S&P Global Ratings

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Luzerner Kantonalbank

Primary Credit Analyst:
Michal Selbka, Frankfurt +49 (0) 69-33999-300; michal.selbka@spglobal.com

Secondary Contact:
Anna Lozmann, Frankfurt (49) 69-33-999-166; anna.lozmann@spglobal.com

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Luzerner Kantonalbank

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

\+

Support	+2
ALAC Support	0
GRE Support	+2
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 Canton of Lucerne, facilitated by its majority ownership of the bank and a statutory guarantee. • Sound financial profile, characterized by very strong capitalization. • Strong retail franchise in the Canton of Lucerne.	• Concentration risk owing to the focus on real estate lending in its home region. • Pressure on earnings and higher-than-average growth as a public-law joint-stock company in comparison to some other cantonal bank peers. • Some reliance on the additional Tier 1 (AT1) instruments to support regulatory capital ratios.

Outlook

The stable outlook on Luzerner Kantonalbank (LUKB) reflects S&P Global Ratings' expectation that the likelihood of support to the bank from the Canton of Lucerne will remain extremely high in the next two years. We also expect that LUKB will be able to maintain its sound financial profile over the next 24 months.

The ratings on LUKB are sensitive to our assessment of the owner's ability and willingness to support the bank.

We could lower the rating if we saw a change in LUKB's role for or link with the canton, or changes in the statutory guarantee, that could lead us to reassess the bank's status as a government-related entity (GRE). However, we currently consider this scenario to be remote and would, in such a case, expect LUKB's existing obligations to be grandfathered.

An upgrade is unlikely, as we are unlikely to revise upwards our assessment of LUKB's 'a+' stand-alone credit profile (SACP), given the bank's comparatively concentrated business profile. Downside pressure on the SACP could emerge if we saw a significant drop in our risk-adjusted capital (RAC) ratio, for example resulting from deterioration of underwriting standards. However, this factor alone would not immediately result in a downgrade for the bank due to our expectation of an extremely high likelihood of support from its canton.

Rationale

Our ratings on LUKB reflect our banking industry risk view for the banks operating in Switzerland, as well as our assessments of the bank's business position, reflecting a sound franchise in its home region; its very strong RAC ratio of about 17.5%-18% over the next 24 months; and its sound risk position. We expect stable funding sources to remain available for the bank, supporting its strong liquidity--we see LUKB's customer deposit base as loyal and we expect the bank would benefit from a "flight-to-quality" in a stress scenario.

We continue to view LUKB as a GRE with an extremely high likelihood of receiving timely and sufficient extraordinary government support in times of stress. We base this opinion on LUKB's very important role for, and integral link with, its home canton of Lucerne.

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

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 that risks remain, owing to the cumulative rise in Swiss house prices over past several years. Although imbalances remain moderate in a global context, they have led the regulator to enact macro prudential measures to rein in growth in mortgage indebtedness. We recognize that house price growth has cooled down since the beginning 2014, while lending has recently picked up again after several years of moderate growth. In our view, house prices and household indebtedness remain historically high. The very high mortgage debt level is mitigated by the large amount of financial assets, including pension funds, held by households in Switzerland.

Our industry risk score of '2' primarily reflects the banking sector stability and a relatively 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

Luzerner Kantonalbank Key Figures					
		--Year-ended Dec. 31--			
(Mil. CHF)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	38,241.4	35,881.6	34,854.9	33,271.5	29,363.8
Customer loans (gross)	29,555.5	28,157.8	26,820.2	25,489.3	24,405.8
Adjusted common equity	2,627.0	2,568.3	2,481.5	2,394.7	2,191.5
Operating revenues	246.0	475.1	448.4	431.1	451.6
Noninterest expenses	129.9	258.4	235.7	224.5	221.8
Core earnings	99.8	183.2	180.0	178.5	181.5

*Data as of June 30.

CHF--CHF-Swiss Franc. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Business position: A strong retail banking franchise constrained by geographic concentration

Based on LUKB's stable but predominantly regionally focused market position and its relatively conservative management, we consider its business profile to be in line with our assessment of Switzerland's industry risk.

