

USD Collateralised Floating Rate Notes

Linked to the 3 month USD LIBOR Rate

Linked to the credit risk of the VTB Bank (VTB Capital SA)

Issued by VIS Finance S.A. under the Limited Recourse Secured Securities Programme

4-Year 5-month Security

SVSP Product Type: Reference Entity Certificate with Conditional Capital Protection (1410)

Valor: 22386249 ISIN: XS0973554016

Final Termsheet

Notwithstanding the SVSP Product Type, investors should read and fully understand these Indicative Terms (including the Prospects of Profits and Losses and Significant Risks for the Investors) in order to understand the nature of the Notes and the manner in which their investment is at risk.

This Product does not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus does not require an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, investors in this Product are not eligible for the specific investor protection under the CISA (This paragraph is relevant to public offerings in Switzerland only).

The Notes are secured by the Charged Assets and the Swap Agreement (each as defined below), and the Noteholders are exposed to the credit risk of the Collateral Securities and any transferrable debt obligations issued by the issuer of the Collateral Securities (which are described below as "Eligible Securities").

If an Early Redemption Event occurs, the Notes will become due and payable prior to the Maturity Date and Noteholders will receive the Early Redemption Amount or, depending on the type of Early Redemption Event which has occurred, the Securities Early Redemption Amount which in either case may be less than the Principal Amount of the Notes, and may be zero.

1. Description of the Product

Information on Underlyings

Underlying Reference Rate

3 month USD LIBOR (see Rate of Interest below)

Collateral Securities

Issuer	Coupon	Maturity	ISIN	Rating	Principal Held
VTB S.A.	Capital 6.315%	22 February 2018	XS0592794597	Baa2/BBB/BBB*	USD 18,250,000

As of the Issue Date, the Issuer shall hold an amount of the Collateral Securities, (as specified above, such amount being the Principal Held), in the Custodian Account and, for the avoidance of doubt, such securities in such amount shall (for as long as they are outstanding) be Collateral Securities whether held in the Custodian Account and therefore comprising Charged Assets or whether comprised in the Issuer's Credit Support Balance under the Credit Support Annex.

*As of 04/10/2013. For the avoidance of doubt, this is the long term credit rating of the Issuer of the Collateral Securities and it does not represent ratings of the Notes.

Product Details

Form of Securities

Notes

Security Numbers

ISIN: XS0973554016

WKN: A1HR1U

Valor: 22386249

Common Code: 097355401

Contact: UBS AG, P.O. Box, 8098 Zurich

Private Investors: Please contact your client advisor or send an email to derivatives@ubs.com

Internet: www.ubs.com/keyinvest

Bank and Intermediaries: +41-44-239 77 66*

Please note that calls made to the numbers marked with an asterisk (*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

Series: 2013-31

Principal Amount USD 20,120,000

The Principal Amount in respect of the Notes is subject to increase / decrease following an issuance / buyback of Notes as applicable. In the event of a buyback, the Calculation Agent reserves the right to liquidate a relevant pro rata share of the Collateral Securities.

Specified Denominations USD 10,000

Issue Price 100.00 per cent of the Specified Denomination (percentage quotation).

Quotation The Products are trading CLEAN. Accrued Interest is NOT included in the secondary market price.

Settlement Currency USD

Interest Amount per Specified Denomination (the "Interest")

Rate of Interest x Specified Denomination x Day Count Fraction

Rate of Interest

Interest Period	Rate of Interest*	Day Count Fraction
Year 1 – Year 5	3 month USD LIBOR + 2.30% p.a.	Act/360 Adjusted

* To be set initially on the Trade Date

The Rate of Interest is subject to a **Minimum Rate of Interest of 0.00% p.a. (Floor)**

The Underlying Reference Rate is fixed at 11.00am London time prior to the start of each Interest Period by reference to Reuters Page 'LIBOR01' or any successor page as determined by the Calculation Agent. There will be no interpolation in respect of the first long Interest Period.

