

FINAL TERMS

The Final Terms dated 15 April 2014

UBS AG, acting through its London Branch

**Issue of EUR 1,000,000,000 1.375 per cent. Covered Bonds due 2021
irrevocably and unconditionally guaranteed as to payment of principal and interest by UBS
Hypotheke AG
under the Covered Bond Programme**

Any person making or intending to make an offer of the Covered Bonds may only do so :

- (i) in those Public Offer Jurisdictions mentioned in Paragraph 29 of Part A below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or
- (ii) otherwise in circumstances in which no obligation arises for the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer

Neither the Issuer, nor the Guarantor or any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the **Conditions**) set forth in the base prospectus dated 8 January 2014 and the supplemental prospectus dated 10 April 2014 which together constitute a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. A summary of the Covered Bonds (which comprises the summary in the Base Prospectus as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms.

Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus is available for viewing at www.centralbank.ie in accordance with Article 14 and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London branch, One Canada Square, London E14 5AL, United Kingdom, The Bank of New York Mellon SA/NV, Dublin Branch, Fourth Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland and The Bank of New York Mellon (Luxembourg) S.A., Aerogolf Center, 1A Hoehnhof, L-1736 Senningerberg, Luxembourg are available at UBS Investment Bank, a division of UBS AG, and can be ordered by telephone (+41 44 239 47 03), fax (+41 44 239 21 11) or by e-mail to swiss-prospectus@ubs.com.

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|----|-----|-------------|--|
| 1. | (a) | Issuer: | UBS AG, acting through its London Branch |
| | (b) | Guarantor: | UBS Hypotheken AG |
| 2. | | Issue Date: | 16 April 2014 |

3. (a) Series Number: 2014-1
- (b) Tranche Number: 1
- (c) Series which Covered Bonds will be consolidated and form a single Series with: Not Applicable
- (d) Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: Not Applicable
4. Specified Currency or Currencies: EUR
5. Aggregate Nominal Amount:
- (a) Series: EUR 1,000,000,000
- (b) Tranche: EUR 1,000,000,000
6. Issue Price: 99.379 per cent. of the Aggregate Nominal Amount
7. (a) Specified Denominations: EUR 1,000
- (b) Calculation Amount: EUR 1,000
- (c) Interest Commencement Date: Issue Date
8. (a) Final Maturity Date: 16 April 2021
- (b) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Guarantee: 16 April 2022
9. Interest Basis: 1.375 per cent. Fixed Rate from, and including, the Issue Date to, but excluding, the Final Maturity Date (further particulars specified below in paragraph 15 and, in relation to the period from, and including, the Final Maturity Date to, but excluding, the Extended Due for Payment Date, paragraph 16)
10. Redemption/Payment Basis: 100 per cent. of the nominal value
11. Change of Interest Basis or Redemption/Payment Basis: In accordance with paragraphs 9, 15 and 16
12. Put/Call Options: Not Applicable
13. Date approval for issuance of Covered 11 April 2014 and 14 April 2014, respectively

Bonds and the Guarantee obtained

14. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Covered Bond Provisions Applicable from, and including, the Issue Date to, but excluding, the Final Maturity Date

(a) Rate(s) of Interest: 1.375 per cent. per annum payable annually in arrear

(b) Interest Payment Date(s): 16 April in each year up to and including the Final Maturity Date

(c) Fixed Coupon Amount(s): EUR 13.75 per Calculation Amount

(d) Broken Amount(s): Not Applicable

(e) Day Count Fraction: Actual/Actual (ICMA)

(f) Determination Date(s): 16 April in each year

16. Floating Rate Covered Bond Provisions Applicable from, and including, the Final Maturity Date, to but excluding, the Extended Due for Payment Date

(a) Specified Period(s)/Specified Interest Payment Dates: Monthly on the 16th of each month from, but excluding, the Final Maturity Date and to the earlier of (i) the date on which the Covered Bonds are redeemed in full and (ii) and including, the Extended Due for Payment Date.

(b) Business Day Convention: Modified Following Business Day Convention

(c) Additional Business Centre(s): Not Applicable

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: Screen Rate Determination

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): Not Applicable

(f) Screen Rate Determination: Applicable

- Reference Rate and relevant financial centre: Reference Rate: 1 month EURIBOR
Relevant Financial Centre: Brussels

- Interest Determination Date(s): Second day on which the TARGET2 System is open prior to the start of each Interest Period

- Relevant Screen Page: EURIBOR01
- (g) ISDA Determination: Not Applicable
- (h) Margin(s): + 0.15 per cent. per annum
- (i) Minimum Rate of Interest: Not Applicable
- (j) Maximum Rate of Interest: Not Applicable
- (k) Day Count Fraction: Actual/360, adjusted

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: Not Applicable
18. Investor Put: Not Applicable
19. Final Redemption Amount: EUR 1,000 per Calculation Amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: EUR 1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21. Form of Covered Bonds:
- (a) Form: Registered Covered Bonds:
Regulation S Global Covered Bond registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Covered Bonds.
- (b) New Global Covered Bond: No
22. Additional Financial Centre(s) or other special provisions relating to Payment Days: Not Applicable
23. Talons for future Coupons to be attached to Definitive Bearer Covered Bonds (and dates on which such Talons mature): No

DISTRIBUTION

24. (a) If syndicated, names and addresses of Dealers and underwriting commitments: **ABN AMRO Bank NV**
Gustav Mahlerlaan 10
1000 EA Amsterdam
Netherlands
PO Box 283 (HQ0070)

Underwriting commitment: EUR 141,286,000

Banca IMI S.p.A.

Largo Mattioli 3

20121 Milan

Underwriting commitment: EUR 141,286,000

Deutsche Bank Aktiengesellschaft

Grosse Gallusstr. 10-14

60272 Frankfurt am Main

Germany

Underwriting commitment: EUR 141,286,000

Erste Group Bank AG

Graben 21

1010 Vienna

Austria

Underwriting commitment: EUR 141,286,000

Goldman Sachs International

Peterborough Court

133 Fleet Street

EC4A 2BB

London

Underwriting commitment: EUR 141,286,000

Natixis

30 avenue Pierre Mendès France

75013 Paris

France

Underwriting commitment: EUR 141,286,000

UBS Limited

1 Finsbury Avenue

London EC2M 2PP

United Kingdom

Underwriting commitment: EUR 141,286,000

**DZ BANK AG Deutsche Zentral-
Genossenschaftsbank, Frankfurt am Main**

Platz der Republik

60265 Frankfurt am Main

Germany

Underwriting commitment: EUR 5,500,000

Swedbank AB

SE-105 34 Stockholm

Underwriting commitment: EUR 5,500,000

(b) Date of Subscription Agreement: 14 April 2014

(c) Stabilising Manager(s) (if any): Not Applicable

25. If non-syndicated, name and address of Not Applicable

- relevant Dealer:
26. Total commission and concession: 0.275 per cent. of the Aggregate Nominal Amount
27. U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA not applicable
28. ERISA: Employee benefit plans and other entities subject to Title I of ERISA or section 4975 of the Code can buy: Yes subject to the considerations contained in "*Certain ERISA Considerations*" in the Base Prospectus
29. Public Offer: An offer of the Covered Bonds may be made by the Dealers and other parties authorised by the Dealers (together with the Dealers, the **Initial Authorised Offerors**) (together, being person to whom the Issuer has given consent, the **Authorised Offerors**) other than pursuant to Article 3(2) of the Prospectus Directive in Austria, Belgium, Germany, Spain, France, United Kingdom, Luxembourg and The Netherlands (**Public Offer Jurisdictions**) during the period from the date of these Final Terms until the Issue Date (**Offer Period**). See further Paragraph 8 of Part B below.
30. General Consent: Not Applicable
31. Other conditions to consent: Not Applicable

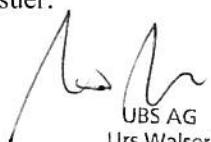
LISTING AND ADMISSION TO TRADING APPLICATION


These Final Terms comprises the final terms required for the Covered Bonds described herein to be listed on the Official List and admitted to trading on the Irish Stock Exchange's Main Securities Market pursuant to the Covered Bond Programme of UBS AG, acting through its London Branch.