LUKB is a midsize cantonal bank. Its assets totaled Swiss franc (CHF) 38.2 billion (about €33 billion) as of June 30, 2018. It is the leading commercial bank in the region of Lucerne, with a high market share of about 30% in retail and corporate banking, especially small and midsize enterprises. Like most other cantonal banks, we expect LUKB to continue operating mainly in its home region and neighboring cantons, focusing on residential mortgage lending. However, we view LUKB's business concentration, broadly on one Swiss canton, as a rating weakness because it exposes the bank to economic swings in a comparably small regional economy. We don't expect the bank's narrow business focus and operating region to change in the near future, despite the ongoing development of online distribution channels for its products or an expected slight improvement in revenue source diversification, i.e. an increase in fee income.

On the positive side, thanks to LUKB's reputable brand and a statutory guarantee from the canton, we expect the bank to continue to enjoy strong customer confidence, reflected in its sustainable revenues and its stable deposit base. The revenue base is dominated by the net interest income amounting to 70% of total revenues in 2017, while around 19% is from fees and commissions. About 10% of its revenue base is from market-sensitive income. We expect this split to remain, with some slight volatility in market sensitive income, driven mainly by customer-related trading but also the launch of a structured products issuance business as of September 2018. We expect the latter to be predominantly targeted toward institutional clients and/or other financial institutions on a countrywide level.

LUKB is also active in private banking; we estimate that its assets under management increased to over CHF22 billion in 2017 (by almost 16% if compared with CHF19 billion a year before). LUKB targets mainly affluent clients in the Canton of Lucerne. We expect LUKB's private banking business to expand organically and to steadily contribute about a quarter of total revenues. While this will result in greater revenue diversification--which we already assess as slightly more positive than other Swiss cantonal banks--we don't believe this activity will offset our view of regional and business concentration or lift our overall assessment of the bank's business position.

We expect management will proactively follow industry trends regarding digitalization and standardization to improve the bank's business standing over the next few years. A solid example is its ongoing fulfilment of the transformation and digitalization strategy 2016-2020. In early 2018, LUKB launched its new app for e-banking, allowing not only for standard payments realization but also placement of the stock market orders.

Unlike most cantonal banks, LUKB is a public-law joint-stock company. We believe the Canton of Lucerne will maintain its majority stake in LUKB at the current 61.5%, as stated in its shareholder strategy. Consequently, we believe that the stable shareholder structure will provide the bank with continuous business stability. At the same time, LUKB's legal and ownership structure means that it experiences more pressure to report reasonable returns on equity to satisfy its owners in the prolonged low interest rate environment, which is already putting pressure on earnings. Nevertheless, we generally believe that management will maintain its prudent and conservative underwriting standards, despite significant competition in the canton, including from nonbanks such as insurance companies.

Table 2

Luzerner Kantonalbank Business Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Loan market share in country of domicile	2.4	2.4	2.4	2.3	2.2
Deposit market share in country of domicile	1.8	1.8	1.9	1.9	1.8
Total revenues from business line (mil. CHF)	246.0	478.9	452.1	445.4	451.7
Return on average common equity	7.5	7.6	7.4	7.5	8.1

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

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

We assess LUKB's capital and earnings as very strong, compared with the banks we rate globally. This is mainly based on our expectation that the bank's RAC ratio will remain between 17.5% and 18.0% in the next 18-24 months, compared with 18.3% at year-end 2017. Capitalization of LUKB slightly dropped if compared with December 2016, given an increase in the bank's risk-weighted assets (RWAs) resulting from the above-average pace of customer loan growth and slightly higher level of dividends to be paid.

LUKB strengthened its capitalization through the issuance of two five-year additional Tier 1 (AT1) hybrid capital instruments in March 2015 and in 2016, each with a CHF130 million notional value. We understand that there are no plans for further issuance in the near to medium-term, on the assumption that the regulatory total capital ratio remains in the target corridor of 14%-18% (16.3% as of June 30, 2018).

