

Hong Kong Exchanges and Clearing Limited (“**HKEX**”), The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Rules**”) for the purpose of giving information with regard to us. We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Warrants.

Investors are warned that the price of the Warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Warrants and carefully study the risk factors set out in the Base Listing Document (as defined below), the Supplemental Listing Document (as defined below) and this document and, where necessary, seek professional advice, before they invest in the Warrants.

The Warrants constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Warrants, you are relying upon the creditworthiness of us, and have no rights under the Warrants against the Company which has issued the underlying Shares or any other person. If we become insolvent or default on our obligations under the Warrants, you may not be able to recover all or even part of the amount due under the Warrants (if any).

Non-collateralised Structured Products

Second Launch Announcement and Supplemental Listing Document for Further Warrants over Single Equities



Issuer: UBS AG

(incorporated with limited liability in Switzerland)
acting through its London Branch

Sponsor: UBS Securities Asia Limited

Key Terms

The Further Warrants will be consolidated and form part of a single series with an existing issue of 100,000,000 European style (cash settled) call warrants 2017 relating to the Shares of the Company (the “**Existing Warrants**”, together with the Further Warrants, the “**Warrants**”). The Further Warrants are issued pursuant to Condition 11 of the Existing Warrants.

Terms and conditions of the Further Warrants are identical in all material respects to the terms and conditions of the Existing Warrants.

Further Warrants Stock code	26330
Liquidity Provider broker ID	9695
Issue size	160,000,000 Warrants
Style	European style cash settled
Type	Call
Company	HSBC Holdings plc
Shares	Existing issued ordinary shares of the Company
Board Lot	4,000 Warrants
Issue Price per Further Warrant	HKD 0.065
Cash Settlement Amount per Board Lot (if any) payable at expiry	<p>For a series of call Warrants:</p> <p style="text-align: center;"><u>Entitlement x (Average Price – Exercise Price) x one Board Lot</u> Number of Warrant(s) per Entitlement</p> <p>For a series of put Warrants:</p> <p style="text-align: center;"><u>Entitlement x (Exercise Price – Average Price) x one Board Lot</u> Number of Warrant(s) per Entitlement</p>
Exercise Price	HKD 78.43
Average Price¹	The arithmetic mean of the closing prices of one Share for each Valuation Date
Entitlement	1 Share
Number of Warrant(s) per Entitlement	10 Warrant(s)
Maximum number of Shares to which the Further Warrants relate	16,000,000 Shares
Launch Date	21 February 2017
Issue Date	23 February 2017
Listing Date	24 February 2017
Valuation Date²	Each of the five Business Days immediately preceding the Expiry Date
Expiry Date³	29 August 2017
Settlement Date	The third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions
Settlement Currency	Hong Kong Dollars
Implied Volatility⁴	25.10%
Effective Gearing⁴	11.09x
Gearing⁴	100.85x
Premium⁴	20.64%
Closing Price of the Existing Warrants on 21 February 2017	HKD 0.065

¹ As derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like.

² Subject to any potential postponement upon the occurrence of a Market Disruption Event, provided that no Valuation Date shall fall on or after the Expiry Date. Please see Condition 2(C) for details.

³ If such day is a Saturday, Sunday or public holiday in Hong Kong, the immediately succeeding day which is not a Saturday, Sunday or public holiday in Hong Kong.

⁴ This data may fluctuate during the life of the Warrants and may not be comparable to similar information provided by other issuers of derivative warrants. Each issuer may use different pricing models.

IMPORTANT INFORMATION

The Warrants are listed structured products which involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

What documents should you read before investing in the Warrants?

You must read this document together with the launch announcement and supplemental listing document dated 1 February 2017 (the “**Supplemental Listing Document**”) and our base listing document dated 5 April 2016 (the “**Base Listing Document**”), as supplemented by any addendum thereto (together, the “**Listing Documents**”), in particular the section “Terms and Conditions of Cash Settled Warrants over Single Equities” (the “**Conditions**”) set out in our Base Listing Document. This document (as read in conjunction with the Supplemental Listing Document, our Base Listing Document and each addendum referred to in the section headed “**Product Summary Statement**”) is accurate as at the date of this document. You should carefully study the risk factors set out in the Listing Documents. You should also consider your financial position and investment objectives before deciding to invest in the Warrants. We cannot give you investment advice. You must decide whether the Warrants meet your investment needs before investing in the Warrants.