Signed on behalf of the Issuer:

By:

Duly authorised


 UBS AG
 Urs Walser
 Managing Director


 Zofia Han
 Executive Director

Signed on behalf of the Guarantor:

By:

Duly authorised

- relevant Dealer:
26. Total commission and concession: 0.275 per cent. of the Aggregate Nominal Amount
27. U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA not applicable
28. ERISA: Employee benefit plans and other entities subject to Title I of ERISA or section 4975 of the Code can buy: Yes subject to the considerations contained in "*Certain ERISA Considerations*" in the Base Prospectus
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Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised


Kaspar Hofmann


 Reto Husmann

PART B – OTHER INFORMATION

1. LISTING

- (a) Listing: Irish Stock Exchange
- (b) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the Regulated Market of the Irish Stock Exchange with effect from 16 April 2014.

2. RATINGS

- Ratings: The Covered Bonds to be issued have been rated:
- Moody's: Aaa
- Fitch: AAA

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in "Transfer Restrictions and Selling Restrictions", so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (a) Reasons for the offer: See "*Use of Proceeds*" in the Base Prospectus
- (b) Estimated net proceeds: EUR 991,040,000
- (c) Guarantee Fee: 0.48 per cent. per annum of the nominal Principal Amount Outstanding of the Covered Bonds, calculated on an Actual/360 basis.
- (d) Estimated total expenses: EUR 10,000

5. YIELD

Indication of yield (calculated at the Issue Date on the basis of the Issue Price): 1.469%

6. HISTORIC INTEREST RATES

Details of historic EURIBOR rates can be obtained from Reuters.

7. OPERATIONAL INFORMATION

CUSIP: Not Applicable

ISIN: XS1057841980

Common Code: 105784198

Swiss Security Number: Not Applicable

Intended to be held in a manner which would allow Eurosystem eligibility: Yes

Note that the designation "Yes" simply means that the Covered Bonds are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS, and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Name(s) and address(es) of any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): Not Applicable

Delivery: Delivery against payment

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Disclosure in relation to Swiss statutory rules on bondholder meetings: Not Applicable

8. TERMS AND CONDITIONS OF THE OFFER

Offer Price: Issue Price

Conditions to which the offer is subject: Information will be provided at the time of the sub-offer

Description of the application process: Information will be provided at the time of the sub-offer

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: Information will be provided at the time of the sub-offer

Details of the minimum and/or maximum amount of application:	Information will be provided at the time of the sub-offer
Details of the method and time limits for paying up and delivering the Covered Bonds:	Information will be provided at the time of the sub-offer
Manner in and date on which results of the offer are to be made public:	Information will be provided at the time of the sub-offer
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Information will be provided at the time of the sub-offer
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	Information will be provided at the time of the sub-offer
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	Information will be provided at the time of the sub-offer
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	Information will be provided at the time of the sub-offer

ANNEX

Summary of the covered bonds Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This Summary contains all the Elements required to be included in a summary for the Covered Bonds and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in a summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Words and expressions defined in the "*Terms and Conditions of the Covered Bonds*" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Section A – Introduction and warnings

Element	
A.1	<p>This summary should be read as an introduction to the Base Prospectus and the Relevant Final Terms or Drawdown Prospectus.</p> <p>Any decision to invest in any Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the Relevant Final Terms or Drawdown Prospectus.</p> <p>Where a claim relating to information contained in the Base Prospectus and the Relevant Final Terms or Drawdown Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the Relevant Final Terms or Drawdown Prospectus before the legal proceedings are initiated.</p> <p>No civil liability will attach to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the Relevant Final Terms or Drawdown Prospectus or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the Relevant Final Terms or Drawdown Prospectus, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Covered Bonds.</p>
A.2	<p>Certain Tranches of Covered Bonds with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Public Offer in Belgium, France, Germany, Italy, Ireland, Spain and the United Kingdom.</p>

Element	
	<p><i>Issue specific summary:</i></p> <p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Covered Bonds by the Dealers (each an Authorised Offeror).</p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Covered Bonds during the period from the date of the Final Terms until the Issue Date (the Offer Period).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Covered Bonds in Belgium, France, Germany, Italy, Ireland, Spain and the United Kingdom.</p> <p>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY COVERED BONDS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH COVERED BONDS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.</p>

Section B – Issuer and Guarantor

Element	Title	
B.1	Legal name of the Issuer	UBS AG, acting through its London Branch (the Issuer)
	Commercial name of the Issuer	UBS AG
B.2	Domicile/ legal form/ legislation/ country of incorporation	UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations and Swiss Federal Banking Law as an <i>Aktiengesellschaft</i> , a corporation that has issued shares of common stock to investors.
B.4b	Trend information	As stated in the outlook statement presented in UBS AG's fourth quarter 2013 report, including unaudited consolidated financial statements of UBS Group and issued on 4 February 2014, at the start of the first quarter of 2014, many of the underlying challenges and geopolitical issues that UBS has previously highlighted remain. The continued absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, emerging markets fragility and the mixed outlook for global growth would make improvements in prevailing market conditions unlikely. This could cause traditional improvements in first quarter activity levels and trading volumes to fail to materialize fully and would generate headwinds for revenue

Element	Title	
		growth, net interest margin and net new money. Despite possible headwinds, UBS expects that its wealth management businesses will continue to attract net new money, reflecting new and existing clients' steadfast trust in the firm. UBS will continue to execute on its strategy in order to ensure the firm's long-term success and to deliver sustainable returns for shareholders
B.5	Description of the Group	<p>UBS AG is the parent company of the Group. Neither the business divisions of UBS nor the Corporate Center are separate legal entities. They primarily operate out of UBS AG, through its branches worldwide. Where it is impossible or inefficient to operate out of the parent bank, businesses operate through local subsidiaries. This can be the case when required for legal, tax or regulatory purposes, or when legal entities join the Group through acquisition.</p> <p>UBS has announced that it intends to establish a new banking subsidiary of UBS AG in Switzerland and expects to implement this change in a phased approach starting in mid-2015. The scope of this potential future subsidiary's business is still being determined, but UBS AG would currently expect it to include the Retail & Corporate business division and likely the Swiss-booked business within the Wealth Management business division.</p> <p>In February 2014, the US Federal Reserve Board issued final rules for foreign banking organizations (FBO) operating in the US that include a requirement for FBO with more than USD 50 billion of US non-branch assets to establish an intermediate holding company (IHC) to hold all US subsidiary operations. UBS has until 1 July 2016 to establish an IHC.</p>
B.9	Profit forecast or estimate	Not Applicable. No profit forecasts or estimates are included in this Base Prospectus.
B.10	Audit report qualifications	Not Applicable. There are no qualifications in the auditors' reports on the audited financial statements for the years ended on 31 December 2012 and 31 December 2013, which are incorporated by reference into this document.
B.12	Selected Consolidated Financial Data	<p>UBS AG derived the following selected consolidated financial data from its annual report 2013, containing the audited consolidated financial statements of UBS Group, as well as additional unaudited consolidated financial data for the year ended 31 December 2013 (including comparative figures for the years ended 31 December 2012 and 2011). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF).</p>