LUKB's regulatory tier-1 ratio equaled 15.9% as of June 30, 2018, and we expect it to remain at a similar level over time, given furtherpartial capitalization of annual profits outbalanced by the growth in RWAs. For the majority of cantonal banks that we rate, our RAC ratio is higher than the regulatory Tier 1 ratio, mainly reflecting the fact that our risk weights assigned to the Swiss residential mortgages--which dominate loan books of the cantonal banks--are lower than those required by the Swiss regulator.

We understand that solid capitalization remains one of LUKB's strategic targets, and we believe that the canton remains supportive of keeping LUKB's capital at the current level, allowing some flexibility on the dividend payout ratio. We expect LUKB to maintain its 50%-60% dividend payout ratio over the next two years (52% in 2017) and to preserve sufficient internal capital generation to finance loan growth over the cycle. We understand, however, that, unlike other cantonal banks, LUKB faces higher constraints in its ongoing buildup of capital, because it needs to provide its private stockholders with reasonable returns on equity.

We view LUKB's earnings capacity as strong and stable, supporting the bank's very strong capital position over the next few years. We project LUKB's three-year average earnings buffer, which measures the capacity for a bank's earnings to cover normalized losses, at an adequate 0.9% (an earnings buffer of about 1.0% indicates adequate earnings capacity). Still, this figure is lower than the average for the cantonal banks we rate.

Table 3

Luzerner Kantonalbank Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	15.9	16.1	16.5	15.4	13.8
S&P Global Ratings' RAC ratio before diversification	N/A	18.3	18.8	18.1	15.3
S&P Global Ratings' RAC ratio after diversification	N/A	14.3	14.2	15.0	13.5
Adjusted common equity/total adjusted capital	91.0	90.8	90.5	94.9	100.0
Net interest income/operating revenues	67.6	70.4	71.1	70.4	73.7
Fee income/operating revenues	19.1	18.8	18.4	19.2	18.6
Market-sensitive income/operating revenues	11.9	9.4	9.6	8.8	6.7
Noninterest expenses/operating revenues	52.8	54.4	52.6	52.1	49.1
Preprovision operating income/average assets	0.6	0.6	0.6	0.7	0.8
Core earnings/average managed assets	0.5	0.5	0.5	0.6	0.6

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Luzerner Kantonalbank Risk-Adjusted Capital Framework Data

(Mil. CHF)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government and central banks	3,980	0	0	1	0
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	2,914	1,016	35	539	19
Corporate	8,666	6,764	78	5,805	67

Table 4

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

Retail	21,710	7,672	35	5,675	26
Of which mortgage	20,210	7,011	35	4,687	23
Securitization§	0	0	0	0	0
Other assets†	240	217	90	237	99
Total credit risk	37,510	15,669	42	12,258	33
Credit valuation adjustment					
Total credit valuation adjustment	--	451	--	0	--
Market risk					
Equity in the banking book	234	275	117	1,814	774
Trading book market risk	--	339	--	508	--
Total market risk	--	614	--	2,323	--
Operational risk					
Total operational risk	--	839	--	895	--
		Basel III RWA		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification		17,578		15,475	100
Total Diversification/Concentration Adjustments		--		4,371	28
RWA after diversification		17,578		19,847	128
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,829	16.1	2,829	18.3
Capital ratio after adjustments‡		2,829	16.1	2,829	14.3

*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, if applicable. ‡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, 2017, S&P Global.

Risk position: Focus on residential mortgage lending, but strong risk metrics

The concentration risks in LUKB's lending book to the regional economy and especially to the residential real estate market are mitigated by LUKB's prudent risk management and still-low risk appetite, in our view. These factors are reflected in the high asset quality of its loan portfolio. Even though we expect loan growth to accelerate to over 6% per year as of December 2018 compared with December 2017, we expect it to slow to the level of its peers at about 3.5%-4.5% over the next two years.