Is there any guarantee or collateral for the Warrants?

No. Our obligations under the Warrants are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our Warrants, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Warrants, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Warrants (if any).

What are the Issuer’s credit ratings?

The Issuer’s long term credit ratings are:

<i>Rating agency</i>	<i>Rating as of the Launch Date</i>
Moody’s Investors Service Ltd	A1 (stable outlook)
Standard & Poor’s Credit Market Services Europe Limited	A+ (stable outlook)

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the Warrants;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the Launch Date are for reference only. Any downgrading of our credit ratings could result in a reduction in the value of the Warrants;
- a credit rating is not an indication of the liquidity or volatility of the Warrants; and
- a credit rating may be downgraded if our credit quality declines.

The Warrants are not rated.

The Issuer’s credit ratings are subject to change or withdrawal at any time within each rating agency’s sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer’s ratings from time to time.

Is the Issuer regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also authorised and regulated by the Financial Market Supervisory Authority in Switzerland, and authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom.

Is the Issuer subject to any litigation?

Save as disclosed in the Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial or trading position since 31 December 2015.

PRODUCT SUMMARY STATEMENT

The Warrants are listed structured products which involve derivatives. This statement provides you with key information about the Warrants. You should not invest in the Warrants based on the information contained in this statement alone. You should read and understand the remaining sections of this document, together with the other Listing Documents, before deciding whether to invest.

Overview of the Warrants

- **What is a derivative warrant?**

A derivative warrant is an instrument which gives the holder a right to “buy” or “sell” an underlying asset at a pre-set price called the exercise price on or prior to the expiry date. Investing in a derivative warrant does not give you any right in the underlying asset. Derivative warrants usually cost a fraction of the price of the underlying asset and may provide a leveraged return to you. Conversely, such leverage could also magnify your losses.

A call warrant is designed for an investor holding a view that the price of the underlying asset will increase during the term of the warrant.

A put warrant is designed for an investor holding a view that the price of the underlying asset will decrease during the term of the warrant.

- **How and when can you get back your investment?**

The Warrants are European style cash settled derivative warrants linked to the underlying Share. European style warrants can only be exercised on the expiry date. When the Warrants are exercised, the holder is entitled to a cash amount called the “**Cash Settlement Amount**” net of any Exercise Expenses (as defined under the heading “Exercise Expenses” in the sub-section titled “What are the fees and charges?” below) according to the terms and conditions in the Listing Documents. **If the Cash Settlement Amount is equal to or less than the Exercise Expenses, you will lose all of your investment in the Warrants.**

- **How do the Warrants work?**

The potential payoff at expiry for the Warrants is calculated by reference to the difference between the Exercise Price and the Average Price of the underlying Share.

A call Warrant will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Average Price of the underlying Share is greater than the Exercise Price. The more the Average Price is above the Exercise Price, the higher the payoff at expiry. If the Average Price is at or below the Exercise Price, you will lose all of your investment in the call Warrant.

A put Warrant will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Average Price of the underlying Share is below the Exercise Price. The more the Average Price is below the Exercise Price, the higher the payoff at expiry. If the Average Price is at or above the Exercise Price, you will lose all of your investment in the put Warrant.

- **Can you sell the Further Warrants before the Expiry Date?**

Yes. We have made an application for listing of, and permission to deal in, the Further Warrants on the Stock Exchange. All necessary arrangements have been made to enable the Further Warrants to be admitted into the Central Clearing and Settlement System (“CCASS”). Issue of the Further Warrants is conditional upon listing approval being granted. From the Listing Date up to the last trading day of the Further Warrants (both dates inclusive), you may sell or buy the Further Warrants on the Stock Exchange. There shall be three CCASS Settlement Days between the last trading day of the Further Warrants and the Expiry Date. No application has been made to list the Further Warrants on any other stock exchange.

The Warrants may only be transferred in a Board Lot (or integral multiples thereof). Where a transfer of Warrants takes place on the Stock Exchange, currently settlement must be made not later than two CCASS Settlement Days after such transfer.

The Liquidity Provider will make a market in the Warrants by providing bid and/or ask prices. See the section headed “Liquidity” below.

- **What is your maximum loss?**

The maximum loss in the Warrants will be your entire investment amount plus any transaction costs.