CHF million, except where indicated	As of or for the year ended		
	31.12.13	31.12.12	31.12.11
	<i>audited, except where indicated</i>		
Group results			

Operating income	27,732	25,423	27,788
Operating expenses	24,461	27,216	22,482
Operating profit / (loss) before tax	3,272	(1,794)	5,307
Net profit / (loss) attributable to UBS shareholders	3,172	(2,480)	4,138
Diluted earnings per share (CHF)	0.83	(0.66)	1.08

Key performance indicators, balance sheet and capital management, and additional information

Performance

Return on equity (RoE) (%) ¹	6.7*	(5.1)*	9.1*
Return on tangible equity (%) ²	8.0*	1.6*	11.9*
Return on risk-weighted assets, gross (%) ³	11.4*	12.0*	13.7*
Return on assets, gross (%) ⁴	2.5*	1.9*	2.1*

Growth

Net profit growth (%) ⁵			(44.5)*
Net new money growth (%) ⁶	1.4*	1.6*	1.9*

Efficiency

Cost / income ratio (%) ⁷	88.0*	106.6*	80.7*
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Capital strength

Common equity tier 1 capital ratio (% phase-in) ^{8,9}	18.5*	15.3*	
Common equity tier 1 capital ratio (% fully applied) ^{8,9}	12.8*	9.8*	
Swiss SRB leverage ratio (% phase-in) ¹⁰	4.7*	3.6*	

Balance sheet and capital management

Total assets	1,009,860	1,259,797	1,416,962
Equity attributable to UBS shareholders	48,002	45,949	48,530
Total book value per share (CHF)	12.74*	12.26*	12.95*
Tangible book value per share (CHF)	11.07*	10.54*	10.36*
Common equity tier 1 capital (phase-in) ⁹	42,179	40,032*	
Common equity tier 1 capital (fully applied) ⁹	28,908	25,182*	
Risk-weighted assets (phase-in) ⁹	228,557*	261,800*	
Risk-weighted assets (fully applied) ⁹	225,153*	258,113*	
Total capital ratio (% phase-in) ⁹	22.2*	18.9*	
Total capital ratio (% fully applied) ⁹	15.4*	11.4*	

Additional information

Invested assets (CHF billion) ¹¹	2,390	2,230	2,088
Personnel (full-time equivalents)	60,205*	62,628*	64,820*
Market capitalization	65,007*	54,729*	42,843*

*unaudited

¹ Net profit / loss attributable to UBS shareholders (annualized as applicable) / average equity attributable to UBS shareholders. ² Net profit / loss attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS shareholders less average goodwill and intangible assets. ³ Operating income before credit loss (expense) or recovery (annualized as applicable) / average risk-weighted assets. Based on Basel III risk-weighted assets (phase-in) for 2013, on Basel 2.5 risk-weighted assets for 2012 and on Basel II risk-weighted assets for 2011. ⁴ Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. ⁵ Change in net profit attributable to UBS shareholders from continuing operations between current and comparison periods / net profit attributable to UBS shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. ⁶ Net new money for the period (annualized as applicable) / invested assets at the beginning of the period. Group net new money includes net new money for Retail & Corporate and excludes interest and dividend income. ⁷ Operating expenses / operating income before

credit loss (expense) or recovery.⁸ Common equity tier 1 capital / risk-weighted assets.⁹ Based on the Basel III framework as applicable to Swiss systemically relevant banks (SRB), which became effective in Switzerland on 1 January 2013. The information provided on a fully applied basis entirely reflects the effects of the new capital deductions and the phase out of ineligible capital instruments. The information provided on a phase-in basis gradually reflects those effects during the transition period. Numbers for 31 December 2012 are on a pro-forma basis.¹⁰ Swiss SRB Basel III common equity tier 1 capital and loss-absorbing capital / total adjusted exposure (leverage ratio denominator). The Swiss SRB leverage ratio came into force on 1 January 2013. Numbers for 31 December 2012 are on a pro-forma basis.¹¹ Group invested assets includes invested assets for Retail & Corporate.

	<p>There has been no material adverse change in the prospects of UBS AG since 31 December 2013.</p> <p>There has been no significant change in the financial or trading position of UBS Group since 31 December 2013.</p>
B.13	<p>Events impacting the Issuer's solvency</p> <p>Not Applicable. No recent events particular to UBS AG have occurred, which are to a material extent relevant to the evaluation of UBS AG's solvency.</p>
B.14	<p>Dependence upon other group entities</p> <p>UBS AG is the parent company of the UBS Group. As such, to a certain extent, it is dependent on certain of its subsidiaries.</p>
B.15	<p>Principal activities</p> <p>According to article 2 of the Articles of Association of UBS AG, dated 7 February 2014 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad</p> <p>UBS AG with its subsidiaries (together, "UBS Group", "Group" or "UBS") draws on its over 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS's business strategy is centered on its pre-eminent global wealth management businesses and its leading universal bank in Switzerland, complemented by its Global Asset Management business and its Investment Bank, with a focus on capital efficiency and businesses that offer a superior structural growth and profitability outlook. Headquartered in Zurich and Basel, Switzerland, UBS has offices in more than 50 countries, including all major financial centers.</p>
B.16	<p>Controlling shareholders</p> <p>As of 31 December 2013, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS AG: Chase Nominees Ltd., London (11.73%); GIC Private Limited, Singapore (6.39%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (5.89%); and Nortrust Nominees Ltd., London (3.75%).</p> <p>The following are the most recent notifications of holdings in UBS AG's share capital filed in accordance with the Swiss Stock Exchange Act, based on UBS AG's registered share capital at the time of the disclosure: (i) 18 September 2013, Government of Singapore Investment Corp disclosed a change of its corporate name to GIC Private Limited and a holding of 6.40%; (ii) 30 September 2011, Norges Bank (the Central Bank of Norway), 3.04%; (iii) 17 December 2009, BlackRock Inc., New York, USA, 3.45%.</p>

