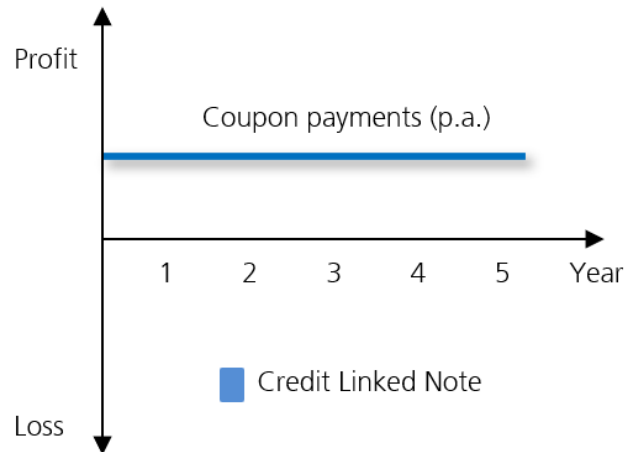







Credit Linked Note

In general, Credit-Linked Notes (CLN) allow you to obtain credit exposure to a wide variety of reference entities in order to enhance the return on the fixed income allocation of your investment portfolio. The enhanced coupon of a Credit-Linked Note may compensate for the additional credit risk. Additionally, this product offers a variable coupon based on an underlying rate plus a spread.



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

		
<p>Currency USD, cash settled</p>	<p>Term 2 years and 10 months</p>	<p>Return 4.75% p.a.</p>
		
<p>Participation no additional participation</p>	<p>Capital 100% at maturity if no credit event occurs</p>	

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 do not expect a credit event of the reference entity to occur during the life of the product
- 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

- Quarterly adjustment of the underlying rate and coupon payments unless a credit event occurs
- Optimised solution where reference entity, tenor and currency can be tailored independently

Summary of main product-specific risks

- Decreasing underlying rate resulting in lower coupon payments and the coupon would be low as zero in a worst case scenario
- In case of a credit event of the reference entity, the coupon payments will be stopped immediately and the redemption amount will potentially be lower than the invested notional. In a worst case you may lose all of the invested capital
- Liquidity in the secondary market might be negatively affected by the additional credit exposure of the reference entity
- The definition of a credit event of the reference entity is wider than that of a bond default
- 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 / guarantor and to the credit risk of the reference entity in case of a credit event
- The reference might be sub-investment grade and hence bear a higher risk of a credit event than investment grade entities
- Especially in a recessionary scenario sub-investment grade reference entities tend to exhibit a higher probability of suffering a credit event and therefore potential loss of capital
- In combination with longer tenors sub-investment grade reference entities may increase price volatility of the CLN in the secondary market

Scenario Analysis

Return Profile

Assumptions: Maturity 2 years and 10 months, coupon 4.75% p.a., redemption amount 100% at maturity (if no credit event occurs)

Credit Event occurs sometime during lifetime of the product	Coupon p.a.	Redemption	Early Termination of CLN
No	4.75% p.a.	100% on the redemption date	No
Yes	No accrued coupon for current coupon period, no further coupons	ISDA auction determines cash amount	Yes

For illustrative purposes only. Source: UBS

Scenario 1: No credit event

You will achieve the maximum return by receiving the fixed coupon and the redemption at the nominal amount (100%) in cash as long as the issuer does not default and no credit event occurs in respect to the reference entity.

Scenario 2: Credit event

Should a credit event occur, a CLN is terminated, no further coupon payments will be paid and you will receive a cash redemption which is based on the auction value of the reference entity. As with a regular bond default, the cash redemption amount of a Credit-Linked Note is likely to be less than the notional amount and can be zero in a worst case scenario. Please note that a change in rating (upgrades or downgrades) does not affect the coupon/redemption payments on the Notes but may affect the secondary market behavior of the CLN.

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