- **What are the factors determining the price of a derivative warrant?**

The price of a derivative warrant generally depends on the price of the underlying asset (being the underlying Share for the Warrants). However, throughout the term of a derivative warrant, its price will be influenced by a number of factors, including:

- the exercise price of the derivative warrants;
- the value and volatility of the price of the underlying asset (being a measure of the fluctuation in the price of the underlying asset over time);
- the time remaining to expiry: generally, the longer the remaining life of the derivative warrant, the greater its value;
- the interim interest rates and expected dividend payments or other distributions on the underlying asset;
- the liquidity of the underlying asset;
- the supply and demand for the derivative warrant;
- our related transaction costs; and
- the creditworthiness of the issuer of the derivative warrant.

As the price of a derivative warrant is not only affected by the price of the underlying asset, movements in the price of a derivative warrant may not be proportionate or may even be opposite to the price movement of the underlying asset. For example:

- if the price of the underlying asset increases (in respect of a call warrant) or decreases (in respect of a put warrant), but the volatility of the price of the underlying asset decreases, the price of the warrant may decrease;
- if a warrant is deep-out-of-the-money (eg. when the fair market value is less than HK\$0.01), the price of the warrant may be insensitive to any increase (in respect of a call warrant) or decrease (in respect of a put warrant) in the price of the underlying asset;
- if the outstanding volume of a series of warrants in the market is high, the supply and demand of the warrant may have a greater impact on the warrant price than the price of the underlying asset; and/or
- the decrease in time value may offset any increase (in respect of a call warrant) or decrease (in respect of a put warrant) in the price of the underlying asset, especially when the warrant is close to its expiry where the time value decreases at a faster pace.

Risks of investing in the Warrants

You must read the section headed “Key Risk Factors” in this document together with the risk factors set out in our Base Listing Document and the Supplemental Listing Document. You should consider all these factors collectively when making your investment decision.

Liquidity

- **How to contact the Liquidity Provider for quotes?**

Liquidity Provider: UBS Securities Hong Kong Limited
Address: 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Telephone Number: + 852 2971 6628

The Liquidity Provider is regulated by the Stock Exchange and the Securities and Futures Commission. It is an affiliate of the Issuer and will act as our agent in providing quotes. You can request a quote by calling the Liquidity Provider at the telephone number above.

- **What is the Liquidity Provider’s maximum response time for a quote?**

The Liquidity Provider will respond within 10 minutes and the quote will be displayed on the Stock Exchange’s designated stock page for the Warrants.

- **Maximum spread between bid and ask prices:** 20 spreads

- **Minimum quantity for which liquidity will be provided:** 20 Board Lots

● **What are the circumstances under which the Liquidity Provider is not obliged to provide liquidity?**

There will be circumstances under which the Liquidity Provider is not obliged to provide liquidity. Such circumstances include:

- (i) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;
- (ii) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Stock Exchange;
- (iii) when the Warrants or the underlying Share are suspended from trading for any reason;
- (iv) when there are no Warrants available for market making activities. In such event, the Liquidity Provider shall continue to provide bid prices. Warrants held by us or any of our affiliates in a fiduciary or agency capacity are not Warrants available for market making activities;
- (v) when there are operational and technical problems beyond the control of the Liquidity Provider hindering the ability of the Liquidity Provider to provide liquidity;
- (vi) if the underlying Share or the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the Liquidity Provider's ability to source a hedge or unwind an existing hedge; or
- (vii) if the theoretical value of the Warrants is less than HK\$0.01. If the Liquidity Provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available.

You should read the sub-section entitled "Possible limited secondary market" under the "Key Risk Factors" section for further information on the key risks when the Liquidity Provider is not able to provide liquidity.

How can you obtain further information?

● **Information about the underlying Company and the underlying Shares**

You may obtain information on the underlying Shares (including the underlying Company's financial statements) by visiting the Stock Exchange's website at www.hkex.com.hk or (if applicable) the underlying Company's website(s) as follows:

<i>Underlying Company</i>	<i>Website</i>
HSBC Holdings plc	www.hsbc.com

● **Information about the Warrants after issue**

You may visit the Stock Exchange's website at www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm or our website at http://warrants.ubs.com/home/html/warrants_e.html to obtain information on the Warrants or any notice given by us or the Stock Exchange in relation to the Warrants.