B.17	Credit ratings	<p>The rating agencies Standard & Poor's, Fitch Ratings and Moody's have published credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfill in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class.</p> <p>UBS AG has long-term senior debt ratings of A (stable outlook) from Standard & Poor's, A2 (stable outlook) from Moody's Investors Service, Inc. and A (stable outlook) from Fitch Ratings.</p> <p>The Covered Bonds issued under the Programme are expected on issue to be assigned a rating of "Aaa" by Moody's and "AAA" by Fitch Ratings, unless otherwise specified in the Relevant Final Terms or Drawdown Prospectus.</p> <p>The ratings from Fitch Ratings have been (or are expected to be) issued by Fitch Ratings Limited, and the ratings from Standard & Poor's have been (or are expected to be) issued by Standard & Poor's Credit Market Services Europe Limited. Both are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 (the CRA Regulation). The ratings of the Covered Bonds from Moody's have been (or are expected to be) issued by Moody's Investors Service Ltd, which is registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 (the CRA Regulation). The ratings of UBS AG have been (or are expected to be) issued by Moody's Investors Service, Inc., which is not established in the EEA and is not certified under the CRA Regulation, but the rating it has issued is endorsed by Moody's Investors Service Ltd., a credit rating agency established in the EEA and registered under the CRA Regulation.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
B.18	Description of the Guarantee	<p>The Covered Bonds will be irrevocably and (following the Guarantee Activation Date and the service of a Notice to Pay for the relevant amount on the Guarantor) unconditionally guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be direct, unsubordinated and unsecured obligations of the Guarantor and will rank <i>pari passu</i> and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.</p>
B.19	Information about the Guarantor	
B.19 (B.1)	Legal name of the Guarantor	UBS Hypotheken AG
B.19 (B.2)	Domicile/ legal form/	The Guarantor is incorporated and domiciled in Switzerland and

	legislation/ country of incorporation	operates under the Swiss Code of Obligations as an Aktiengesellschaft.
B.19 (B.4b)	Trend information	<p>There are no clear trends affecting the Guarantor or the markets in which it operates.</p> <p>With respect to trends affecting UBS Group, as stated in the outlook statement presented in UBS AG's fourth quarter 2013 report, including unaudited consolidated financial statements of UBS Group and issued on 4 February 2014, at the start of the first quarter of 2014, many of the underlying challenges and geopolitical issues that UBS has previously highlighted remain. The continued absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, emerging markets fragility and the mixed outlook for global growth would make improvements in prevailing market conditions unlikely. This could cause traditional improvements in first quarter activity levels and trading volumes to fail to materialize fully and would generate headwinds for revenue growth, net interest margin and net new money. Despite possible headwinds, UBS expects that its wealth management businesses will continue to attract net new money, reflecting new and existing clients' steadfast trust in the firm. UBS will continue to execute on its strategy in order to ensure the firm's long-term success and to deliver sustainable returns for shareholders.</p>
B.19 (B.5)	Description of the Group	<p>The Guarantor is a subsidiary of UBS AG, which is the parent company of the UBS Group. The objective of UBS's group structure is to support the business activities of the parent company within an efficient legal, tax, regulatory and funding framework. UBS operates as a group with five business divisions and a Corporate Centre. None of the individual business divisions or the Corporate Center are legally independent entities; instead, they primarily perform their activities through the domestic and foreign offices of UBS AG, the parent bank. In cases where it is impossible or inefficient to operate via the parent bank, due to local legal, tax or regulatory provisions, or where additional legal entities join the Group through acquisition, the business is operated on location by legally independent Group companies.</p> <p>UBS has announced that it intends to establish a new banking subsidiary of UBS AG in Switzerland and expects to implement this change in a phased approach starting in mid-2015. The scope of this potential future subsidiary's business is still being determined, but UBS AG would currently expect it to include the Retail & Corporate business division and likely the Swiss-booked business within the Wealth Management business division.</p> <p>In February 2014, the US Federal Reserve Board issued final rules for foreign banking organizations (FBO) operating in the US that include a requirement for FBO with more than USD 50 billion of US non-branch assets to establish an intermediate holding company (IHC) to hold all US subsidiary operations. UBS has until 1 July 2016 to establish an IHC.</p>

B.19 (B.9)	Profit forecast or estimate	Not Applicable. No profit forecasts or estimates have been made in this Base Prospectus.		
B.19 (B.10)	Audit report qualifications	Not Applicable. There are no qualifications to the audit reports on the historical financial information incorporated by reference into this Base Prospectus.		
B.19 (B.12)	Selected key financial information:			
	Balance Sheet	30-06-2013	31-12-2012	31-12-2011
	<i>CHF</i>			
	Total assets	24,416,507	2,239,777,505	13,449,175
	Total liabilities	23,977,117	2,239,105,260	12,982,497
	Total shareholders' equity	439,390	672,245	466,678
	Total liabilities and shareholders' equity.....	24,416,507,	2,239,777,505	13,449,175
	Income Statement	30-06-2013	31-12-2012	31-12-2011
	<i>CHF</i>			
	Total operating income.....	53,904,750	109,836,019	64,075,427
	Total operating expenses	53,616,436	109,257,676	63,752,287
	Income tax expense	61,169	122,776	68,559
	Net profit / (loss)	227,145	455,567	254,581
	There has been no material adverse change in the prospects of the Guarantor since 31 December 2012.			
	There has been no significant change in the financial or trading position of the Guarantor since 30 June 2013.			
B.19 (B.13)	Events impacting the Guarantor's solvency	Not Applicable for the Guarantor. There have been no recent events particular to the Guarantor which are to a material extent		

		relevant to the evaluation of such Guarantor's solvency.
B.19 (B.14)	Dependence upon other Group entities	The Guarantor is a subsidiary of UBS AG, which is the parent company of the UBS Group. The Guarantor is therefore, to a certain extent, dependent on the UBS Group.
B.19 (B.15)	The Guarantor's Principal activities	The principal activity of the Guarantor is the issuance of guarantees for the benefit of holders of Covered Bonds issued by the Issuer, and the acquisition, holding, administration, management and liquidation of mortgage assets and other assets transferred to it as security for the claims acquired by it in connection therewith.
B.19 (B.16)	Controlling shareholders	As at 31 December 2013, UBS AG was registered in the share register of the Guarantor as the holder of 98 per cent. of the total share capital of the Guarantor.
B.19 (B.17)	Credit ratings	As at the date of this Base Prospectus, the Guarantor is not rated.

Section C – Securities

Element	Title	
C.1	Description of Covered Bonds/ISIN	<p>The Covered Bonds described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency). The Covered Bonds to be issued under the Programme may be fixed rate, floating rate or a combination of the foregoing.</p> <p>Issue specific summary:</p> <p>The Covered Bonds are €1,000,000,000 1.375 per cent. Covered Bonds due 2021.</p> <p>International Securities Identification Number (ISIN): XS1057841980</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Covered Bonds may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p>Issue specific summary:</p> <p>The currency of this Series of Covered Bonds is Euro (€).</p>
C.5	Restrictions on transferability	The Issuer and the Dealers have agreed certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of offering material.
C.8	Rights attached to the Covered Bonds, including ranking and limitations on those rights	<p>Covered Bonds issued under the Programme will have terms and conditions relating to, among other matters:</p> <p>Status</p> <p>The Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer which shall have the benefit of the Guarantee. The claims of Covered Bondholders as against the Guarantor are limited recourse obligations of the Guarantor.</p> <p>Taxation</p> <p>Payments in respect of the Covered Bonds will be made by the</p>