Interest payments shall be made on each Interest Payment Date and shall accrue on a daily basis at the Rate of Interest from, and including, each Interest Payment Date (or, in respect of the initial Interest Period, the Issue Date) to, but excluding, the following Interest Payment Date (or, in respect of the initial Interest Period, the first Interest Payment Date) in each Interest Period (together, the "**Interest Periods**"), subject to adjustment in accordance with the Business Day Convention.

Following an Early Redemption Event, no further interest payments, and no accrued but unpaid interest shall be due from the Interest Payment Date immediately preceding the date of such Early Redemption Event.

Summary of Swap Terms

Swap Agreement

A swap transaction under the Swap Schedule Terms Module made between the Counterparty and the Issuer, pursuant to which the Issuer pays to the Counterparty the cash flows due under the terms of the Collateral Securities and receives the cash flows due under the terms of the Notes (the "**Swap Transaction**") together with the related Credit Support Annex.

Credit Support Annex

A credit support annex (in the form of the ISDA Credit Support Annex Bilateral Form – Transfer, subject to English law) in relation to the Swap Transaction. Pursuant to the Credit Support Annex, the Valuation Agent will determine the market value of the Swap Transaction on a weekly basis and:

- (i) where the market value of the Swap Transaction is positive to the Counterparty, upon a demand made by the Counterparty, the Issuer shall be obligated to deliver, to the Counterparty an amount of Eligible Credit Support (subject to the applicable Minimum Transfer Amount) such that the value of the Eligible Credit Support multiplied by the applicable Valuation Percentage comprised in the transferor's Credit Support Balance immediately following such delivery is equal to the market value of the Swap Transaction, subject to a maximum of all of Charged Assets; and
- (ii) where the market value of the Swap Transaction is negative to the Counterparty the Issuer is entitled to receive from the Counterparty an amount of Eligible Credit Support (subject to the applicable Minimum Transfer Amount) such that the value of the Eligible Credit Support multiplied by the applicable Valuation Percentage comprised in the transferor's Credit Support Balance immediately following such delivery is equal to the market value of the Swap Transaction.

Pursuant to the Credit Support Annex, each party is required to pay to the other party any cashflows received by it or any Eligible Credit Support which may have been transferred to it.

For the purposes of the Credit Support Annex:

“Eligible Credit Support” means:

- (a) in respect of the Issuer: Collateral Securities, for which the applicable Valuation Percentage shall be 95%; and
- (b) in respect of the Counterparty: Eligible Securities, for which the applicable Valuation Percentage shall be 100% for sovereign issued debt obligations or 95% for all other debt obligations, and cash in an Eligible Currency, for which the applicable Valuation Percentage shall be 100%.

“Minimum Transfer Amount” means with respect to both the Issuer and the Counterparty, USD 500,000.

The balance of Eligible Credit Support so transferred shall constitute the “Credit Support Balance” of the transferor. The purpose of the Credit Support Balance is to collateralise the exposure of the transferee to the transferor under the Swap Transaction. The Credit Support Balance will be taken into account when determining the Swap Termination Amount due between the parties upon the occurrence of a General Early Redemption Event.

Eligible Securities:

Any transferrable debt obligation denominated in an Eligible Currency and meeting any one of the following criteria:

- 1. issued by the issuer of the Collateral Securities, or any successor thereto, and not subordinated in priority of payment to the Collateral Securities
- 2. issued by or any one of the following issuers:
 - United States of America
 - United Kingdom of Great Britain and Northern Ireland
 - Republic of France
 - Federal Republic of Germany
 - Republic of Italy
 - Canada
 - Japan
- 3. any senior unsecured debt obligation issued by any Investment Grade Issuer domiciled within Europe or North America (for the avoidance of doubt excluding UBS AG, or any affiliated entity)

Investment Grade Issuer

Any Issuer with a long term credit rating of BBB- or above if granted by S&P or Fitch; or Baa- or above if granted by Moody's, as determined by the Calculation Agent.

Eligible Currency:

All of the following currencies: CAD, JPY, CHF, GBP, USD or EUR.

Security

Charged Assets and Swap Agreement

The Notes are secured over (i) the Collateral Securities held in the Custodian Account at any time (the **“Charged Assets”**) (ii) any Eligible Credit Support transferred to the Issuer pursuant to the Credit Support Annex and (iii) the Issuer's rights under the Swap Agreement, subject to the Order of Priorities on Enforcement of Security.