● **Information about us**

You should read the section "Updated Information about Us" in this document. You may visit <http://www.ubs.com> to obtain general corporate information about us.

We have included references to websites in this document to indicate how further information may be obtained. Information appearing on those websites does not form part of the Listing Documents. We accept no responsibility for the accuracy or completeness of the information appearing on those websites. You should conduct your own due diligence (including without limitation web searches) to ensure that you are viewing the most up-to-date information.

What are the fees and charges?**• Trading Fees and Levies**

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Warrants. The levy for the investor compensation fund is currently suspended.

• Exercise Expenses

You are responsible for any Exercise Expenses. Exercise Expenses mean any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants. Any Exercise Expenses will be deducted from the Cash Settlement Amount (if any). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable. As at the date of this document, no Exercise Expenses are payable for cash settled warrants (including the Warrants).

• Stamp Duty

No stamp duty is currently payable in Hong Kong on transfer of cash settled warrants (including the Warrants).

You should note that any transaction cost will reduce your gain or increase your loss under your investment in the Warrants.

What is the legal form of the Further Warrants?

The Further Warrants will be represented by a global certificate in the name of HKSCC Nominees Limited who is the only legal owner of the Further Warrants. We will not issue definitive certificates for the Further Warrants. You may arrange for your broker to hold the Further Warrants in a securities account on your behalf, or if you have a CCASS Investor Participant securities account, you may arrange for the Further Warrants to be held in such account. You will have to rely on the records of CCASS and/or the statements you receive from your brokers as evidence of your beneficial interest in the Further Warrants.

Can we adjust the terms or early terminate the Warrants?

The occurrence of certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the Company, a subdivision or consolidation of the underlying Share or a restructuring event affecting the Company) may entitle us to adjust the terms and conditions of the Warrants. However, we are not obliged to adjust the terms and conditions of the Warrants for every event that affects the underlying Shares.

We may early terminate the Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the Warrants due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the Warrants less our cost of unwinding any related hedging arrangements as determined by us, which may be substantially less than your initial investment and may be zero.

Please refer to Conditions 5, 12 and 13 for details about adjustments or early termination events. Such events may negatively affect your investment and you may suffer a loss.

Mode of settlement for the Warrants

The Warrants will be automatically exercised on the Expiry Date in integral multiples of the Board Lot if the Cash Settlement Amount is positive. If the Cash Settlement Amount is zero or negative, or is equal to or less than the Exercise Expenses, you will lose all of your investment.

We will deliver a cash amount in the Settlement Currency equal to the Cash Settlement Amount net of any Exercise Expenses (if any) no later than the Settlement Date to HKSCC Nominees Limited (as the registered holder of the Warrants), which will then distribute such amount to the securities account of your broker (and if applicable, its custodian) or to your CCASS Investor Participant securities account (as the case may be). You may have to rely on your broker (and if applicable, its custodian) to ensure that the Cash Settlement Amount (if any) is credited to your account maintained with your broker. Once we make the payment to HKSCC Nominees Limited, who operates CCASS, you will have no further right against us for that payment, even if CCASS or your broker (and if applicable, its custodian) does not transfer your share of payment to you, or is late in making such payment transfer.

Payment of the Cash Settlement Amount (if any) may be delayed if a Settlement Disruption Event occurs on the Settlement Date, as a result of which we are unable to deliver such amount through CCASS on such day. See Condition 3(E) for further information.

Where can you inspect the relevant documents of the Warrants?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) until the Expiry Date at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong:

- each of the Listing Documents (in separate English and Chinese versions), including:
 - this document
 - the Supplemental Listing Document
 - our Base Listing Document
 - the addendum to the Base Listing Document dated 24 November 2016
- our latest audited consolidated financial statements and any interim or quarterly financial statements;
- the consent letter of our Auditors; and
- the instrument executed by us on 10 April 2006.

The Listing Documents are also available on the website of the HKEX at www.hkexnews.hk and our website at http://warrants.ubs.com/home/html/warrants_e.html.

各上市文件亦可於香港交易所披露易網站(www.hkexnews.hk)以及本公司網站 http://warrants.ubs.com/home/html/warrants_c.html 瀏覽。

Are there any dealings in the Further Warrants before the Listing Date?

