

Issuance Programme dated April, 4th 2018

Luzerner Kantonalbank AG

Programme for the Issuance of Derivatives according to the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange

Under this programme for the issuance of derivatives („**Programme**“), Luzerner Kantonalbank AG, Lucerne, Switzerland („**Issuer**“) may from time to time issue structured products („**Products**“) as defined in article 5 of the Swiss Federal Act on Collective Investment Schemes („**CISA**“), as amended, and further defined in section 2 of the Swiss Bankers Association’s and the Swiss Structured Products Association („**SSPA**“) Guidelines on informing Investors about Structured Products as well as other securities, all in dematerialised form as uncertificated securities in accordance with article 973c of the Federal Act on the Amendment of the Swiss Civil Code (Part Five: The Code of Obligations) („**CO**“) („**Uncertificated Securities**“ (Wertrechte)) and in accordance with the information provided for and under the terms and conditions as set out in this Programme and in the relevant termsheet of each Product („**Final Termsheet**“). The Programme, as amended or supplemented, and the relevant Final Termsheet shall form the entire documentation for each Product („**Product Documentation**“) and should always be read in conjunction with each other.

Application has been made to register this Programme on the SIX Swiss Exchange Ltd („**SIX Swiss Exchange**“) and SIX Exchange Regulation has approved the Programme as of April, 4th 2018. If Products issued under this Programme are to be listed and traded on SIX Swiss Exchange, the Product Documentation comprises the listing prospectus pursuant to the Additional Rules for the Listing of Derivatives of SIX Swiss Exchange.

The registration of this Programme with SIX Swiss Exchange and the issuance of Products under the Programme has, based on former decisions of the board of directors, been duly authorised by the executive board of the Issuer pursuant to a resolution dated March, 12th 2018.

Investors, as defined in section 3.1.3, bear the issuer risk („Issuer Risk“). The Products constitute unsubordinated and unsecured obligations of the Issuer and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of the Issuer, except for obligations given priority by law. Claims by Investors against the Issuer under the Products are covered by the state guarantee of the canton of Lucerne (Staatsgarantie). The insolvency of the Issuer may nevertheless lead to a partial or total loss of the invested capital.

The Products are derivative financial instruments and do not qualify as units of a collective investment scheme according to the relevant provisions of the CISA and are not registered thereunder. Therefore, the products are not subject to authorisation or supervision by the Swiss Financial

Market Supervisory Authority FINMA („FINMA“). Accordingly, Investors do not have the benefit of the specific investor protection provided under the CISA.

Potential investors („**Potential Investors**“) should ensure that they have sufficient knowledge to evaluate and understand the risks and benefits of an investment in a relevant Product and to consider the suitability of the relevant Products as an investment in light of their own circumstances, investment objectives, tax position and financial condition by consulting their own professional financial, accounting, legal and tax advisors.

The Issuer has taken all reasonable care to ensure that the facts stated in the Product Documentation are true and accurate in all material respects at the date hereof and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or opinion. The Issuer confirms that information from third parties provided in this Programme is reported correctly and that - as far as the Issuer is aware and the Issuer has been able to infer from the information provided to it by third parties - no facts have been omitted that would make the information included incorrect or misleading. The Issuer accepts responsibility for all information and statements contained in the Product Documentation. However, making available this Programme does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

Neither this Programme nor any Product Documentation or other information provided in connection with these documents should be construed as an offer, personal recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. The legally binding versions of this Programme and the relevant Final Termsheets are in German language. Translations in other languages are for information purposes only and are not legally binding.

The offering, sale and/or distribution of the Products in certain jurisdictions may be restricted by applicable law. Persons, who obtain possession of a Product Documentation, are required to inform themselves about and to adhere to any such restrictions which are set out in more detail under section 1 headed „Selling Restrictions“ and in the Final Termsheet. The Product Documentation does not constitute, and may not be used for the purposes of, an offer or solicitation to conclude a transaction by anyone in any jurisdiction in which such offer or solicitation to conclude a transaction is not authorised or to any person to whom it is unlawful to make such offer or solicitation to conclude a transaction.

This Programme includes forward-looking statements that are based on the future financial development or future financial results, as well as other statements that are not historical facts. Forward-looking statements can be identified by the use of terms such as ‘believe’, ‘expect’, ‘plan’, ‘project’, ‘estimate’, ‘anticipate’, ‘intend’, ‘aim’, ‘assume’, ‘may’, ‘could’, ‘will’ and other similar expressions. These statements are based on assumptions and expectations that the issuer considers to be realistic as of the programme date, but that could subsequently prove to be incorrect. A detailed description

of the risks associated with the Issuer and the Products is provided in the 'risk factors' section of this Programme. Should one or more of these risks materialise, or should the assumptions on which the description of the risks is based prove to be incorrect, the actual outcome and results could differ significantly from the current assessment. Potential investors should therefore not rely on forward-looking statements in any way. The issuer is under no obligation to revise or update forward-looking statements and the description of risks.

During the entire term of any relevant Product, the Product Documentation as well as any document incorporated by reference into this Programme can be obtained free of charge from the Issuer under Luzerner Kantonalbank AG, Pilatusstrasse 12, 6003 Luzern, +41 (0)44 206 9955, structuredproducts@lukb.ch, <https://structuredproducts.lukb.ch>. Telephone calls with the Issuer may or will be recorded and by calling the number the caller consents to this business practice.

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1. Selling Restrictions

1.1. General

No action has been or will be taken in any jurisdiction other than Switzerland, by the Issuer that would, or is intended to, permit a public offering of the Products, or possession or distribution of the Product Documentation or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Potential Investor must comply with all applicable laws, rules and regulations in force in any jurisdiction in which it purchases, offers or sells Products or possesses or distributes the Product Documentation and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Products under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and the Issuer shall not have responsibility therefore.

1.2. United States of America and U.S. Persons

Luzerner Kantonalbank represents, warrants and agrees that the Products have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the „Securities Act“) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act. Neither the United States Securities and Exchange Commission nor any other securities regulator within the United States has approved this Product Documentation or has confirmed its correctness. This Product Documentation is not intended to be used within the United States and may not be delivered within the United States. The Products may not at any time be offered, sold, traded or delivered within the United States, directly or indirectly or to U.S. persons. Until 40 days after the later of the date of issue of the relevant Products and the completion of the distribution of such Products an offer or sale of such Products within the United States may violate the registration requirements of the Securities Act.

1.3. European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a „**Relevant Member State**“) Luzerner Kantonalbank represents, warrants and agrees that it has not offered and will not offer any Products to the public in any Member State of the European Economic Area, except that they may offer Products in any Member State:

- at any time to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive; or
- in any circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Products to the public" in relation to any Products in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Products to be offered so as to enable an investor to decide to purchase or subscribe the Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes the relevant implementing measure in each Relevant Member State.

1.4. United Kingdom

Luzerner Kantonalbank represents, warrants and agrees that:

- (a) in relation to any Products which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Products would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the „**FSMA**“) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Products in, from or otherwise involving the United Kingdom.

1.5. Notes to Investors in other Jurisdictions

Applicable laws may restrict the distribution of the Product Documentation and/or the Products in certain other jurisdictions. No action has been taken by the Issuer that would permit any offer of the Products or possession or distribution of the Product Documentation or any other publicity material or documentation recording the Products in any jurisdiction where action for that purpose is required. Persons into whose possession the Product Documentation comes must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction.

The Issuance Documentation does not constitute an offer of securities for sale in, and may not be sent to any person in such other jurisdictions in which it would not be permissible to make an offer of the Products.

2. Risk Factors

An investment in Products involves a number of risks that may affect the market value of, and any expected return on, Products or the ability of the Issuer to fulfil its obligations under the Products. The risks described in the Programme Documentation are not the only risks Investors in Products may face and are not to be understood as being an extensive and comprehensive list of all possible risks associated with an investment in the Products. Therefore, investment decisions should never be made solely on the basis of the risk warnings set out in the Product Documentation, since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each Potential Investor individually.

If one or more of the risks described in the Programme Documentation occur, Investors in the Products may incur a partial loss or even a total loss of their invested capital.

2.1. General Risk Factors

Potential Investors should refer to the Swiss Bankers Association's brochure „Special Risks in Securities Trading“, as amended, which shall be deemed to be incorporated in, and to form part of, the Programme, for a description of the risks associated with an investment in the Products and securities trading in general. Investors are deemed to have read and understood and, if necessary discussed this brochure and the explanations contained therein with their professional financial, accounting, legal and tax advisors.

2.1.1. No Advice

The Product Documentation is not intended to replace the advice Potential Investors should always obtain before making a decision to invest in any Product. Potential Investors should therefore carefully consider the risks described in the Programme Documentation, together with all the other information contained therein, and should ensure that they have sufficient knowledge to evaluate and understand the risks and benefits of an investment in a relevant Product and to consider the suitability of the relevant Products as an investment in light of their own circumstances, investment objectives, tax position and financial condition by consulting their own professional financial, accounting, legal and tax advisors. The Issuer disclaims any responsibility to advise Potential Investors of the risks and investment considerations associated with the purchase of the Products as they may exist at the effective date of the Product Documentation.

2.1.2. Purchasing Products on Credit

Potential Investors financing the purchase of Products with loans should note that, should their expectations fail to materialise, they would not only have to bear the loss resulting from the capital invested in the Products, but also have to pay interest on the loan as well as repay the principal amount. It is therefore imperative that Potential Investors verify their financial resources in advance in order to determine whether they would be able to pay the interest and repay the loan at short notice should they incur losses instead of realising the anticipated profit.

2.1.3. Commissions and other Transaction Costs

Commissions and other transaction costs incurred in connection with the purchase or sale of Products may result in charges, particularly in combination with a low order size, which can substantially reduce any Redemption Amount. Before purchasing Products, Potential Investors should therefore inform themselves of all costs that will be incurred with the purchase and later sale of the Product, including any costs charged by their custodian banks upon purchase, sale and redemption of the Products.

2.1.4. Custody of Products

Products can be held either in Switzerland or abroad. If an Investors' Swiss securities dealer becomes insolvent, Swiss banking law stipulates that the Products deposited with that securities dealer will not form part of their bankruptcy assets, but will be kept separate for Investor's benefit. However, insolvency proceedings can delay the transfer of the Product to Investors or another securities dealer.

2.2. Risk Factors relating to the Issuer

2.2.1. Issuer Risk

Investors bear the Issuer Risk. Potential Investors should therefore be aware that they are exposed to the credit risk of the Issuer. Hence, Investors bear the risk that the financial situation of the Issuer could deteriorate and the Issuer of the Product may become insolvent. The Product's value is therefore not only dependent on the performance of the Underlying(s) but also on the creditworthiness of the issuer, which may change over the term of the Product. The Issuer is exposed to a variety of risks that could adversely affect its results of operations or financial situation. Accordingly, the Issuer's revenues and earnings are and have been subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of sustainable results. In the following, only such risks are described that the Issuer believes to be significant. Information on the Issuer's risk management is set out in the most recent financial report by the Issuer (Finanzbericht) which is incorporated by reference into this Programme.

i. [An economic downturn or fluctuations on the financial and property markets may have a negative effect on the issuer's operating result

A longer-term economic downturn in Switzerland, the canton of Lucerne and/or worldwide or continued volatility of the financial markets may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects. Factors such as the interest rate level, inflation, deflation, investor sentiment, cost and availability of loans, liquidity of the global financial markets, and the level and volatility of share prices can have a considerable impact on customer activity and the profitability of the issuer's business activities. A slowdown or slump in the property market in Switzerland, and particularly in the canton of Lucerne, may have a negative effect on the issuer's mortgage business.

ii. The issuer is in competition with (primarily domestic) competitors

All the issuer's business activities take place in highly competitive markets. Although the issuer strives to offer excellent customer service that meet the highest standards, its ability to compete depends on a wide range of factors, including its reputation, the quality of service and advice, expertise, capacity for innovation, pricing structure, the success of its marketing and sales efforts, and the abilities of its employees. If the issuer fails to retain its market position in respect to these and other factors, this may have a negative effect on its business activities, operations, operating result, financial situation and/or future prospects.

iii. The issuer is exposed to the credit risk of third parties; financial problems or other problems encountered by third parties may have a negative effect on the issuer's operations, financial situation and operating result

As is typical for the banking sector, the issuer is exposed to the risk that third parties to which it lends money, shares or other assets - in particular, clients, counterparties in transactions, stock markets, clearing houses and other financial institutions - may fail to meet their obligations. Although the issuer assesses these third parties to minimise its counterparty risk, these parties may be unable to meet their obligations to the issuer due to liquidity constraints, operational failings, insolvency or other reasons. In the current challenging market environment and the context of increasing volatility on the financial markets, the importance of the counterparty risk has increased considerably. This means that in spite of the significant efforts made by the issuer to control its counterparty risk (and therefore its credit risk), credit losses may occur above the long-term average, with a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

iv. A deterioration in the issuer's credit rating or loss of the issuer's government guarantee may lead to higher financing costs and may affect clients' trust in the issuer

A deterioration in the issuer's credit rating or a negative outlook by the rating agencies may result in higher financing costs and reduced availability of financing sources for the issuer. Rating downgrades can also have an adverse effect on the issuer's ability to operate in certain business sectors or conduct specific transactions, and clients may be reluctant to conduct transactions with the issuer. Due to the consequences that a downgraded credit rating could have on the issuer's financing costs and opportunities, such a downgrading may adversely affect the issuer's business activities, operations, operating result, financial situation and/or future prospects. A loss or limitation of the government guarantee currently granted by the canton of Lucerne could also have a comparable effect on the issuer, since this guarantee has a positive impact on rating agencies' assessment of the issuer's creditworthiness.

v. The issuer's operating result may be affected by sudden, substantial changes in the interest rate environment

Sudden, erratic changes in general interest rates on the market, and in particular a continued widening of the negative interest rate environment, may affect the issuer's net income from interest. As financing costs and income from interest do not correlate in all interest rate situations, changes in the general interest rate level or the interest structure may affect the issuer's net income from interest. Interest rate fluctuations may also affect the value of the issuer's fixed-interest investments and its income from sales and trade transactions, and can affect the value of assets in other asset classes and thus also assets managed by the issuer, even if the issuer's business activities do not focus on these business areas. In spite of the issuer's efforts to control the interest rate risk, sudden and substantial changes in interest rates may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects. Furthermore, persistent low or negative interest rates may adversely affect the issuer's business activities, operations, operating result, financial situation and/or future prospects.

vi. Any impairment of its ability to maintain a stable refinancing and liquidity position may have a negative effect on the issuer's operating result and financial situation

Although the issuer actively manages its refinancing and liquidity positions and strives to ensure that it has sufficient liquid funds available at all times, the issuer is exposed to a liquidity risk. The liquidity risk - i.e. the risk of being unable to meet payment obligations at maturity - is inherent in any banking activity and may adversely affect the issuer's business activities, operations, operating result, financial situation and/or future prospects.

