UBS Structured Products

For Professional Investor in Hong Kong and/or an Accredited Investor in Singapore only

Generic Product Description | Hong Kong & Singapore Edition | 4th Edition

Optimization

Bull ELNs

Enhancing returns in flat markets

Bull ELNs allow you to benefit from range bound markets. Bull ELNs are sold at a discounted purchase price, but the investor assumes the risk of having to take delivery of the underlying at maturity.

Main benefits at a glance
- Enhanced yield through discounted purchase price
- Outperformance in flat or slightly upward equity markets
- Alternative to direct equity investments

Main risks at a glance
- Possible loss of all the invested capital
- Limited secondary market
- Potential delivery of the underlying

Investment Structure

A Bull ELN (equity-linked-note) combines a bond with the sale of a put option on a stock or an equity index (the "underlying"). Depending on the Issuer, it is known under different names, such as Discount Purchase Note, Vanilla ELN, Zero Coupon ELN, Zero Coupon Bull High Yield Note, Return-or-Equity Note or simply ELN.

At maturity of a Bull ELN, there are 2 possible scenarios:
1) If the closing price of the underlying at maturity is at or above the conversion price (also known as "strike"), investors will receive 100% of the Note's denomination.
2) If the closing price of the underlying at maturity is below the conversion price, investors will take delivery of a predefined number of the underlying, which equals the note's denomination divided by the conversion price (or an equivalent cash amount). In the worst case scenario, investors may lose most or all of their investment.

A Bull ELN allows investors to enjoy an attractive yield which is higher than market interest rates. Such enhanced yield is made possible because of the sale of a put option on the underlying. The option premium and the capital market rate of interest on the initial investment are factored into the discount to the purchase price of the Bull ELN.

Due to the discount on the purchase price of a Bull ELN and the conversion price being usually less than the initial price of the underlying on the trade date, the downside risk of a Bull ELN would not be higher than that of a direct investment in the underlying (assuming both investments are held to the Bull ELN's maturity date and the Issuer does not default).

Investors of a Bull ELN can "target buy" a stock at a more favorable entry level than the current price. The stock would be "bought" if its price at maturity is lower than the conversion price.

If you already hold some stocks and expect their prices to remain flat, you can enhance your potential return by switching to Bull ELNs linked to such stocks.

Other Variation

A Bull ELN can also be structured with a Kick-in (KI) Barrier which offers conditional downside protection at maturity. The KI Barrier is set at a buffer below the underlying's initial level. A KI Event (or Barrier Event) will occur if the price of the underlying drops to or below the KI Barrier during the Note's tenor. A KI Bull ELN can also be structured in a way that the KI Event is observed daily at the underlying's closing price. If no KI Event has occurred, the KI Bull ELN will provide conditional protection at maturity and investors will receive 100% of the Note's denomination. Otherwise, it will behave in the same way as a Bull ELN.

This is a structured product which involves derivatives. Do not invest in this product unless you fully understand and are willing to assume the associated risks. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.

The examples, charts and calculations in this document are for illustrative purposes only and do not convey any information regarding actual circumstances or profits. They have not taken into account dividend payments or securities trading costs (brokerage fees, stamp duties etc.)

Example 1:

You hold shares of Stock A and expect its price to be flat in the next three months. You can consider optimizing your return by switching to a Bull ELN linked to Stock A.

Assumptions

Denomination per note	HKD1,000,000
Purchase price per note	HKD960,000
Price of Stock A on the trade date of the note (Initial Price)	HKD100
Conversion price of Stock A	HKD97
Tenor of note	3 months

Scenario 1: Stock A closes at or above the conversion price at maturity

Stock A closes at or above HKD97 after three months. In this case, you will receive the note's denomination of HKD1,000,000 upon maturity. Having purchased the note at a discount for HKD960,000, this represents a return of HKD40,000, i.e. a yield of 4.17% (16.67% p.a.) for the three-month holding period.

Scenario 2: Stock A closes below the conversion price at maturity

Contrary to your expectation, the price of Stock A falls below the conversion price to HKD93 after three months. In this case, you will take delivery of 10,309.3 shares of Stock A (HKD1,000,000/HKD97), valued at HKD93 per share at the time of delivery (with the fractional share amount paid in cash), or the equivalent amount in cash.

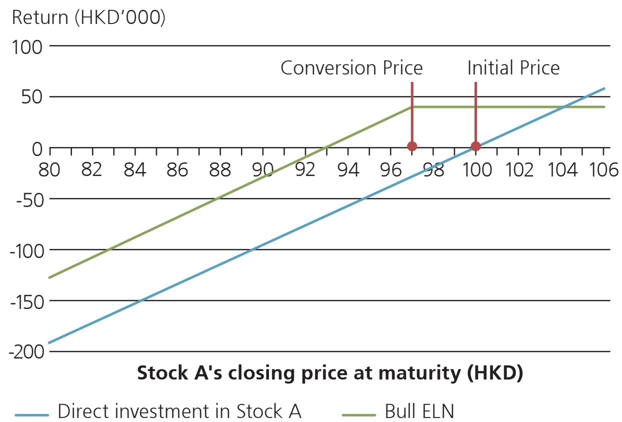
If you sell Stock A at the market price of HKD93, you will receive HKD958,737. This represents a loss of HKD1,263 (-0.13%). Had you invested your HKD960,000 capital directly in Stock A, you would have made a loss of HKD67,200 (-7.0%).

