

UBS AG, ACTING THROUGH ITS LONDON BRANCH

(Incorporated with limited liability in Switzerland)

NOTICE TO WARRANTHOLDERS

- To : (1) ALL HOLDERS OF EUROPEAN STYLE INDEX CALL WARRANTS RELATING TO THE HANG SENG INDEX ISSUED BY UBS AG, ACTING THROUGH ITS LONDON BRANCH (HSI 24000 UB ECW160128);
- (2) ALL HOLDERS OF EUROPEAN STYLE INDEX CALL WARRANTS RELATING TO THE HANG SENG INDEX ISSUED BY UBS AG, ACTING THROUGH ITS LONDON BRANCH (HSI 25800 UB ECW160128); AND
- (3) ALL HOLDERS OF EUROPEAN STYLE INDEX PUT WARRANTS RELATING TO THE HANG SENG INDEX ISSUED BY UBS AG, ACTING THROUGH ITS LONDON BRANCH (HSI 25000 UB EPW160128).

Notice is hereby given by UBS AG ("**UBS AG**" or the "**Issuer**") acting through its London Branch in respect of:

- (a) the European Style Index Call Warrants relating to the Hang Seng Index (HSI 24000 UB ECW160128) (the "**HSI 24000 Call Warrants**");
- (b) the European Style Index Call Warrants relating to the Hang Seng Index (HSI 25800 UB ECW160128) (the "**HSI 25800 Call Warrants**", together with the HSI 24000 Call Warrants, the "**HSI Call Warrants**"); and
- (c) the European Style Index Put Warrants relating to the Hang Seng Index (HSI 25000 UB EPW160128) (the "**HSI Put Warrants**"),

(together, the "**Warrants**") on the following:

Terms defined or construed in the Supplemental Listing Documents dated 22 July 2015 in relation to the Warrants issued by UBS AG bear the same meaning and construction in this Notice.

EXPIRY OF WARRANTS

In accordance with the terms and conditions of each of the Warrants, the Warrants will expire on the following date:

Warrant	Expiry Date	Strike Level	Conversion Ratio
HSI 24000 Call Warrants	28 January 2016	24,000	0.0005
HSI 25800 Call Warrants	28 January 2016	25,800	0.001
HSI Put Warrants	28 January 2016	25,000	0.001

The Warrants are cash-settled warrants which entitle a Warrantholder to be paid a cash settlement amount (if positive) (the "**Cash Settlement Amount**") in accordance with the terms and conditions of each of the Warrants.

Cash Settlement Amount for the HSI Call Warrants

The Cash Settlement Amount in respect of each HSI Call Warrant is calculated as follows:

$$[(\text{Closing Level} - \text{Strike Level}) \times \text{Conversion Ratio} \times \text{HK\$1.00}] \div \text{Exchange Rate}$$

Where

Closing Level : 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 of Hong Kong Limited ("**HKEx**"), and (ii) the close of trading on HKEx on the Valuation Date (being the Expiry Date, or if such day is not a Relevant Stock Exchange Business Day (as defined below) the immediately preceding Relevant Stock Exchange Business Day), rounded down to the nearest whole number, subject to the Issuer's right to determine the closing level in good faith upon the occurrence of a Market Disruption Event on the Valuation Date, as described further in Condition 4(c) of the terms and conditions of the HSI Call Warrants.

Exchange Rate: The rate of exchange between the Hong Kong dollar (the "**Reference Currency**") and the Singapore dollar (the "**Settlement Currency**") (expressed as the number of units of the Reference Currency per one unit of the Settlement Currency) on the Expiry Date (if it is not a day (other than a Saturday, Sunday, or public holiday) on which HKEx is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong ("**Relevant Stock Exchange Business Day**"), the next following day which is a Business Day and a Relevant Stock Exchange Business Day) at or about 5:00 p.m. (Singapore time), as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such time.

Cash Settlement Amount for the HSI Put Warrants

The Cash Settlement Amount in respect of each HSI Put Warrant is calculated as follows:

$$[(\text{Strike Level} - \text{Closing Level}) \times \text{Conversion Ratio} \times \text{HK\$1.00}] \div \text{Exchange Rate}$$

Where

Closing Level : 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 HKEx, and (ii) the close of trading on HKEx on the Valuation Date (being the Expiry Date, or if such day is not a Relevant Stock Exchange Business Day, the immediately preceding Relevant Stock Exchange Business Day), rounded down to the nearest whole number, subject to the Issuer's right to determine the closing level in good faith upon the occurrence of a Market Disruption Event on the Valuation Date, as described further in Condition 4(c) of the terms and conditions of the HSI Put Warrants.

Exchange Rate: The rate of exchange between the Reference Currency and the Settlement Currency (expressed as the number of units of the Reference Currency per one unit of the Settlement Currency) on the Expiry Date (if it is not a Relevant Stock Exchange Business Day, the next following day which is a Business Day and a Relevant Stock Exchange Business Day) at or about 5:00 p.m. (Singapore time), as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such time.

The Warrants may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by the Closing Level of the Index. In respect of the HSI Call Warrants, if the Closing Level of the Index is greater than the Strike Level and the Cash Settlement Amount (less any Exercise Expenses) is positive, all the HSI Call Warrants shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. In respect of the HSI Put Warrants, if the Strike Level is greater than the Closing Level of the Index and the Cash Settlement Amount (less any Exercise Expenses) is positive, all the HSI Put Warrants shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in the terms and conditions of the Warrants.

In respect of the HSI Call Warrants, in the event the Closing Level of the Index is less than or equal to the Strike Level and the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all the HSI Call Warrants shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. In respect of the HSI Put Warrants, in the event the Strike Level is less than or equal to the Closing Level of the Index and the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all the HSI Put Warrants shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

The expected last day of trading in the Warrants on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) is 21 January 2016. The expected date on which the Warrants will be de-listed from the Official List of the SGX-ST is 29 January 2016 with effect from 9:00 a.m. (Singapore time).

Holders of the Warrants who are in any doubt as to the action they should take should consult their stockbrokers, bank managers, accountants, solicitors or other professional advisers immediately.

Issued by
UBS AG, ACTING THROUGH ITS LONDON BRANCH

28 December 2015