It is possible that there may have been dealings in the Further Warrants before the Listing Date. If there are any dealings in the Further Warrants by us or any of our subsidiaries or associated companies from the Launch Date prior to the Listing Date, we will report those dealings to the Stock Exchange by the Listing Date and such report will be released on the website of the Stock Exchange.

Have the auditors consented to the inclusion of their report to the Listing Documents?

Our auditors (“**Auditors**”) have given and have not since withdrawn their written consent to the inclusion of their report dated 10 March 2016 and/or the references to their name in our Base Listing Document, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into our Base Listing Document. The Auditors do not own any of our shares or shares in any member of our group, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any member of our group.

Authorisation of the Warrants

The issue of the Warrants was authorised by our board of directors on 19 September 2001.

Selling restrictions

The Warrants 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).

The offer or transfer of the Warrants is also subject to the selling restrictions specified in our Base Listing Document and the Supplemental Listing Document.

Capitalised terms and inconsistency

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the Conditions. If this document is inconsistent with our Base Listing Document, this document shall prevail.

KEY RISK FACTORS

You must read these key risk factors together with the risk factors set out in our Base Listing Document and the Supplemental Listing Document. These key risk factors do not necessarily cover all risks related to the Warrants. If you have any concerns or doubts about the Warrants, you should obtain independent professional advice.

Non-collateralised structured products

The Warrants are not secured on any of our assets or any collateral.

Credit risk

If you invest in the Warrants, you are relying on our creditworthiness and of no other person. If we become insolvent or default on our obligations under the Warrants, you can only claim as our unsecured creditor regardless of the performance of the underlying Share and you may not be able to recover all or even part of the amount due under the Warrants (if any). You have no rights under the terms of the Warrants against the Company.

Resolution and recovery regime

We, UBS AG, are incorporated in Switzerland. Under the Swiss Banking Act, the Swiss Financial Market Supervisory Authority FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS AG and UBS Group AG (i.e. our holding company), if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. These powers include powers to (i) transfer all or some of our liabilities under the Warrants to another entity and (ii) convert into equity or write down our liabilities under the Warrants. The exercise of any resolution power by the relevant resolution authorities in respect of UBS AG could materially adversely affect the value of, or your potential return under, the Warrants. In the worst case scenario, you may get nothing back and you could lose all of your investment.

Warrants are not principal protected and may expire worthless

Although the cost of a Warrant may cost a fraction of the value of the underlying Share, the Warrant's price may change more rapidly than the price of the underlying Share. Given the gearing feature inherent in the Warrants, a small change in the price of the underlying Share may lead to a substantial price movement in the Warrants.

Unlike stocks, the Warrants have a limited life and will expire on the Expiry Date. In the worst case, the Warrants may expire with no value and you will lose all of your investment. Derivative warrants may only be suitable for experienced investors who are willing to accept the risk that they may lose all their investment.

The Warrants can be volatile

Prices of the Warrants may rise or fall rapidly. You should carefully consider, among other things, the following factors before dealing in the Warrants:

- (i) the prevailing trading price of the Warrants;
- (ii) the Exercise Price of the Warrants;
- (iii) the value and volatility of the price of the underlying Share;
- (iv) the time remaining to expiry;
- (v) the probable range of the Cash Settlement Amount;
- (vi) the interim interest rates and expected dividend payments or other distributions on the underlying Share;
- (vii) the liquidity of the underlying Share;
- (viii) the related transaction costs (including the Exercise Expenses, if any);
- (ix) the supply and demand for the Warrants; and
- (x) the creditworthiness of the Issuer.

The price of a Warrant may be affected by all these factors in addition to the trading price of the underlying Share. Therefore, movements in the price of the Warrants may not be proportionate or may even be opposite to the price movement of the underlying Share. You should consider all these factors collectively when making your investment decision.

Time decay

All other factors being equal, the value of a Warrant is likely to decrease over time. Therefore, the Warrants should not be viewed as a product for long term investments.

Not the same as investing in the underlying Shares

Investing in the Warrants is not the same as investing in the underlying Share. You have no rights in the underlying Share throughout the term of the Warrants. Changes in the market value of the Warrants may not correspond with the movements in the price of the underlying Share, especially when the theoretical value of the Warrants is at HK\$0.01 or below. If you buy the Warrants with a view to hedge against your exposure to the underlying Share, it is possible that you could suffer loss in your investment in the underlying Share and the Warrants.