If an Event of Default occurs in respect of the Issuer (as set out in the Limited Recourse Secured Securities Programme), the Trustee will have the right to enforce the security in respect of the Securities. The proceeds of such enforcement are required to be applied in accordance with the Counterparty Priority Basis (as described below).

Custodian Account

A segregated securities account held in the name of the Issuer with the Custodian.

Order of Priorities on Enforcement of Security

On enforcement of the security for the Notes, the Trustee will arrange for proceeds of enforcement to be applied in the following order of priority (as fully described in the terms and conditions of the Notes and the Trust Instrument):

- 1. payment of the fees, costs, charges, expenses, liabilities and legal fees of the Trustee or other transaction parties;

2. payment of the amounts due to the Counterparty (if any) under the Swap Agreement;
3. payment of the amounts due to the Noteholders *pari passu* and rateably; and
4. payment of the balance (if any) to the Issuer.

Dates

Subscription Period	17 September 2013 until 04 October 2013, 12:00 CET (Please note that the Subscription Period can be extended or can close earlier.)
Trade Date	04 October 2013
Issue Date	18 October 2013
Maturity Date	01 March 2018, subject to adjustment in accordance with the Business Day Convention.
Interest Payment Dates	01 March, 01 June, 01 September and 01 December in each year commencing on, and including, 01 March 2014 to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention, (long first coupon).
Early Redemption Date	Following the occurrence of an Early Redemption Event, the Issuer shall give notice as soon as reasonably practicable to the Noteholders of the date (such date, the " Early Redemption Date ") on which the Notes will be redeemed at the General Early Redemption Amount or, depending on the type of Early Redemption Event which has occurred, the Securities Early Redemption Amount.

Redemption

Redemption Amount at Maturity per Specified Denomination	Unless redeemed early following the occurrence of an Early Redemption Event, each Note shall be redeemed on the Maturity Date by payment to the Noteholder of 100% of the Specified Denomination.
Early Redemption Event	The occurrence of either (i) a General Early Redemption Event or (ii) a Securities Early Redemption Event.
General Early Redemption Event	If any of the following events occur, the Notes shall be redeemed by payment of the General Early Redemption Amount on the Early Redemption Date: <ol style="list-style-type: none"> 1. The termination of the Swap Agreement in whole pursuant to its terms; 2. The occurrence of a tax event (as set out in the Limited Recourse Secured Securities Programme) in respect of the Notes or the Collateral Securities (where for the avoidance of doubt the Issuer shall be deemed to suffer tax if the issuer of the Collateral Securities suffers a tax loss in respect of payments it receives in connection with the issuance of such Collateral Securities); 3. The occurrence of an Event of Default in respect of the Issuer (as set out in the Limited Recourse Secured Securities Programme).
General Early Redemption Amount	In respect of each Note, an amount equal its <i>pro rata</i> share of: (i) the proceeds from the liquidation of the Charged Assets, converted into the Settlement Currency at the then prevailing exchange rate (ii) less an amount in the Settlement Currency equal to the Unwind Amount and (iii) less an amount in the Settlement Currency equal to the Swap Termination Amount if such amount is a positive number (or plus an amount equal to the absolute value of the Swap Transaction Amount if such amount is a negative number).
Securities Early Redemption Event	If any of the following events occur, the Calculation Agent may elect to instruct the Issuer to redeem the Notes by payment of the Securities Early Redemption Amount on the Early Redemption Date: <ol style="list-style-type: none"> 1. Failure by the issuer of the Relevant Securities to pay any amount of interest, principal or other amount in respect of such Relevant Securities strictly in accordance with the Terms and Conditions of such Relevant Securities; 2. Any Relevant Securities being declared or becoming capable of being declared due and payable prior to the original maturity date scheduled in their Terms and Conditions for any reason whatsoever not allowed or not contemplated in their

Terms and Conditions;

3. The Terms and Conditions of any Relevant Securities are revised or supplemented or amended so that payments of principal, interest or any other amounts due will be reduced or not be paid on or prior to the dates or in the amounts or in the currency or in the order of priority or composition set out in the relevant terms and conditions in force as at the later of (i) 60 days prior to the Trade Date and (ii) in respect of any Relevant Securities issued after 60 days prior to the Trade Date, the issue date of such Relevant Securities;
4. An event of default (howsoever described) in respect of any Relevant Securities occurs pursuant to their Terms and Conditions or a change in the ranking in priority of payment in respect of any Relevant Securities, causing the subordination of such Relevant Securities to any other Relevant Securities.

