



UBS AG
Hong Kong Branch
(Incorporated in Switzerland with Limited Liability)

Key Financial Information Disclosure Statements
As at 30 June 2017

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

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UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

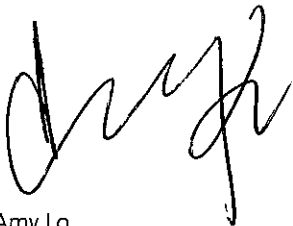
30 June 2017

Chief Executive's Declaration

The key financial information disclosure statements as at 30 June 2017 are set out on pages 2 to 13.

Information is disclosed in accordance with the Banking (Disclosure) Rules and the guidance notes for overseas incorporated authorized institutions issued by the Hong Kong Monetary Authority on 6 August 2015.

This disclosure complies with the Hong Kong Monetary Authority's recommendations and is not false or misleading in any material aspects.

A handwritten signature in black ink, appearing to read 'Amy Lo', is positioned above the printed name and title.

Amy Lo
Chief Executive
UBS AG Hong Kong Branch
29 September 2017

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2017

	Notes	6 months ended 30 Jun 2017 HKD million	6 months ended 30 Jun 2016 HKD million
Interest income		1,415	1,200
Interest expense		437	278
Net interest income		<u>978</u>	<u>922</u>
Other operating income	2	6,347	4,809
Total operating income		<u>7,325</u>	<u>5,731</u>
Operating expenses	3	5,468	4,807
Impairment/(reversal of impairment) losses and provisions for impaired loans and receivables		2	(13)
Gains less losses from the disposal of property, plant and equipment and investment properties		-	-
Profit before taxation		<u>1,855</u>	<u>937</u>
Tax expense		233	171
Profit after taxation		<u><u>1,622</u></u>	<u><u>766</u></u>

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 Jun 2017 HKD million	31 Dec 2016 HKD million
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		4,087	4,063
Placements with banks with residual maturity of more than 1 month but not more than 12 months (except those included in amount due from overseas offices)		125	130
Amount due from overseas offices		16,839	18,899
Trade bills		-	-
Certificates of deposit held		-	-
Securities held for trading purposes		19,289	18,802
Loans and receivables	4	140,040	123,157
Investment securities		-	-
Other investments		2,575	3,384
Property, plant and equipment and investment properties		1,812	1,580
Total assets		<u>184,767</u>	<u>170,015</u>
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		953	1,513
Deposits from customers	8	127,525	125,529
Amount due to overseas offices		41,919	26,993
Certificates of deposit issued		168	478
Issued debt securities		6,944	7,384
Other liabilities		7,240	8,090
Provisions		18	28
Total liabilities		<u>184,767</u>	<u>170,015</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Business activities

UBS AG Hong Kong Branch ("the Branch") is a branch of UBS AG, a bank incorporated in Switzerland. The Branch provides a broad range of financial services including wealth management, advisory services, underwriting, financing, market making, brokerage and asset management.

2 Other operating income

Notes	6 months ended 30 Jun 2017 HKD million	6 months ended 30 Jun 2016 HKD million
Net trading income		
Profit on dealing in foreign currencies	146	93
Profit/(loss) on trading securities	19	(32)
Profit from other trading activities	75	25
	<u>240</u>	<u>86</u>
Net fee and commission income		
Fee and commission income	3,339	2,691
Less: Fee and commission expenses	(839)	(810)
	<u>2,500</u>	<u>1,881</u>
Other income	3,607	2,842
	<u>6,347</u>	<u>4,809</u>

3 Operating expenses

	6 months ended 30 Jun 2017 HKD million	6 months ended 30 Jun 2016 HKD million
Staff costs	3,241	3,099
Rental expenses	294	270
Net service fee to other UBS entities	1,094	605
Other operating expenses	839	833
	<u>5,468</u>	<u>4,807</u>

4 Loans and receivables

	30 Jun 2017 HKD million	31 Dec 2016 HKD million
Loans and advances to customers	132,394	115,641
Accrued interest and other receivables	7,646	7,516
	<u>140,040</u>	<u>123,157</u>
Less: Collective provisions	-	-
Specific provisions		
- loans and advances to customers	18	15
- fee receivables	-	6
	<u>140,022</u>	<u>123,136</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Analysis of gross amounts of loans and advances to customers**a. Loans and advances to customers - by industry sectors**

The analysis of gross loans and advances to customers and the percentages of secured loans and advances by industry sectors are based on the categories and definitions used by the Hong Kong Monetary Authority.