Scenario analysis at maturity

Closing Price of Stock A (HKD)	Redemption Value (HKD)	Return
97 or above	1,000,000	+4.17%
96	989,691*	+3.09%
90	927,835*	-3.35%
80	824,742*	-14.09%
70	721,650*	-24.83%

* Physical delivery of Stock A at the Conversion Price (HKD97)

Illustration of payoff at maturity



Example 2: KI Bull ELN

You hold shares of Stock B and expect its price to be flat in the next two months but would like to seek conditional downside protection in case it drops mildly. You can consider investing in a KI Bull ELN linked to Stock B.

Assumptions

Denomination per note	HKD1,000,000
Purchase price per note	HKD980,000
Initial price of Stock B on the trade date of the note	HKD50
Conversion price of Stock B	HKD47
Kick-in (KI) Barrier of Stock B	HKD42
Kick-in (KI) Event	A Kick-in (KI) Event occurs, if at any time during the Note's tenor, the price of Stock B drops to or below the KI Barrier
Tenor of note	2 months

Scenario 1: A KI Event has not occurred and Stock B closes below the conversion price

If a KI Event has not occurred and Stock B closes at HKD45 at maturity, you will receive the note's denomination of HKD1,000,000 upon maturity. Having purchased the note at a discount for HKD980,000, this represents a return of HKD20,000, i.e. a yield of 2.04% (12.24% p.a.) for the two-month holding period. Compared to a Bull ELN, the KI Bull ELN offers conditional downside protection at maturity. In comparison, in the case of a Bull ELN, you will take delivery of 21,276.6 shares of Stock B (HKD1,000,000/HKD47), valued at HKD 45 per share at the time of delivery (with the fractional share amount paid in cash), or the equivalent amount in cash.

Scenario 2: A KI Event has occurred and Stock B closes at or above the conversion price at maturity

A KI Event has occurred but Stock B closes at or above HKD47 at maturity. In this case, you will receive the note's denomination of HKD1,000,000 upon maturity. Having purchased the note at a discount of HKD980,000, this represents a return of HKD20,000, i.e. a yield of 2.04% (12.24% p.a.) for the two-month holding period.

Scenario 3: A KI Event has occurred and Stock B closes below the conversion price at maturity

A KI Event has occurred and Stock B falls below the conversion price to HKD45 at maturity. In this case, you will take delivery of 21,276.6 shares of Stock B (HKD1,000,000/HKD47), valued at HKD45 per share at the time of delivery (with the fractional share amount paid in cash), or the equivalent amount in cash.

If you sell Stock B at the market price of HKD45, you will receive HKD957,447. This represents a loss of HKD22,553 (-2.3%). Had you invested your HKD980,000 capital directly in Stock B, you would have made a loss of HKD98,000 (-10.0%).

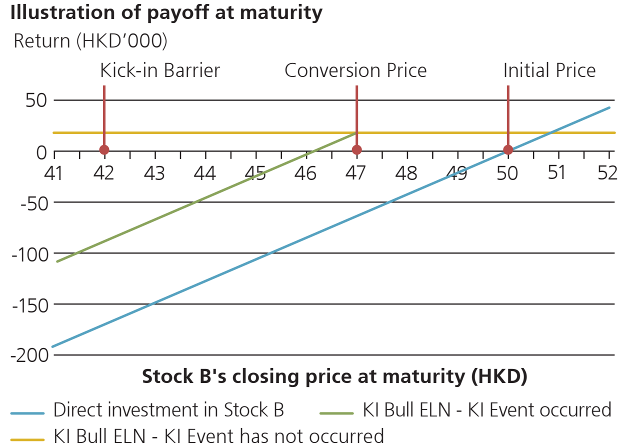
Scenario 1 demonstrates that compared to a Bull ELN, a KI Bull ELN provides conditional downside protection at maturity provided a KI Event has not occurred. If a KI Event has occurred, as in Scenario 2 and 3, the KI Bull ELN will behave in the same way as a Bull ELN.

