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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
<b>Stock code</b>	62381	62380	62379	62378
<b>Issue size</b>	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 bull contracts	European style cash settled category R callable bull contracts	European style cash settled category R callable bull contracts	European style cash settled category R callable bull contracts
<b>Index</b>	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
<b>Issue Price</b>	HKD 0.250	HKD 0.280	HKD 0.320	HKD 0.350
<b>Strike Level</b>	16,600.00	16,000.00	15,600.00	15,300.00
<b>Call Level</b>	16,800.00	16,200.00	15,800.00	15,500.00
<b>Index Currency Amount</b>	HKD 1.00	HKD 1.00	HKD 1.00	HKD 1.00
<b>Divisor</b>	10,000	10,000	10,000	10,000
<b>Launch Date</b>	18 May 2012	18 May 2012	18 May 2012	18 May 2012
<b>Issue Date</b>	24 May 2012	24 May 2012	24 May 2012	24 May 2012
<b>Expected listing date</b>	25 May 2012	25 May 2012	25 May 2012	25 May 2012
<b>Observation Commencement Date</b>	25 May 2012	25 May 2012	25 May 2012	25 May 2012
<b>Expiry Date / Valuation Date<sup>+</sup></b>	28 December 2012	28 December 2012	30 January 2013	30 January 2013
<b>Effective Gearing*</b>	7.50x	6.70x	5.86x	5.36x
<b>Gearing*</b>	7.50x	6.70x	5.86x	5.36x
<b>Premium*</b>	1.84%	0.24%	0.24%	0.24%
<b>Funding Cost as of Launch Date<sup>#</sup></b>	HKD 0.0345	HKD 0.0045	HKD 0.0045	HKD 0.0045

<sup>+</sup> If the day specified is not the day on which the Index Futures Contracts expire on the Hong Kong Futures Exchange Limited, the day on which the Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited.

<sup>\*</sup> 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.

<sup>#</sup> 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 3.3865% for Series 1, 0.4583% for Series 2, 0.4097% for Series 3 and 0.4177% for Series 4.

### 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 below 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):

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

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

Where “**Minimum Index Level**” means the lowest 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):

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

“**Closing Level**” means the final settlement price for settling (i) (for Series 1) the Hang Seng Index December 2012 Futures Contracts, (ii) (for Series 2) the Hang Seng Index December 2012 Futures Contracts, (iii) (for Series 3) the Hang Seng Index January 2013 Futures Contracts and (iv) (for Series 4) the Hang Seng Index January 2013 Futures Contracts (the “**Index Futures Contracts**”), determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures and the Contract Specifications for Hang Seng Index Futures Contracts (as amended from time to time) of the Hong Kong Futures Exchange Limited.

### 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:	62381	62380	62379	62378
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
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 10 April 2012; and
- 2 the relevant supplemental listing document for each series of the CBBCs to be dated on or about 24 May 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, 18 May 2012