For the purposes of this provision, “**Terms and Conditions**” means, in respect of the Relevant Securities, the terms and conditions thereof as at the time of the relevant occurrence or event with respect to such Relevant Securities.

“**Relevant Securities**” means any debt obligation which is issued by the issuer of the Collateral Securities or VTB Bank OJSC or any other affiliated entity or any successor of the aforementioned thereto.

Securities Early Redemption Amount: In respect of each Note, its *pro rata* share of (i) an amount in the Settlement Currency equal to the product of the Outstanding Principal Amount of the Notes and the liquidation price of the Collateral Securities expressed as a percentage of the Principal Held, (ii) less an amount in the Settlement Currency equal to the Unwind Amount.

With respect to the amount referred to in (i) above, no currency exchange rate shall apply if the currency of the Collateral Securities is different from the Settlement Currency. The Unwind Amount will, however, be subject to the then prevailing currency exchange rates.

For the purposes of both the General Early Redemption Amount and the Securities Early Redemption Amount, all amounts shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and the following terms shall have the following meanings:

“**Unwind Amount**” means the aggregate of:

1. Any costs incurred in relation to the liquidation of the Charged Assets and any Eligible Securities comprised in the Security as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner; and
2. Any costs incurred by the Trustee or the Issuer in relation to the early redemption of the Notes.

“**Swap Termination Amount**” means an amount (if any) payable by the Issuer to the Counterparty (as a positive number) or an amount (if any) payable by the Counterparty to the Issuer (as a negative number) in relation to the termination of the Swap Transaction, including, but not limited to, the costs in relation to hedging transactions that the Counterparty (or Issuer) has entered into in relation to the Swap Agreement.

If the Counterparty is in default, the Issuer will apply any Eligible Credit Support previously received from the Counterparty towards any Swap Termination Amount payable by the Counterparty to the Issuer.

General Information

Issuer	VIS Finance S.A., a special purpose vehicle incorporated in the Grand Duchy of Luxembourg. The Issuer is not a regulated entity pursuant to article 5 of the CISA (for further information on prudential supervision of the Issuer see “Prudential Supervision” below).
Issuer’s Rating	The Issuer is not rated. It is not intended for the Notes to be rated.
Calculation Agent	UBS AG, London Branch
Principal Paying Agent	Deutsche Bank AG, London Branch
Arranger	UBS Limited
Valuation Agent	UBS AG, London Branch
Custodian	Deutsche Bank Luxembourg S.A.
Counterparty	UBS AG, London Branch
Trustee	Deutsche Trustee Company Limited.

Business Days	London, Zurich and New York
Business Day Convention	Modified Following Business Day
Redemption following Breach of Selling Restrictions:	Applicable. In such event, the Notes shall be redeemed at the Early Redemption Amount.
Listing	It is not intended for the Notes to be listed, however the Counterparty reserves the right to apply to list the Notes at any time in the future.
Secondary Market	Daily price indications will be available on www.ubs.com/keyinvest (Please note that the KeyInvest Website is not available to UK residents).
Minimum Trading Lot/Minimum Investment Amount	USD 10,000
Status	Secured, unsubordinated
Clearing System	Euroclear and Clearstream Banking
Form of Notes	Unrestricted Registered Global Security
Net Settlement	Applicable
Governing Law/Jurisdiction	English law/The courts of England and Wales.
Public Offer	Switzerland

