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Ratings

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Glarner Kantonalbank

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Glarner Kantonalbank

SACP	a-
Anchor	a-	
Business Position	Moderate	-1
Capital and Earnings	Very Strong	+2
Risk Position	Adequate	0
Funding	Below Average	-1
Liquidity	Adequate	

+

Support	+4
ALAC Support	0
GRE Support	+4
Group Support	0
Sovereign Support	0

+

Additional Factors	0

Issuer Credit Rating
AA/Stable/A-1+

Major Rating Factors

Strengths:	Weaknesses:
• Close ties with the Swiss Canton of Glarus, facilitated by its majority ownership of the bank and its statutory guarantee. • Sound retail banking franchise in the Canton of Glarus and a low-risk loan book dominated by well-collateralized residential mortgages. • Very strong capitalization.	• Concentration risk because of a focus on residential mortgage lending in the home canton and neighboring economic area, as well as less stable relationships with customers outside the home canton. • Weaker cost efficiency and profitability than most rated cantonal peers. • Stronger reliance on wholesale funding activities than the rated cantonal peer group.

Outlook: Stable

The stable outlook on Swiss bank Glarner Kantonalbank (GLKB) reflects S&P Global Ratings' view that GLKB continues to benefit from being a government-related entity (GRE) with an extremely high likelihood of receiving support from the Canton of Glarus over the next two years, if needed. Moreover, we consider that GLKB's capital and earnings provide a substantial buffer against potential domestic financial risks.

The likelihood of a downgrade is remote because, even in the event of a multiple-notch deterioration of the stand-alone credit profile (SACP), the ratings would be cushioned by additional extraordinary support from the canton, assuming everything else remained equal. Nevertheless, a negative rating action may be triggered by a downward revision of our assessment of GLKB's role for or link with the Canton of Glarus, or changes in the statutory guarantee, which may lead to our reassessment of GLKB's status as a GRE. However, we currently consider this scenario unlikely and would expect GLKB's existing obligations to be grandfathered. In addition, a negative rating action could occur if we were to revise downward our assessment of Glarus' creditworthiness.

An upgrade of GLKB would require a three-notch upward revision of the SACP to 'aa-'. However, we regard this as a remote scenario, given the bank's comparatively concentrated business profile and its strong reliance on wholesale funding. In addition, all else remaining equal, we could raise the ratings on GLKB if we revised upward our assessment of Glarus' creditworthiness.

Rationale

Our ratings on GLKB reflect our 'a-' anchor for pure domestic Swiss banks, GLKB's moderate business position, mainly reflecting its sound market position in its home canton but our view of less stable customer relations outside the canton; its very strong capital and earnings mirroring our projected risk-adjusted capital ratio (RAC) ratio of over 22% in the next 24 months; its adequate risk position balancing concentration risks in its loan portfolio with sound asset quality and high collateralization; and its below average funding, and adequate liquidity, due to weaker funding metrics and higher reliance on wholesale funding activities compared with cantonal bank peers. The SACP is at 'a-'. We consider GLKB to be a GRE with an extremely high likelihood of receiving timely and sufficient extraordinary support from Canton of Glarus if needed. We base this opinion on GLKB's very important role for, and integral link with, the local government, the canton. This provides a four-notch uplift to our assessment of GLKB's SACP, leading to the long-term rating of 'AA'. In our view, the Swiss bank resolution regime that came into effect on Jan. 1, 2016, does not impede cantonal owners' ability to provide extraordinary support to banks, like GLKB, that we consider to be GREs.

Anchor: 'a-' for banks operating only in Switzerland

The anchor reflects GLKB's domicile in Swiss Canton of Glarus and its credit exposures, which are almost exclusively to Swiss-domiciled counterparties.

Our criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a bank operating mainly in Switzerland is 'a-'. We view the trends for both economic and industry risk as stable.

Our economic risk score of '2' for Switzerland is supported by the country's highly diversified and competitive economy, very high household income levels, and banks' prudent loan underwriting standards. However, it also reflects remaining risks, owing to the cumulative rise in Swiss house prices and domestic lending over the past several years. Although these imbalances are still low in a global context, they have also led the regulator to enact macroprudential measures to rein in robust growth in mortgage indebtedness. We recognize that house price and lending growth have cooled since the beginning of 2014. However, in our view, house prices and household indebtedness remain historically high, in particular when considering the low rate of home ownership in Switzerland. The very high mortgage debt level is mitigated by the large amount of financial assets, including pensions, held by households in Switzerland.