Suspension of trading

If trading in the underlying Share is suspended on the Stock Exchange, trading in the Warrants will be suspended for a similar period. In the case of a prolonged suspension period, the price of the Warrants may be subject to a significant impact of time decay due to such prolonged suspension and may fluctuate significantly upon resumption of trading, which may adversely affect your investment.

Possible limited secondary market

The Liquidity Provider may be the only market participant for the Warrants and therefore the secondary market for the Warrants may be limited. The more limited the secondary market, the more difficult it may be for you to realise the value in the Warrants prior to expiry.

You should also be aware that the Liquidity Provider may not be able to provide liquidity when there are operational and technical problem hindering its ability to do so. Even if the Liquidity Provider is able to provide liquidity in such circumstances, its performance of liquidity provision may be adversely affected. For example:

- (i) the spread between bid and ask prices quoted by the Liquidity Provider may be significantly wider than its normal standard;
- (ii) the quantity for which liquidity will be provided by the Liquidity Provider may be significantly smaller than its normal standard; and/or
- (iii) the Liquidity Provider's response time for a quote may be significantly longer than its normal standard.

Adjustment related risk

The occurrence of certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the Company, a subdivision or consolidation of the underlying Share and a restructuring event affecting the Company) may entitle us to adjust the terms and conditions of the Warrants. However, we are not obliged to adjust the terms and conditions of the Warrants for every event that affects the underlying Share. Any adjustment or decision not to make any adjustment may adversely affect the value of the Warrants. Please refer to Conditions 5 and 12 for details about adjustments.

Possible early termination

The Warrants will lapse and cease to be valid in the event of liquidation of the Company. We may also early terminate the Warrants if it becomes illegal or impracticable for us (i) to perform our obligations under the Warrants as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the Warrants due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the Warrants less our costs of unwinding any related hedging arrangements as determined by us, which may be substantially less than your initial investment and may be zero. Please refer to Conditions 10 and 13 for details about our early termination rights.

Time lag between exercise and settlement of the Warrants

There is a time lag between exercise of the Warrants and payment of the Cash Settlement Amount net of Exercise Expenses (if any). There may be delays in the electronic settlement or payment through CCASS.

Conflict of interest

We and our subsidiaries and affiliates engage in a wide range of commercial and investment banking, brokerage, funds management, hedging, investment and other activities and may possess material information about the Company and/or the underlying Shares or issue or update research reports on the Company and/or the underlying Shares. Such activities, information and/or research reports may involve or affect the Company and/or the underlying Shares and may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of the Warrants. We have no obligation to disclose such information and may issue research reports and engage in any such activities without regard to the issue of the Warrants.

In the ordinary course of our business, we and our subsidiaries and affiliates may effect transactions for our own account or for the account of our customers and may enter into one or more transactions with respect to the Company and/or the underlying Shares or related derivatives. This may indirectly affect your interests.

No direct contractual rights

The Warrants are issued in global registered form and are held within CCASS. You will not receive any definitive certificate and your name will not be recorded in the register of the Warrants.

The evidence of your interest in the Warrants, and the efficiency of the ultimate payment of the Cash Settlement Amount net of Exercise Expenses (if any), are subject to the CCASS Rules. You will have to rely on your broker (or, if applicable, its direct or indirect custodians) and the statements you receive from it as evidence of your interest in the Warrants. You do not have any direct contractual rights against us. To assert your rights as an investor in the Warrants, you will have to rely on your broker (and, if applicable, its direct or indirect custodian) to take action on your behalf. If your broker or, if applicable, its direct or indirect custodian:

- (i) fails to take action in accordance with your instructions;
- (ii) becomes insolvent; or
- (iii) defaults on its obligations,

you will need to take action against your broker in accordance with the terms of arrangement between you and your broker to establish your interest in the Warrants first before you can assert your right of claim against us. You may experience difficulties in taking such legal proceedings. This is a complicated area of law and you should seek independent legal advice for further information.

The Listing Documents should not be relied upon as the sole basis for your investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Warrants or the underlying Share.

Updated Information about Us

Our holding company, UBS Group AG, released its fourth quarter 2016 results for the quarterly period ended on 31 December 2016 on 27 January 2017. You may visit the website at https://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2016.html to access UBS Group AG's fourth quarter 2016 results.

The information set out after this page has been extracted without adjustment from UBS Group AG's fourth quarter 2016 report. Page references in the following extract refer to pages in such report.