The loan book is dominated by residential real estate loans, which, as of June 30, 2018, accounted for over 70% of the loan portfolio and expose the bank to material concentration risk. We note, however, that the mortgage portfolio is granular and highly collateralized. It has an estimated slightly decreasing average loan-to-value ratio of about 58% for mortgage loans as of first-half 2018, partly mitigating the concentration risk. Also, we note a slowly increasing trend of loan origination for residential properties outside the canton exceeding 20% of the total residential financing portfolio in early 2018. Like its domestic peers, LUKB is exposed to risks related to the increase in residential real estate prices. Although we understand that LUKB also finances real estate where property prices are booming, around Lake Lucerne, we expect it to maintain its conservative risk profile practices.

Consequently, we project LUKB's cost of risk to remain low at or slightly below 5 basis points (bps) in the next 18-24 months, given our expectation of a prolonged low-interest-rate environment in Switzerland. The share of nonperforming loans in the total loan portfolio remained at a stable 0.2% as of June 30, 2018, compared with similarly low 2016-2017 levels. We expect it to slightly increase but remain low at below 0.3% in the next 18-24 months.

LUKB's participation in syndicated corporate loans, representing less than 5% of total loans as of June 30, 2018, exposes it to somewhat higher credit risk. This is partly mitigated by borrowers' generally sound creditworthiness, LUKB's selective participation in this type of lending, and its adherence to sound underwriting standards. That said, we believe that this activity does not provide any significant diversification benefit for LUKB.

LUKB caters to private banking clients in its home canton and neighboring regions following its decision in 2007-2008 to withdraw from international business. We note that the bank settled its litigation issues with the U.S. Department of Justice in 2015 and, in our view, LUKB seems to have implemented the necessary means to avoid any serious reputational risks that could significantly influence this part of its business in the future.

We note that LUKB recently launched Switzerland-wide origination of structured products and joined the Swiss Structured Products Association becoming its 16th member in September 2018. We acknowledge that this activity aims to broaden the bank's earnings base while targeting predominantly institutional clients, however, it may also become a source of additional litigation risk in the future.

Table 5

Luzerner Kantonalbank Risk Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	9.9	5.0	5.2	4.4	4.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	28.2	33.0	20.2	13.4
Total managed assets/adjusted common equity (x)	14.6	14.0	14.0	13.9	13.4
New loan loss provisions/average customer loans	0.0	0.0	0.0	0.0	0.1
Net charge-offs/average customer loans	N.M.	0.0	0.1	0.1	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.2	0.2	0.2	0.3	0.3
Loan loss reserves/gross nonperforming assets	258.0	354.2	305.3	233.4	384.8

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

Funding and liquidity: A stable funding base, owing to a strong retail franchise

We view LUKB's customer deposit base as stable, owing to the bank's strong franchise and the statutory guarantee for its liabilities (with exception of the subordinated/hybrid debt instruments). Core customer deposits accounted for 63% of its funding base as of June 30, 2018.

The core deposit funds are complemented by wholesale funding, mainly issuance of covered bonds and unsecured bonds. Short-term wholesale funding rose slightly again to about 15% of the funding base within the first half of 2018, driven mainly by repo transactions and short-term deposits owed to banks, whereas the respective liquid assets are held in an account at the Swiss National Bank (SNB). Nevertheless, we expect LUKB's stable funding ratio according to our internal specifications to remain at a comfortable level of around 105%-107% over 2018-2019. It amounted to 105% as of Dec. 31, 2017.

Our assessment of liquidity as strong mirrors our view of a very favorable liquidity position, which enables LUKB to operate for more than 12 months with no access to market funding, in line with our criteria.

S&P Global Ratings-adjusted liquidity ratio has decreased in recent years to 1.5x at the end of 2017. This results from an increase in short-term wholesale funding, not related to day-to-day activities. We observe that the Swiss banks are able to earn an additional spread by creating and placing excess liquidity at the SNB within their threshold (equivalent to 20x the minimum reserve at a zero rate on its accounts) under current negative interest rate environment. As a result LUKB's cash position placed at the SNB amounted to about CHF4.8 billion in June 2018 and we expect LUKB to continue the repo transactions reflected in liquidity ratio in the range of 1.5x-2.0x over 2018-2019.