Our industry risk score of '2' primarily reflects the banking sector's stability and high share of deposit funding. Banks' net interest margins continue to decline gradually, given the pressure on deposit margins from the negative yield environment. This is partly offset, however, by higher margins on lending products, fee income from investment advisory-related activities, and cost management. As a result, banks are still able to generate returns on core banking products that are adequate to meet their cost of capital. Moreover, in our view, the Swiss regulator's regulatory initiatives are more stringent than those in other European banking industries.

Table 1

Glarner Kantonalbank Key Figures

		--Year-ended Dec. 31--			
(Mil. CHF)	**2017***	**2016**	**2015**	**2014**	**2013**
Adjusted assets	5,665	5,277	4,987	4,475	4,014
Customer loans (gross)	4,759	4,606	4,298	3,927	3,634
Adjusted common equity	300	292	286	276	227
Operating revenues	55	66	62	57	53
Noninterest expenses	35	46	44	40	38
Core earnings	15	17	17	16	13

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

Business position: Stable franchise in Glarus but less stable client relationships outside its home area

We consider GLKB's business position to be moderate compared with that of other domestically focused Swiss banks.

GLKB is one of the smaller Swiss cantonal banks, with total assets of Swiss franc (CHF) 5.7 billion (€5.0 billion) as of Sept. 30, 2017, and is the leading commercial bank in its home canton. It mainly operates in residential mortgage lending in Glarus and neighboring economic areas, but also offers online mortgages in German-speaking Switzerland through its online platform, hypomat.

Given the canton's smaller size and the bank's therefore limited business growth opportunities, GLKB has expanded outside its home region. Still we consider the regional concentration of GLKB's business, in particular in mortgage lending to be significant, especially when also considering the exposure to the nearby Canton of Zurich and Glarus' direct neighbors St. Gallen and Schwyz. We acknowledge that the bank has improved its regional diversification by offering online mortgages based on selective criteria, but the bank's geographic concentration still significantly exposes the bank's earnings to economic swings in the small economy of Glarus and its neighboring regions.

In our view, GLKB's primary focus on customer loan growth outside its home canton could lead to more price-sensitive and therefore less stable client relationships, in particular during an economic downturn, compared with the stable and long-standing customer base in Glarus, which, thanks to the guarantee from the canton, we expect will continue providing GLKB with a sustainable source of revenues.

GLKB demonstrates slightly lower profitability ratios than peers, low and stagnating proportions of fee income and a high reliance on net interest income, in our view, to some extent also driven by significant drains of customer funds in 2008 and the consecutive years. We anticipate that GLKB's cost-efficiency ratio improved in 2017 but will still hover at about 65%-67% for the next two years, which remains weaker than those of its main cantonal peers, with ratios typically at 50%-60%. We note that the bank accounts for coupon payments on its additional Tier 1 (AT1) capital as interest expense, which negatively distorts the ratio by about 5 percentage points compared with peers that have not issued such instruments.

On the positive side, under its current management GLKB has demonstrated sound profitability and increasing revenues since 2009, and we expect it will continue to do so. Net interest income currently accounts for a high 77% of operating revenues, followed by fee income (13%) and market-sensitive income (9%), a distribution of revenues that we expect the bank to maintain in the coming years.

GLKB is also engaging as a vendor of its self-developed online mortgage platform solution, which comprises different modules including elements for granting and administration of mortgages. While we consider this supports our view that the bank is proactively executing strategic initiatives in order to cope with the changing landscape in the retail banking industry, we currently do not consider this business as sufficient to provide substantial diversification in terms of risk and earnings. We also believe that this initiative might cannibalize the bank's own online mortgage offerings to some extent, which could result in lower growth opportunities compared with previous years.

GLKB went public via an IPO in 2014 and Glarus currently holds 68.3% of shares and voting rights. According to cantonal laws, the canton needs to keep more than 50% of shares and voting rights, and we therefore believe that the majority shareholder still provides the bank with some business stability. However, we also believe that it puts the bank under slightly more pressure to report sufficient returns on equity to satisfy its external owners.