	30 Jun 2017 HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property investment	361	100%
Financial concerns	2,342	100%
Stockbrokers	-	-
	<u>2,703</u>	<u>100%</u>
Individuals		
For the purchase of other residential properties	545	100%
Others	29,724	100%
	<u>30,269</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	99,422	100%
	<u>132,394</u>	<u>100%</u>

	31 Dec 2016 HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property investment	387	100%
Financial concerns	2,184	100%
Stockbrokers	72	0%
	<u>2,643</u>	<u>97%</u>
Individuals		
For the purchase of other residential properties	429	100%
Others	24,493	100%
	<u>24,922</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	88,076	100%
	<u>115,641</u>	<u>99%</u>

* Where collateral values are greater than gross loans and advances, only the amount of collateral up to the gross loans and advances is included.

NOTES TO THE FINANCIAL STATEMENTS

5 Analysis of gross amounts of loans and advances to customers (Cont'd)**b. Loans and advances to customers - by geographical areas**

The gross amounts of loans and advances to customers by geographical areas are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when a loan or advance is guaranteed by a party in a country which is different from that of the counterparty. The basis of the country classification is in accordance with the guidance notes from the Hong Kong Monetary Authority.

	30 Jun 2017 HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	33,034	21
British Virgin Islands	59,000	-
Others	40,360	-
	<u>132,394</u>	<u>21</u>

	31 Dec 2016 HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	27,174	35
British Virgin Islands	51,713	-
Others	36,754	-
	<u>115,641</u>	<u>35</u>

6 Impaired loans and advances

	30 Jun 2017 HKD million	31 Dec 2016 HKD million
Gross impaired loans and advances to customers (Percentage of total loans and advances to customers)	21 (0.02%)	35 (0.03%)
Specific provisions to customers	18	15
Value of the collateral in respect of such loans and advances to which the specific provisions have been made	.*	2*

* Securities suspended for trading were included as collateral but considered to have zero market value.

There were no impaired advances to banks and other financial institutions as at 30 June 2017 and 31 December 2016.

Country provision, if required, is booked at head office level. The bank may establish and maintain Collective Loan Loss Provisions for country risk in case an event (or various events) in one or several countries has been identified that is likely to cause an impairment of assets, while there is not sufficient information as to which counterparties are actually affected, thus preventing the establishment of individual counterparty provisions or allowances in a timely fashion.

NOTES TO THE FINANCIAL STATEMENTS

7 Overdue, rescheduled and repossessed assets**a. Overdue and rescheduled loans and advances**

	30 Jun 2017 HKD million	31 Dec 2016 HKD million
Loans and advances to customers overdue for		
- more than 3 months but not more than 6 months	-	14 (0.01%)
- more than 6 months but not more than 1 year	14 (0.01%)	-
- more than 1 year	-	-
(% to total loans and advances to customers)		
Rescheduled loans and advances to customers excluding those which have been overdue for more than 3 months	7 (0.01%)	21 (0.02%)
Total overdue and rescheduled loans and advances to customers (% to total loans and advances to customers)	<u>21 (0.02%)</u>	<u>35 (0.03%)</u>
Specific provisions on the overdue and rescheduled loans and advances to customers	18	15
Fair value of the collateral held in respect of the overdue loans and advances to customers	-*	2*

The Branch did not have any overdue or rescheduled advances to banks as at 30 June 2017 and 31 December 2016.

* Securities suspended for trading were included as collateral but considered to have zero market value.

b. Other overdue and repossessed assets

The Branch did not have any other overdue and repossessed assets as at 30 June 2017 and 31 December 2016.