Element	Title	
		<p>Issuer without withholding or deduction for, or on account of, taxes imposed by any governmental or other taxing authority unless such withholding or deduction is required by law. If any such taxes are required to be withheld by a Tax Jurisdiction (as defined in Condition 8 (<i>Taxation</i>)), the Issuer will pay additional amounts in respect of such amounts withheld or deducted subject to the customary exceptions.</p> <p>Under the terms of the Guarantee, the Guarantor will not be required to pay any additional amounts in respect of any amount withheld or deducted for, or on account of, any taxes from a payment by the Guarantor under the Guarantee.</p> <p>All payments in respect of the Covered Bonds will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.</p> <p><i>Guarantor's negative pledge</i></p> <p>The terms of the Guarantee in respect of Covered Bonds contains a negative pledge provision which prevents the Guarantor from creating or permitting to subsist any security interest upon the whole or any part of its assets (including, but not limited to, the Cover Pool Assets).</p> <p><i>Events of default</i></p> <p>The terms of the Covered Bonds will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> (a) default in payment by the Issuer of any principal or interest due in respect of the Covered Bonds, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer of any of its other obligations under the Transaction Documents, in certain cases continuing for a specified period of time; (c) if the Issuer fails to comply with either Pre-Event Test, continuing for a specified period of time; and (d) events relating to the insolvency or winding up of the Issuer, <p>each an Issuer Event of Default and:</p> <ul style="list-style-type: none"> (e) default in payment by the Guarantor of any Guaranteed Amount due in respect of the Covered Bonds, continuing for a specified period of time; (f) non-performance or non-observance by the Guarantor of any of its other obligations under the conditions of the Covered Bonds or the Guarantee, in certain cases

Element	Title	
		<p>continuing for a specified period of time;</p> <p>(g) the Guarantor breaches the Amortisation Test on any Test Date following service of the Guarantee Activation Notice and a Notice to Pay;</p> <p>(h) events relating to the insolvency or winding up of the Guarantor; and</p> <p>(i) the Guarantee ceases to be in full force and effect,</p> <p>each a Guarantor Event of Default.</p> <p>Meetings</p> <p>The terms of the Covered Bonds will contain provisions for calling meetings of holders of such Covered Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Governing law</p> <p>The Covered Bonds (other than German Law Registered Covered Bonds) are governed by English law. The German Law Registered Covered Bonds are governed by the laws of the Federal Republic of Germany.</p>
C.9	Interest/Redemption	<p>Interest</p> <p>Covered Bonds may or may not bear interest. Interest-bearing Covered Bonds will either bear interest payable at a fixed rate or a floating rate.</p> <p><i>Issue specific summary:</i></p> <p>The Covered Bonds bear interest from their date of issue to, but excluding, the Final Maturity Date, at the fixed rate of 1.375 per cent. per annum. The yield of the Covered Bonds is 1.469 per cent. Interest will be paid annually in arrears on 16 April in each year. The first interest payment will be made on 16 April 2015.</p> <p>The Covered Bonds bear interest from and including the Final Maturity Date to, but excluding, the Extended Due for Payment Date at floating rates calculated by reference to EURIBOR plus a margin of 0.15 per cent. Interest will be paid monthly in arrears on the 16th of each month, subject to adjustment for non-business days.</p> <p>Redemption</p> <p>The terms under which Covered Bonds may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Covered Bonds.</p> <p><i>Issue specific summary:</i></p>

Element	Title	
		<p>Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed at 100 per cent. of their nominal value.</p> <p>The Covered Bonds may be redeemed early for tax reasons or on event of default at the relevant Early Redemption Amount.</p> <p><i>Optional Redemption</i></p> <p>The Covered Bonds may be subject to early redemption: (i) prior to the occurrence of an Issuer Event of Default and service of an Issuer Default Notice, at the option of the Issuer if an Issuer Call is specified at the time of issue of the relevant Covered Bonds; or (ii) at the option of the holder of the Covered Bond if an Investor Put is specified at the time of issue of the relevant Covered Bonds.</p> <p><i>Issue specific summary:</i></p> <p>Issuer Call: Not Applicable</p> <p>Investor Put: Not Applicable</p> <p>Optional Redemption Date: Not Applicable</p> <p>Optional Redemption Amount: Not Applicable</p> <p><i>Maturities</i></p> <p>The Covered Bonds may be issued as Hard Bullet Covered Bonds with a fixed Final Maturity Date, or with an Extended Due for Payment Date in which case repayment may be deferred, as specified in the applicable Relevant Final Terms or Drawdown Prospectus for each Tranche or Series of Covered Bonds. If an Extended Due for Payment Date is so specified, the repayment may be deferred in circumstances where neither the Issuer nor the Guarantor has sufficient funds available to pay in full the Final Redemption Amount due on that Series of Covered Bonds on the relevant Final Maturity Date or within the relevant grace period. During any period that a Covered Bond is subject to a deferral from its Final Maturity Date to its Extended Due for Payment Date, the Covered Bond may convert from a fixed rate to a floating rate.</p> <p><i>Issue specific summary:</i></p> <p>Final Maturity Date: 16 April 2021</p> <p>Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Guarantee: 16 April 2022</p> <p><i>Representative of holders</i></p> <p>The Issuer has appointed BNY Mellon Corporate Trustee Services Limited (the Trustee) to act as trustee for the holders of Covered Bonds. Only the Trustee may enforce the provisions of the Trust Presents.</p> <p>The Trustee may, without the consent of Covered Bondholders, agree to (a) any modification, waiver or authorisation, of any breach, or proposed breach, of any of the provisions of the Covered</p>

Element	Title	
		Bonds (including, without limitation, the German Law Registered Covered Bonds) or (b) determine without the consent of the Covered Bondholders that any Notification Event, Issuer Event of Default or Guarantor Event of Default shall not be treated as such, (c) the substitution of another company as principal debtor under any Covered Bonds (including, without limitation, the German Law Registered Covered Bonds) in place of the Issuer or the Guarantor or (d) any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven, in certain circumstances as described in Condition 16.
C.10	Derivative component in the interest payments	Not applicable – There is no derivative component in the interest payments.
C.11	Listing and Admission to trading	<p>Covered Bonds issued under the Programme may be listed and admitted to trading on the Irish Stock Exchange or such other stock exchange or market specified below, or may be issued on an unlisted basis.</p> <p><i>Issue specific summary:</i></p> <p>Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of the Irish Stock Exchange.</p>

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer and the Guarantor	<p>In purchasing Covered Bonds, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of factors which individually or together could result in the Issuer and/or the Guarantor becoming insolvent or unable to make all payments due in respect of the Covered Bonds. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material. The Issuer and the Guarantor have identified a number of factors which could materially adversely affect their businesses, financial condition, results of operations, prospects and ability to make payments due under the Covered Bonds. These factors include:</p> <ul style="list-style-type: none"> • <i>Regulatory and legislative changes may adversely affect UBS's business and ability to execute its strategic plans</i> • <i>UBS's capital strength is important in supporting its strategy,</i>

Element	Title	
		<p><i>client franchise and competitive position</i></p> <ul style="list-style-type: none"> • <i>UBS may not be successful in completing its announced strategic plans or in implementing changes in its businesses to meet changing market, regulatory and other conditions</i> • <i>Material legal and regulatory risks arise in the conduct of UBS's business</i> • <i>Operational risks may affect UBS's business</i> • <i>UBS's reputation is critical to the success of its business</i> • <i>Performance in the financial services industry is affected by market conditions and the macroeconomic climate</i> • <i>UBS holds legacy and other risk positions that may be adversely affected by conditions in the financial markets; legacy risk positions may be difficult to liquidate</i> • <i>UBS's global presence subjects it to risk from currency fluctuations</i> • <i>UBS is dependent upon its risk management and control processes to avoid or limit potential losses in its counterparty credit and trading businesses</i> • <i>Valuations of certain positions rely on models; models have inherent limitations and may use inputs which have no observable source</i> • <i>Liquidity and funding management are critical to UBS's ongoing performance</i> • <i>UBS might be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees</i> • <i>UBS's financial results may be negatively affected by changes to accounting standards</i> • <i>UBS's financial results may be negatively affected by changes to assumptions supporting the value of its goodwill</i> • <i>The effect of taxes on UBS's financial results is significantly influenced by reassessments of its deferred tax assets</i>
D.3	Key risks regarding the Covered Bonds	There are also risks associated with the Covered Bonds. These include a range of market risks (including that there may be no or only a limited secondary market in the Covered Bonds, that any credit rating assigned to the Covered Bonds may not adequately reflect all the risks associated with an investment in the Covered