Table 2

Glarner Kantonalbank Business Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Total revenues from business line (mil. CHF)	54.7	66.7	64.8	57.1	52.8
Return on equity	6.5	5.9	6.9	6.1	5.6

*Data as of Sept. 30. CHF--Swiss francs.

Capital and earnings: Very strong capital remains a key rating strength

We assess GLKB's capital and earnings as very strong compared with banks we rate globally. This is based on our expectation that GLKB's risk-adjusted capital ratio (RAC) will stay in the range of 22%-23% over the next 18-24 months, compared with 23.3% as of Dec. 31, 2016. Our revised RAC framework had a slightly positive impact on GLKB's RAC ratio, reflecting decreased risk charges on Swiss mortgages. However, the anticipated decrease in the RAC ratio mainly results from our expectation of 4%-6% annual growth in our risk-weighted assets in 2018-2019, which will exceed capital buildup through retained earnings over that period. However, this will still allow the bank to maintain a RAC ratio that is very strong in a global comparison.

GLKB's regulatory Tier 1 ratio stood at 16.6% at end-September 2017. In the recent past, the bank has improved its capital base by several means to support expected business growth over the coming years. GLKB issued two AT1 hybrid capital instruments totaling CHF170 million (notional) in 2012 and 2015. In 2011, GLKB also issued CHF40 million of subordinated convertible loans that can be converted into common equity in 2021, but which we do not currently take into account in our calculation of GLKB's total adjusted capital (TAC). In 2014, GLKB increased its capital by a further CHF35 million and went public via an IPO. Glarus sold about 31.7% of shares to external investors.

We assess the quality of capital mainly through the proportion of AT1 hybrid capital instruments in TAC. This proportion is higher for GLKB (25%) compared with most cantonal peers, and we therefore assess GLKB's capital quality as lower compared with most peer cantonal banks.

We expect GLKB to maintain a conservative dividend payout ratio of about 50%, and therefore to generate some internal capital to mitigate the negative impact on the RAC ratio from ongoing customer loan growth. We understand, however, that, unlike other cantonal banks, GLKB faces constraints in its ongoing buildup of capital, because it needs to provide its external owners with reasonable dividend payouts. However, we are confident that the majority owner, Glarus, will remain supportive of GLKB's very strong capital position.

Table 3

Glarner Kantonalbank Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Tier 1 capital ratio	16.6	17.2	18.4	15.0	N/A
S&P Global Ratings' RAC ratio before diversification§	N/A	23.3	N/A	N/A	N/A
S&P Global Ratings' RAC ratio after diversification§	N/A	15.0	N/A	N/A	N/A
Adjusted common equity/total adjusted capital	75.2	75.2	75.2	79.8	100.0
Net interest income/operating revenues	76.6	74.0	74.7	75.9	73.4
Fee income/operating revenues	13.4	13.6	15.7	17.9	19.3
Market-sensitive income/operating revenues	8.6	9.2	8.4	6.0	6.7
Noninterest expenses/operating revenues	63.8	69.3	70.6	69.5	72.5
Preprovision operating income/average assets	0.5	0.4	0.4	0.4	0.4
Core earnings/average managed assets	0.4	0.3	0.4	0.4	0.3

*Data as of Sept. 30. §RAC ratios for 2016 reflect 2017 RAC Criteria. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

Glarner Kantonalbank Risk-Adjusted Capital Framework Data

(CHF 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	388,369	5,400	1	917	0
Institutions and CCPs	159,374	124,150	78	33,952	21
Corporate	615,261	454,688	74	400,932	65

Table 4

Glarner Kantonalbank Risk-Adjusted Capital Framework Data (cont.)					
Retail	4,202,746	1,793,200	43	1,002,304	24
Of which mortgage	4,137,999	1,728,450	42	959,602	23
Securitization§	0	0	0	0	0
Other assets†	0	0	0	0	0
Total credit risk	5,365,750	2,377,438	44	1,438,106	27
Credit valuation adjustment					
Total credit valuation adjustment	--	48,263	--	0	--
Market risk					
Equity in the banking book	10,920	37,225	341	81,900	750
Trading book market risk	--	18,138	--	27,206	--
Total market risk	--	55,363	--	109,106	--
Operational risk					
Total operational risk	--	113,188	--	123,409	--
		Basel III RWA		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		2,594,250		1,670,621	100
Total diversification/concentration adjustments		--		911,006	55
RWA after diversification		2,594,250		2,581,627	155
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		464,334	17.9	388,524	23.3
Capital ratio after adjustments‡		464,334	17.2	388,524	15.0

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡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, 2016, S&P Global.