vii. Operational risks may impact the issuer's business activities, lead to regulatory measures against the issuer or adversely affect its operating result

The issuer is exposed to operational risks, which it seeks to contain through effective processes and controls. Operational risk is the risk of loss resulting from inadequate or failure of internal processes and systems, persons or other events that adversely affect the issuer's operations (excluding financial risks, such as risks associated with financial markets and counterparty risk). It is precisely due to this wide range of operational risks that the occurrence of one or more of these risks may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

viii. Current developments in the banking sector may have a negative effect on the issuer's position as an asset manager in Switzerland

Ongoing discussions about Swiss bank client confidentiality and low-tax countries in general, increased transparency requirements, the ongoing extent of the 'automatic exchange of information' as part of the OECD agreement on the automatic exchange of information for tax purposes, and increased regulatory supervision have led to increased pressure on asset management activities in Switzerland. These developments may generally have an adverse effect on banks in Switzerland. In spite of the issuer's strong regional roots and its

transparent tax strategy for clients resident abroad, the above-mentioned developments may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

ix. Risks associated with legal proceedings may have a negative effect on the issuer's operating result

The issuer is subject to the Swiss federal and cantonal legal systems, as well as the laws of foreign countries insofar as it has developed business activity with clients domiciled in these countries. The issuer is thus exposed to the risk of proceedings under the relevant legal systems. The outcome of such proceedings is always uncertain and may lead to financial losses. Undertaking such proceedings can also entail a significant investment of both time and financial resources; even if the proceedings have a positive outcome, there is no guarantee that all costs incurred will be reimbursed. The issuer has implemented processes and controls to monitor its legal risks, but these risks may still have a negative effect on the issuer's business activities, operations, operating result, financial situation and future prospects.

x. The issuer is exposed to the risk of loss as a result of fraud and other misconduct by its employees

Fraud, failure to comply with legislation, regulatory requirements, internal regulations or due diligence obligations, and other misconduct by employees may result in losses, negative reporting and damage to the issuer's reputation. It may also lead to increased regulatory supervision and affect the issuer's ability to retain and attract new clients, and its continued access to capital markets. Furthermore, such misconduct may lead to legal proceedings and enforcement measures, fines and financial penalties imposed on the issuer and other unforeseeable adverse effects. All these risks may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

xi. The issuer is exposed to risks in connection with legal or regulatory changes

The issuer's business activities are subject to comprehensive and detailed legal and regulatory requirements both inside and outside Switzerland, as well as supervision by federal and foreign authorities. Any changes to these requirements may affect the way in which the issuer conducts its business activities. Regulators have far-reaching powers over various aspects of activities conducted by financial services providers, including provisions on liquidity, capital and permitted investments, business conduct, money laundering and client identification, data protection, record-keeping and retention obligations, and advertising and marketing sales activities. These provisions and other provisions relevant to the issuer may change at any time and these changes may adversely affect the issuer's business activities. The issuer is not always able to predict the timing and nature of such changes. Regulators (and other relevant supervisory authorities) in Switzerland, the EU, the US and other coun-

tries also carefully examine payment flows and other transactions in relation to their respective provisions on money laundering, country sanctions, tax evasion, bribery and anti-corruption measures. Although the issuer always endeavours to comply with all applicable legal and regulatory requirements, certain risks remain, particularly in areas in which provisions are unclear, or where authorities have amended their guidelines and directives or courts have modified their existing practice. Regulators and other authorities may initiate administrative or legal proceedings against the issuer, which may lead to negative reporting and damage to the issuer's reputation, suspension or withdrawal of approvals, injunctions, fines, financial penalties, claims for damages or other disciplinary measures. All these risks may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

xii. As a bank, the issuer is exposed to risks in relation to regulatory capital requirements

According to FINMA requirements, the issuer (parent company and group) must hold eligible capital of at least 12% of risk-weighted positions (bank category 3). An additional amount in connection with the counter-cyclical buffer may apply. In the event of an increase in the statutory maximum limit, this would result in a minimum requirement of almost 14% for the issuer (as at 31 December 2017: 12.9%).

As of 31 December 2017, the issuer had an overall capital ratio of 16.6% of risk-weighted positions and is therefore in the middle of the target range of 14%-18% defined by the issuer.

The unweighted capital adequacy requirements (leverage ratio) at 31 December 2017 amount to 7.5% of overall engagement with a statutory minimum requirement of 3.0%.

The statutory capital adequacy requirements may continue to rise for a variety of reasons.

If the issuer is not able to comply with these or other regulatory capital requirements or is not in a position to raise sufficient capital, FINMA or the legislator may implement measures or sanctions that in turn affect the issuer's business activities, operations, operating result, financial situation and/or future prospects. If the issuer were unable to raise sufficient capital, this could also restrict its further development.

xiii. Acts of terrorism, war or warlike events, natural disasters, geopolitical events, pandemics and similar events may have a negative effect on the issuer's business activities

Acts of terrorism, war or warlike events, natural disasters, geopolitical events, pandemics and similar events, and responses to these events, can lead to economic and political uncertainty, which in an unpredictable manner may have a negative effect on local, national and international economic conditions, and on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

xiv. The issuer's reputation plays a key role in its business activities. Damage to its reputation will affect the issuer's ability to retain and attract clients, which may have a negative effect on its operating result

Negative reporting and speculative media reports on the issuer or its business activities, or the threat or initiation of legal proceedings in relation to the issuer's business activities, or the statements or actions of clients may damage the issuer's reputation and lead to more stringent regulatory supervision. All these risks may lead to a changed perception of the issuer on the market, which in turn may lead to an increased loss of clients and difficulty in the acquisition of new clients. All these developments may have a negative effect on the issuer's business activities, operations, operating result, financial situation and/or future prospects.

xv. Dependence on important managers and other key employees may adversely affect the issuer and its operating results

The issuer's success depends largely on the abilities and experience of its managers and other key employees. The loss of certain key employees, particularly if they were to move to a competitor, could have a negative effect on the issuer and its operating results. Failure by the issuer to employ a sufficient number of qualified staff may significantly impact the issuer's financial planning, growth and other objectives, and adversely affect its business activities, operations, operating result, financial situation and/or future prospects.

According to paragraph 5 of the Act on the Conversion of Luzerner Kantonalbank into a company limited by shares ([Umwandlungsgesetz](#)), claims by Investors against the Issuer under the Products are covered by the state guarantee of the canton of Lucerne (Staatsgarantie) if the Issuer's own funds are not sufficient.

Nevertheless, generally and in particular in the event of an insolvency of the canton of Lucerne, Investors may be affected by Swiss resolution proceedings and resolution planning requirements as Swiss banking law provides FINMA with broad powers and discretion in case of resolution proceedings with respect to a Swiss bank such as the Issuer. These broad powers include, *inter alia*, the power to convert debt instruments and other liabilities of the Issuer into equity and fully or partly cancel such liabilities.

The insolvency of the Issuer may therefore in principle lead to a partial or total loss of the invested capital.

2.2.2. Potential Conflicts of Interest

The Issuer may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying any Product. The Issuer's trading and/or hedging activities related to any Product may have an impact on the price

of the Underlying(s), the economic and market value of the Products and may affect the likelihood that respective Barrier Levels(s), if any, is/are crossed.

The Issuer may provide services to and/or have officers who serve as directors of the companies referred to as being Underlying to a Product. The Issuer has in place policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

The Issuer may act as market maker for the Products in order to improve market liquidity of the Products and balance imbalances between supply and demand. The market maker determines and sets the bid and ask prices in the secondary market, taking into account - in particular but not limited to - the economic value of the Products as determined by the market maker, which depends among other things on the value of the Underlying(s), and the spread between bid and ask prices sought by the market maker. Accordingly, the bid and ask prices quoted by the market maker may deviate considerably from the expected to be economic value of the Products at the respective point in time. In addition, the market maker can change the procedure for setting the prices provided at any time, such as increase or decrease the spread between bid and ask prices. In particular, the ranges between bid and ask prices increase if the liquidity and tradability of the Underlying(s) decrease as a result of external circumstances worsen. In addition, the market maker has the option of only providing bid prices for certain Products, for example, if it is not possible to issue further Products in a Tranche.

As the Calculation Agent may be both an affiliate of the Issuer or may be the same entity as the Issuer, potential conflicts of interest may exist between the Calculation Agent and the Investors, including with respect to the exercise of the discretionary powers of the Calculation Agent. E.g. the Calculation Agent has the authority to determine whether certain specified events and/or matters so specified in the Combined Terms and Conditions have occurred, and to determine any resulting adjustments and calculations as described in such Combined Terms and Conditions. The Calculation Agent may also have the authority to determine certain levels such as Initial or Final Fixing Levels. Potential Investors should be aware that any determination made by the Calculation Agent may have an impact on the value and financial return of the Products. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest or proven error) shall be binding on the relevant Issuer and all Investors. Neither the Issuer nor Calculation Agent are liable for any consequences of having applied their reasonable discretion (billiges Ermessen) in accordance with the provisions of the Combined Terms and Conditions.

The Issuer may sell Products to dealers and other financial institutions at a discount to the Issue Price or reimburse a certain amount of the Issue Price to them ("Distribution Fees"). Distribution Fees, if any, are disclosed in the Final Termsheet if the Product is eligible for distribution to non-qualified investors in and from Switzerland and reflect the maximum amount a dealer or financial institution may receive from the Issuer; the actual amount may be lower. The Issuer may also sell Products within the own organisation. In such a case no Distribution Fees shall be paid which may increase the Issuer margin. Potential Investors should be aware that Distribution Fees may adversely affect and limit the Potential Investor's profit potential under the Products. In addition, Potential Investors

should be aware that Distribution Fees may, depending on the circumstances, cause potential conflicts of interests at the dealers and other financial institutions. Dealers and other financial institutions are obliged, however, to implement organisational measures designed to prevent such potential conflicts of interest that may adversely affect the interests of their clients.

2.3. Market Risk Factors

2.3.1. General Market Risks

The general market performance of securities is dependent in particular on the development of the capital markets which, for their part, are influenced by the general global economic situation as well as by the economic and political framework conditions in the respective countries. Concerns about geopolitical developments, oil prices, and natural disasters, among other things, can affect the global financial markets and investor confidence. Also corporate or other incidents may have a significant effect on Investor and investor confidence. Therefore, changes in interest rates, foreign exchange rates, financial instruments, real estate valuations and increases in volatility can generally increase credit and market risks and may adversely affect and limit the Potential Investor's profit potential under the Products.

2.3.2. No Liquidity in the Products

The tradability of a Product generally depends on whether the Issuer is prepared to make a market for the Products. Even then, liquidity risks can still arise, as there is no legal duty to make a market for the Products. If the market is not liquid, Investors run the risk of having to either hold the Product until the end of its term or sell it during the term at an unfavourable price. It can also be difficult or impossible to determine a fair price or even compare prices at all, as there is only one market maker. Therefore, Investors must be generally willing and prepared to hold their Product until the Redemption Date.

Although application may be made for Products issued under the Programme to be listed on SIX Swiss Exchange, there is no assurance that such application will be accepted, that any particular Products will be so admitted or that an active trading will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Products. Potential Investors of Products to be listed on the SIX Swiss Exchange should be aware that SIX Swiss Exchange generally does not require a mandatory market making for listed Products. Limited exemptions apply to, for example, actively managed Products. Potential Investors therefore cannot rely on the ability to sell Products at a specific time or at a specific price even if the Products are listed or traded on an exchange

SIX Swiss Exchange provides for rules determining admissible underlying instruments for Products. It cannot be excluded that during the lifetime of a Product, the Underlying is suspended from trading or de-listed from SIX Swiss Exchange Ltd for reasons beyond reasonable control of the Issuers. In case the Underlying of a Product is suspended from trading or delisted, this might have material adverse effects on the Products and/or, might also lead to the suspension or de-listing of the Product.

In addition, it cannot be excluded that the Products may be suspended from trading or delisted from SIX Swiss Exchange during the lifetime of the respective Product for other reasons.

2.3.3. No Liquidity in the Underlying(s)

In accordance with the General Terms and Conditions, the Issuer and/or Calculation Agent may determine that an Underlying is illiquid at a relevant time. Underlying Illiquidity might lead to larger bid/offer spreads of the Product, to extended time periods for buying and/or selling the Underlying respectively to acquire, unwind or dispose of the hedging transaction(s) or asset(s) or to realise, recover or remit the proceeds of such hedging transaction(s) or asset(s), as well as to an Amendment and Modification of the Combined Terms and Conditions and to an Early Termination and Cancellation of Products by the Issuer. Thus, any such determination may have an adverse effect on the market value of the Products.

2.3.4. Currency Exchange Rates

Potential Investors should be aware that an investment in the Products may be affected by the exchange rate risk of the relevant currencies in which the Products are denominated, the Product Currency, and the Underlying(s) is/are traded or evaluated. For example (i) the Underlying(s) may be denominated in a currency other than that of the Products, (ii) the Products may be denominated in a currency other than the currency of the Investor's home jurisdiction and/or (iii) the Products may be denominated in a currency other than the currency in which a Potential Investor wishes to receive the Redemption Amount and/or Coupon Amount(s).

Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value, regardless of other market forces.

If the Redemption Amount and/or Coupon Amount(s) are determined using a currency other than the Product Currency, or if the value of the Underlying(s) is/are determined in a currency other than the Product Currency, Potential Investors should be aware that investments in these Products could entail risks due to fluctuating exchange rates and that the risk of loss does not depend solely on the performance of the Underlying(s), but also on unfavourable developments in the value of any currency involved. Potential Investors should be aware that the above mentioned risks may arise during the entire lifetime of the Product if the Product Currency and/or the currency of the Underlying(s) will be replaced by a different or a new currency.

If set to be applicable in the Product Terms and Conditions, the so-called "quanto" feature cancels the currency exposure on the Product on the Redemption Date. Hence, on the Redemption Date a Product with a Product Currency different from the Underlying's currency, will receive a Redemption Amount or a Delivery of Underlying(s) calculated only on the performance of the Underlying only. The exchange rate between the two currencies will not be taken into account at such time.

2.3.5. Hedging Activities

The Issuer shall execute its trading and hedging activities in relation to Products (including unwinding and terminating already executed hedging transaction) on a best efforts basis, taking into account the possibility of unduly affecting the market and consequently to limit its activities related to the Underlying(s). To minimise the market impact, the Issuer is entitled to suspend or to stop entirely its trading activities related to an Underlying. Potential Investors should consider that the market conduct of the Issuer respectively the limitations of its trading activities may have an adverse effect on the market value of the Products.