Tax Treatment

Swiss Federal Stamp Duty	The product qualifies as a taxable security (bond). In principle secondary market transactions are subject to Swiss Stamp Duty (TK22).
Swiss Federal Income Tax	For private investors resident in Switzerland, the coupon payment (if any) as well as a discount on the issue price and a premium on the repayment (if any) amount are taxable. The issue discount and the repayment premium are taxable at redemption.
Swiss Withholding Tax	This product is not subject to the Swiss Issuer Withholding Tax. It depends on the jurisdiction of the issuer whether a foreign issuer withholding tax applies.
EU Savings Tax	For paying agents in Switzerland, the product is subject to the EU Savings Tax (TK1).
Bilateral Agreements Switzerland – UK and Austria	For paying agents in Switzerland, the Product is subject to the bilateral agreement on cooperation in the area of taxation of Switzerland with the United Kingdom or with Austria if it is held directly or indirectly by a relevant person resident in the United Kingdom or in Austria.
The tax information provides only a general overview of the potential tax consequences linked to this Product at the time of issue. Tax laws and tax doctrine may change, possible with retroactive effect.	

Product Documentation

VIS Finance S.A. Limited Recourse Secured Securities Programme (Registered with CSSF, listed on the Irish Stock Exchange and EUPD compliant)

Series Prospectus

This document fulfils the requirements of a 'Simplified Prospectus' in accordance with Art. 5 of the Swiss Federal Act on Collective Investment Schemes (CISA). This document together with the VIS Finance S.A. Base Prospectus dated 22 July 2013 (the "**Base Prospectus**"), the respective Series Prospectus and the confirmation relating to the Swap Transaction shall form the documentation for these Notes (the "**Product Documentation**") and accordingly this document should always be read in conjunction with the aforementioned documents. If there is any inconsistency set out between the terms set out in the Series Prospectus and the Base Prospectus, the Series Prospectus shall prevail.

During the whole term of these Notes, the Product Documentation can be ordered free of charge from UBS AG at P.O. Box, CH-8098 Zurich (Switzerland), via telephone (+41-(0)44-239 47 03), fax (+41-(0)44-239 69 14) or via e-mail (keyinvest@ubs.com). In addition, the respective documents are available on the internet at <http://www.ubs.com/keyinvest>. Any changes with regards to the terms of these Notes shall be published on the internet at <http://www.ubs.com/keyinvest>

Notices in connection with these Notes shall be validly given in accordance with the provisions set out in the Series Prospectus.

Prudential Supervision

The Issuer has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the "CSSF") as a regulated securitisation undertaking within the meaning of articles 19 et seq. of the Securitisation Act 2004 and is supervised by the CSSF.

2. Prospects of Profits and Losses

Market Expectation	Investors in these Notes expect that the Underlying Reference Rate is stable or that it increases. Should the Underlying Reference Rate fix at or below a minimum level, the Rate of Interest will amount to the Minimum Rate of Interest. Investors in these Notes expect that no Securities Early Redemption Event shall occur in respect of the Collateral Securities or any Eligible Securities during the term of the Notes.
Risk Tolerance	Investors in these Notes should be familiar with interest rate markets. Although Investors benefit from regular coupon payments, they must be aware that the Rate of Interest is

exposed to the performance of the Underlying Reference Rate which could be worse than the performance expected at the time of the purchase of these Notes and may be less than the amount of interest they would have received had they made a direct investment in the Collateral Securities.

Investors in these Notes should be familiar with the creditworthiness of the Counterparty and the issuer of the Collateral Securities and the Eligible Securities. Investors may expect that the creditworthiness of the Collateral Securities and the Eligible Securities and the Notes will stay stable and that Early Redemption Events will not occur over the life of the Notes but Investors must be aware that an Early Redemption Event can occur at any time over the life of the Notes, and that upon the occurrence of such an event, the redemption amount of the Notes may be significantly less than the original Principal Amount invested.

Profit Potential	The prospective gain is linked to the performance of the Underlying Reference Rate.
Loss Potential	Investors are primarily exposed to the credit risk of the Collateral Securities and the Eligible Securities and the Counterparty. In the case of a Securities Early Redemption Event, including a default by the issuer of the Collateral Securities, or in the case of a General Early Redemption Event, including a default by the Counterparty, an Early Redemption Event will occur, which may result in the Investors losing a significant part (if not all) of the invested capital.