Risk position: Concentration in residential mortgage lending buffered by high collateralization

We consider GLKB's risk position to be adequate, owing to its business model, which focuses mainly on low-risk collateralized residential mortgage lending, and to a lesser extent on lending to small and midsize companies and consumer financing based on prudential underwriting standards.

GLKB's loan book of CHF4.8 billion at end-September 2017 remains dominated by residential real estate loans in Glarus and neighboring regions, and will, in our view, continue to show sound asset quality. GLKB's mortgage loan portfolio represents more than 92% of the loan book, and consists mostly of loans collateralized by residential real estate loans (77% of total loans). Loans backed by commercial real estate account for about 15% of the total loan book.

Growth in customer loans has been significantly above the market at an average annual rate of about 6%-7% since 2010, also due to GLKB's increased focus on business opportunities in neighboring regions and its countrywide offering of selective online mortgage loans. Although GLKB's loan growth has slowed down, we expect the loan book will continue to expand faster than the market average. We also acknowledge that the bank has more conservative underwriting standards in new mortgage lending outside its home economic area and more restrictive conditions regarding the type of mortgages available on its online platform.

We consider that the regional focus of the loan book exposes the bank to concentration risks, which are partly offset by high collateralization of the mortgage loan portfolio (estimated average loan-to-value ratio of 56% for mortgage loans). We think that the housing price increases in Switzerland over the past several years will likely heighten the risks of correction and subsequently could hamper GLKB's current sound asset quality. Residential real estate price increases in Glarus have been lower than the Swiss average in the past but are now catching up to some extent. GLKB is also exposed in Swiss hot spots like the Canton of Zurich, and we believe that there is some positive correlation between the housing markets in Glarus and Zurich, given their proximity.

Positively, GLBK mostly avoids complex products, and we expect the bank to maintain its conservative underwriting practices in new mortgage lending, helping it to continue reporting very low levels of nonperforming loans in its loan book (less than 0.1% as of end-2016). This supports our estimate that the cost of risk will be less than 5 basis points over the next two years, slightly below our estimate for Swiss market. GLKB has limited market risk comprising mainly interest rate risk from mismatches in asset-liability management activities, but these are adequately hedged, in our view.

Table 5

Glarner Kantonalbank Risk Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	4.4	7.2	9.5	8.0	10.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	54.5	N/A	N/A	N/A
Total managed assets/adjusted common equity (x)	18.9	18.1	17.5	16.2	17.7
New loan loss provisions/average customer loans	0.05	0.01	0.01	0.03	0.03
Gross nonperforming assets/customer loans + other real estate owned	N/A	0.05	0.09	0.16	0.27
Loan loss reserves/gross nonperforming assets	N/A	1,591.2	885.3	614.8	396.0

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

Funding and liquidity: Below-average metrics, but funding profile supported by the cantonal guarantee

We assess GLKB's funding as below average and the bank's liquidity is adequate, in our opinion.

We expect that the amount of customer loans will continue to exceed deposits, with the ratio staying between 135% and 140%, which is significantly higher than that of rated peers and indicates GLKB's stronger dependency on wholesale funding and a lack of sufficient stable customer deposits to fund ongoing balance-sheet growth. This significantly exposes the bank to the risk that maturing debt cannot be adequately replaced by new issuances during times of stress. The bank's core customer deposits account for 68% of its funding base. However, due to the cantonal guarantee, we expect GLKB's customer deposits in its home canton will remain very stable.

The remainder of the funding mix is mainly interbank funding and capital market funding, via secured and unsecured instruments. We expect GLKB's stable funding ratio--S&P Global Ratings' measure of available long-term funding relative to long-term funding needs--will remain just below 100% over the next few years, which is at the lower end compared with metrics of other rated cantonal banks.