2.4. Product specific Risks Factors

The product specific risks for each Product Type are set out in the Indicative and Final Termsheet for each Product. In addition, the following risks should be considered by Potential Investors:

2.4.1. No Supervision by the Swiss Financial Market Supervisory Authority FINMA

Products issued under the Programme are derivative financial instruments which do not qualify as units of a collective investment scheme according to the relevant provisions of the CISA, as amended, and are not registered thereunder. Therefore, Products are neither governed by the CISA nor are they subject to authorisation or supervision by the Swiss Financial Market Supervisory Authority FINMA. Accordingly, Investor does not have the benefit of the specific investor protection provided under the CISA. Potential Investors should be aware that they bear the Issuer Risk.

2.4.2. Performance of the Products is linked to many Factors

Where the Products reference one or more Underlyings, Investors in such Products are exposed to the performance of such Underlyings. The price, performance or investment return of the Underlying may be subject to unpredictable change over time and this degree of change is known as "volatility". The volatility of an Underlying may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Products. Volatility does not imply direction of the price, performance or investment returns, though an Underlying that is more volatile is likely to increase or decrease in value more often and/or to a greater extent than one that is less volatile. However, Potential Investors should be aware that the market value of the Products may not have a direct relationship with the prevailing price of the Underlying(s), and changes in the prevailing price of the Underlying(s) will not necessarily result in a comparable change in the value of the Products.

In addition, the value of a Product is not only determined by changes in the price of the Underlying(s), but also by a number of other factors. Since several factors may have simultaneous effects on the Products, the effect of a particular factor cannot be predicted. In addition, several factors may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of factors may have on the market value of the Products. These factors include, inter alia, the Combined Terms and Conditions of the specific Product, the frequency and intensity of price fluctuations (volatility) in the Underlying(s), as well as the prevailing interest

rate. A decline in the value of the Product may therefore occur even if the value of the Underlying(s) remains constant.

2.4.3. Past performance of an Underlying is no Indicator for future Performance

Any information about the past performance of the Underlying at the time of the launch of the Product should not be regarded as indicative of the range of, or trends in, fluctuations in the Underlying that may occur in the future.

2.4.4. No Rights of Ownership in the Underlying(s)

Unless otherwise provided for in the Product Terms and Conditions, Potential Investors should be aware that the relevant Underlying(s) will not be held by the Issuer for the benefit of the Investors, and as such, Investors will not obtain any rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Underlying referenced by such Product.

2.4.5. Possible decline in Underlying Value in case of Delivery of Underlying(s)

To the extent that Delivery of Underlying(s) is provided for in the relevant Product Terms and Conditions, Potential Investors should note that any fluctuations in the price of the Underlying(s) between the Final Fixing Date of the Product and the Delivery of the Underlying(s) on the Redemption Date are borne by the Investor. Declining values of the Underlying(s) can therefore still occur after the corresponding Final Fixing Date, and are borne by the Investors.

2.4.6. Capital Protection

If and to the extent that a capital protection has been declared applicable and specified in the relevant Product Terms & Conditions, the Products will be redeemed for a Redemption Amount no less than the specified protection at the Redemption Date. A capital protection may apply at a level below, at, or above the Nominal of the Product.

However, the capital protection will not be applicable if the Product is redeemed prior to its Redemption Date, e.g. due to an Early Termination and Cancellation or if an Investor sells the Product in the secondary market prior to the Redemption Date. In such cases, even if the Product provides for a capital protection, the return on the Product may be less than the capital protection specified in the Product Terms & Conditions.

The capital protection and thereby the payment of the protected Redemption Amount by the Issuer is always subject to the credit risk of the Issuer.

2.4.7. Postponement or alternative Provisions for Valuation of Underlying

If the Issuer and/or the Calculation Agent determines, in its reasonable discretion (billiges Ermessen), that a Market Disruption Event in relation to an Underlying has occurred which affects the valuation of such Underlying, the Issuer and/or the Calculation Agent may apply any consequential postponement of, or any alternative provisions for, valuation of such Underlying provided in the Combined

Terms and Conditions of the Products, including a determination of the value of such Underlying by the Calculation Agent in its reasonable discretion (“billiges Ermessen”), acting in good faith and in a commercially reasonable manner, each of which may have an adverse effect on the economic value of the Products.

2.4.8. Issuer and/or Calculation Agent Determination in respect of the Underlying(s), Adjustment to or Early Termination and Cancellation of such Products and Reinvestment Risk following such Early Termination and Cancellation

If the Issuer and/or Calculation Agent determines that an Adjustment event in relation to an Underlying has occurred, the Issuer may adjust the Combined Terms and Conditions of the Products (without the consent of the Investor) or may procure the Early Termination and Cancellation of such Products prior to their Redemption Date, in each case, in accordance with the Combined Terms and Conditions. In the event of such Early Termination and Cancellation the Issuer will redeem such Products at a cash amount in the Product Currency reflecting the fair market value of the Products at the effective date of the Early Termination and Cancellation, as determined in the reasonable discretion (billiges Ermessen) of the Issuer but in accordance with established market practice, which is calculated on the basis of the relevant market conditions after deduction of the costs of the Issuer for unwinding any related underlying hedging arrangements. A Potential Investor should be aware that it is likely that this cash amount will be less than the Investor’s initial capital invested. Following any such Early Termination and Cancellation, the Investor will generally not be able to reinvest the redemption proceeds at any effective interest rate as high as the interest rate or yield on the Products being redeemed and may only be able to do so at a significantly lower rate. Investors should consider such reinvestment risk in light of other investments available at that time.

2.4.9. Changes in Tax Laws and Early Termination and Cancellation due to Tax Reasons

The tax considerations set forth in the Product Documentation is a summary of the main Swiss tax consequences in relation to dealings in the respective Product and should not be construed to be tax advice. This summary does not purport to address all Swiss tax consequences that may be relevant for a decision to purchase, own and dispose of Products and in particular does not take into account the specific circumstances of any particular investor. The relevant tax laws or the regulation and the practice of the Swiss tax authorities (or their interpretation) are subject to change, possibly with retroactive effect. In accordance with the General Terms and Conditions set out herein, the Issuer may terminate and cancel all outstanding Products early for tax reasons. Accordingly, Potential Investors should consult their personal tax advisors before making any decision to purchase the Products and must be aware of and be prepared to bear the risk of a potential Early Termination and Cancellation due to tax reasons. The Issuer does not accept any liability for adverse tax consequences of an investment in the Products.

2.4.10. Products linked to Shares

The performance of shares is dependent upon macroeconomic factors, such as interest and price levels on the capital markets, currency developments, political factors as well as company-specific

factors such as earnings position, market position, risk situation, shareholder structure and dividend distribution policy.

The Issuer has not performed any investigations or review of any company issuing any share. Potential Investors should not conclude that the use of the shares as Underlying is any form of investment recommendation by the Issuer. Consequently, there can be no assurance that all events occurring prior to the earlier of the start of the Subscription Period or the Initial Fixing Date of the relevant Products, affecting the trading price of the share(s), will have been publicly disclosed. Subsequent disclosure of or failure to disclose material future events concerning a company issuing any Underlying could affect the trading price of the share and therefore the market value of the Product.

2.4.11. Products linked to Equity Indices

Equity indices are comprised of a synthetic portfolio of shares, and as such, the performance of an equity index is dependent upon the macroeconomic and microeconomic factors relating to the shares underlying such index.

During the term of a Product, the market value of the Product can deviate from the performance of the index or components contained in the index since other factors such as the Combined Terms and Conditions of the specific Product, the frequency and intensity of price fluctuations (volatility) in the index, as well as the prevailing interest rate and, in the case of performance indices being the Underlying, the reinvestment of any dividend payments relating to the components contained in the index, may have an impact on the market value of the Product.

In the case of a price index being the Underlying, Investors should note that dividend payments are in principle not taken into account (whereas in the case of performance indices the calculation of such Index takes into account all dividend payments). Investors therefore should note that they do not participate in any dividend payments with regard to the components contained in the Index.

Potential Investors should be aware that they bear an additional risk if an index is structured, calculated and determined at the discretion of an index sponsor, as there is no guaranty that such acts will lead to a positive performance of the index. Potential Investors need to do their own due diligence with respect to the index sponsor.

2.4.12. Products linked to Commodities and Commodity Indices

Commodities comprise physical commodities such as mineral resources (e.g. oil) and precious metals (e.g. gold, silver, platinum, palladium), which need to be stored and transported, and are either traded at spot or by way of entering into futures contracts, which are agreements either to buy or sell a set amount of a physical commodity at a predetermined price and delivery date. Futures contracts may be traded on regulated specialised futures exchanges or may be traded directly between market participants "over-the-counter" (such as swaps and forward contracts) on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation.

Commodity prices are more volatile than other investment categories. The factors that influence commodity prices are both numerous and complex. Examples of some typical factors affecting commodities prices are: limited tradability for commodities on the supply side and differences in regional demand, unfavourable weather conditions, diseases and epidemics, influence of the overall yield with commodities, e.g. through costs (for example for transport, storage and insurance) in the case of direct investments in commodities, strong speculation, production in emerging markets that often have an unstable political and economic situation, high inflation, increased risk of currency fluctuations as well as political and legal risks and changes in tax rates and customs duties.

The price of a futures contract will generally be at a premium or at a discount to the spot price of the relevant physical commodity. Products with the physical commodity as Underlying may therefore provide a different return than Products with a futures contract as Underlying.

Commodity indices track the performance of a synthetic, e.g. production-weighted basket of futures contracts on certain physical commodities. The level of commodity indices replicate an actual investment in futures contracts, and therefore goes up or down depending on the overall performance of this weighted basket of futures contracts. Although commodity indices track the performance of the commodity markets, in a manner generally similar to the way in which an equity index tracks the performance of the share market, there are important differences between a commodity index and an equity index: An equity index typically weights the shares in the index based on market capitalisation, while the commodities included in a commodity index are typically weighted based on their world production levels and the dollar value of those levels. In addition, unlike shares, futures contracts expire periodically and, in order to maintain an investment in futures contracts, it is necessary to liquidate such futures contracts before they expire and establish positions in longer-dated futures contracts ("rolling"). Such "rolling" can have an adverse or positive affect on the level of the commodity index and, thereby, the value of the respective Product.

Markets where commodities are traded may become in whole or in part, subject to future additional regulation which could significantly impact the performance of the Issuer's obligations under the Products. Furthermore, arrangements made to hedge the Issuer's obligations under the Products may become invalid in whole or in part. In such a case the Issuer has the right to procure the Early Termination and Cancellation of such Products.

2.4.13. Products linked to Foreign Exchange Rates

The performance of foreign exchange rates, currency units or units of account are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a curren-

cy or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates as well as the availability of a specified currency.

2.4.14. Products linked to Interest Rates / Reference Rates

The performance of interest rates is dependent upon a number of factors, including supply and demand on the international money and capital markets, which are influenced by measures taken by governments and central banks, as well as speculations and other macroeconomic factors.

Ongoing reforms to LIBOR, EURIBOR and proposed regulation of other 'benchmarks' could negatively impact the value of Products, as they may trigger, e.g. in case of discontinuance of the Interest Rate /Reference Rate, the use of a substitute or successor Interest Rate/Reference Rate that is comparable to the Interest Rate/Reference Rate or an Early Termination and Cancellation of Products by the Issuer.

3. General Terms and Conditions

The Products will be issued based on both the following general terms and conditions („**General Terms and Conditions**”), as amended, and the supplementing product terms and conditions as provided in the Final Termsheet („**Product Terms and Conditions**”) for each relevant Product (together the „**Combined Terms and Conditions**”).

Terms used but not defined in these General Terms and Conditions shall have the meaning as specified in the Product Terms and Conditions for each relevant Product. Terms denoting the singular number only shall include the plural number also and vice versa, and terms denoting one gender only shall include the other.

In case of inconsistencies, discrepancies and/or explicitly specified differences between the General Terms and Conditions and the Product Terms and Conditions, the Product Terms and Conditions shall prevail.

3.1. Terms and Conditions and Definitions applicable to all Products

3.1.1. Applicable Law

The Products and their Combined Terms and Conditions shall be exclusively governed by and construed with substantive Swiss law.

3.1.2. Regulatory Classification of Products

The Products are derivative financial instruments and do not qualify as units of a collective investment scheme according to the relevant provisions of the CISA and are not registered thereunder. Therefore, the products are not subject to authorisation or supervision by the Swiss Financial Market Supervisory Authority FINMA. Accordingly, Investors do not have the benefit of the specific investor protection provided under the CISA.

The Products do not benefit from any depositor protection under article 37a of the Swiss Federal Act on Banks and Saving Banks.

3.1.3. Form and Disposal of Products

Products are issued in dematerialised form as Uncertificated Securities in accordance with article 973c of the CO and are transformed into intermediated securities („**Intermediated Securities**” (Bucheffekten)) in accordance with article 6 of the Swiss Federal Intermediated Securities Act („**FISA**”).

Uncertificated Securities will be created by the Issuer by means of a registration in its register of Uncertificated Securities (Wertrechtbuch). The Issuer will maintain the register of Uncertificated Securities.

Intermediated Securities will be created in accordance with article 6 para. 2 FISA (i) by entering such Uncertificated Securities in the main register of Uncertificated Securities (Hauptregister) maintained

by SIX SIS Ltd, Olten, Switzerland („SIX SIS“) acting as custodian as defined in article 4 FISA („Custodian“ (Verwahrungsstelle)) which is available to the public, and (ii) SIX SIS, acting as Custodian, crediting the respective rights to securities accounts of one or more of its account holders in accordance with articles 4 and 6 FISA.

As long as the Products constitute Intermediated Securities, the Products may only be transferred or otherwise disposed of in accordance with the provisions of the FISA.

In respect of the Products held in the form of Intermediated Securities, the holders of the Products will be the investors („Investor“ or „Investors“), i.e. (i) the persons, other than intermediaries (*Verwahrungsstellen*), holding the Products in a securities account (*Effektenkonto*) with an intermediary (*Verwahrungsstelle*) and (ii) the intermediaries (*Verwahrungsstellen*) holding the Products for their own account. . The Investor's entitlement to Intermediated Securities is based on its relevant securities account. An Investor may at any time require its custodian to draw up a statement of the Intermediated Securities credited to its securities account in accordance with article 16 FISA.

The Investors shall at no time have the right to effect or demand (i) the retransformation of the Intermediated Securities into, and the delivery of, Uncertificated Securities or (ii) the conversion of the Uncertificated Securities into definitive Products (Wertpapiere).

No physical delivery of the Products shall be made under any circumstances.

3.1.4. Status of Products

The Products constitute unsubordinated and unsecured obligations of the Issuer and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of the Issuer, except for obligations given priority by law.

According to paragraph 5 of the Act on the Conversion of Luzerner Kantonalbank into a company limited by shares ([Umwandlungsgesetz](#)), claims by Investors against the Issuer under the Products are covered by the state guarantee of the canton of Lucerne (Staatsgarantie) if the Issuer's own funds are not sufficient.