UBS AG (consolidated) key figures

CHF million, except where indicated	As of or for the quarter ended			As of or for the year ended	
	31.12.16	30.9.16	31.12.15	31.12.16	31.12.15
Results					
Operating income	7,118	7,049	6,771	28,421	30,605
Operating expenses	6,271	6,161	6,543	24,250	25,198
Operating profit / (loss) before tax	847	888	228	4,171	5,407
Net profit / (loss) attributable to shareholders	740	846	950	3,309	6,235
Key performance indicators¹					
Profitability					
Return on tangible equity (%)	6.4	7.4	8.1	7.1	13.5
Return on assets, gross (%)	3.1	2.9	2.8	3.0	3.1
Cost / income ratio (%)	87.8	87.3	95.8	85.2	82.0
Growth					
Net profit growth (%)	(22.1)	(59.4)	6.4	(46.9)	78.0
Net new money growth for combined wealth management businesses (%) ²	(1.1)	2.1	2.9	2.1	2.2
Resources					
Common equity tier 1 capital ratio (fully applied, %) ³	14.8	14.8	15.4	14.8	15.4
Going concern leverage ratio (phase-in, %) ⁴	5.9	5.7		5.9	
Additional information					
Profitability					
Return on equity (RoE) (%)	5.5	6.3	6.9	6.1	11.7
Return on risk-weighted assets, gross (%) ⁵	13.0	13.1	12.8	13.2	14.3
Resources					
Total assets	935,353	935,683	943,256	935,353	943,256
Equity attributable to shareholders	53,764	53,556	55,248	53,764	55,248
Common equity tier 1 capital (fully applied) ³	33,054	32,110	32,042	33,054	32,042
Common equity tier 1 capital (phase-in) ³	40,059	38,994	41,516	40,059	41,516
Risk-weighted assets (fully applied) ³	223,232	217,297	208,186	223,232	208,186
Common equity tier 1 capital ratio (phase-in, %) ³	17.7	17.7	19.5	17.7	19.5
Going concern capital ratio (fully applied, %) ⁴	16.5	16.5		16.5	
Going concern capital ratio (phase-in, %) ⁴	22.9	23.0		22.9	
Common equity tier 1 leverage ratio (fully applied, %) ⁶	3.8	3.7	3.6	3.8	3.6
Going concern leverage ratio (fully applied, %) ⁴	4.2	4.1		4.2	
Leverage ratio denominator (fully applied) ⁶	870,987	877,926	898,251	870,987	898,251
Other					
Invested assets (CHF billion) ⁷	2,821	2,747	2,689	2,821	2,689
Personnel (full-time equivalents) ⁸	56,208	57,012	58,131	56,208	58,131

¹ Refer to the "Measurement of performance" section of our Annual Report 2015. ² Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. ³ Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). ⁴ Based on the revised Swiss SRB framework that became effective on 1 July 2016. ⁵ Based on fully applied risk-weighted assets. ⁶ Calculated in accordance with Swiss SRB rules. ⁷ Includes invested assets for Personal & Corporate Banking. ⁸ As of 31 December 2016, the breakdown of personnel by business division and Corporate Center unit was: Wealth Management: 9,717; Wealth Management Americas: 13,512; Personal & Corporate Banking: 5,100; Asset Management: 2,308; Investment Bank: 4,734; CC – Services: 20,632; CC – Group ALM: 142; CC – Non-core and Legacy Portfolio: 63.

Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)