We note the excess of net broad liquid assets over short-term wholesale funding slightly decreased as of December 2017 and covers about 9% of the short-term customer deposits (from 11% in the previous years) but the regulatory liquidity coverage ratio that is based on the 30-day time horizon has remained at or above 120% for several quarters. This is significantly above the 90% minimum required in 2018 or above 100% to be required from 2019 by the financial market supervisory authority in Switzerland.

We believe that owing to LUKB's close ties with the Canton of Lucerne and the canton's statutory guarantee, LUKB would benefit from a "flight-to-quality" in more challenging economic conditions.

Owing to the loyalty of its customer deposit base, we anticipate that LUKB could cover maturing short-term wholesale debt and keep operating for more than 12 months without access to wholesale funding.

Table 6

Luzerner Kantonalbank Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	63.1	68.1	69.2	70.4	78.3
Customer loans (net)/customer deposits	134.5	127.3	123.1	120.5	118.1
Long-term funding ratio	86.2	90.0	90.1	89.7	97.8
Stable funding ratio	102.6	105.2	107.1	106.7	106.1
Short-term wholesale funding/funding base	15.0	10.9	10.8	11.2	2.4
Broad liquid assets/short-term wholesale funding (x)	1.2	1.5	1.7	1.6	4.3
Net broad liquid assets/short-term customer deposits	5.0	8.7	10.9	10.5	10.7
Short-term wholesale funding/total wholesale funding	39.8	33.3	34.3	37.3	11.2
Narrow liquid assets/3-month wholesale funding (x)	2.0	1.8	1.8	2.3	5.6

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Support: Extremely high likelihood of extraordinary government support

We consider LUKB to be a GRE. The long-term rating on LUKB is two notches above the SACP, reflecting our view that there is an extremely high likelihood of timely and sufficient extraordinary support from its major stakeholder, the Canton of Lucerne, if needed. We base this on our view of the bank's integral link with and very important role for the canton. This view is mainly supported by LUKB's importance to the regional economy of the Canton of Lucerne and the cantonal guarantee, provided by law. We think a default by LUKB 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.

LUKB benefits from the Canton of Lucerne's statutory guarantee, which ultimately covers all of LUKB's liabilities, However, we note that the guarantee does not explicitly ensure timely repayment, as defined by our criteria. While being outside our outlook horizon, we consider the potential risk that future agreements between Switzerland and the EU regarding preferential market access for Switzerland might include the removal of remaining cantonal guarantees for all banks. Nevertheless, we believe that the canton has strong incentives to help LUKB meet its obligations on time, owing to the bank's importance to the regional economy and to prevent reputational damage.

We believe that the prospect of extraordinary government support for Swiss banks is 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 cantonal owners' willingness to provide extraordinary support to cantonal banks, including LUKB.

Issue ratings

Our 'A-' rating on LUKB's Tier 2 subordinated bond issuance reflects our analysis of the instrument and our assessment of LUKB's SACP at 'a+'. We understand that the bond does not benefit from the cantonal guarantee provided by the Canton of Lucerne, and consequently we notch down from our SACP assessment for the bank. The issue ratings are two notches below our SACP assessment for LUKB: one notch for the instruments' subordination and one notch for their contingent capital clause.

Additional rating factors: None

No additional factors affect the ratings.

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 Articles

- Banking Industry Country Risk Assessment Update: November 2018, Nov. 23, 2018
- Switzerland Ratings Affirmed At 'AAA/A-1+'; Outlook Stable, Nov. 16, 2018
- Banking Industry Country Risk Assessment: Switzerland, Nov. 30, 2018

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 December 3, 2018)	
Luzerner Kantonalbank	
Issuer Credit Rating	AA/Stable/A-1+
Senior Unsecured	AA
Subordinated	A-
Issuer Credit Ratings History	
01-Dec-2014	AA/Stable/A-1+
03-Jul-2012	AA+/Negative/A-1+
12-Sep-2008	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

Ratings Detail (As Of December 3, 2018) (cont.)

debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.