3.1.5. Issuance of additional Products (Reopening

The Issuer reserves the right from time to time without the consent of the Investors to create and issue further Products having terms and conditions the same as those of Products already issued and ranking *pari passu* with them, which may be consolidated and form a single Tranche, but upon such terms as to issue price and otherwise as the Issuer may determine.

3.1.6. Use of Proceeds from each Issuance of Products

The Issuer intends to use the net proceeds from each issuance of Products for hedging the obligations created by the issuance of the Products and for general purposes.

3.1.7. Listing of Products on SIX Swiss Exchange

A listing of a Product on SIX Swiss Exchange will only be applied for if specified in the relevant Product Terms and Conditions. The Issuer has no duty to maintain the listing of such Products over their entire term. Products may be de-listed at any time upon prior notice according to section 3.1.9 only in accordance with the applicable rules and regulations of SIX Swiss Exchange.

The Issuer will at all times keep a Paying Agent as specified in the relevant Product Terms and Conditions, as long as a Product is listed on the SIX Swiss Exchange.

3.1.8. Repurchase of Product by the Issuer

The Issuer may at any time purchase Products at any price in the open market. Any Products so purchased may be held or resold or cancelled.

3.1.9. Notices

a) Notices to Investors

If the Combined Terms and Conditions provide for a notice to be given by the Issuer to the Investors, such notice shall be validly given by way of publication on the website of the Issuer at structuredproducts.lukb.ch or any successor website and/or the website specified in the relevant Product Terms and Conditions, and become effective vis-à-vis the Investors through such publication, unless any such notice provides for a later effective date.

If a Product is listed on SIX Swiss Exchange and the applicable rules and regulations of SIX Swiss Exchange require other forms of publication, such publications must be made in addition and as provided for, as specified in the relevant Product Terms and Conditions.

b) Notices to Issuer

If the Combined Terms and Conditions provide for a notice to be given by the Investor to the Issuer, such notice shall be validly given as specified in the relevant Product Terms and Conditions.

3.1.10. Calculations, Rounding and Binding Effect

All calculations and determinations by the Issuer or Calculation Agent referred to in the Combined Terms and Conditions of a Product shall be made in good faith and in the exercise of its commercially reasonable judgement with a view to market practice be final and binding on the Investors and the Issuer in the absence of manifest errors. Calculation Agent shall mean and include any agents or other persons acting on behalf of the Calculation Agent.

For the purposes of any calculations by the Issuer or Calculation Agent referred to in the Combined Terms and Conditions of a Product (unless otherwise specified in the relevant Product Terms and Condition),

- i. all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.),
- ii. all Swiss franc, United States dollar and Euro amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and
- iii. all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Investors shall not be entitled to make any claim against the Issuer or Calculation Agent in the case where any Reference Exchange, index sponsor or any third party shall have made any misstatement in relation to any Underlying(s) of a Product.

3.1.11. Redemption of Products

Unless previously purchased back and/or early terminated and cancelled by the Issuer or specified otherwise in the Product Terms and Conditions for the relevant Product, Products providing for a defined Redemption Date („**Fixed-end Products**“) will be, subject to Settlement Disruption Events, if any, redeemed automatically on the Redemption Date and the payments and/or Delivery of Underlying(s) will be as specified under Redemption in the Product Terms and Conditions for each relevant Product.

Products not providing for a defined Final Fixing Date and Redemption Date and therefore having an open-ended term („**Open-end Products**“) will not be automatically redeemed. The Issuer has a call right and the Investors have a put right in relation to the Products. Unless otherwise specified in the Product Terms and Conditions,

- i. the Issuer may call all Products of a Tranche („**Issuer Call**“) by giving notice of such Issuer Call to the Investors in accordance with section 3.1.9, specifying the effective date of the Issuer Call, the Final Fixing and the Redemption Date. Investors are entitled to receive from the Issuer on the Redemption Date specified in the notice the Redemption as defined in the Product Terms and Conditions.
- ii. each Investor may put a or some Products of a Tranche with the Issuer („**Investor Put**“) by
 - a. irrevocably instructing, or, as the case may be, confirm that the securities account holder has irrevocably instructed, the relevant clearing system to debit the securities account holder's account and credit the Issuer's account with the Products being put by the Investor, and by
 - b. delivering a duly completed and signed put notice („**Put Notice**“) to the Paying Agent no later than 12:00 noon (Lucerne time) on any Fixing Business Day. The Put Notice shall be in a form acceptable to the Issuer and/or Paying Agent and must specify and include the following:
 - i. name and address of the Investor
 - ii. the number of Products of the relevant Tranche being put to the Issuer

- iii. the number of the account at the relevant clearing systems to be debited and credited with the Products being put to the Issuer
- iv. undertaking to the Issuer and Paying Agent that the Investor will pay any applicable taxes and duties due by reason of the Investor Put
- v. certify that the Investor is not a U.S. Person and that the Products are not being put on behalf of a U.S. Person.

Such Fixing Business Day and in case of Products relating to Asian Underlying(s) the next following Fixing Business Day, will be treated as the Final Fixing Date. Investors are entitled to receive from the Issuer five (5) Business Days following the Final Fixing Date, subject to Settlement Disruption Events, the Redemption as defined in the Product Terms and Conditions.

3.1.12. FX Disruption Event

If the Issuer and/or Calculation Agent determines in its reasonable discretion (billiges Ermessen) that on any day or any number of consecutive days during the term of a Product an event occurs that affects the Issuer's currency hedging or conversion (if any) with respect to such Products or makes such hedging or conversion through legal channels impossible („**FX Disruption Event**"), the Issuer and/or Calculation Agent may in its reasonable discretion (billiges Ermessen) increase or decrease, as the case may be, the Redemption Amount to account for any income, loss, costs (including hedging costs) and expenses that are in the Calculation Agent's reasonable discretion (billiges Ermessen) attributable to, or a result of, the FX Disruption Event.

3.1.13. Payments and Delivery of Underlying(s)

The payment of any Redemption Amount or Interest Amount, and/or, if applicable, Delivery of Underlying(s) due on any Product is effected by the Paying Agent.

Prior to the Redemption Date, the Issuer shall, in respect of the Products being redeemed, for value on the Redemption Date transfer (or cause to be transferred) the Redemption Amount and/or deliver or procure the delivery of the relevant number of Underlyings in respect of each Product to the Paying Agent. On the Redemption Date, the Paying Agent shall, subject to transfer of the Structured Products to be redeemed and receipt of payment of the related taxes and duties, if any, cause the account of the Investor to be credited with such amount and number of Underlying(s) for value on the Redemption Date. The Issuer shall be entitled, if it so elects, to divide any Underlying(s) to be transferred into such number of lots of such size as it desires in order to facilitate its delivery obligations.

Payments and/or Delivery of Underlying(s) due on any Product will be made without collection costs to Investors in the Product and without any restrictions, whatever the circumstances may be, irrespective of nationality, domicile or residence of the Investors and without requiring any certification, affidavit or the fulfilment of any other formality.

All payments in relation to a Product are subject to any applicable fiscal or other laws and regulations and in particular to Swiss Withholding Tax, if specified in the relevant Product Terms and Conditions. For the avoidance of any doubt, the Issuer will not gross up any payments due on the Products and the Issuer will not compensate Investors for any amount that may be withheld or due because of applicable withholding tax or reporting requirements. In this case, if, during the term of the Products any withholding or other tax, assessment or other governmental charge is imposed on payments on the Products by any other jurisdiction, and the Issuer or any other party may be required to deduct that tax, charge or assessment from any payment due on the Products, the Issuer will make that payment only after making such deduction and will not pay Investors any additional amounts to compensate them for the deduction. Investors should inform themselves with regard to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposal by them of any Product.

3.1.14. Severability and Interpretation of the Combined Terms and Conditions

Should any of the Combined Terms and Conditions of a Product be or become invalid, the validity of the remaining Combined Terms and Conditions shall not in any way be affected thereby. For any issues arising therefrom, an interpretation in keeping with the intention, meaning and purpose of such invalid Combined Terms and Conditions shall prevail.

Should any of and/or the context of any Combined Terms and Conditions of a Product be unclear and/or contradictory and, therefore, be subject to interpretation (Vertragsauslegung), an interpretation shall be made, in particular but not limited to, keeping with the intention, meaning and purpose of the transactions as set out in the relevant communications, marketing materials, if any, and the Final Termsheet.

Should any of and/or the context of any Combined Terms and Conditions of a Product omit a term or condition related to a certain issue which should have been governed by the Combined Terms and Conditions of a Product (Vertragslücke), an amendment of the Combined Terms and Conditions in accordance with section 3.1.15 shall be made in particular, but not limited to, in consideration of the most recent ISDA Definitions (as at the earlier of the start of the Subscription Period or the Initial Fixing Date of the relevant Products and if available with respect to the category of Underlying(s) of such Product) as amended, supplemented and updated and published by the International Swaps and Derivatives Association, Inc. and as applied by general market practice to transactions similar to the transactions as set out in the Combined Terms and Conditions.

3.1.15. Amendment and Modification of the Combined Terms and Conditions

The Combined Terms and Conditions of a Product may be amended and/or modified, from time to time, by the Issuer by way of an addendum to the relevant Product Documentation (in particular for Products listed on SIX Swiss Exchange) or an amended and restated Final Termsheet without consent of the Investors, provided that:

- i. in the reasonable discretion (billiges Ermessen) of the Issuer, such amendment and/or modification (a) is of a formal, minor or technical nature, (b) is made to reflect an interpretation and/or an amendment by the Issuer pursuant to section 3.1.14, (c) is made to correct a manifest error or (d) is not materially prejudicial to the interests of the Investors set out in such relevant Product Documentation, or
- ii. it has come to the attention of the Issuer that the Combined Terms and Conditions of a Product contain an error or omission such that they do not represent the intended terms and conditions on the basis of which the respective Product have been issued, sold and traded since, or
- iii. it has come to the attention of the Issuer that the Combined Terms and Conditions of a Product are based on and contain price(s) and/or level(s) of Underlying(s) subsequently corrected and such correction is published or announced by the person responsible for such publication or announcement within 30 calendar days or such other time frame as the Issuer acting in its reasonable discretion (billiges Ermessen) deems appropriate; where different time frames may be deemed appropriate for dates after the original publication or announcement, such corrected price(s) and/or level(s) of Underlying(s) shall be the relevant price(s) and/or level(s) of Underlying(s) and any value(s) derived from such price(s) and/or level(s) of Underlying(s) shall be based on the corrected price(s) and/or level(s) of Underlying(s).

The Issuer may also modify any of the Combined Terms and Conditions of a Product in the event that the Issuer is of the opinion that such modification is necessary or appropriate to ensure compliance by the Issuer with its obligations under the Products or any arrangements made to hedge the Issuer's obligations under the Products in particular as a result of required compliance by the Issuer with any applicable present or future law, rules, regulations, judgements, directives or order of underlying markets or governmental, administrative, legislative or judicial authorities is established again.

Notice of such modification to the Investors will be given in accordance with section 3.1.9. If not otherwise provided for in the notice, any such notice constitutes the addendum to the relevant Product Documentation.

3.1.16. Early Termination and Cancellation of Products by the Issuer

The Issuer has the right, but not the obligation, to terminate and cancel all Products of any particular issuance early („**Early Termination and Cancellation**“) upon the occurrence of one of the following termination events („**Early Termination Event**“) by giving notice of such Early Termination and Cancellation to the Investors in accordance with section 3.1.9, specifying the applicable Early Termination Event and the effective date of the Early Termination and Cancellation. Investors are entitled to receive from the Issuer as soon as reasonable practicable but in any case within a reasonable period of not less than ten (10) and not more than thirty (30) Business Days following the effective date of the Early Termination and Cancellation or on a date specified in the notice a cash amount in the Product Currency reflecting the fair market value of the Products at the effective date of the Early

Termination and Cancellation, as determined in the reasonable discretion (billiges Ermessen) of the Issuer but in accordance with established market practice, which is calculated on the basis of the relevant market conditions after deduction of the costs of the Issuer for unwinding any related underlying hedging arrangements. Products which have been provisionally admitted to trading on SIX Swiss Exchange cannot be early terminated and cancelled in any case with effect prior to 30 (thirty) trading days from the first trading date.

Early Termination Event means any event that has a material impact on the economic value of a Product and/or that materially deviates from the reasonable market expectations of the Issuer, as, *inter alia*, but not limited to, one of the following events:

- i. it is, applying reasonable discretion (billiges Ermessen) by the Issuer, not possible, to make necessary Adjustments to the Combined Terms and Conditions of the Product or if such necessary Adjustment would not achieve a commercially reasonable result;
- ii. the Underlying(s) of a Product ceased to be liquid or the determination, publication and source of price(s) and/or level(s) of Underlying(s) of a Product are discontinued permanently;
- iii. compliance by the Issuer with its obligations under the Products or any arrangements made to hedge the Issuer's obligations under the Products shall have become unlawful or impossible in whole or in part, in particular as a result of required compliance by the Issuer with any applicable present or future law, rules, regulations, judgements, directives or order of underlying markets or governmental, administrative, legislative or judicial authorities;
- iv. the Issuer is unable, after using commercially reasonable efforts, to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the Issuer's obligations under the Products, or realise, recover or remit the proceeds of any such transaction(s) or asset(s);
- v. the Issuer would, compared with circumstances existing on the Issue Date, incur a materially increased amount of tax, duty, expense, fee or other cost to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) that the Issuer deems necessary to hedge the risk in respect of entering into and performing its obligations under the relevant Products, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
- vi. any present or future taxes, duties or governmental charges would be imposed by any jurisdiction in which the Issuer is or becomes subject to tax as a result of any change in laws or regulations of the relevant jurisdiction.

3.1.17. Prescription

Claims against the Issuer in connection with the Products for, *inter alia*, payment of any Redemption Amount, or, if applicable, Delivery of any Underlying(s), will prescribe 10 (ten) years after the date on which the early or regular redemption of the Products, as the case may be, has become due. However, some claims, as, *inter alia*, regular Interest Amount payments, may already prescribe 5 (five) years after their respective due date.

3.1.18. Liability

To the extent permitted by statutory law, the Issuer, the Paying Agent and the Calculation Agent shall not be liable to Investors for indirect, incidental or consequential damages (whether or not such party has been advised of the possibility of such damages). In particular, the Issuer, the Paying Agent and the Calculation Agent shall not be responsible for the action of any third party having assumed the role as Paying Agent and Calculation Agent, respectively.

Investors are not entitled to remedy on account on non-performance of a Product.