Our assessment of GLKB's liquidity as adequate, which is weaker than for most Swiss cantonal banks, reflects our estimate of the bank's sufficient but significantly lower ratio of broad liquid assets to short-term wholesale funding than peers. This ratio was close to 1.0x for GLKB at end-September 2017. The weaker liquidity ratio mirrors the bank's relatively lower amounts of cash reserves held at central banks and, in our view, a smaller and less liquid security portfolio compared with peers. We also consider the risk that maturing debt issuances could drain a significant portion of GLKB's liquidity in a stress scenario, which we see as more material than for peers, given the bank's small size but significant wholesale funding activities.

However, we see as positive the bank's loyal customer deposit base; we do not expect deposits will be withdrawn in large amounts in times of stress. Moreover, we would expect GLKB to profit from any erosion of confidence at other Swiss financial institutions, given its close ties with and guarantee from the canton. We therefore expect it could operate for more than six months without access to market funding in an adverse scenario.

Table 6

Glarner Kantonalbank Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	67.9	68.3	70.0	72.3	69.1
Customer loans (net)/customer deposits	137.2	141.5	137.0	133.8	141.0
Long-term funding ratio	88.0	88.0	90.4	93.0	91.4
Stable funding ratio	98.0	95.2	98.2	N/A	N/A
Short-term wholesale funding/funding base	13.1	13.2	10.6	7.6	9.1
Broad liquid assets/short-term wholesale funding (x)	1.0	0.7	1.0	N/A	N/A
Net broad liquid assets/short-term customer deposits	(0.8)	(5.5)	(0.4)	N/A	N/A
Short-term wholesale funding/total wholesale funding	37.1	37.3	31.4	25.9	29.4
Narrow liquid assets/3-month wholesale funding (x)	1.9	1.5	1.8	N/A	N/A

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

External support: Extremely high likelihood of extraordinary local government support

We consider GLKB to be a GRE. The long-term rating on the bank is four notches above the SACP, reflecting our view that there is an extremely high likelihood of timely and sufficient extraordinary support from its major shareholder, the Canton of Glarus, if needed. We base this on our view of the bank's integral link with and very important role for the canton, despite the canton's reduced shareholding in GLKB as a result of the an IPO, and potential further dilution due to outstanding convertible bonds. According to cantonal law, the canton must hold more than 50% of shares and voting rights. Changes to the law would need to be approved through a referendum.

Our view on the likelihood of support is mainly based on GLKB's importance to the regional economy of the Canton of Glarus and the cantonal guarantee on all of the bank's liabilities, provided by cantonal law. We think a default by GLKB would have a significant systemic impact on the local economy. We do not anticipate any change to the bank's current integral link with and very important role for the canton in the medium term.

We believe that the prospect of extraordinary government support for Swiss banks is now uncertain, because Switzerland has implemented several legislative measures in recent years to address the "too big to fail" issue and has established a functioning resolution regime. However, we generally believe that resolution frameworks are less likely to impede the state owners' willingness to provide extraordinary support to GRE banks, including GLKB. Despite the reduced predictability of government support to systemically important commercial banks, we expect that the canton's government will remain highly supportive of GLKB. Furthermore, we believe the government has sufficient financial resources to support GLKB.

We don't expect that additional loss-absorbing capacity (ALAC) will result in uplift to our rating on the bank, as we see a resolution scenario for GLKB as unlikely because of its GRE status and its low systemic importance. Generally, we view the Swiss resolution regime as effective under our ALAC criteria as, among other factors, we believe it contains a well-defined bail-in process, under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

Additional rating factors:
No additional factors affect our rating on GLKB.

Related Criteria

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry Country Risk Assessment Update: December 2017, Dec. 8, 2017
- Research Update: Switzerland Ratings Affirmed At 'AAA/A-1+'; Outlook Stable, Nov. 17, 2017
- Banking Industry Country Risk Assessment: Switzerland, Nov. 6, 2017

Anchor Matrix

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

Ratings Detail (As Of January 11, 2018)

Glarner Kantonalbank	
Counterparty Credit Rating	AA/Stable/A-1+
Counterparty Credit Ratings History	
09-Mar-2017	AA/Stable/A-1+
Sovereign Rating	
Swiss Confederation	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.

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