Scenario analysis at maturity

Closing Price of Stock B (HKD)	Scenario 1 KI Event has not occurred: Redemption Value (HKD)	Return	Scenarios 2 & 3 KI Event has occurred: Redemption Value (HKD)	Return
47 or above	1,000,000	+2.04%	1,000,000	+2.04%
45	1,000,000	+2.04%	957,447*	-2.30%
40	–	–	851,064*	-13.16%
35	–	–	744,681*	-24.01%
30	–	–	638,298*	-34.87%

* Physical delivery of Stock B at the Conversion Price (HKD47)

Illustration of payoff at maturity



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Risks

Product specific risk

- A Bull ELN's potential return is limited on the upside and it is likely to underperform the underlying in a modestly or strong upward market.
- Investors will receive the underlying (or the equivalent amount in cash) if the closing price of the underlying is below the conversion price at maturity, valued at less than the value of your initial investment. While the potential loss would not be higher than that from direct investment in the underlying (assuming the Issuer does not default), there is no protection against falling prices. In the worst case scenario, you may lose most or all of your investment.
- For KI ELN, conditional downside protection applies only if no KI Event has occurred and the Note is held to maturity.

Credit risk

- Valuation: Should the credit rating of the Issuer deteriorate over the life of the investment, the product's value may be affected.
- Default: Investors are fully exposed to the credit risk of the Issuer. You may lose all your investment and any return you may have otherwise earned if the Issuer defaults.

Liquidity risk

There may be limited secondary market for this product. Investors should be prepared to hold the product for the entire investment period. Also, by selling in the secondary market, you may receive less than the capital invested.

Market risk

Before maturity, the value of the product will be influenced not only by the level of the underlying, but also by other factors such as interest rates, volatilities and time to maturity.

Therefore, the product may trade considerably below 100% during its lifetime even if the underlying has remained above the conversion price.

This product is subject to the general risks associated with structured products. For additional information, please refer to the UBS brochure "Special risks in securities trading" – Asian Version, or consult your Client Advisor.

Risk associated with discontinuation of benchmark rates

Please note that there may be risks associated with certain benchmark rates, especially interbank offered rates, such as LIBOR, which will be permanently discontinued. These risks include the replacement of such benchmark rate by a currently still unknown successor which may not have the same characteristics as the benchmark rate underlying this product. Investors should make their own assessment about the potential risks associated with this kind of benchmark rate replacement (e.g. valuation risks or unforeseen costs), including by referring to the Issuer's product documentation where available, and consult their own independent advisers as necessary.

Investor Profile and Suitability

- Only for Professional Investors in Hong Kong or Accredited Investors in Singapore
- You are an experienced investor familiar with structured products and the market of the underlying.
- You expect the underlying to be range bound and would not fall below the conversion price, and in case it falls, you do not mind holding the underlying.
- You have a moderate to high risk tolerance.
- You would like to enhance your portfolio's performance in anticipation of a flat market by switching into a Bull ELN.
- Investors in KI ELN believe the price of the underlying will not fall to or below the KI Barrier during the Note's tenor, and seek conditional downside protection based on such belief.

Tax Treatment

UBS does not provide any tax advice for investment products. Tax treatment depends on the individual circumstances of each client and clients must therefore seek their own tax advice from a reputable service provider.

Contact

Please contact your UBS Client Advisor for further information.

www.ubs.com/asia
www.ubs.com/quotes

Further Information

This product description is for information purposes only. The final terms and conditions will be finalized on the pricing date. For detailed information about the terms and conditions please consult the term sheet provided by the Issuer in English only.

This product is a structured product i.e. a combination of two or more financial instruments of which at least one is a derivative. For more information on "structured products" please refer to the brochure "Special Risks in Securities Trading – Asian Version". Additional information on UBS Structured Products in general, the various product families as well as risks and opportunities can be found in designated UBS brochures.

Please note that the above is merely a generic description of the product. Individual products launched may come with variation to the basic structure. Please contact your Client Advisor if you require further clarification on specific products.

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Prospective investors should be aware that receipt of any payment (whether coupon payment, redemption amount or otherwise) or any securities by an investor in connection with the transaction is subject to the credit risk of the issuer of the securities (the "Issuer") or counterparty to the transaction (the "Counterparty"). **Investors assume the risk that the Issuer or Counterparty will not be able to satisfy its obligations under the transaction.** Except where specifically provided otherwise, the Issuer's or the Counterparty's obligations under the transaction will constitute general and unsecured contractual obligations of the Issuer or Counterparty, respectively, and such obligations will rank equally with all other unsecured contractual obligations of the Issuer or Counterparty, respectively, and any subsequent unsecured obligations of the Issuer or Counterparty, respectively. In the case of an insolvency of the Issuer or Counterparty, preferred liabilities of the Issuer or Counterparty, respectively, will have priority over unsecured obligations such as the transaction.

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UBS AG Singapore Branch / UBS AG Hong Kong Branch
Incorporated in Switzerland with limited liability

UBS AG
Singapore Branch
UEN S98FC5560C
9 Penang Road
Singapore 238459
Tel : +65- 64958000

UBS AG
Hong Kong Branch
Two International Finance
Centre 52/F, 8 Finance Street
Central, Hong Kong
Tel : +852-2971 8888

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