Element	Title	
		<p>Bonds and that the Covered Bonds will rank <i>pari passu</i> and will contain a cross-default), the fact that the conditions of the Covered Bonds may be modified without the consent of the holder in certain circumstances, that the holder may not receive payment of the full amounts due in respect of the Covered Bonds as a result of amounts being withheld by the Issuer in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation affecting the value of Covered Bonds held by them. Other risks include:</p> <ul style="list-style-type: none"> • <i>Security is provided by UBS AG only, and the Guarantor's ability to enforce against the assets in the Cover Pool is subject to certain limitations - If and to the extent that the Guarantor has to sell the Assigned Mortgage Claims in order to meet a payment obligation under the Guarantee, there is no guarantee that an Eligible Investor will be found to acquire such Assigned Mortgage Claims at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained.</i> • <i>The obligations under the Guarantee may be subject to an Extended Due for Payment Date and payment of the Final Redemption Amount may be deferred beyond the Final Maturity Date – If an Extended Due for Payment Date is specified in the Relevant Final Terms or Drawdown Prospectus, failure by the Guarantor to make payment in respect of all or any portion of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute a Guarantor Event of Default.</i> • <i>If there is a call on the Guarantee, the claims of Covered Bondholders will be limited to the Guarantor's Available Funds from time to time due to Liquidity Risk in respect of the Mortgage Claims including that the Mortgage Claims may only be sold to a limited number of Eligible Investors - The Guarantor will be unable to make payments for a period following a call under the Guarantee due to the Issuer not pre-funding in accordance with the terms of the Guarantee Mandate Agreement and, upon enforcement of the Cover Pool Assets, there might be a lack of liquidity in respect of the Assigned Mortgage Claims. Furthermore, the maturities of the Assigned Mortgage Claims may not match those of the Covered Bonds.</i> • <i>The Guarantor may not be able to sell Assigned Mortgage Claims prior to maturity of Hard Bullet Covered Bonds upon a Pre-Maturity Liquidation Event – There can be no guarantee that an Eligible Investor will be found and no guarantee or assurance as to the price which may be obtained.</i> • <i>Later maturing Covered Bonds may not be paid in full or at</i>

Element	Title	
		<p><i>all under the Guarantee as Cover Pool Assets are not segregated for different Series of Covered Bonds and will be used to repay earlier maturing Covered Bonds first.</i></p> <ul style="list-style-type: none"> • <i>Certain amounts due to other creditors of the Guarantor will rank ahead of the claims of the Covered Bondholders – The Intercreditor Deed sets out the basis on which monies will be applied to pay amounts due to Covered Bondholders, other Relevant Creditors and other creditors of the Guarantor in accordance with the applicable Priority of Payments. Under each Priority of Payments, there are certain amounts due to creditors which rank ahead of or <i>pari passu</i> with the claims of Covered Bondholders under the Guarantee.</i> • <i>The Guarantor's ability to make payments under the Guarantee will depend primarily on the ability of the Issuer to pay the amounts due under the Pre-Funding Obligations and secondly on cash and cash equivalents being available to the Guarantor from the collection of amounts due under, and received following any liquidation of, the Assigned Mortgage Claims and the related Transferred Mortgage Certificates (it being understood that the related Transferred Mortgage Certificates only provide security for the Assigned Mortgage Claims(s)) – The Guarantor will not have any significant sources of funds available to meet its obligations to pay Guaranteed Amounts other than this.</i> • <i>Failure to maintain the aggregate collateral value of the Cover Pool in compliance with the Asset Coverage Test may affect the realisable value of the Cover Pool or any part thereof.</i> • <i>The Guarantor will not provide any direct security for its obligations under the Guarantee and the claims of the Covered Bondholders are limited recourse obligations of the Guarantor - The claims of each Covered Bondholder against the Guarantor under the Guarantee are limited to the pro rata share of such claims (after giving effect to the Priority of Payments) in the Available Funds arising from the Cover Pool Assets and will rank <i>pari passu</i> with all other unsecured and unsubordinated holders of claims against the Guarantor not benefiting from any bankruptcy privilege under mandatory applicable law.</i> • <i>Under the Conditions and the terms of certain Transaction Documents, the Covered Bondholders are limited in enforcing their rights and claims against the Guarantor - Under the Conditions and the terms of the Intercreditor Deed, the Covered Bondholders will agree that it will not take any legal steps nor institute any legal proceedings against the Guarantor or its assets or corporate bodies for the purpose asserting or enforcing any of its rights or claims against the</i>

Element	Title	
		<p>Guarantor.</p> <ul style="list-style-type: none"> • <i>There is no tax gross-up under the Guarantee – The Guarantor will not be liable to pay any additional amounts in respect of any amount withheld or deducted for, or on account of, taxes from a payment under the Guarantee.</i> • <i>U.S. Foreign Account Tax Compliance Withholding – FATCA may affect payments made to custodians or intermediaries, which may in certain cases affect the amount of payment to any ultimate investor.</i> • <i>Certain amounts payable to the Trustee and the Agents may reduce funds available to pay Covered Bondholders – Such amounts will be paid out of the Guarantor's General Bank Account pursuant to the Priorities of Payments on a priority basis ahead of amounts due to Covered Bondholders.</i> • <i>Prior to the completion of a transfer of Collected Mortgage Payments to the Guarantor, monies collected by the Originator on behalf of the Guarantor are commingled with the funds of the Originator, and there can be no assurance as to the ability of the Guarantor to obtain effective direct payments from the Mortgage Debtors under the Assigned Mortgage Claims.</i> • <i>Mortgage Debtors may default in paying amounts due under the Assigned Mortgage Claims – This may reduce the amount of the Guarantor's Available Funds.</i> • <i>Risks relating to the Swiss residential mortgage market such as a deterioration in the market for real estate, could negatively affect the value and marketability of the Covered Bonds.</i> • <i>If UBS AG extends any further loans to any Mortgage Debtor after assignment of Assigned Mortgage Claims, the new loans may, in some circumstances, affect the ability of the Mortgage Debtor to repay the Assigned Mortgage Claim.</i> • <i>The Guarantor may be exposed to a potential shortfall in payments under the Assigned Mortgage Claims in the absence of a valid waiver of a Mortgage Debtor's right of set-off against UBS AG – In the absence of a valid waiver, a Mortgage Debtor is entitled to set off all payments due under the relevant Assigned Mortgage Claim against any cash deposits held by UBS AG and any other monetary claims by such Mortgage Debtor against UBS AG.</i> • <i>The waivers of banking secrecy and the transfer clauses necessary for the transfer of Cover Pool Assets, as well as other relevant provisions in UBS AG's standard forms of</i>