3.1.19. Substitution of the Issuer

The Issuer may at any time, without the consent of the Investors, substitute for itself as obligor under the Products any company („**Substitute**”), that is an entity controlled, directly or indirectly by the Issuer, or an entity that controls, directly or indirectly, the Issuer or an entity under common control with the Issuer („**Affiliate**”) or another company with which it consolidates, into which it merges or to which it sells, leases, transfers or conveys all or substantially all its property, provided that:

- i. if the Substitute is an Affiliate, the Substitute has a long-term unsecured debt rating equal to or higher than that of the Issuer given by any rating agency at the date of the substitution or has the benefit of a guarantee from the Issuer or another Affiliate with such a debt rating;
- ii. all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Products represent legal, valid and binding obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; and
- iii. the Issuer has given prior notice of the date of such substitution to the Investors in accordance with section 3.1.9.

3.1.20. Agents

The Calculation Agent and the Paying Agent („**Agents**”) will be specified in the Product Terms and Conditions. The Agents are acting solely as agents of the Issuer and do not assume any obligation or duty to, or any relationship of agency or trust for or with, the Investors. Any determinations, decisions and calculations by the Agents shall (save in the case of manifest error or wilful misconduct) be final and binding on the Issuer and the Investors.

The Issuer may replace the Agents by terminating the appointment of the Agents, subject to applicable rules and regulations of SIX Swiss Exchange, by giving notice of such replacement and termination to the Investors in accordance with section 3.1.9.

3.1.21. Selling Restrictions

Subject to certain exceptions, the Products may not be offered, sold, resold, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in or into the jurisdictions listed under section 1 headed „Selling Restrictions” and such other jurisdictions in which it would not be permissible to make an offer of the Products.

3.1.22. Jurisdiction

The ordinary courts of the canton of Lucerne shall have jurisdiction for all disputes under and in connection with the Combined Terms and Conditions and the Products; the place of jurisdiction shall be Lucerne.

3.1.23. Definitions

Terms used but not defined in these General Terms and Conditions shall have the meaning as specified in the Product Terms and Conditions for each relevant Product. Words denoting the singular number only shall include the plural number also and vice versa, and words denoting one gender only shall include the other.

„Autocall Observation Date“ is the date as specified in the Product Terms and Conditions, subject to the applicable terms and conditions regarding market disruption. If such date is not a Fixing Business Day the next succeeding Fixing Business Day shall be the Autocall Observation Date.

„Barrier Observation Period“ means the period of time as stated in Product Terms and Conditions and includes both, the start and end date of the respective period. In cases where the Issuer or the Calculation Agent determines the Initial Fixing Level based on an observed intraday price at any time on the Initial Fixing Date, the barrier observation will start only after the product has been fixed on that day. In addition, if the Product's Final Fixing Level is to be determined at any time on the Final Fixing Date (observed price), the barrier observation will end with the Issuer or Calculation Agent's fixing on that date.

„Business Day“ in connection with any payment and settlement procedure means a day on which (a) relevant clearing systems are open and Products can be settled, (b) relevant commercial banks are open, (c) banks in Zurich are open, (d) foreign exchange markets execute payments in the respective Product Currency and (e) any other day, as specified in the Product Terms and Conditions, if applicable.

„Business Day Convention“ means a convention for adjusting any date if (a) it would otherwise fall on a day that is not a Business Day or (b) there is no numerically corresponding day in the calendar month(s) in which such date should occur, and the following Business Day Conventions shall have the following meanings:

- i. **„Following“** means that such date shall be postponed to the first following day that is a Business Day;
- ii. **„Modified Following“** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.

Unless otherwise defined in the Product Terms and Conditions, the default business day convention is **„Modified Following“**.

„**Conditional Coupon Observation Date**“ is the date as specified in the Product Terms and Conditions, subject to the applicable terms and conditions regarding market disruption. If such date is not a Fixing Business Day the next succeeding Fixing Business Day shall be the Conditional Coupon Observation Date.

„**Day Count Fraction**“ means, in respect of the calculation of an amount for any period of time (each such period an „**Interest Period**“), such day count fraction as may be specified in the Product Terms and Conditions and:

- i. if „**Actual/Actual**“ or „**Actual/Actual (ISDA)**“ is so specified, means the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- ii. if „**Actual/365 (Fixed)**“ is so specified, means the actual number of days in the Interest Period divided by 365;
- iii. if „**Actual/360**“ is so specified, means the actual number of days in the Interest Period divided by 360;
- iv. if „**30/360**“, „**360/360**“ is specified, means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360} \text{ where,}$$

„**Y₁**“ is the year, expressed as a number, in which the first day of the Interest Period falls;

„**Y₂**“ is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

„**M₁**“ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

„**M₂**“ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

„**D₁**“ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

„**D₂**“ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

„**Final Fixing Date**“ is the date on which Final Fixing Level(s) are fixed by the Issuer and/or the Calculation Agent as specified in the Product Terms and Conditions, subject to the applicable terms and conditions regarding market disruption. If such date is not a Fixing Business Day the next succeeding Fixing Business Day shall be the Final Fixing Date.

„**Final Fixing Level**“ has the meaning as specified in the Product Terms and Conditions.

„**Fixing Level**“ has the meaning as specified in the Product Terms and Conditions.

„**Initial Fixing Date**“ is the date on which the Initial Fixing Level(s) are fixed by the Issuer and/or the Calculation Agent as specified in the Product Terms and Conditions, subject to the applicable terms and conditions regarding market disruption. If such date is not a Fixing Business Day the next succeeding Fixing Business Day shall be the Initial Fixing Date.

„**Initial Fixing Level**“ has the meaning as specified in the Product Terms and Conditions.

„**Interest Amount**“ or „**Coupon Amount**“ means (if applicable) a cash amount in Product Currency due on a Product on any Interest Payment Date for any Interest Period

- i. calculated on a formula basis as follows: $\text{Nominal} \times \text{Interest Rate} \times \text{Day Count Fraction}$, or
- ii. equal to a fixed amount as specified in the applicable Product Terms and Conditions.

„**Interest Payment Date**“ or „**Coupon Payment Date**“ means the date or dates specified as such in, or determined in accordance with the applicable Product Terms and Conditions and, as the same may be adjusted in accordance with the Business Day Convention, if any, specified in the applicable Product Terms and Conditions.

„**Interest Period**“ or „**Coupon Period**“ means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, provided always that the first Interest Period shall commence on and include the Issue Date and the final Interest Period shall end on but exclude the Redemption Date, subject to adjustments, if any, specified in the applicable Product Terms and Conditions. Unless otherwise defined in the Product Terms and Conditions, the default adjustment is “unadjusted”.

„**Interest Rate**“ or „**Coupon**“ means the rate or rates (expressed as a percentage per annum or as a fixed percentage) of interest payable in respect of the Products as specified in the Product Terms and Conditions.

„**Issue Date**“ is the date on which the Products are issued and the Issue Price is paid as specified in Product Terms and Conditions.

„**Issue Price**“ means either a percentage of the Nominal or a fixed amount in Product Currency, both per Product, as specified in the Product Terms and Conditions.

„**Last Trading Day**“ means Final Fixing Date or the date as specified in the Product Terms and Conditions.

„**Last Trading Time**“, means the time on the Last Trading Day until which the Products can be traded on the exchange, if applicable, as specified in the Product Terms and Conditions.

„**Nominal**“ means an amount in Product Currency per Product as specified in the Product Terms and Conditions

„**Observation Date**“ is a date on which certain levels are observed by the Issuer and/or the Calculation Agent as specified in the Product Terms and Conditions, subject to the applicable terms and conditions regarding market disruption. If such date is not a Fixing Business Day the next succeeding Fixing Business Day shall be the Observation Date

„**Quoting**“ means, if applicable, the method for the quoting of secondary market prices of Products and can be either “clean”, i.e. accrued interest is not included in the quotes, or „dirty“, i.e. accrued interest is included in the quotes and will not be calculated separately and can be either in percentage or in units, as defined in the Product Terms and Conditions. Unless otherwise defined in the Product Terms and Conditions, the default Quoting is „dirty“.

„**Redemption**“ means with respect to any Product a cash amount („Cash“) in the Product Currency („**Redemption Amount**“) and/or a Delivery of Underlying(s) (both a „**Settlement Type**“), as specified in the Product Terms and Conditions.

„**Redemption Date**“ is the date on which the Products are scheduled to be redeemed as specified under Redemption in the Product Terms and Conditions, subject to Early Termination and Cancellation (if applicable) and means the Business Day specified in the Product Terms and Conditions.

„**Reference Currency**“ means the currency in which an Underlying is denominated.

„**Product Currency**“ means the currency, as specified in the Product Terms and Conditions, used for the payment of any Redemption Amount, Interest Amount or any other amount.

„**Strike Level**“ and/or „**Barrier Level**“ and/or „**Trigger Level**“ and/or „**Cap Level**“ or any other defined level have the meaning (where applicable) specified in the Product Terms and Conditions.

„**Tranche**“ means a number of Products that are subject to the same Combined Terms and Conditions (including further issuances pursuant to section 3.1.5, if any).

„**Unadjusted**“ means that an Interest Period is not adjusted.

„**Underlying**“ means any Underlying(s), as the case may be, as specified in the Product Terms and Conditions.

3.2. Terms and Conditions and Definitions only applicable to Products linked to Shares

3.2.1. Adjustments

Upon the occurrence of an event described under the definition headed „Adjustment Events“ during the term of a Product, starting with and including the Initial Fixing Date until and including the Redemption Date, adjustments to the Combined Terms and Conditions as the Issuer and/or Calculation Agent, in its reasonable discretion (billiges Ermessen), may deem relevant to account for the dilutive

or concentrative or other effect of an Adjustment Event on the theoretical value of Underlying(s) („**Adjustment**”), shall be made by the Issuer in such a way that the economic value of the Product (without considering the individual circumstances of any Investor or the tax or other consequences of such Adjustment in any particular jurisdiction) shall be as near as reasonable and practicable to the economic value of the Product before such event has occurred. Thereby, if available, the Issuer shall consult the regulations applicable to adjustments on the **Reference Exchange(s)** or **Futures and Options Exchange(s)** and, absent any such third party regulations, shall make the Adjustment in its reasonable discretion (billiges Ermessen) taking into account established market practice.

The Issuer reserves the right, in its reasonable discretion (billiges Ermessen) and without any obligations whatsoever, to make such other adjustments as it believes are appropriate in circumstances where an event or events occur which the Issuer believes (in its reasonable discretion (billiges Ermessen) and notwithstanding any Adjustment previously made by the Issuer) should, in the context of the issuance of the Product and its obligations hereunder, give rise to such adjustments.

Adjustments made by the Issuer shall be published in accordance with section 3.1.9, specifying the effective date of as from which the Adjustment shall apply and be binding on the Issuer and the Investors.

3.2.2. Consequences of Market Disruptions

a) Products with single Underlying

If the Issuer and/or the Calculation Agent determines, in its reasonable discretion (billiges Ermessen), that a day relevant for the fixing, observation or valuation of a level of the Underlying, such as, *inter alia*, but not limited to, the Initial Fixing Date, the Final Fixing Date or any other observation date (each an „**Observation Date**”), is a Disrupted Day then such day shall be postponed to the next following Fixing Business Day which is not a Disrupted Day, unless one („**Maximum Days of Disruption**”) Fixing Business Days immediately following the scheduled Observation Date is a Disrupted Day. In that case, the first (Maximum Days of Disruption) Fixing Business Day shall be deemed to be the Observation Date, notwithstanding the fact that such day is a Disrupted Day, and the Issuer and/or the Calculation Agent, shall determine the level of the Underlying in its reasonable discretion (billiges Ermessen) taking into account established market practice. The Issuer may, at its option, delegate the foregoing determination to an appropriate independent third party.

If a Final Fixing Date or any other Observation Date is postponed as a consequence of this section, the Redemption Date and/or any Interest Payment Date or any other date linked to the Observation Date, as applicable, will be postponed accordingly.

b) Products with multiple Underlyings

If the Issuer and/or the Calculation Agent determines, in its reasonable discretion (billiges Ermessen), that a day relevant for the fixing, observation or valuation of a level of one or some Underlying (each an „**Affected Underlying**”), such as, *inter alia*, but not limited to, the Initial Fixing Date, the Final

Fixing Date or any other observation date (each an „**Observation Date**“), is a Disrupted Day then such day shall be postponed to the next following Fixing Business Day which is not a Disrupted Day for the Affected Underlying unless one („**Maximum Days of Disruption**“) Fixing Business Days immediately following the scheduled Observation Date is a Disrupted Day. In that case, the first (Maximum Days of Disruption) Fixing Business Day shall be deemed to be the Observation Date for the Affected Underlying, notwithstanding the fact that such day is a Disrupted Day, and the Issuer and/or the Calculation Agent, shall determine the level of the Affected Underlying(s) in its reasonable discretion (billiges Ermessen) taking into account established market practice, unless otherwise defined in the Product Terms and Conditions. The Issuer may, at its option, delegate the foregoing determination to an appropriate independent third party.

If at least one Final Fixing Date or any other Observation Date is postponed as a consequence of this section, the Redemption Date and/or any Interest Payment Date or any other date linked to the Observation Date, as applicable, will be postponed accordingly.

c) Products with Barrier Observation Periods

If the Product Terms and Conditions provide for a Barrier Observation Period and provide for a Closing Observation of the level of the Underlying, only such days in the Barrier Observation Period which are not Disrupted Days are considered for observation purposes, unless otherwise defined in the Product Terms and Conditions.

If the Product Terms and Conditions provide for a Barrier Observation Period and provide for a Continuous Observation of the level of the Underlying, each day falling in the Barrier Observation Period is considered for observation purposes, regardless of whether or not such day is a Disrupted Day, unless otherwise defined in the Product Terms and Conditions.

3.2.3. Delivery of Underlying(s)

a) Settlement Disruption Events

If in the case of a Delivery of Underlying(s), a suspension or material limitation, in the opinion of the Issuer and/or Calculation Agent and/or Paying Agent, of transfers of the Underlying in the system of any of the clearing systems or any other event beyond the control of the Issuer as a result of which the Issuer and/or Paying Agent cannot transfer of the Underlying has occurred („**Settlement Disruption Event**“) on or after the Final Fixing Date and is continuing on the Business Day before the Redemption Date, then such Redemption Date shall be postponed to the first Business Day following the day such Settlement Disruption Event ceases to exist. If such Settlement Disruption Event continues for several Business Days, then the Issuer shall determine that no further postponement shall occur and the Issuer shall in lieu of delivering the number of Underlyings to which these Products relate, pay as soon as commercially possible a cash amount in Product Currency and, for the calculation of such amount, the Final Fixing Date shall be determined by the Issuer and/or Calculation Agent in its reasonable discretion (billiges Ermessen), taking into account established market practice, if any, and the fair market value of the Underlying on such Final Fixing Date shall be then determined.