3. Significant Risks for Investors

For product specific risk please see above (2. Prospects of Profits and Losses)

Credit Risk of the Collateral Securities and any Eligible Securities

The payments of interest and principal under the Notes are subject to the credit risk of both the Collateral Securities (whether held in the Custodian Account or transferred to the Counterparty pursuant to the Credit Support Annex) and any Eligible Securities. This credit risk arises due to the fact that a Securities Early Redemption Event will be triggered if certain events occur in relation to the Collateral Securities or the Eligible Securities and, if any such event occurs, no further interest shall be payable from the Interest Payment Date immediately preceding the relevant Early Redemption Date and each Note will be redeemed early by payment of the liquidation proceeds of the Collateral Securities less the Unwind Amount, which may amount to less than the Redemption Amount on the Maturity Date (100% of the Specified Denomination). For the avoidance of doubt, the amount payable to Noteholders in these circumstances will not be adjusted by any Swap Termination Amount (and any Eligible Credit Support previously posted will be returned to the transferor)

Investors should note that, as they are taking full exposure to any Eligible Securities as well as the Collateral Securities, the Notes will be redeemed by if a Securities Early Redemption Event occurs in respect of any Eligible Securities during the term of the Notes, even if no such event has occurred in respect of the Collateral Securities. Accordingly the occurrence of a Securities Early Redemption Event in respect of the Notes is more likely than if the Notes were linked solely to the credit risk of the Collateral Securities or if the investor had made a direct investment in the Collateral Securities.

Credit Risk of the Counterparty

The Issuer will enter into the Swap Agreement with UBS AG, London Branch as Counterparty. To the extent that the Counterparty fails to make due and timely payment or delivery under the Swap Agreement, the Charged Assets and any Eligible Credit Support held by the Issuer will be realised and the Notes will be redeemed early by payment of the General Early Redemption Amount to the Noteholders which may amount to less than the Redemption Amount on the Maturity Date (100% of the Specified Denomination). Accordingly, the Noteholders are exposed to the credit risk of the Counterparty.

Pursuant to the Credit Support Annex, if the market value of the Swap Transaction is in favour of the Issuer then the Issuer's exposure to the Counterparty in respect of this amount is required to be collateralised by the Counterparty transferring Eligible Credit Support (which will be selected by the Counterparty acting in its own interests and valued on a weekly basis). However, if a General Early Redemption Event were to occur as a result of a Counterparty default, due to the potential volatility of the securities which may be selected and the relative infrequency of valuations, the Issuer's exposure to the Counterparty may not be fully collateralised.

In addition, Eligible Credit Support will also be required to be transferred to the Counterparty where the market value of the Swap Transaction is in the Counterparty's favour. Accordingly, if a General Early Redemption Event were to occur as a result of a Counterparty default, due to the application of the Valuation Percentages and the abovementioned potential volatility of the securities and relative infrequency of valuations, the Eligible Credit Support held by the Counterparty may have a market value as of the Early Redemption Date greater than the market value of the Swap Transaction as of such date and, accordingly, the Issuer in these circumstances and, by extension, the Noteholders, may be exposed to the Counterparty with respect to any such excess Eligible Credit Support.

Early Redemption

If the Notes redeem early as a result of an Early Redemption Event, investors will be entitled to payment of the General Early

Redemption Amount or depending on the type of Early Redemption Event which has occurred, the Securities Early Redemption Event, which may be substantially less than the original investment in the Notes and may be zero.

Accordingly, the ability of Noteholders to recover an amount equal to the Principal Amount of the Notes is therefore dependent on a number of factors including the extent of prior ranking claims (including in the case of a General Early Redemption Event, the Swap Termination Payment if due to the Counterparty) and the value of the Collateral Securities and any cash in an Eligible Currency or Eligible Securities transferred to the Issuer pursuant to the Credit Support Annex when they are liquidated, or as the case may be, when their liquidation price is determined, which may if the Early Redemption arises as a result of a Securities Early Redemption Event, be effected at a time when there are volatile market conditions.

