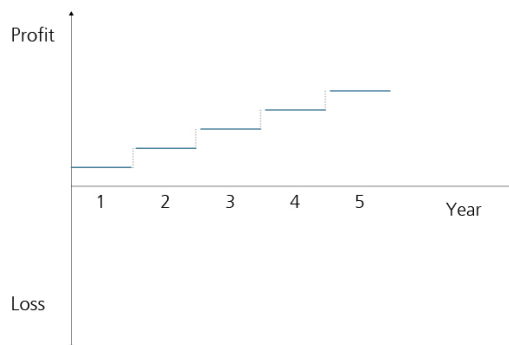


Callable Step-Up Note

In general, Callable Step-Up Notes (CSUNs) offer you fixed, predetermined coupon payments and a redemption at 100% of the nominal value on the redemption date (subject to the credit risk of the issuer). The embedded issuer's call right on predefined dates is compensated by increased coupon payments providing you a potential above market return.

■ Callable Step up Note Payoff



The payout profile is for illustrative purposes only and is based on the assumption that no exceptional cancellation will occur, in accordance with the issuer's product documentation.

Main features of a sample product



Currency
USD



Term
Up to 5 years



Return
Year 1: 2.45% p.a., Year 2: 2.65% p.a., Year 3: 2.85% p.a., Year 4: 3.05% p.a., Year 5: 3.25% p.a.



Participation
no additional participation



Capital
Floor at 100% (subject to issuer risk)

You may consider an investment in this product, if

- You look for a way to enhance yield on your cash positions
- You are familiar with both structured products and fixed income markets
- You are looking for fixed, predefined coupon payments which step up over the lifetime of the product
- You are comfortable that the issuer has an early redemption option (call option)
- You intend to be invested in this product until its redemption date
- You wish to be invested in the investment currency of the product. If your reference currency is not equal to the investment currency of the product, the return may increase or decrease in reference currency terms as a result of exchange rate fluctuations

Summary of main product-specific benefits

- Increasing coupon payments as the term progresses
- Enhanced return potential over comparable non-callable straight bonds of same tenor
- Full capital protection on the redemption date

Summary of main product-specific risks

- Capital protection applies only on the redemption date or in the case of an early redemption
- Reinvestment risk in case of an early redemption (Call Option)
- If the currency of the product is different from your reference currency, the return may increase or decrease as a result of currency fluctuations
- You are fully exposed to the default risk of the issuer. In the worst case a default of the issuer can lead to a loss of the entire invested capital

Scenario Analysis

Return on investment (ROI)

Assumptions: Coupon 2.45% - 3.25% p.a., issue price 100%

Year	Coupon p.a.	Issuer exercises Early Redemption Option (Call Option)	Average Yield p.a. if early redeemed
1	2.45%	Yes No	2.45% -
2	2.65%	Yes No	2.55% -
3	2.85%	Yes No	2.65% -
4	3.05%	Yes No	2.75% -
5	3.25%	Maturity	2.85%

For illustrative purposes only. Source: UBS

Scenario 1: Early redemption

At launch the pricing of the product was based on the forward rates implied at the time. As time passes if the realised rates are below those implied by the forwards then the price may appreciate and the probability of the issuer exercising the early redemption option (Call Option) before the redemption date will be increased. You will receive the full coupon payments until the note is redeemed early at 100% of the nominal value and achieve an attractive average yield from issuance to the early redemption date.

Scenario 2: No early redemption

If realised rates are in line with the rates implied by the forwards at the time of pricing, the price of the product should not be impacted as much and the issuer will be less likely to exercise the early redemption option (Call Option). However if realised rates are far above those implied by the forwards the price of the product will be impacted by this development. In this scenario it becomes highly unlikely that the early redemption option will be exercised by the issuer. Still, you will receive the full coupon payments and 100% of the nominal value on the redemption date (subject to the credit risk of the issuer).

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