All determinations made by Issuer and/or Calculation Agent and/or Paying Agent in accordance with this section shall be conclusive and binding on the Investors. The Investors will not be entitled to any compensation from the Issuer and/or Calculation Agent and/or Paying Agent for any loss suffered as a result of the occurrence of a Settlement Disruption Event.

b) Fractions of Underlying

No fraction of an Underlying will be delivered by the Issuer and/or Paying Agent. Instead a corresponding cash payment in Product Currency shall be made by the Issuer and/or Paying Agent to the Investor. Products redeemed at the same time by/to the same Investor will not be aggregated for the purpose of determining the number of Underlying(s) to which such Products relate.

c) No Entitlement to Dividends paid by Underlying

The Investors are not entitled to any dividend payments relating to an Underlying, unless explicitly stated in the relevant Product Terms and Conditions.

3.2.4. Definitions

„**Adjustment Event**“ means, *inter alia*, but not limited to:

- i. any event defined in the regulations applicable to adjustments on the Reference Exchange(s) or Futures and Options Exchange(s);
- ii. a subdivision, consolidation or reclassification of relevant Underlying(s), or a free distribution or dividend of any such Underlying(s) to existing holders by way of bonus, capitalisation or similar issue;
- iii. a distribution, issue or dividend to existing holders of the relevant Underlying(s) of (i) such Underlying(s) or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Underlying equally or proportionately with such payments to holders of such Underlying(s), or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Underlying as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Issuer and/or Calculation Agent;
- iv. an extraordinary dividend as determined by the Issuer and/or Calculation Agent;
- v. a call by an issuer of the Underlying in respect of relevant Underlying(s) that are not fully paid;
- vi. a repurchase by an issuer of the Underlying or any of its subsidiaries of relevant Underlying(s) whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- vii. in respect of an issuer of the Underlying, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such issuer of the Underlying, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain

- events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Issuer and/or Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights.
- viii. the Underlying(s) ceases (or will cease) to be listed, traded or publicly quoted on the Reference Exchange for any reason and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Reference Exchange;
 - ix. (a) a reclassification or change of Underlying(s) that results in a transfer of or an irrevocable commitment to transfer all of such Underlying(s) outstanding to another entity or person, (b) a consolidation, amalgamation, merger or binding share exchange of an issuer of the Underlying, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Issuer of the Underlying is the continuing entity and which does not result in a reclassification or change of all of such Underlyings outstanding), (c) a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlyings of the Issuer of the Underlying that results in a transfer of or an irrevocable commitment to transfer all such Underlyings (other than such Underlyings owned or controlled by such other entity or person), or (d) a consolidation, amalgamation, merger or binding share exchange of the issuer of the Underlying or its subsidiaries with or into another entity in which the issuer of the Underlying is the continuing entity and which does not result in a reclassification or change of all such Underlyings outstanding but results in the outstanding Underlyings (other than Underlyings owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlyings immediately following such event.
 - x. all of the Underlyings or all the assets or substantially all the assets of the issuer of the Underlying are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity; and
 - xi. by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any similar proceeding affecting the issuer of the Underlying (i) all the Underlyings are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlyings become legally prohibited from transferring them.

„Disrupted Day“ means any Fixing Business Day on which any relevant Reference Exchange or any Futures and Options Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

„Fixing Business Day“ means a day on which the/all Reference Exchange(s) is/are scheduled to be open for trading for its/their respective regular trading session(s) or such a day as specified in the Product Terms and Conditions.

„**Futures and Options Exchange**“ means in relation to any Product the organised futures and options exchanges on which futures and/or options relating to the Underlying(s) or its components, if applicable, are traded as, as the case may be, or any succeeding market thereto.

„**Market Disruption Event**“ means, in respect of an Underlying:

- i. the occurrence or existence at any time during the one hour period that ends at the relevant fixing time for the relevant fixing level of:
 - a. any suspension of or limitation imposed on trading by the relevant Reference Exchange or any Futures and Options Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Reference Exchange or any Futures and Options Exchange or otherwise:
 - i. relating to the Underlying on the Reference Exchange; or
 - ii. in futures or options contracts relating to the Underlying on any relevant Futures and Options Exchange; or
 - b. any event (other than as described in ii. below) that disrupts or impairs (as determined by the Issuer and/or Calculation Agent) the ability of market participants in general (a) to effect transactions, in or obtain market values for, the Underlying(s) on the Reference Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Underlying on any relevant Futures and Options Exchange,

which in either case the Issuer and/or Calculation Agent determines is material in its reasonable discretion (billiges Ermessen); or

- ii. the closure on any Fixing Business Day of the relevant Reference Exchange or any Futures and Options Exchange(s) prior to its scheduled closing time unless such earlier closing time is announced by such Reference Exchange(s) or such Futures and Options Exchange(s), as the case may be, at least one hour prior to (a) the actual closing time for the regular trading session on such Reference Exchange(s) or such Futures and Options Exchange(s) on such Fixing Business Day or if earlier (b) the submission deadline for orders to be entered into the Reference Exchange or Futures and Options Exchange system for execution at the fixing time for the relevant fixing level on such Fixing Business Day.

„**Reference Exchange(s)**“ means the exchange(s) or a quotation system, any successor to such Reference Exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying(s) or its components, if applicable, has temporarily relocated on which the relevant Underlying(s) or its components, if applicable, and, are traded, or as specified in the Product Terms and Conditions. Any substitute exchange or quotation system must provide comparable liquidity relative to the Underlying or its components as on the original Reference Exchange, as determined by the Issuer and/or Calculation Agent.

„Share“ means, in respect of any Product linked to shares, each share, depository receipt, or any other equity or equity related instruments, specified as being the Underlying in the Product Terms and Conditions.

3.3. Terms and Conditions and Definitions only applicable to Products linked to Equity Indices

3.3.1. Adjustments

If the Underlying is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Issuer or (b) replaced by a successor index using in the determination of the Issuer, the same or a substantially similar formula for, and method of calculation as used in the calculation of the Underlying, then the Underlying will be deemed to be the index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If (a) on or prior to the Final Fixing Date the Index Sponsor makes a material change in the formula for, or the method of calculating the Underlying or in any other way materially modifies the Underlying (other than a modification prescribed in that formula or method to maintain the Underlying in the event of changes in Underlying components and capitalisation and other routine events) or (b) on the Final Fixing Date the Index Sponsor fails to calculate and announce the Underlying, then the Issuer shall determine the relevant Final Fixing Level using, in lieu of a published level for the Underlying, the level for the Underlying as at that date as determined by the Issuer in accordance with the formula for, and method of calculating the Underlying, last in effect prior to that change or failure, but using only those Underlying components that comprised the Underlying immediately prior to that change or failure.

The Issuer reserves the right, in its reasonable discretion (billiges Ermessen) and without any obligations whatsoever, to make such other adjustments as it believes are appropriate in circumstances where an event or events occur which the Issuer believes (in its reasonable discretion (billiges Ermessen) and notwithstanding any Adjustment previously made by the Issuer) should, in the context of the issuance of the Product and its obligations hereunder, give rise to such adjustments.

Adjustments made by the Issuer shall be published in accordance with section 3.1.9, specifying the effective date of as from which the Adjustment shall apply and be binding on the Issuer and the Investors.

3.3.2. Consequences of Market Disruptions

Section 3.2.2 shall be applicable *mutatis mutandis*, unless otherwise defined in the Product Terms and Conditions.

The Continuous Observation of the level of the Underlying is done by reference to prices as determined and published by the relevant Index Sponsor.

3.3.3. Definitions

„**Disrupted Day**“ means any Fixing Business Day on which (a) the Index Sponsor fails to publish the level of the Underlying, (b) any Reference Exchange or Futures and Options Exchange fails to open for trading during its regular trading session or (c) a Market Disruption Event has occurred.

„**Fixing Business Day**“ means a day on which the/all Underlying(s) is/are usually calculated and published by its/their respective Index Sponsor(s) or such a day as specified in the Product Terms and Conditions.

„**Index Sponsor**“ means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to an Underlying and (b) announces (directly or through an agent) the level of an Underlying on a regular basis during each Fixing Business Day, which as of the Issue Date is the index sponsor specified in the Product Terms and Conditions.

„**Market Disruption Event**“ means, in respect of an Underlying:

- i. a suspension or a limitation on trading in a material number or percentage of the shares comprising the component shares of an Underlying or a limitation on prices for such shares. A suspension or limitation of trading in 20 percent or more of the level of the Underlying shall be deemed to constitute a Market Disruption Event;
- ii. a suspension or a limitation (*inter alia* by reason of movements in prices exceeding the permitted levels) on trading in any futures or options contracts related to components of an Underlying which are traded on the Futures and Options Exchange (except if the Issuer and/or Calculation Agent determines that such suspension or limitation shall not constitute a Market Disruption Event);
- iii. failure by the applicable Reference Exchange or other price source, as applicable, to announce or publish the final closing level in respect of any relevant Underlying component; or
- iv. any event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant Underlying component (except if the Issuer and/or Calculation Agent determines that such suspension or limitation shall not constitute a Market Disruption Event);.

3.4. Terms and Conditions and Definitions only applicable to Products linked to Commodities and Commodity Indices

3.4.1. Adjustments of Products linked to Commodity Indices

If the Underlying is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Issuer or (b) replaced by a successor index using in the determination of the Issuer, the same or a substantially similar formula for, and method of calculation as used in the calculation of the Underlying, then the Underlying will be deemed to be the

index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If (a) on or prior to the Final Fixing Date the Index Sponsor makes a material change in the formula for, or the method of calculating the Underlying or in any other way materially modifies the Underlying (other than a modification prescribed in that formula or method to maintain the Underlying in the event of changes constituent commodities and weightings and other routine events) or (b) the Index Sponsor permanently cancels the Underlying or (c) the Index Sponsor fails to calculate and announce the Underlying and there is no successor index sponsor or successor index then the Issuer and /or Calculation Agent may at its option (in the case of (a)) and shall (in the case of (b) and (c)) (such events (a) (b) and (c) to be collectively referred to as "**Index Adjustment Events**") (provided that the Issuer and/or Calculation Agent may, in its reasonable discretion (billiges Ermessen), determine that event (c) shall not be an Index Adjustment Event but (y) shall fall within paragraph (i) of the provision to the definition of Price Source, or (z) shall be a Market Disruption Event in respect of the Underlying) calculate the relevant level of the Underlying using in lieu of the published level for the Underlying, the level for the Underlying as at the relevant determination date as determined by the Issuer and/or Calculation Agent in accordance with the formula for and method of calculating the Underlying last in effect prior to the relevant Index Adjustment Event, but using only those futures contracts that comprised the Underlying immediately prior to the relevant Index Adjustment Event (other than those futures contracts that have ceased to be listed on any relevant exchange).

The Issuer reserves the right, in its reasonable discretion (billiges Ermessen) and without any obligations whatsoever, to make such other adjustments as it believes are appropriate in circumstances where an event or events occur which the Issuer believes (in its reasonable discretion (billiges Ermessen) and notwithstanding any Adjustment previously made by the Issuer) should, in the context of the issuance of the Product and its obligations hereunder, give rise to such adjustments.

Adjustments made by the Issuer shall be published in accordance with section 3.1.9, specifying the effective date of as from which the Adjustment shall apply and be binding on the Issuer and the Investors.

3.4.2. Consequences of Market Disruptions

a) Products with single Underlying

If the Issuer and/or the Calculation Agent determines, in its reasonable discretion (billiges Ermessen), that a day relevant for the fixing, observation or valuation of a relevant level of the Underlying, such as, inter alia, but not limited to, the Initial Fixing Date, the Final Fixing Date or any other observation date (each an „Observation Date“), is a Disrupted Day then the relevant level of the Underlying shall be determined by the Issuer and/or the Calculation Agent in accordance with the first applicable source/method (as set out below, each a "**Disruption Fallback**") that provides a relevant level of the Underlying:

- i. with respect to a relevant Commodity (in the following order):

- a. alternate Fixing Level, if any, as specified in the Product Terms and Conditions;
 - b. Delayed Publication or Announcement and Postponement (each to operate concurrently with the other and each subject to a period of two consecutive Fixing Business Days („**Maximum Days of Disruption**” measured from and including the original day that would otherwise have been the Observation Date)) provided, however, that the level determined by Postponement shall be the relevant level of the Underlying only if Delayed Publication or Announcement does not yield a relevant level of the Underlying within those two consecutive Fixing Business Days (**Maximum Days of Disruption**), unless otherwise defined in the Product Terms and Conditions; and
 - c. Issuer/Calculation Agent Determination;
- ii. with respect to a Commodity Index the Issuer and/or the Calculation Agent shall determine the relevant level of the Underlying using:
- a. with respect to each futures contract included in the Underlying which is not affected by the Market Disruption Event, the closing prices of each such contract on the applicable Observation Date; and
 - b. with respect to each futures contract included in the Underlying which is affected by the Market Disruption Event, the closing prices of each such contract on the first day following the applicable Observation Date on which no Market Disruption Event is occurring with respect to such contract

Subject as provided below, the Issuer and/or the Calculation Agent shall determine the relevant level of the Underlying by reference to the closing prices determined in (a) and (b) above using the then current method for calculating the Fixing Level.

Where a Market Disruption Event with respect to one or more futures contracts included in the Underlying has occurred on an applicable Observation Date and continues to exist as of the relevant Commodity Index Cut-Off Date for such applicable Observation Date, the Issuer and/or Calculation Agent shall determine the relevant level on such Commodity Index Cut-Off Date in its reasonable discretion (billiges Ermessen). In calculating the relevant level of the Underlying, the Issuer and/or Calculation Agent shall use the formula for calculating the Fixing Level last in effect prior to the Market Disruption Event.

If a Final Fixing Date or any other Observation Date is postponed as a consequence of this section, the Redemption Date and/or any Interest Payment Date or any other date linked to the Observation Date, as applicable, will be postponed accordingly.

b) Products with multiple Underlyings

If the Issuer and/or the Calculation Agent determines, in its reasonable discretion (billiges Ermessen), that a day relevant for the fixing, observation or valuation of a level of one or some Underlying (each an „**Affected Underlying**”), such as, *inter alia*, but not limited to, the Initial Fixing Date, the Final Fixing Date or any other observation date (each an „**Observation Date**”), is a Disrupted Day then the relevant level of each Underlying which is not affected by the occurrence of a Market Disruption

Event shall be determined on its scheduled Observation Date and the relevant level for each Affected Underlying shall be determined in accordance with the first applicable Disruption Fallback that provides a relevant level for the Underlying.

If at least one Final Fixing Date or any other Observation Date is postponed as a consequence of this section, the Redemption Date and/or any Interest Payment Date or any other date linked to the Observation Date, as applicable, will be postponed accordingly.

c) Products with Barrier Observation Periods

If the Product Terms and Conditions provide for a Barrier Observation Period and provide for a Closing Observation of the level of the Underlying, only such days in the Barrier Observation Period which are not Disrupted Days are considered for observation purposes, unless otherwise defined in the Product Terms and Conditions.

If the Product Terms and Conditions provide for a Barrier Observation Period and provide for a Continuous Observation of the level of the Underlying, each day falling in the Barrier Observation Period is considered for observation purposes, regardless of whether or not such day is a Disrupted Day, unless otherwise defined in the Product Terms and Conditions.

