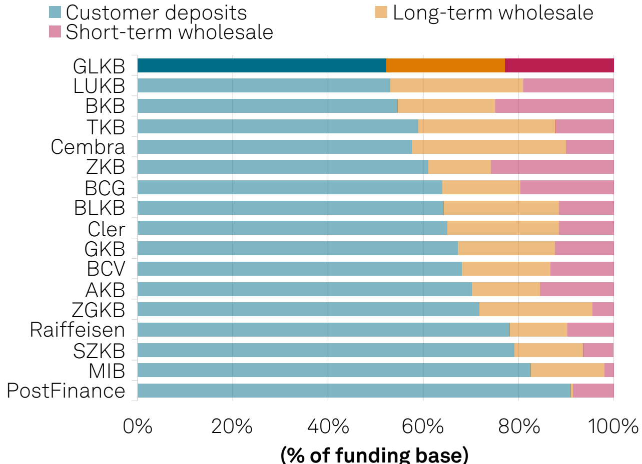
Given GLKB's higher reliance on wholesale funding, its net interest margin did not expand over the 2023-2024 rate hike cycle. That said, it should limit downward pressure as policy rates in Switzerland have again reached the lower bound of zero.

We expect GLKB's stable funding ratio, which stood at 98% in June 2025, will remain weaker than those of domestic peers.

Chart 7

GLKB's higher share of wholesale funding...

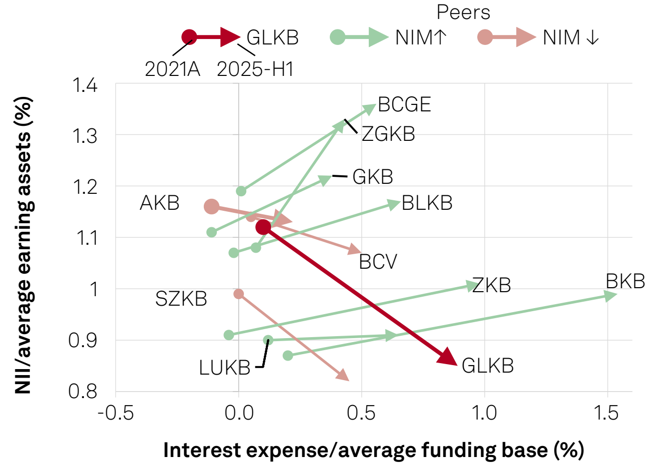
Data as of first-half 2025



Source: S&P Global Ratings.

Chart 8

...makes its funding and earnings profiles more sensitive to market rates than peers'



NII--Net interest income. Source: S&P Global Ratings.

GLKB benefits from adequate liquidity reserves: its broad liquid assets to short-term wholesale funding (BLAST) ratio was 0.99x as of June 2025. However, we note that the ratio was substantially higher for most cantonal peers. That said, a qualitative assessment of the liquidity profile supports our adequate view.

GLKB's lower BLAST ratio mirrors the lower cash reserves held at central banks and, in our view, a smaller and less liquid security portfolio relative to its short-term wholesale funding volume. The bank has adequate liquidity contingency plans and is stress-testing its inflows and outflows to the extent that we believe it would survive for more than six months in stressed market conditions.

We think GLKB benefits from its close ties with and statutory guarantee by the Canton of Glarus, which reinforces customer confidence and contributes to deposit stability in times of stress. We expect that as a government-owned bank, GLKB's access to liquidity will potentially benefit from a flight-to-quality effect in more challenging economic conditions.

Support: Extremely High Likelihood Of Timely And Sufficient Extraordinary Support From Glarus

We consider GLKB a government-related entity (GRE). The 'AA' long-term rating on the bank--four notches above its SACP--reflects our view that there is an extremely high likelihood of timely and sufficient extraordinary support from Glarus if needed. We base this on our view of the bank's integral link with and very important role for the canton.

Our assessment is primarily based on stipulations in Glarus' cantonal bank law. We do not expect renewed political discussions on this law and privatization, especially after such plans were rejected by popular vote in 2022.

The law continues to stipulate the canton's majority ownership of GLKB, and a cantonal guarantee on all non-subordinated liabilities. It also makes provisions to ensure GLKB's primary objective remains supporting the local economy with banking services. Considering the bank's strong market position within the canton, we believe a default would have a systemic impact on the local economy.

Environmental, Social, And Governance

ESG factors are overall neutral in our credit rating analysis of GLKB. The cantonal bank's franchise and mandate focus on providing basic services to Glarus' population and supporting economic development in the region. As part of its ESG strategy, the bank excludes some corporate sectors from its business undertakings and commits to sustainability goals.

Key Statistics

Glarner Kantonalbank Key Figures

Mil. CHF	2025*	2024	2023	2022	2021
Adjusted assets	9,110	9,062	8,787	8,578	7,754
Customer loans (gross)	6,854	6,867	6,640	6,468	5,824
Adjusted common equity	420	418	407	393	383
Operating revenues	50	101	104	91	90
Noninterest expenses	37	70	70	67	61
Core earnings	9	24	27	25	24

*2025 data is for the 6 months to end-June. CHF--Swiss franc.

Glarner Kantonalbank Business Position

(%)	2025*	2024	2023	2022	2021
Loan market share in country of domicile	N/A	0.49	0.5	0.5	0.4
Deposit market share in country of domicile	N/A	0.4	0.4	0.4	0.4
Total revenues from business line (currency in millions)	50	101	104	91	90
Other revenues/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	4.3	5.6	6.2	6.2	6.4

*2025 data is for the 6 months to end-June. N/A—Not available.