	As of or for the quarter ended 31.12.16		
	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
<i>CHF million, except where indicated</i>			
Income statement			
Operating income	7,055	7,118	(63)
Operating expenses	6,206	6,271	(65)
Operating profit / (loss) before tax	848	847	1
<i>of which: Wealth Management</i>	368	368	0
<i>of which: Wealth Management Americas</i>	339	338	1
<i>of which: Personal & Corporate Banking</i>	374	375	(1)
<i>of which: Asset Management</i>	144	144	0
<i>of which: Investment Bank</i>	306	304	2
<i>of which: Corporate Center</i>	(682)	(681)	(1)
<i>of which: Services</i>	(315)	(307)	(8)
<i>of which: Group ALM</i>	(144)	(150)	6
<i>of which: Non-core and Legacy Portfolio</i>	(223)	(224)	1
Net profit / (loss)	739	741	(2)
<i>of which: net profit / (loss) attributable to shareholders</i>	738	740	(2)
<i>of which: net profit / (loss) attributable to preferred noteholders</i>		0	0
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	1	1	0
Statement of comprehensive income			
Other comprehensive income	(566)	(566)	0
<i>of which: attributable to shareholders</i>	(553)	(553)	0
<i>of which: attributable to preferred noteholders</i>		(12)	12
<i>of which: attributable to non-controlling interests</i>	(13)	(1)	(12)
Total comprehensive income	173	175	(2)
<i>of which: attributable to shareholders</i>	185	187	(2)
<i>of which: attributable to preferred noteholders</i>		(12)	12
<i>of which: attributable to non-controlling interests</i>	(12)	0	(12)
Balance sheet			
Total assets	935,016	935,353	(337)
Total liabilities	880,612	880,907	(295)
Total equity	54,404	54,445	(41)
<i>of which: equity attributable to shareholders</i>	53,723	53,764	(41)
<i>of which: equity attributable to preferred noteholders</i>		642	(642)
<i>of which: equity attributable to non-controlling interests</i>	682	40	642
Capital information			
Common equity tier 1 capital (fully applied)	30,693	33,054	(2,361)
Common equity tier 1 capital (phase-in)	37,788	40,059	(2,271)
Going concern capital (fully applied) ¹	39,844	36,901	2,943
Going concern capital (phase-in) ¹	55,593	51,669	3,924
Risk-weighted assets (fully applied)	222,677	223,232	(555)
Common equity tier 1 capital ratio (fully applied, %)	13.8	14.8	(1.0)
Common equity tier 1 capital ratio (phase-in, %)	16.8	17.7	(0.9)
Going concern capital ratio (fully applied, %) ¹	17.9	16.5	1.4
Going concern capital ratio (phase-in, %) ¹	24.7	22.9	1.8
Leverage ratio denominator (fully applied)	870,470	870,987	(517)
Common equity tier 1 leverage ratio (fully applied)	3.5	3.8	(0.3)
Going concern leverage ratio (fully applied, %) ¹	4.6	4.2	0.4
Going concern leverage ratio (phase-in, %) ¹	6.4	5.9	0.5

¹ Based on the revised Swiss SRB framework that became effective on 1 July 2016.

As of or for the quarter ended 30.9.16			As of or for the quarter ended 31.12.15		
UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
7,029	7,049	(20)	6,775	6,771	4
6,152	6,161	(9)	6,541	6,543	(2)
877	888	(11)	234	228	6
504	502	2	344	342	2
320	313	7	14	8	6
453	454	(1)	355	356	(1)
104	104	0	171	171	0
161	155	6	80	83	(3)
(665)	(640)	(25)	(729)	(732)	3
(218)	(216)	(2)	(345)	(349)	4
30	53	(23)	(56)	(54)	(2)
(477)	(476)	(1)	(329)	(329)	0
829	847	(18)	950	951	(1)
827	846	(19)	949	950	(1)
	0	0		0	0
1	1	0	1	1	0
(637)	(638)	1	214	214	0
(643)	(643)	0	177	177	0
	4	(4)		35	(35)
5	1	4	37	2	35
191	210	(19)	1,164	1,165	(1)
184	203	(19)	1,126	1,126	0
	4	(4)		35	(35)
7	3	4	38	3	35
935,206	935,683	(477)	942,819	943,256	(437)
881,213	881,433	(220)	885,511	886,013	(502)
53,993	54,250	(257)	57,308	57,243	65
53,300	53,556	(256)	55,313	55,248	65
	654	(654)		1,954	(1,954)
693	40	653	1,995	41	1,954
30,254	32,110	(1,856)	30,044	32,042	(1,998)
37,207	38,994	(1,787)	40,378	41,516	(1,138)
39,003	35,885	3,118			
54,623	50,522	4,101			
216,830	217,297	(467)	207,530	208,186	(656)
14.0	14.8	(0.8)	14.5	15.4	(0.9)
16.9	17.7	(0.8)	19.0	19.5	(0.5)
18.0	16.5	1.5			
24.8	23.0	1.8			
877,313	877,926	(613)	897,607	898,251	(644)
3.4	3.7	(0.3)	3.3	3.6	(0.3)
4.4	4.1	0.3			
6.2	5.7	0.5			

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