For the commodities Gold, Platinum, Silver and Palladium the Continuous Observation of the level of the Underlying is done by reference to prices published on the respective Bloomberg Ticker being the Price Source.

3.4.3. Definitions

„**Commodity**” and „**Commodities**” means in the case of an issue of Product with multiple Underlyings, each commodity and, in the case of an issue of Product relating to a single Underlying, the commodity, in each case as defined in the relevant Fixing Level definition in section 3.4.3 or specified in the Product Terms and Conditions and related expressions shall be construed accordingly.

„**Commodity Index**” means an index comprising various commodities or commodity prices, as specified in the applicable Product Terms and Conditions.

„**Commodity Index Cut-Off Date**” means, in respect of a Final Fixing Date the day falling two Business Days immediately preceding the Observation Date, provided that the Commodity Index Cut-Off Date shall not fall earlier than the original date on which such Observation Date is scheduled to fall.

„**Fixing Level**” means (i) in respect of a Commodity Index, the Fixing Level specified in the applicable Product Terms and Conditions or, if not so specified, the official closing price or level of such Commodity Index and (ii) in respect of a Commodity for purposes of determining a relevant level of the Underlying the following unless otherwise defined in the Product Terms and Conditions:

- i. Commodity: **Oil (WTI)**

„**Oil(WTI) NYMEX**” means that the price for an Observation Date will be that day's Specified Level per barrel of deliverable grade West Texas Intermediate light sweet crude oil on NYMEX of the First Nearby Month WTI Futures Contract, stated in U.S. Dollars, as made public by NYMEX and displayed on the Price Source on that Observation Date.

ii. Commodity: **Oil (Brent)**

„**Oil(BRENT) IPE**” means that the price for an Observation Date will be that day's Specified Level per metric barrel of deliverable grade Brent blend crude oil on ICE of the First Nearby Month Brent Futures Contract stated in U.S. Dollars as made public by ICE and displayed on the relevant Price Source on that Observation Date.

iii. Commodity: **Gold**

„**Gold**” means that the price for an Observation Date will be a price per troy ounce of Gold, stated in U.S. Dollars, as determined by the Calculation Agent in its reasonable discretion (billiges Ermessen) at 16.00 h CET on such Observation Date, based on prices seen in the global spot market.

iv. Commodity: **Platinum**

„**Platinum**” means that the price for an Observation Date will be a price per troy ounce gross of Platinum, stated in U.S. Dollars, as determined by the Calculation Agent in its reasonable discretion (billiges Ermessen) at 15.00 h CET on such Observation Date, based on prices seen in the global spot market.

v. Commodity: **Silver**

„**Silver**” means that the price for an Observation Date will be a price per troy ounce of Silver, stated in U.S. Dollars, as determined by the Calculation Agent in its reasonable discretion (billiges Ermessen) at 13.00 h CET on such Observation Date, based on prices seen in the global spot market.

vi. Commodity: **Palladium**

„**Palladium**” means that the price for an Observation Date will be a price per troy ounce gross of Palladium, stated in U.S. Dollars, as determined by the Calculation Agent in its reasonable discretion (billiges Ermessen) at 15.00 h CET on such Observation Date, based on prices seen in the global spot market.

„**Commodity Trading Disruption**” means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Reference Exchange or in any additional futures contract, options contract or commodity on any exchange. For these purposes:

- i. a suspension of the trading in the Futures Contract or the Commodity on any Fixing Business Day shall be deemed to be material only if:
 - a. all trading in the Futures Contract or the Commodity is suspended for the entire Observation Date; or

- b. all trading in the Futures Contract or the Commodity is suspended subsequent to the opening of trading on the Observation Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or such Commodity on such Observation Date and such suspension is announced less than one hour preceding its commencement; and
- ii. a limitation of trading in the Futures Contract or the Commodity on any Fixing Business Day shall be deemed to be material only if the relevant Reference Exchange establishes limits on the range within which the price of the Futures Contract or the Commodity may fluctuate and the closing price, settlement price or afternoon fixing price of the Futures Contract or the Commodity on such day is at the upper or lower limit of that range.

„Delayed Publication or Announcement“ means that the relevant level for an Observation Date will be determined based on the Specified Level in respect of the original day scheduled as such Observation Date that is published or announced by the relevant Price Source retrospectively on the first succeeding Fixing Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the original day that would otherwise have been the Observation Date) or the relevant level continues to be unavailable for two consecutive Fixing Business Days (**Maximum Days of Disruption**) unless otherwise defined in the Product Terms and Conditions. In such a case, the next source/method that provides a level of the Underlying will apply.

„Disappearance of Fixing Level“ means:

- i. the permanent discontinuation of trading, in the relevant Futures Contract on the relevant Reference Exchange;
- ii. the disappearance of, or of trading in, the Commodity; or
- iii. the disappearance or permanent discontinuance or unavailability of a Fixing Level,

notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the Commodity.

„Disrupted Day“ means any Fixing Business Day on which a Market Disruption Event has occurred.

„Fixing Business Day“ means (i) in relation to Commodities a day on which the/all Reference Exchange(s) is/are scheduled to be open for trading for its/their respective regular trading session(s) notwithstanding any such relevant Reference Exchange(s) closing prior to its/their scheduled closing time(s) or such a day as specified in the Product Terms and Conditions, (ii) in relation to Gold, Platinum, Silver and Palladium a day on which the respective Commodities can be traded on the respective global spot market and (iii) in relation to Commodity Indices a day on which (A) the offices of the Index Sponsor are open for business and (B) all of the exchanges or trading facilities on which the futures contracts included in the Underlying are traded, are open for trading and all futures contracts included in the Underlying are open for trading.

„**Futures Contract**“ means, in respect of a Fixing Level, the contract for future delivery of a contract size in respect of the relevant delivery date relating to the Commodity referred to in that Fixing Level.

„**Issuer/Calculation Agent Determination**“ means that the Issuer and/or Calculation Agent shall determine the relevant level (or method for determining the relevant level) in its reasonable discretion (billiges Ermessen) taking into consideration the latest available quotation for the relevant Fixing Level and any other information that in good faith it deems relevant and taking into account established market practice. The Issuer may, at its option, delegate the foregoing determination to an appropriate independent third party.

„**Market Disruption Event**“ means:

- i. with respect to all Commodities:
 - c. Price Source Disruption;
 - d. Commodity Trading Disruption;
 - d. Disappearance of Fixing Level; and
- ii. with respect to all Commodities other than gold, silver, platinum or palladium:
 - a. Material Change in Formula;
 - e. Material Change in Content; and
- iii. with respect to a Commodity Index
 - a. a temporary or permanent failure by the applicable exchange or other price source to announce or publish (A) the Fixing Level (provided that the Issuer and/or Calculation Agent may, in its reasonable discretion (billiges Ermessen), determine that such failure shall not be a Market Disruption Event and (i) shall fall within paragraph (i) of the proviso to the definition of Price Source, or (ii) shall be an Index Adjustment Event in respect of such Commodity Index) or (B) the closing price for any futures contract included in the Commodity Index;
 - b. a material limitation, suspension or disruption of trading in one or more of the futures contracts included in the Commodity Index which results in a failure by the exchange on which each applicable futures contract is traded to report a closing price for such contract on the day on which such event occurs or any succeeding day on which it continues; or
 - c. the closing price for any futures contract included in the Commodity Index is a “limit price”, which means that the closing price for such contract for a day has increased or decreased from the previous day’s closing price by the maximum amount permitted under applicable exchange rules.

„**Material Change in Content**“ means the occurrence since the earlier of the start of the Subscription Period or the Initial Fixing Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract.

„**Material Change in Formula**” means the occurrence since the earlier of the start of the Subscription Period or the Initial Fixing Date of a material change in the formula for or the method of calculating the relevant Fixing Level.

„**Nearby Month**” when preceded by a numerical adjective, means, in respect of an Observation Date, the month of expiration of the Futures Contract identified by the numerical adjective, so that, for example, (i) „**First Nearby Month**” means the month of expiration of the first Futures Contract to expire following that Observation Date and (ii) „**Second Nearby Month**” means the month of expiration of the second Futures Contract to expire following that Observation Date etc.

„**Postponement**” means that the Observation Date will be deemed to be the first succeeding Fixing Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist for two consecutive Fixing Business Days (measured from and including the original day that would otherwise have been the Observation Date). In such a case, the next source/method that provides a level of the Underlying will apply.

„**Price Source**” means the publication (or such other origin of reference, including a Reference Exchange) containing (or reporting) the Specified Level (or prices/levels from which the Specified Level is calculated) specified in the Fixing Level (provided that in respect of a Commodity Index, if the relevant Fixing Level is not published on such Price Source, the Issuer and/or Calculation Agent may, in its reasonable discretion (billiges Ermessen), (i) use a successor page or publication or alternative source as it considers appropriate, (ii) determine that such non-publication is a Market Disruption Event in respect of such Commodity Index, or (iii) determine that such non-publication is an Index Adjustment Event in respect of the Commodity Index.

„**Price Source Disruption**” means:

- i. the failure of the Price Source to announce or publish the Specified Level (or the information necessary for determining the Specified Level) for the relevant Fixing Level (or, if there is no Specified Level for a Fixing Level, such Fixing Level); or
- ii. the temporary or permanent discontinuance or unavailability of the Price Source.

„**Reference Exchange(s)**” means, in relation to a Commodity, the exchange or principal trading market specified as such for such Commodity in the applicable Product Terms and Conditions or applicable Fixing Level.

„**Specified Level**” means, in respect of a Fixing Level, any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source) as specified in the Product Terms and Conditions (and, if *applicable*, as of the time so specified): (i) the high price; (ii) the low price; (iii) the average of the high price and the low price; (iv) the closing price; (v) the opening price; (vi) the bid price; (vii) the asked price; (viii) the average of the bid price and the asked price; (ix) the settlement price; (x) the official settlement price; (xi) the official price; (xii) the morning fixing; (xiii) the afternoon fixing; (xiv) the spot price; or (xv) any other price specified in the applicable Product Terms and Conditions.

„**Underlying**” means (i) in relation to a Commodity either the Futures Contract relating to the Commodity or the unit of the Commodity, as defined in the relevant Fixing Level definition in section 3.4.3 or in the applicable Product Terms and Conditions and (ii) in relation to a Commodity Index such Commodity Index.

3.5. Terms and Conditions and Definitions only applicable to Products linked to Foreign Exchange Rates

3.5.1. Consequences of Market Disruptions

Section 3.2.2 shall be applicable *mutatis mutandis* whereby Maximum Days of Disruption shall be one (1) unless otherwise defined in the Product Terms and Conditions.

3.5.2. Definitions

„**Disrupted Day**” means any Fixing Business Day on which a Market Disruption Event has occurred.

„**Fixing Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits), or but for the occurrence of a Market Disruption Event would have settled payments and been open for general business in each of the financial centres specified in the applicable Product Terms and Conditions.

„**Market Disruption Event**” means occurrence or existence of any Price Source Disruption, any Trading Suspension or Limitation and/or any Inconvertibility Event.

„**Price Source**” means, in respect of a Foreign Exchange Rate, the price source(s) specified in the applicable Product Terms and Conditions for such Foreign Exchange Rate or if the relevant rate is not published or announced by such Price Source at the relevant time, the successor or alternative price source or page/publication for the relevant rate as determined by the Issuer and/or Calculation Agent in its reasonable discretion (billiges Ermessen).

„**Price Source Disruption**” means it becomes impossible or otherwise impracticable to obtain and/or execute the relevant rate(s) required to calculate any amount under the Products.

„**Trading Suspension or Limitation**” means the suspension of and/or limitation of trading in the currencies required to calculate the relevant Foreign Exchange Rate in the Interbank Market provided that such suspension or limitation of trading is material in the opinion of the Calculation Agent.

„**Inconvertibility Event**” means the occurrence, as determined by the Issuer and/or Calculation Agent in its reasonable discretion (billiges Ermessen), of any action, event or circumstance whatsoever which, from a legal or practical perspective:

- i. has the direct or indirect effect of hindering, limiting or restricting (i) the convertibility of the relevant subject currency into the base currency, or (ii) the transfer of the subject currency or the base currency to countries other than the countries for which the subject cur-

- rency or the base currency, as the case may be, is the lawful currency (including without limitation, by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on the repatriation of the base currency into the subject currency); and
- ii. results in the unavailability of any relevant base currency or subject currency in the inter-bank foreign exchange market in any financial centre(s) in accordance with normal commercial practice.

„**Interbank Market**” means the over-the-counter foreign exchange spot market open continuously from and including 5.00 a.m. Sydney time on a Monday in any week to and including 5.00 p.m. New York time on the Friday of such week.

3.6. Terms and Conditions and Definitions only applicable to Products linked to Interest Rates / Reference Rates as Underlying

3.6.1. Consequences of Market Disruptions

Section 3.2.2 shall be applicable *mutatis mutandis* whereby Maximum Days of Disruption shall be one (1) unless otherwise defined in the Product Terms and Conditions.

3.6.2. Discontinuance of the Interest Rate/Reference Rate

The Issuer and/or Calculation Agent may in its reasonable discretion (billiges Ermessen) determine whether to use a substitute or successor Interest Rate/Reference Rate that is comparable to the Interest Rate/Reference Rate in case of discontinuance of the Interest Rate /Reference Rate. As it is already known, Interest Rate/Reference Rate such as LIBOR/EURIBOR will be replaced with a comparable rate as of 2021.

3.6.3. Definitions

„**Disrupted Day**” means any Fixing Business Day on which a Market Disruption Event has occurred.

„**Fixing Business Day**” means a day in respect of which the Rate Source published or, but for the occurrence of a Market Disruption Event, would have published a rate.

„**Market Disruption Event**” means the occurrence or existence of a Rate Source Disruption, Material Change in Formula or Material Change in Content.

„**Material Change in Content**” means the occurrence since the earlier of the start of the Subscription Period or the Initial Fixing Date of a material change in the content, composition or constitution of such Interest Rate/Reference Rate.

„**Material Change in Formula**” means the occurrence since the earlier of the start of the Subscription Period or the Initial Fixing Date of a material change in the formula for or method of calculating the Interest Rate/Reference Rate.

„**Rate Source**“ means the publication (or such other origin of reference, including a rate sponsor) containing (or reporting) the Interest Rate/Reference Rate (or prices/levels from which the Interest Rate/Reference Rate is calculated) specified in the Fixing Level.

„**Rate Source Disruption**“ means (i) the failure of the Rate Source to announce or publish the relevant Interest Rate/Reference Rate, or (ii) the temporary or permanent discontinuance or unavailability of the Rate Source.