8 Deposits from customers

	30 Jun 2017 HKD million	31 Dec 2016 HKD million
Demand deposits and current accounts	65,025	66,692
Savings deposits	671	807
Time, call and notice deposits	<u>51,829</u>	<u>58,030</u>
	<u>127,525</u>	<u>125,529</u>

9 International claims

International claims are classified by the types and the locations of the counterparties after taking into account the transfer of risk. In general, such transfer of risk refers to the reduction of the Branch's exposure to a particular country by an effective transfer of credit risk to a different country with the use of credit risk mitigants which include guarantees, collaterals and credit derivatives. The basis of the country and geographical segment classification is in accordance with the guidance notes from the Hong Kong Monetary Authority.

9 International claims (Cont'd)

	30 Jun 2017 HKD million					
	Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
International organisations	-	3,601	-	-	-	3,601
Developed countries	20,645	9,007	2,744	516	-	32,912
Switzerland	19,660	1,635	-	385	-	21,680
Others	985	7,372	2,744	131	-	11,232
Offshore centres	-	-	164	96,231	-	96,395
British Virgin Islands	-	-	-	58,733	-	58,733
Others	-	-	164	37,498	-	37,662
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	189	-	189
Developing Africa and Middle East	-	-	-	483	-	483
Developing Asia Pacific	1,062	-	2	17,101	-	18,165
	21,707	12,608	2,910	114,520	-	151,745

	31 Dec 2016 HKD million					
	Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
International organisations	-	2,746	-	-	-	2,746
Developed countries	21,577	11,622	2,559	520	-	36,278
Switzerland	20,763	3,049	-	250	-	24,062
Others	814	8,573	2,559	270	-	12,216
Offshore centres	-	-	181	87,316	-	87,497
British Virgin Islands	-	-	-	51,060	-	51,060
Others	-	-	181	36,256	-	36,437
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	155	-	155
Developing Africa and Middle East	-	-	-	542	-	542
Developing Asia Pacific	1,360	-	7	13,781	-	15,148
	22,937	14,368	2,747	102,314	-	142,366

10 Non-bank Mainland exposures

The total direct non-bank Mainland exposures and the specific provision were as follow:

	30 Jun 2017 HKD million			
	<u>On-balance sheet exposures</u>	<u>Off-balance sheet exposures</u>	<u>Total</u>	<u>Specific provision</u>
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	10,728	314	11,042	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,564	18	6,582	11
Total	17,292	332	17,624	11
Total assets after provision	<u>184,749</u>			
On-balance sheet exposures as percentage of total assets	9.36%			
	31 Dec 2016 HKD million			
	<u>On-balance sheet exposures</u>	<u>Off-balance sheet exposures</u>	<u>Total</u>	<u>Specific provision</u>
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,466	156	8,622	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,197	24	5,221	5
Total	13,663	180	13,843	5
Total assets after provision	<u>169,987</u>			
On-balance sheet exposures as percentage of total assets	8.04%			

11 Currency Risk (HKD million)

The net position in a particular foreign currency is disclosed if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies.

	30 Jun 2017					Total
	USD	CNY	CHF	IDR	Others	
Spot assets	54,202	9,180	3,037	77	40,017	106,513
Spot liabilities	(109,110)	(3,975)	(1,010)	(16)	(25,220)	(139,331)
Forward purchases	147,142	6,243	2,722	594	84,474	241,175
Forward sales	(91,739)	(11,643)	(4,671)	(594)	(99,144)	(207,791)
Net options position	-	-	-	-	-	-
Net long / (short) position	495	(195)	78	61	127	566
Net structural position	-	-	-	-	-	-

	31 Dec 2016					Total
	USD	CNY	CHF	IDR*	Others	
Spot assets	69,054	5,582	4,050	46	35,518	114,250
Spot liabilities	(90,979)	(5,683)	(1,164)	(15)	(26,831)	(124,672)
Forward purchases	125,487	6,824	683	102	98,433	231,529
Forward sales	(102,574)	(6,878)	(3,703)	(102)	(107,010)	(220,267)
Net options position	-	-	-	-	-	-
Net long / (short) position	988	(155)	(134)	31	110	840
Net structural position	-	-	-	-	-	-

The above figures represent the Hong Kong dollar equivalent values of the individual currencies.

