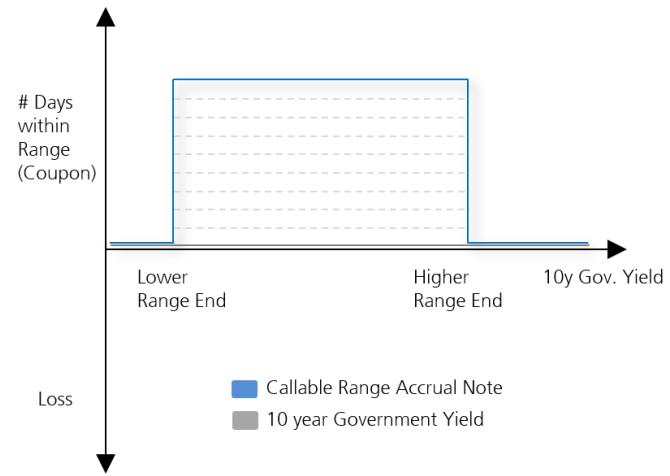


# Callable Range Accrual Note

Exemplary Underlying: **10 year Government Yield**

**In general, Callable Range Accrual Notes (CRAN) can potentially outperform regular bonds in stable interest rate markets. The potential above market return compensates for the risk of not receiving the coupon in full. The Coupon is accrued on a daily basis for each day the underlying rate is fixed within or including the predefined range.**



## Main features of a sample product

 <b>Currency</b> USD, cash settled	 <b>Term</b> 10 years	 <b>Return</b> [8.2 – 8.7]% p.a. (daily accrued)
 <b>Predefined Range</b> Upper Barrier: 5.00%   Lower Barrier: 0.00%	 <b>Capital</b> 100% protected (at maturity only)	

# You may consider an investment in this product, if

- You are familiar with both structured products and fixed income markets
- You intend to be invested in this product until its redemption date
- You are comfortable that the coupon will not be accrued if the underlying rate fixes outside the predefined range
- 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

- Enhanced return potential over regular bonds of same tenor
- Full capital protection on the redemption date

## Summary of main product-specific risks

- Coupon will not be accrued if the underlying rate fixes outside the predefined range
- 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)
- You are fully exposed to the default risk of the issuer (issuer risk)

# Scenario Analysis

## Examples of a Coupon Payment

Assumptions: Coupon 6.50% p.a. for a 90 days interest period.

Number of days the underlying rate fixes within the predefined range	Total number of calendar days	Coupon p.a.
90	90	$90 / 90 \times 6.50\% = 6.50\% \text{ p.a.}$
75	90	$75 / 90 \times 6.50\% = 5.42\% \text{ p.a.}$
60	90	$60 / 90 \times 6.50\% = 4.33\% \text{ p.a.}$
45	90	$45 / 90 \times 6.50\% = 3.25\% \text{ p.a.}$
30	90	$30 / 90 \times 6.50\% = 2.17\% \text{ p.a.}$
15	90	$15 / 90 \times 6.50\% = 1.08\% \text{ p.a.}$
0	90	$0 / 90 \times 6.50\% = 0.00\% \text{ p.a.}$

For illustrative purposes only. Source: UBS

## Scenario 1: Maximum Return

If the underlying rate fixes within or including the predefined range on every day of the interest period, you will receive the full coupon payments until the note is redeemed (early or at redemption date) and you will achieve the maximum return. The probability of the issuer exercising the early redemption option (call) before the redemption date increases with the number of days the underlying rate fixes within the predefined range, therefore resulting in a price appreciation of the product.

## Scenario 2: Market return

Each day the underlying rate fixes outside the predefined range, you will not accrue a coupon. However, if the underlying rate occasionally fixes inside or on the range during the life of the product, the investor will still capture some of the coupon payments and therefore achieve a positive return between zero and the maximum return. In this scenario, the issuer will be less likely to exercise the early redemption option.

## Scenario 3: Minimum return

The more days the underlying rate fixes outside the predefined range, the lower the coupon payments will be. In a worst case scenario, the accrued interest will be zero and you will not be offered any coupon. In any case, the capital protected amount will be paid by the issuer on the redemption date (subject to the credit risk of the issuer). In this scenario, it is unlikely that the early redemption option will be exercised by the issuer.

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