Element	Title	
		<p><i>agreement may be deemed by Swiss courts to be insufficient or inapplicable, which may negatively affect the validity of the transfer of Cover Pool Assets to the Guarantor, replenishment of the Cover Pool as well as the value and/or the enforceability of the Cover Pool Assets.</i></p> <ul style="list-style-type: none"> • <i>If Transferred Mortgage Certificates are sold at public auction, there is no guarantee that a fair market price will be realised or that such a price will be sufficient to discharge the amount outstanding under the relevant Assigned Mortgage Claim.</i> • <i>The sale of real property upon enforcement in the Transferred Mortgage Certificates may be subject to property transfer taxes and capital gains taxes or legal liens as a consequence of unpaid taxes.</i> • <i>Changes in tax treatment on Swiss residential mortgage loans may adversely affect the prices of the residential properties relating to the Relevant Mortgage Loans, the ability of the Mortgage Debtors to pay their obligations under the Relevant Mortgage Loans and, as an indirect consequence, the value of the Relevant Mortgage Loans.</i> • <i>No due diligence has been undertaken on the Cover Pool - None of the Arranger, any Dealer, the Issuer, the Guarantor or the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of any of the Mortgage Assets or other Cover Pool Assets.</i> • <i>The lending criteria applicable to any new Mortgage Asset at the time of its origination may not be the same as those set out in this Base Prospectus – The Assignor has the right to revise its lending criteria in its absolute discretion and such changes may be material.</i> • <i>The Cover Pool may change and the assets in the Cover Pool may deteriorate, which may adversely affect the Guarantor's ability to make payments under the Guarantee.</i> • <i>Levels of arrears in the Cover Pool included in the Investors Reports incorporated by reference into this Base Prospectus are as of the applicable Cut-Off Dates, and may have changed at the date of the issuance of the relevant Series of Covered Bonds.</i> • <i>The investors will receive limited information on the Cover Pool.</i> • <i>The Guarantor and the Covered Bondholders place significant reliance on UBS AG in connection with the servicing of the Cover Pool Assets and such reliance may</i>

Element	Title	
		<p><i>give rise to conflicts of interests</i> - The Guarantor and the Covered Bondholders place significant reliance on UBS AG in connection with the servicing of the Cover Pool Assets, as well as for its own administration and funding. In particular, UBS AG performs the initial roles of: (a) Cash Manager; (b) Account Bank; and (c) Corporate Services Provider to the Guarantor. UBS AG, London Branch performs the initial roles as: (a) Swap Provider; and (b) Calculation Agent.</p> <ul style="list-style-type: none"> • <i>Replacement of UBS AG as services provider may not be found on acceptable terms or within an acceptable time period, with the result that the ability of the Guarantor to perform its obligations may be impaired.</i> • <i>Insolvency of UBS AG may negatively affect the liquidation and enforcement of the Cover Pool Assets for the benefit of the Covered Bondholders and/or the rights and claims of the Covered Bondholders against the Guarantor</i> - An insolvency of UBS AG could negatively affect the Swiss mortgage market and the value of the real property underlying the Cover Pool, thereby impairing the realisation of the underlying Mortgage Assets and the ability of the Guarantor to make payments to Covered Bondholders. In the event of insolvency of UBS AG, transactions involving the provision, replenishment or substitution of Covered Pool Assets may be challenged which may result in the Guarantor having insufficient funds to make payments under the Guarantee. • <i>Events of Default with respect to the Guarantor are limited</i> – Service of an Issuer Default Notice on the Issuer does not constitute an event of default with respect to the Guarantor, rather the Conditions contain limited events of default with respect to the Guarantor. • <i>Insolvency of the Guarantor may negatively affect the rights and claims of the Covered Bondholders against the Guarantor</i> – If the Guarantor becomes insolvent it would become subject to applicable insolvency laws and procedures, and there is no assurance that an insolvency of the Guarantor will not, directly or indirectly, negatively affect the rights and claims of the Covered Bondholders against the Guarantor. • <i>When realising Cover Pool Assets following the occurrence of a Guarantor Event of Default, the proceeds may be insufficient to repay all amounts due to the Relevant Creditors and Covered Bondholders.</i> • <i>Control of the Guarantor may have adverse consequences for the Covered Bondholders</i> – Two of the four current members of the Board of Directors are employees of UBS AG. The Trustee cannot exert any control over the Guarantor and its instructions cannot supersede those given by the Guarantor to,

Element	Title	
		<p><i>inter alia</i>, the Cash Manager, the Account Bank or Principal Originator in relation to the servicing and administration of the Assigned Mortgage Claims.</p> <ul style="list-style-type: none"> • <i>In the case of insolvency of the Account Bank, the Guarantor will have only an unsecured claim against the estate for funds deposited, and no assurance can be given that the Guarantor effectively will have adequate access to Substitute Assets.</i> • <i>The Trustee and the Guarantor may disagree on the directions to be given to the Cash Manager and the effect thereof on Covered Bondholders, which may have adverse consequences for Covered Bondholders.</i> • <i>An undertaking not to exercise retention rights may not be enforceable against the Collateral Holding Agent.</i> • <i>Termination of UBS AG agency relationships at will may affect payments on the Covered Bonds – Under Swiss law any of the parties to the relevant Transaction Documents may terminate the appointment of UBS AG as an agent at will.</i> • <i>Currency exchange rate risk – Principal and interest on the Covered Bonds will be paid in the Specified Currency which involves risks relating to currency conversion if an investor's financial activities are denominated principally in a different currency.</i> • <i>If the Guarantor defaults under the Swap Agreement the Guarantor may have insufficient funds to make payments due under the Guarantee - Following the IED Guarantee Activation Date (if any), the Guarantor will rely on the Swap Provider under (i) the Cover Pool Swaps, in order to mitigate variations between the rate of interest payable on the Assigned Mortgage Claims in the Cover Pool and CHF LIBOR; and (ii) the Covered Bond Swaps in order to mitigate certain interest rate and currency risks in respect of amounts received by the Guarantor under the Cover Pool Swaps and amounts payable by the Guarantor under the Covered Bonds. If the Guarantor defaults under the Swap Agreement due to non-payment or otherwise, the Swap Provider will not be obliged to make further periodic payments under the Swap Agreement. If the Swap Provider is not obliged to make payments, or if it defaults in its obligations to make payments under the Swap Agreement, the Guarantor will be exposed to those changes in interest and currency exchange rates that would otherwise be hedged by the Covered Bond Swaps and the Cover Pool Swaps.</i> • <i>Swap Termination Payments for Swap Agreement will rank pari passu with payments due to the Covered Bondholders under the terms of the Guarantee – If the Swaps are</i>