* The foreign currency which constitutes less than 10% of the total net position in all foreign currencies is presented for comparative purpose only.

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 30 June 2017

	30 Jun 2017 HKD million			31 Dec 2016 HKD million		
1 Contingent liabilities and commitments (contractual amounts)						
Direct credit substitutes	7,046			6,580		
Other commitments	-			-		
2 Derivatives transactions (HKD million)						
	30 Jun 2017			31 Dec 2016		
	Fair value		Total Notional Amount	Fair value		Total Notional Amount
	Positive	Negative		Positive	Negative	
Exchange rate-related derivative contracts	2,356	2,197	401,371	3,852	3,450	353,172
Interest rate derivative contracts	281	191	75,632	164	288	52,962
Equity derivative contracts	292	292	10,830	140	140	7,500
Precious metals other than gold contracts	16	16	1,265	8	8	316

At branch level, the above exposures do not take into account the effects of bilateral netting agreements. Such netting is effected at UBS Group AG consolidated level.

3 Liquidity information**a. Liquidity Maintenance Ratio**

	6 months ended 30 Jun 2017	6 months ended 30 Jun 2016
Average Liquidity Maintenance Ratio for the financial period	49.9%	60.1%

The average Liquidity Maintenance Ratio for the 6-month period is the simple average of each calendar month's average Liquidity Maintenance Ratio, which is computed as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Hong Kong Banking Ordinance.

As at 30 June 2017

3 Liquidity information (Cont'd)

b. Liquidity risk management

Our liquidity risk management aims to maintain a sound liquidity position to meet all our liabilities when due and to provide adequate time and financial flexibility to respond to a firm-specific liquidity crisis in a generally stressed market environment, without incurring unacceptable losses or risking sustained damage to our various businesses. Complementing this, our funding risk management aims for the optimal liability structure to finance our businesses reliably and cost-efficiently while ensuring access to a diversified portfolio of funding sources.

Our liquidity and funding strategy is proposed by Group Treasury, approved by the Hong Kong Asset and Liability Management Committee ("ALCO") and overseen by the Hong Kong Management and Risk Committee. Group Treasury monitors and oversees the implementation and execution of our liquidity and funding strategy and ensures adherence to our liquidity and funding policies. Group Asset & Liability Management ("ALM") is mandated to manage the funding risks of the bank and ensure the bank's general access to funding under a centralized funding management framework. Group Treasury's fundamental approach to liquidity and funding risk management is defined globally and then applied in Hong Kong in a manner that considers the specific nature of our local business activities.

We manage our liquidity and funding risk with the overall objective of optimizing the value of our business franchise across a broad range of market conditions and in consideration of current and foreseeable regulatory requirements. We employ a number of measures to monitor our liquidity and funding positions under normal and stressed conditions. In particular, we use stress scenarios to apply behavioural adjustments to our balance sheet and incorporate the results of these internal models with external measures, primarily the Liquidity Maintenance Ratio, to strengthen our overall liquidity risk monitoring framework.

UBS GROUP AG

CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2017

	30 Jun 2017 CHF million	31 Dec 2016 CHF million
Total shareholders' equity attributable to UBS shareholders	51,744	53,621
Common equity tier 1 capital ratio (phase-in) (Note 1)	14.8%	16.8%
Common equity tier 1 capital ratio (fully applied) (Note 1)	13.5%	13.8%
Other financial information		
Statement of financial position:		
Total assets	890,831	935,016
Total liabilities	838,394	880,714
Total loans and advances	308,280	306,325
Total customer deposits	404,303	423,672
	6 months ended 30 Jun 2017 CHF million	6 months ended 30 Jun 2016 CHF million
Statement of comprehensive income:		
Pre-tax profit	3,192	2,467

Notes :

(1) Calculation based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB).

(2) For further details on UBS Group AG financial information, please refer to the UBS Group AG 2016 Annual Report and press release issued on 28 July 2017 for June 2017 half-year results which may be viewed on our website: www.ubs.com.