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## Launch Announcement for Callable Bull/Bear Contracts ("CBBCs") to be issued by



### UBS AG

(incorporated with limited liability in Switzerland)

acting through its London Branch

### Sponsor

**UBS SECURITIES ASIA LIMITED**

#### Particulars of CBBCs

We intend to issue the following CBBCs:

CBBCs	Series 1	Series 2	Series 3	Series 4	Series 5
<b>Stock code</b>	60576	60579	60578	60577	60575
<b>Issue size</b>	300,000,000 CBBCs	300,000,000 CBBCs	300,000,000 CBBCs	300,000,000 CBBCs	300,000,000 CBBCs
<b>Type</b>	European style cash settled category R callable bear contracts	European style cash settled category R callable bear contracts	European style cash settled category R callable bear contracts	European style cash settled category R callable bear contracts	European style cash settled category R callable bear contracts
<b>Index</b>	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index	Hang Seng Index
<b>Board Lot</b>	10,000 CBBCs	10,000 CBBCs	10,000 CBBCs	10,000 CBBCs	10,000 CBBCs
<b>Issue Price</b>	HKD 0.360	HKD 0.250	HKD 0.250	HKD 0.330	HKD 0.250
<b>Strike Level</b>	24,600.00	21,250.00	21,450.00	24,300.00	25,200.00
<b>Call Level</b>	24,400.00	21,050.00	21,250.00	24,100.00	24,800.00
<b>Index Currency Amount</b>	HKD 1.00	HKD 1.00	HKD 1.00	HKD 1.00	HKD 1.00
<b>Divisor</b>	10,000	12,000	12,000	10,000	20,000
<b>Launch Date</b>	8 February 2012	8 February 2012	8 February 2012	8 February 2012	8 February 2012
<b>Issue Date</b>	14 February 2012	14 February 2012	14 February 2012	14 February 2012	14 February 2012
<b>Expected listing date</b>	15 February 2012	15 February 2012	15 February 2012	15 February 2012	15 February 2012
<b>Observation Commencement Date</b>	15 February 2012	15 February 2012	15 February 2012	15 February 2012	15 February 2012
<b>Expiry Date</b>	27 November 2012	30 July 2012	30 August 2012	30 October 2012	28 December 2012
<b>Effective Gearing*</b>	5.84x	7.01x	7.01x	6.37x	4.20x
<b>Gearing*</b>	5.84x	7.01x	7.01x	6.37x	4.20x
<b>Premium*</b>	0.09%	13.17%	12.22%	0.09%	3.89%
<b>Funding Cost as of Launch Date<sup>#</sup></b>	HKD 0.0018	HKD 0.2307	HKD 0.2140	HKD 0.0018	HKD 0.0409

\* This data may fluctuate during the life of the CBBCs and may not be comparable to similar information provided by other issuers of callable bull/bear contracts. Each issuer may use different pricing models.

# The funding cost is calculated in accordance with the following formula:

$$\text{Funding Cost} = \frac{\text{Strike Level} \times \text{funding rate} \times n / 365 \times \text{Index Currency Amount}}{\text{Divisor}}$$

Where,

- (i) “n” is the number of days remaining to expiration; initially, “n” is the number of days from (and including) the Launch Date to (and including) the trading day immediately preceding the Expiry Date; and
- (ii) the funding rate will fluctuate throughout the term of the CBBCs as further described in the relevant supplemental listing document in respect of the CBBCs. As of the Launch Date, the funding rates were 0.0912% for Series 1, 27.4863% for Series 2, 21.4205% for Series 3, 0.1020% for Series 4 and 3.6568% for Series 5.

### How much will you receive upon occurrence of a Mandatory Call Event?

A Mandatory Call Event occurs when the Spot Level of the Index on any day on which the Index Exchange (being the Stock Exchange) is scheduled to be open for trading during the Observation Period is at or above the Call Level.

“**Spot Level**” means the spot level of the Index as compiled and published by Hang Seng Indexes Company Limited.

“**Observation Period**” means the period commencing from and including the Observation Commencement Date and ending on and including the close of the trading day (Hong Kong time) immediately preceding the Expiry Date.

Subject to limited circumstances set out in the terms and conditions of the CBBCs in which a Mandatory Call Event may be reversed, upon the occurrence of a Mandatory Call Event, we must terminate the CBBCs and you may receive a Residual Value per Board Lot in Hong Kong dollars calculated as follows (if positive):

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

If the Residual Value is at or below zero, you will lose all your investment in the CBBCs.

Where “**Maximum Index Level**” means the highest Spot Level of the Index during the MCE Valuation Period (being the period immediately following the Mandatory Call Event and up to the end of the following trading session on the Index Exchange subject to any potential extension).

### How much will you receive at expiry?

If no Mandatory Call Event occurs during the Observation Period, the CBBCs will be automatically exercised on the relevant Expiry Date if the Cash Settlement Amount is greater than zero. You will receive a Cash Settlement Amount per Board Lot in Hong Kong dollars calculated as follows (if positive):

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Closing Level**” means the average of quotations of the Index compiled, computed and disseminated by the Hang Seng Indexes Company Limited taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of the Stock Exchange, and (ii) the close of trading on the Stock Exchange on the Valuation Date (being the Expiry Date), rounded down to the nearest whole number.

### Listing of the CBBCs

We will make an application to the Stock Exchange for listing of, and permission to deal in the CBBCs on the Stock Exchange.

### Where do you obtain quotes?

You may request to obtain a quote for your CBBCs by calling the following telephone number:

Stock code:	60576	60579	60578	60577	60575
Name of Liquidity Provider:	UBS Securities Hong Kong Limited				
Address:	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong				
Broker ID Number:	9619	9619	9619	9619	9619
Telephone number:	+ 852 2971 6628				

We do not have any special arrangements in place with any brokers with respect to our CBBCs.

### Where can you inspect the relevant documents?

The following documents (“**Listing Documents**”), each in separate English and Chinese versions, are available for inspection until the relevant Expiry Date at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong :

- 1 our base listing document dated 6 April 2011 (as supplemented by an addendum dated 24 November 2011); and
- 2 the relevant supplemental listing document for each series of the CBBCs to be dated on or about 14 February 2012.

## IMPORTANT INFORMATION

### Unsecured nature of the CBBCs

The CBBCs constitute our general unsecured contractual obligations and of no other person. You are relying upon our creditworthiness and have no rights under the CBBCs against the index compiler.

### Issuer

Our long term debt ratings are:

Rating Agency	Rating as of the Launch Date
Moody's Investors Service, Inc., New York	Aa3
Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.	A
Fitch Ratings Ltd., London	A

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also regulated by, among others, the Swiss Financial Market Supervisory Authority and the Financial Services Authority of United Kingdom.

### Selling restriction

The CBBCs have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and will not be offered, sold, delivered or traded, at any time, indirectly or directly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in the Securities Act).

### Investment risk

The price of the CBBCs may fall in value as rapidly as it may rise and you may sustain a total loss of your investment. If the Cash Settlement Amount is less than or equal to zero, all CBBCs will expire worthless on the relevant Expiry Date.

We or the Liquidity Provider may be the only market participant for the CBBCs. The secondary market for the CBBCs may be limited.

### You must:

- carefully study the risk factors set out in the relevant Listing Documents;
- fully understand the potential risks and rewards and independently determine whether the CBBCs are appropriate for you given your objectives, experience, financial and operational resources, and other relevant circumstances; and
- consult with such advisers as you deem necessary to assist yourself in making these determinations.

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Hong Kong, 8 February 2012