Element	Title	
		<p>terminated, the Guarantor may be obliged to make a Swap Termination Payment to the Swap Provider. Any Swap Termination Payment (excluding any Excluded Swap Termination Amount) will rank <i>pari passu</i> with payments due to the Covered Bondholders.</p> <ul style="list-style-type: none"> • <i>Credit rating may not reflect all risks</i> – The rating assigned to the Covered Bonds as specified in the applicable Relevant Final Terms or Drawdown Prospectus may not reflect the potential impact of all risks related to an investment in the Covered Bonds. • <i>Covered Bonds issued under the Programme will rank pari passu and will cross default.</i> • <i>There is no assurance that applications to relevant stock exchanges will be accepted.</i> • <i>The Covered Bonds may be de-listed if accounts are required to be prepared in accordance with International Financial Reporting Standards</i> – The Guarantor prepares its accounts in accordance with Swiss generally accepted accounting principles. If this is not treated as equivalent to IFRS, the Issuer may request the Irish Stock Exchange to remove any Covered Bonds from listing on the Regulated Market. • <i>Reliance on clearing systems, the Collateral Holding Agent and the Nominee System Provider</i> – The Issuer will have to rely on the performance and procedures of these parties and the Issuer takes no responsibility or liability for this. • <i>Covered Bondholders will not have a direct right under the Covered Bonds to vote in respect of the Covered Bonds or to take enforcement action against the Issuer or the Guarantor in the event of a default.</i> • <i>Modifications, waivers and substitution under the Covered Bonds may, in certain circumstances, be made without consent of the Covered Bondholder</i> – These circumstances are as set out in the Conditions of the Covered Bonds. • <i>Certain decisions of holders of the Covered Bonds must be taken at Programme Level</i> – As a result, the holders of a single Series of Covered Bond may not be able to give any directions to the Trustee without the agreement of the holders of other outstanding Series of Covered Bonds. • <i>Lack of liquidity in the secondary market may adversely affect the market value of the Covered Bonds.</i> • <i>Risks related to the structure of a particular issue of Covered Bonds</i> – A wide range of Covered Bonds may be issued under

Element	Title	
		<p>the Programme, including Fixed Rate Covered Bonds, Exempt Covered Bonds, Floating Rate Covered Bonds, Covered Bonds issued at a substantial discount or premium and Covered Bonds where denominations involve integral multiples, which may each have features which contain particular risks for potential investors.</p> <ul style="list-style-type: none"> • <i>Transfers of Covered Bonds</i> – The Covered Bonds are subject to restrictions on transfer. • <i>Covered Bonds subject to optional redemption by the Issuer</i> - The Covered Bonds may be subject to early redemption: (i) prior to the occurrence of an Issuer Event of Default and service of an Issuer Default Notice, at the option of the Issuer if an Issuer Call is specified at the time of issue of the relevant Covered Bonds; or (ii) at the option of the holder of the Covered Bond if an Investor Put is specified at the time of issue of the relevant Covered Bonds. • <i>Structure of the Programme</i> - The Covered Bonds are not issued pursuant to a specific statutory framework, but are based on a novel structure. The structure relies on a number of legal concepts, some of which have not been tested in court. Accordingly, changes in law or its interpretation, including by way of changes to administrative practice and judicial decisions, may adversely affect the Covered Bonds and the rights of the Covered Bondholders against the Issuer under the Covered Bonds and/or against the Guarantor under the Guarantee and even the viability of the transaction structure. • <i>Legal investment considerations may restrict certain investments for certain investors, including the Covered Bonds.</i> • <i>Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Covered Bonds for certain investors.</i> • <i>Applicable insolvency law</i> – Commencement of insolvency proceedings in respect of the Issuer or the Guarantor in jurisdictions other than Switzerland may affect the amount and timing of payments made to Covered Bondholders. • <i>Insolvency proceedings and subordination provisions</i> – There is uncertainty as to the validity and/or enforceability of a provision which subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor and whether subordination provisions of the type included in the Transaction Documents would be enforceable against an insolvency administrator of a Swiss debtor. This may affect the validity of the terms in the

Element	Title	
		<p>Transaction Documents relating to the subordination of Excluded Swap Termination Amounts under the Priorities of Payments.</p> <ul style="list-style-type: none"> • <i>Change of law</i> – Any change in English law or Swiss law may adversely affect the ability of the Issuer or the Guarantor to make payments under the Covered Bonds or Guarantee, as applicable. • <i>EU Savings Directive</i> - If a payment were to be made or collected through a Member State (or relevant non-European Union country, including Switzerland) or dependent or associated territory which has opted for, or adopted, a withholding system and, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Guarantor or any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. • <i>If UBS AG experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings in respect of, and/or impose protective measures in relation to, UBS AG, which proceedings or measures may have a material adverse effect on the terms and market value of the Covered Bonds and/or the ability of UBS AG and the Guarantor to make payments under the Covered Bonds and the Guarantee, respectively</i> - In particular, a resolution plan may, among other things, provide for: (i) the transfer of UBS AG's assets or parts thereof with assets and debts as well as contracts, which may or may not include the Transaction Documents to which UBS AG is a party to another entity; (ii) the conversion of UBS AG's debt or other obligations, including Secured Obligations and other obligations of UBS AG under the Transaction Documents, into equity (a "debt-to-equity swap"); and/or (iii) the partial or full write-off of obligations owed by UBS AG, including Secured Obligations (a "haircut") and other obligations of UBS AG under the Transaction Documents. • <i>Proposed Amendment of Swiss Federal Withholding Tax Act</i> – The Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Covered Bond to an individual resident in Switzerland or to any person outside of Switzerland. If such legislation were enacted, neither the Issuer nor the Guarantor nor any paying agent nor any other persons would be obliged to pay any additional amounts with respect to the Covered Bonds. • <i>Final Foreign Withholding Taxes (internationale Quellensteuer)</i> – Switzerland has entered into treaties with

Element	Title	
		<p>the United Kingdom and Austria, which require a Swiss paying agent to levy a flat-rate final withholding tax on certain capital gains and income items deriving from assets held in accounts or deposits with a Swiss paying agent by certain persons. If a flat-rate final withholding tax were to be deducted or withheld from a payment of interest or capital gain relating to the Covered Bonds, neither the Issuer nor the Guarantor nor any paying agent nor any other persons would be obliged to pay any additional amounts with respect to the Covered Bonds.</p>

Section E – Offer

Element	Title	
E.2b	Use of proceeds	<p>The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Covered Bonds becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.</p> <p><i>Issue specific summary</i></p> <p>The net proceeds from the issue of Covered Bonds will be applied by the Issuer for its general corporate purposes, which include making a profit.</p>
E.3	Terms and conditions of the offer	<p>Under the programme, the Covered Bonds may be offered to the public in a Public Offer in Austria, Belgium, France, Germany, Italy, Ireland, Luxembourg, the Netherlands, Spain and the United Kingdom.</p> <p>The terms and conditions of each offer of Covered Bonds will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the Relevant Final Terms or Drawdown Prospectus. An investor intending to acquire or acquiring any Covered Bonds in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Covered Bonds to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements.</p> <p><i>Issue specific summary:</i></p> <p>This issue of Covered Bonds is being offered in a Public Offer in Austria, Belgium, France, Germany, Italy, Ireland, Luxembourg, the Netherlands, Spain and the United Kingdom.</p> <p>The issue price of the Covered Bonds is 99.379 per cent. of their nominal amount.</p>

Element	Title	
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Covered Bonds under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.</p> <p>The Issuer has appointed UBS Limited, UBS AG and UBS Securities LLC as Initial Dealers for the Programme. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Dealer Agreement made between the Issuer and the Dealers.</p> <p><i>Issue specific summary</i></p> <p>Other than as mentioned above, and save for as discussed in “Transfer Restrictions and Selling Restrictions”, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer, including conflicting interests.</p>
E.7	Expenses charged to the investor by the Issuer or an Offeror	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Covered Bonds under the Programme. Other Authorised Offerors may, however, charge expenses to investors. Such expenses (if any) shall be charged in accordance with any contractual arrangements agreed between the investor and such Authorised Offeror at the time of the relevant offer</p> <p><i>Issue specific summary:</i></p> <p>No expenses are being charged to an investor by the Issuer.</p>