Glarner Kantonalbank Capital And Earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	N/A	14.2	14.2	14.4	15.4
S&P Global Ratings' RAC ratio before diversification	N/A	22.7	23.1	21.5	23.3
S&P Global Ratings' RAC ratio after diversification	N/A	14.4	15.0	13.9	11.9
Adjusted common equity/total adjusted capital	80.8	80.7	80.3	79.7	79.3
Net interest income/operating revenues	63.3	60.3	66.2	74.2	76.7
Fee income/operating revenues	17.8	17.2	16.3	17.5	16.3
Market-sensitive income/operating revenues	13.0	17.7	16.0	10.3	6.1
Cost to income ratio	73.3	69.1	67.5	73.0	68.1
Preprovision operating income/average assets	0.3	0.4	0.4	0.3	0.4
Core earnings/average managed assets	0.2	0.3	0.3	0.3	0.3

*2025 data is for the 6 months to end-June. N/A—Not available.

Glarner Kantonalbank RACF [Risk-Adjusted Capital Framework] Data

(CHF 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government & central banks	1,610,497	0	0	60	0
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	288,331	96,757	34	52,219	18
Corporate	439,304	227,824	52	276,181	63
Retail	6,769,795	3,085,182	46	1,728,982	26
Of which mortgage	5,860,264	2,386,198	41	1,182,601	20
Securitization§	0	0	0	0	0
Other assets†	0	0	0	0	0
Total credit risk	9,107,927	3,409,762	37	2,057,441	23
Credit valuation adjustment					
Total credit valuation adjustment	'--	16,441	'--	0	'--
Market Risk					
Equity in the banking book	0	0	0	0	0
Trading book market risk	'--	7,109	'--	10,663	'--
Total market risk	'--	7,109	'--	10,663	'--
Operational risk					
Total operational risk	'--	181,602	'--	216,357	'--
(CHF 000s)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	'--	3,698,246	'--	2,284,461	100
Total Diversification/ Concentration Adjustments	'--	'--	'--	1,309,075	57
RWA after diversification	'--	3,698,246	'--	3,593,536	157
(CHF 000s)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		523,182	14.1	517,643	22.7
Capital ratio after adjustments‡		523,182	14.1	517,643	14.4

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF -- Swiss Franc. Sources: Company data as of 'Dec. 31 2024', S&P Global Ratings.

Glarner Kantonalbank Risk Position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	(0.4)	3.4	2.7	11.1	4.6
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	57.3	53.4	54.0	96.5
Total managed assets/adjusted common equity (x)	21.7	21.7	21.6	21.9	20.2
New loan loss provisions/average customer loans	0.1	0.0	0.0	(0.1)	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	0.0	0.2	0.1	0.2	0.2

Glarner Kantonalbank Risk Position

Loan loss reserves/gross nonperforming assets	N/A	104.1	329.1	93.5	233.3
*2025 data is for the 6 months to end-June. N/A—Not available.					

Glarner Kantonalbank Funding And Liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	52.9	55.19	58.1	61.9	64.6
Customer loans (net)/customer deposits	152.8	147.0	140.6	131.5	125.9
Long-term funding ratio	78.2	80.2	86.7	88.4	89.1
Stable funding ratio	98.4	99.7	104.7	106.0	110.2
Short-term wholesale funding/funding base	23.1	21.1	14.1	12.3	11.7
Regulatory net stable funding ratio	--	140.9	146.0	137.2	143.3
Broad liquid assets/short-term wholesale funding (x)	1.0	1.0	1.4	1.6	1.9
Broad liquid assets/total assets	21.4	20.2	18.6	17.9	20.4
Broad liquid assets/customer deposits	43.4	39.2	34.7	31.4	34.4
Net broad liquid assets/short-term customer deposits	(0.4)	1.2	11.0	12.1	17.1
Regulatory liquidity coverage ratio (LCR) (x)	N/A	189.3	179.2	185.7	223.5
Short-term wholesale funding/total wholesale funding	47.8	45.8	32.8	31.3	31.7
Narrow liquid assets/3-month wholesale funding (x)	2.1	2.2	3.2	2.2	3.3
*2025 data is for the 6 months to end-June. N/A—Not available.					

Rating Component Scores

Issuer Credit Rating	AA/Stable/A-1+
SACP	a-
Anchor	a-
Business position	Moderate (-1)
Capital and earnings	Very Strong (2)
Risk position	Adequate (0)
Funding and liquidity	Moderate and Adequate (-1)
Comparable ratings analysis	0
Support	4
ALAC support	0
GRE support	4
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9 2021

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10 2021
- General Criteria: Group Rating Methodology, July 1 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 24 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16 2011

Related Research

- Swiss Banking Outlook 2026: Resilience Despite Low Rates In Trying Times , Jan. 15, 2026
- Banking Industry Country Risk Assessment: Switzerland, March 31, 2025

Ratings Detail (as of January 23, 2026)*

Glarner Kantonalbank	
Issuer Credit Rating	AA/Stable/A-1+
Subordinated	BBB
Issuer Credit Ratings History	
04-May-2022	AA/Stable/A-1+
11-Dec-2020	AA-/Negative/A-1+
09-Mar-2017	AA/Stable/A-1+
Sovereign Rating	
Switzerland	AAA/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.