4. Incorporation of documents by reference

The following documents are hereby incorporated by reference into this Programme and form an integral part of this Programme:

- i. 2017 annual report of the Issuer
- ii. 2017 financial statements of the Issuer
- iii. Media release of the Issuer as of February 1st 2018 on the annual result 2017
- iv. Swiss Bankers Association's brochure „Special Risks in Securities Trading“

The first two documents can be downloaded from

<https://www.lukb.ch/web/lukb/-/geschaeftsergebnisse?keywords=jahresbericht&synonyms=>

The third document can be downloaded from

<https://www.lukb.ch/web/lukb/-/news-jahresergebnis-2017>

and the fourth document from

<https://www.lukb.ch/documents/10620/13347/LUKB-Besondere-Risiken-im-Effektenhandel.pdf/6b8342bc-16b5-4dd5-91ba-3711ea7863a6>.

All document incorporated by reference into this Programme can be obtained free of charge from the Issuer under Luzerner Kantonalbank AG, Pilatusstrasse 12, 6003 Luzern, +41 (0)44 206 9955, structuredproducts@lukb.ch, <https://structuredproducts.lukb.ch>. Telephone calls with the Issuer may or will be recorded and by calling the number the caller consents to this business practice.

5. Information on the issuer

5.1 Company, registered office, principal place of business

Luzerner Kantonalbank AG, Pilatusstrasse 12, 6003 Lucerne.

5.2 Foundation, registration

The issuer was founded under the company name 'Kantonale Spar- und Leihkasse' in Lucerne in 1850 and was renamed 'Luzerner Kantonalbank' in 1892. Based on the cantonal law on the conversion of Luzerner Kantonalbank into a company limited by shares (Act on the Conversion) of 8 May 2000 of the canton of Lucerne, Luzerner Kantonalbank, organised as a legal entity under public law, was converted into a company limited by shares with a state guarantee on 15 February 2001 in accordance with Art. 620 et seq. of the Swiss Code of Obligations (OR) and entered into the commercial register of the canton of Lucerne (register number CHE-105.845.092).

5.3 Jurisdiction, legal form

The issuer is a company limited by shares as set out in the Swiss Code of Obligations (Art. 620 et seq. OR) and is governed by Swiss law.

5.4 Purpose

According to Article 2 of the issuer's articles of association, LUKB has the following purpose: 'The aim of the company is to operate a universal bank on a commercial basis that conducts customary banking transactions in accordance with recognised banking principles. In particular, the bank takes into consideration the needs of the population and economy of the canton of Lucerne.'

5.5 Articles of association

The issuer's articles of association were last amended on 18 May 2016.

5.6 Group

Luzerner Kantonalbank has the status of parent company within the group. In addition to the parent company, the group comprises the wholly owned consolidated subsidiaries of LUKB Expert Fondsleitung AG, Lucerne, LUKB Wachstumskapital AG, Lucerne and Gewerbe Finanz AG, Lucerne.

5.7 Board of Directors

Doris Russi Schurter	President
Josef Felder	Vice president
Prof. Andreas Dietrich	Member
Andreas Emmenegger	Member
Adrian Gut	Member
Max Pfister	Member
Stefan Portmann	Member
Dr Martha Scheiber	Member

5.8 Executive Board

Daniel Salzmann	CEO, Head of CEO Office
Leo Grüter	Head of Corporate Clients & Private Banking
Beat Hodel	Head of Market Services
Marcel Hurschler	Head of Finance & IT/CFO, Deputy CEO
Stefan Studer	Head of Private & Commercial Clients

The business address for the Board of Directors and Executive Board is:

Luzerner Kantonalbank AG

Pilatusstrasse 12

6003 Lucerne

5.9 External auditors/group auditors

PricewaterhouseCoopers AG, Werftstrasse 3, 6005 Lucerne acts as the issuer's external auditor. It audits the annual financial statements of all group companies as well as the consolidated annual financial statements.

5.10 Business activities

The parent company operates as a universal bank in the fields of private and commercial clients (retail banking), business clients, private banking/institutional, primarily in the canton of Lucerne. Luzerner Kantonalbank AG (the parent company) has a state guarantee. This guarantee is compensated financially by the bank in accordance with a legally determined ratio.

With 70.4% of operating income as of 31 December 2017 (2016: 71.4%), the interest margin business is the most important source of revenue for the group. Commission business and services generate a further 18.8% (2016: 18.4%), trade business 6.4% (2016: 6.6%) and other ordinary business 4.4% (2016: 3.6%).

5.11 Court, arbitration and administrative proceedings

With the exception of the proceedings disclosed in this prospectus, there are no court, arbitration or administrative proceedings pending against the issuer that could have a significant effect on the financial position and performance of the issuer and, to the issuer's current knowledge, no such proceedings are expected.

5.12 Outstanding bonds

An overview of outstanding bonds as at 31 December 2017 with the interest rate, year of issue, maturity, termination options and nominal value can be found on the financial report 2017, which is incorporated by reference into the present Programme.

In addition, as of February 5th 2018 a bond has been issued with a coupon of 0.350% and maturity as of February 5th 2027, with a nominal value of CHF 475 Mio.

5.13 Capital structure

As of 31 December 2017, Luzerner Kantonalbank has share capital of CHF 263.5 million (31 December 2016: CHF 263.5 million), divided into 8.5 million fully paid in registered shares each with a nominal value of CHF 31 (31 December 2016: CHF 31). In accordance with the currently valid articles of association, all registered shares are entitled to dividends. There is no authorised or contingent capital and there are no other types of participation rights at the present time. Registered shares may be converted into bearer shares at any time by resolution of the general meeting.

In accordance with the current valid cantonal law on the conversion of Luzerner Kantonalbank into a company limited by shares (Act on the Conversion) of 8 May 2000 of the canton of Lucerne, the canton of Lucerne holds at least 51% of the share capital and shareholder votes. It may, taking into account capital market conditions, sell shares to third parties. The governing council determines the number, time of sale and conditions. As of 31 December 2017, the canton holds 61.48% of the share capital.

5.14 Own equity shares and outstanding option rights

As of 31 December 2017, the issuer holds 24,981 (31 December 2016: 30,791) treasury shares, which represents 0.3% (31 December 2016: 0.4%) of the shares issued. Of this number, 205 (31 December 2016: 1,395) shares are reserved in connection with options issued as part of an employee participation scheme for the Board of Directors, Executive Board and second management level. No further options have been issued as part of a remuneration scheme since the 2011 financial year.

5.15 Distributions

Financial year	Distribution per share
2017	CHF 12.00 (dividend, as per proposal to the general meeting of 16 April 2018)
2016	CHF 11.50 (dividend)
2015	CHF 11.00 (par value repayment)
2014	CHF 11.00 (dividend)
2013	CHF 11.00 (dividend)

5.16 Information on the recent course of business

For development in the 2017 financial year and expectations for 2018, we refer to the LUKB press release of 1 February 2018 on the 2017 annual results which is incorporated by reference into this Programme.

5.17 Negative confirmation

Since 31 December 2017, there have been no significant changes in the financial position and performance of the issuer that are not already included in this issuance programme.

6. Taxation in Switzerland

The following is a summary of the main Swiss tax consequences in relation to dealings with Products under this programme and should not be construed to be tax advice. This summary does not purport to address all Swiss tax consequences that may be relevant for a decision to purchase, own and dispose of Products and in particular does not take into account the specific circumstances of any particular investor. The relevant tax laws or the regulation and the practice of the Swiss tax authorities (or their interpretation) are subject to change, possibly with retroactive effect. This summary is based on the tax laws, regulations and practices of Switzerland, as in effect on the date of this Programme. Potential investors should consult their own tax advisers, legal advisers or financial consultants with respect to the Swiss tax consequences of the purchase, disposition, lapse or exercise or redemption of a Product regarding their personal tax situation.

The Swiss tax treatment of Products depends on their qualification for tax purposes. Various factors such as the underlying asset, maturity, repayment profile, guaranteed or conditional coupon payment, etc. have an effect on the Swiss tax treatment. In connection with the tax treatment of structured financial products, the Federal Tax Administration published Circular No. 15 "Bonds and Derivatives" for direct federal tax, withholding tax and stamp duty on 7 February 2017. Products issued based on this Programme should be taxed according to this circular. It should be noted that the tax treatment for state and municipal taxes may differ from the tax treatment for direct federal tax. In principle, however, the income tax treatment should be the same.

It should be noted that all taxes and duties incurred in connection with the investment in a Product under this Programme are to be borne by the investor.

6.1. Swiss Stamp Duties (Stempelabgaben)

6.1.1. Securities Issuance Tax (Emissionsabgabe)

The issuance (primary market) of certain domestic certificates, such as shares, shares in a limited liability company, participation certificates, etc. are generally subject to the securities issuance tax. Products that are issued based on this Programme and have similarities to the taxable deeds may be subject to the securities issuance tax. However, most products issued under this Programme are considered money market instruments, bonds or derivatives and are therefore not subject to the issuance tax.

6.1.2. Securities Turnover Tax (Umsatzabgabe)

The issuance of Products is in general not subject to securities turnover tax. However, secondary market transactions of Products, which are, from Swiss tax perspective, considered as (debt) financing instruments, share-like or fund-like products may be subject to securities turnover tax, provided that a Swiss securities dealer (Effektenhändler), as defined in art. 13 para.3 of the Swiss Federal Act on Stamp Duties (Bundesgesetz über die Stempelabgaben), is a party to the Products transaction or acts as an intermediary thereto. Certain exemptions may, inter alia, apply with regard to certain institutional investors such as mutual funds, life insurance companies and social security institutions. Any

delivery of an underlying asset upon repayment of a Product is in general also subject to securities turnover tax. The securities turnover tax rate for Products issued under this Programme is currently maximum 0.15 %.

6.2. Swiss Withholding Tax (Verrechnungssteuer)

The investment income on Products issued by a Swiss resident issuer is generally subject to Swiss withholding tax of 35 %. The issuer must withhold the withholding tax on investment income and transfer it to the Swiss Federal Tax Administration. The investment income of certain Products, for example, derivatives, LEPO (Low Exercise Price Option) or so-called classic tracker certificates linked to stock baskets or stock indices, are not subject to Swiss withholding tax due to a lack of legal basis.

Investors resident in Switzerland may be entitled to a full refund of or a full tax credit for the Swiss withholding tax, subject to certain conditions being met. A non-Swiss resident investor may be able to claim a full or partial refund of the Swiss withholding tax if such an investor is entitled to claim the benefits with regard to such a payment of a double taxation treaty between Switzerland and his or her country of residence.

Proposed amendments to the Federal Act on Withholding Tax

On 4 November 2015, the Federal Council instructed the Federal Department of Finance to set up an expert group to draw up a legislative proposal to amend the Swiss withholding tax system. It is expected that their proposal will include, inter alia, a change from the current system of withholding tax deduction by the debtor (debtor principle) to a system of deduction by the paying agent (paying agent principle). If the paying agent principle were to be implemented, such a system could oblige a Swiss paying agent to deduct Swiss withholding tax at a rate of 35 % from any interest payments and other distributions made on a Product, subject to certain exceptions.

6.3. Swiss Income Tax (Einkommenssteuer)

The following comments on income tax refer to direct federal tax. The income tax treatment for state and municipal taxes may differ from the tax treatment for direct federal tax, but in principle it may be the same.

6.3.1. Income Taxation of Products held by private Investors with Tax Residence in Switzerland

In principle, all payments and credits of investment income, which are considered, from a taxation perspective, as interests or dividends, are subject to income tax. Gains or losses realised upon a sale or other disposition by private investors with tax residence holding a Product as part of their private assets (private capital gain or losses) are in general not subject to income tax and are not deductible from taxable income respectively. However, capital gains may be subject to income tax, if a Product qualifies as predominant one-time interest paying bond or if a Product is linked to an interest underlying. In addition, gains and losses realised on the purchase and sale of Products that are deemed to be pure derivatives for Swiss tax purposes (option and futures) are also tax-free capital gains and losses.

Whether a Product generates taxable income (interest and dividends) or tax-free capital gains depends on various product features such as, for example, repayment profile, underlying asset, maturity, conditional or guaranteed capital protection, guaranteed or conditional interest payments, etc. Certain Products can be divided into a taxable bond component and a tax-free option component for income tax purposes, provided that the issuer makes the Product transparent for Swiss tax purposes upon issuance. A Product is considered transparent for Swiss tax purposes if the bond and option components are determined and disclosed in accordance with the regulations of the Swiss Federal Tax Administration. Under the condition that a Product is considered to be transparent, profits/revenues from the option component are not subject to income tax as they are considered tax-free capital gains. On the other hand, income from the bond component is subject to income tax. The taxable income from the bond component of a Product is determined on the basis of a comparison with a comparable straight bond of the same issuer with the same maturity and in the same issue currency at market conditions. For issuers with at least a long-term single-A rating, the calculation of the taxable interest component is based on the swap rate or LIBOR for the relevant maturity and currency of the Product at the time of issue. If the interest part of a Product, which is linked to stocks, stock indices, commodities, commodity indices, precious metals or FX, is paid as a one-time compensation, the so-called "modifizierte Differenzbesteuerung" generally may apply in each case of pre-maturity sale or redemption of the Product. If a Product is not made transparent for Swiss tax purposes (only if a Product needs to be transparent for tax purposes) the total payment to the investor (except the repayment of the invested capital) would be considered as taxable income.

In the case of products issued in a currency other than Swiss francs, conversion into Swiss francs has an impact on the amount of taxable income.

6.3.2. Income Taxation of Products held by Companies domiciled in Switzerland or by Individuals resident in Switzerland as part of Business Property

Income of any kind realised from Products as part of business property of individuals (including deemed securities dealers for Swiss tax purposes (gewerbsmässige Wertpapierhändler)) or entities resident in Switzerland are subject to personal income tax or corporate profit tax respectively. In general, losses are deductible regarding personal or corporate income tax.

6.4. Swiss Property Tax (Vermögenssteuer)

The market value of Products may be subject to property tax levied on overall net wealth of individuals with tax residence in Switzerland, regardless of whether the Products are held as part of their private or business assets.

6.5. Automatic Exchange of Information in Tax Matters

Switzerland has implemented the Automatic Exchange of Information in Tax Matters ("AEOI") as of 1st January 2017 with the EU and various other countries and is negotiating the introduction of the AEOI with further countries. The website "www.sif.admin.ch" provides an overview of all partner states Switzerland has signed an agreement for the introduction of the AEOI. In this context the EU

Savings Tax for Swiss paying agents and the Final Withholding Tax with UK and Austria have been repealed as from 1st January 2017.

7. Responsibility

The Issuer accepts responsibility for the information contained in this Programme. The Issuer states that the information contained in this Programme is, to the best of its knowledge, in accordance with facts, correct and does not omit material information.

Lucerne, April 4th 2018

Signed on behalf of the Issuer:

Luzerner Kantonalbank AG

Marcel Hurschler
Head Department Finance & IT / CFO

Claudio Topatigh
Head Competence Center Structured Products