The Unwind Amount to be determined as part of the calculation of the amount payable to the Noteholders includes costs incurred by the Trustee and the Issuer in relation to the early redemption of the Notes. If an Early Redemption Event has occurred other than as a result of a Counterparty or Issuer default these costs are likely to be minimal. If an Early Redemption Event has occurred and the Issuer is in default (including where the Issuer has insufficient funds as a consequence of any Swap Termination Amount due from the Counterparty not having been received in full), the security for the Notes will become enforceable and the Trustee will be entitled to all of the usual costs and expenses which may be reasonably incurred by a security trustee in relation to the enforcement of the security such as (i) any additional remuneration for taking on any additional duties and (ii) any costs, charges, liabilities and expenses properly incurred by the Trustee in the exercise of its powers and performance of its duties under the Trust Instrument or incurred in connection with any legal proceedings.

Foreign Exchange Risk

Eligible Securities or cash posted to the Issuer as Eligible Credit Support may be denominated in a different currency from the Notes. If a General Early Redemption Event occurs (including as the result of a Counterparty default), the Noteholders may be exposed to foreign exchange risk of the currency of the Eligible Securities or such cash as against the Settlement Currency

Eligible Credit Support comprised of cash

Investors should note that any money held for the Issuer as part of the Charged Assets or Eligible Credit Support in an account with the Custodian is held by the Custodian as banker and not as trustee and as a result such money will not be held in accordance with the Financial Services Authority's client money rules.

Limited Recourse

The Notes constitute limited recourse obligations of the Issuer. If the security for the Notes becomes enforceable and the net proceeds of the enforcement of the security are insufficient to meet all payments due by the Issuer in respect of the Notes, no other assets of the Issuer shall be available to meet such payment shortfall, and the claims of Noteholders in respect of any such payment shortfall shall be extinguished.

Secondary Market

The Issuer or the Lead Manager, as applicable, intends, under normal market conditions, to provide bid and offer prices for this Product on a regular basis. However, the Issuer or the Lead Manager, as applicable, makes no firm commitment to provide liquidity by means of bid and offer prices for this Product, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. Potential Investors therefore should not rely on the ability to sell this Product at a specific time or at a specific price. In special market situations, where the Issuer is completely unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made on or after 1 January 2017 in respect of (i) Notes issued on or after 1 January 2013 and (ii) any Notes which are treated as equity for U.S. federal tax purposes (whenever issued) pursuant to the U.S. Foreign Account Tax Compliance Act ("FATCA"). For further disclosure on the potential application of FATCA, investors should read and fully understand the risk factors set out in the Base Prospectus.

Impact on payments on Charged Assets, Eligible Securities and Swap Agreement

If the Issuer is required to enter into an agreement (an "**FFI Agreement**") with the U.S. Internal Revenue Service (the "IRS") to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime to receive payments free of FATCA withholding and fails (including by virtue of it being unable) to do so, or enters into but fails to comply with its obligations under any such agreement, the Issuer would from certain dates starting from 1 January 2014 be subject to 30 per cent. withholding tax on all, or a portion of, payments received from U.S. sources and from participating FFIs. This might result in payments to the Issuer in respect of the assets of the Issuer, which includes the Charged Assets, any Eligible Securities posted by the Counterparty to the Issuer under the Credit Support Annex and the Swap Agreement, being subject to U.S. withholding tax. Any such withholding would, in turn, result in the Issuer having insufficient funds from which to make payments that would otherwise have become due in respect of the Notes and/or the Swap Agreement. No other funds will be available to the Issuer to make up any such shortfall. If the Issuer suffers or may suffer such withholding or deduction the Securities will be redeemed early.

Impact on payments on the Notes

Certain payments on the Securities may be subject to withholding imposed pursuant to FATCA if the Issuer enters into an FFI Agreement. If the Issuer does enter into an FFI Agreement and Noteholders or beneficial holders fail to provide certain information to the Issuer or, in the case of a Noteholder or a beneficial holder which is an FFI, fail to enter into an FFI Agreement, such payments will become subject to withholding tax beginning on 1 January 2017 (at the earliest). The withholding obligation in respect of a non-participating FFI may apply whether the FFI is receiving payments for its own account or on behalf of another person. If such withholding on account of FATCA applies, there will be no additional amount payable by way of compensation to the holder for the deducted amount.

Changes in Tax Law

There can be no assurance that, as a result of any change in any applicable law, rule or regulation or interpretation thereof, the payments on the Notes might not in the future become subject to withholding tax, or in respect of Notes being subject to withholding tax, being subject to withholding tax at an increased rate. In the event that the Issuer is, or reasonably expects to be required to pay additional amounts in respect of Taxes, and is unable, after using reasonable endeavours, to arrange the substitution of another company (approved by the Trustee and consented to by the Counterparty) as the principal obligor under the Notes the Issuer shall redeem the Notes by paying the Noteholders the Early Redemption Amount, which may be substantially less than the original investment in the Notes and may be zero.

United States Securities Act

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the Notes are being offered and sold only outside the United States (as such term is defined in Regulation S under the Securities Act ("**Regulation S**")) to non-US persons in reliance on Regulation S. The Notes (a) may not be offered, sold or otherwise transferred within the United States or to the account of any US Person (as defined in Regulation S under the Securities Act), and (b) may be offered, sold or otherwise transferred only to transferees that are Non-United States Persons (as defined by the Commodity Futures Trading Commission).. The Issuer may, in its sole and absolute discretion, elect to redeem the Notes if they are sold to any person in breach of any applicable restrictions on sale of Notes.

Legality of Purchase

UBS has no and assumes no responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

Additional Disclosure

This information is communicated by UBS AG and/or its affiliates ("UBS"). UBS 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 the transaction to which the termsheet relates. UBS may provide investment banking and other services to and/or have officers who serve as directors of the companies referred to in this termsheet. UBS's trading and/or hedging activities related to this transaction may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has 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.

UBS may have paid a fee to a third party introducer or broker in relation to this transaction. In certain circumstances UBS may sell Notes to dealers and other financial institutions at a discount to the issue price or rebates to them for their own account some proportion of the issue price. Further information is available on request.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in any transaction.

This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the Programme Memorandum and Final Terms/Series Prospectus or other issuance documentation for the issue of the Notes.

UBS makes no representation or warranty relating to any information herein which is derived from independent sources. This termsheet shall not be copied or reproduced without UBS's prior written permission.

No action has been or will be taken in any jurisdiction that would permit a public offering of the securities described herein, save where explicitly stated in the Programme Memorandum or other issuer documentation for the issue of the Notes. The Notes must be sold in accordance with all applicable selling restrictions in the

jurisdictions in which they are sold.

Selling Restrictions

Any Products purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further documentation relating to this Product in such jurisdiction.

The restrictions listed below must not be taken as definitive guidance as to whether this Product can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of this Product may apply in other jurisdictions. Investors in this Product should seek specific advice before on-selling this Product.

EEA (EU member states plus Norway, Iceland and Liechtenstein)

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus and the applicable Final terms to the public in that Relevant Member State other than:

- a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

The Grand Duchy of Luxembourg

An offer of Notes to the public in the Grand Duchy of Luxembourg can be made:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in Notes; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 relating to prospectus for securities) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF as competent authority in Luxembourg in accordance with the Prospectus Directive.

Hong Kong – The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to any offer. If an investor is in any doubt about any of the contents of this document, the investor should obtain independent professional advice.

This is a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it.

This Product has not been offered and sold, and each purchaser represents and agrees that it will not offer and sell the Product in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy and sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance. In relation to the issue of this Product, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Product, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Product which is or is intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Singapore - This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this Product may not be circulated or distributed, nor may this Product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Cap. 289) of Singapore (“SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where this Product is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
 - (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:
- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276 (4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law; or
 - (4) as specified in Section 276 (7) of the SFA.

United Kingdom

The Notes may only be sold to an investor or dealer if:

- (a) in relation to any Notes 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 Notes 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 Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and
- (c) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

USA - This Product may not be sold or offered within the United States or to U.S. persons.