



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

Key Financial Information Disclosure Statements
As at 31 December 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

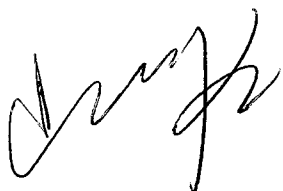
31 December 2017

Chief Executive's Declaration

The key financial information disclosure statements as at 31 December 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.

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 be 'Amy Lo', written in a cursive style.

Amy Lo
Chief Executive
UBS AG Hong Kong Branch
29 March 2018

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	For the year ended 31 Dec 2017 HKD million	For the year ended 31 Dec 2016 HKD million
Interest income		3,234	2,515
Interest expense		1,167	577
Net interest income		<u>2,067</u>	<u>1,938</u>
Other operating income	2	13,110	9,878
Total operating income		<u>15,177</u>	<u>11,816</u>
Operating expenses	3	11,305	10,223
Impairment losses and provisions for impaired loans and receivables		13	3
Gains less losses from the disposal of property, plant and equipment and investment properties		-	-
Profit before taxation		<u>3,859</u>	<u>1,590</u>
Tax expense		660	314
Profit after taxation		<u><u>3,199</u></u>	<u><u>1,276</u></u>

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 Dec 2017 HKD million	30 Jun 2017 HKD million
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		5,933	4,087
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
Amount due from overseas offices		37,756	16,839
Trade bills		-	-
Certificates of deposit held		-	-
Securities held for trading purposes		35,393	19,289
Loans and receivables	4	161,377	140,040
Investment securities		-	-
Other investments		2,584	2,575
Property, plant and equipment and investment properties		2,050	1,812
Total assets		<u>245,093</u>	<u>184,767</u>
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		2,766	953
Deposits from customers	8	140,564	127,525
Amount due to overseas offices		85,777	41,919
Certificates of deposit issued		-	168
Issued debt securities		4,829	6,944
Other liabilities		11,122	7,240
Provisions		35	18
Total liabilities		<u>245,093</u>	<u>184,767</u>

UBS AG HONG KONG BRANCH

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, brokerage and asset management.

2 Other operating income

Notes	For the year ended 31 Dec 2017 HKD million	For the year ended 31 Dec 2016 HKD million
Net trading income		
Profit on dealing in foreign currencies	276	204
Profit/(loss) on trading securities	41	(50)
Profit from other trading activities	131	66
	<u>448</u>	<u>220</u>
Net fee and commission income		
Fee and commission income	6,676	5,729
Less: Fee and commission expenses	<u>(1,770)</u>	<u>(1,627)</u>
	4,906	4,102
Other income	<u>7,756</u>	<u>5,556</u>
	<u><u>13,110</u></u>	<u><u>9,878</u></u>

3 Operating expenses

	For the year ended 31 Dec 2017 HKD million	For the year ended 31 Dec 2016 HKD million
Staff costs	6,297	6,134
Rental expenses	613	566
Net service fee to other UBS entities	2,288	1,632
Other operating expenses	2,107	1,891
	<u>11,305</u>	<u>10,223</u>

4 Loans and receivables

	31 Dec 2017 HKD million	30 Jun 2017 HKD million
Loans and advances to customers	154,346	132,394
Accrued interest and other receivables	<u>7,031</u>	<u>7,646</u>
	161,377	140,040
Less: Collective provisions	-	-
Specific provisions		
- loans and advances to customers	14	18
- fee receivables	21	-
	<u>161,342</u>	<u>140,022</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.

	31 Dec 2017	
	HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Manufacturing	10	100%
Industrial, commercial and financial		
Property investment	328	100%
Financial concerns	2,793	100%
	<u>3,121</u>	<u>100%</u>
Individuals		
For the purchase of other residential properties	531	100%
Other private purposes	35,160	100%
All others	1,538	100%
	<u>37,229</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	113,986	100%
	<u>113,986</u>	<u>100%</u>
Total loans and advances to customers	<u>154,346</u>	<u>100%</u>

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

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.

	31 Dec 2017 HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	38,952	14
British Virgin Islands	71,317	-
Others	44,077	-
	<u>154,346</u>	<u>14</u>

	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>

6 Impaired loans and advances

	31 Dec 2017 HKD million	30 Jun 2017 HKD million
Gross impaired loans and advances to customers (Percentage of total loans and advances to customers)	14 (0.01%)	21 (0.02%)
Specific provisions to customers	14	18
Value of the collateral in respect of such loans and advances to which the specific provisions have been made	-*	-*

* 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 31 December 2017 and 30 June 2017.

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.

UBS AG HONG KONG BRANCH

NOTES TO THE FINANCIAL STATEMENTS

7 Overdue, rescheduled and repossessed assets

a. Overdue and rescheduled loans and advances

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

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

* 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 31 December 2017 and 30 June 2017.

8 Deposits from customers

	31 Dec 2017 HKD million	30 Jun 2017 HKD million
Demand deposits and current accounts	71,697	65,025
Savings deposits	1,351	671
Time, call and notice deposits	<u>67,516</u>	<u>61,829</u>
	<u>140,564</u>	<u>127,525</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)

	31 Dec 2017 HKD million					
	Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
International organisations	-	5,085	-	-	-	5,085
Developed countries	41,778	28,642	98	398	-	70,916
Switzerland	40,671	804	-	254	-	41,729
Others	1,107	27,838	98	144	-	29,187
Offshore centres	-	-	747	110,028	-	110,775
British Virgin Islands	-	-	-	71,151	-	71,151
Others	-	-	747	38,877	-	39,624
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	60	-	60
Developing Africa and Middle East	-	-	-	441	-	441
Developing Asia Pacific	706	-	6	17,883	-	18,595
	42,484	33,727	851	128,810	-	205,872

	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

10 Non-bank Mainland exposures

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

	31 Dec 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	11,509	416	11,925	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,203	36	8,239	14
Total	19,712	452	20,164	14
Total assets after provision	245,058			
On-balance sheet exposures as percentage of total assets	8.04%			
	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	184,749			
On-balance sheet exposures as percentage of total assets	9.36%			

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NOTES TO THE FINANCIAL STATEMENTS

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.

	31 Dec 2017						Total
	USD	CNY	CHF	IDR*	GBP	Others	
Spot assets	56,502	26,551	2,345	59	6,397	49,098	140,952
Spot liabilities	(162,972)	(5,686)	(1,094)	(27)	(3,308)	(24,453)	(197,540)
Forward purchases	222,905	8,590	2,675	923	19,640	79,873	334,606
Forward sales	(116,038)	(29,708)	(3,672)	(924)	(22,784)	(104,447)	(277,573)
Net options position	-	-	-	-	-	-	-
Net long / (short) position	397	(253)	254	31	(55)	71	445

Net structural position

-	-	-	-	-	-	-	-
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	30 Jun 2017						Total
	USD	CNY	CHF	IDR	GBP*	Others	
Spot assets	54,202	9,180	3,037	77	2,952	37,065	106,513
Spot liabilities	(109,110)	(3,975)	(1,010)	(16)	(3,990)	(21,230)	(139,331)
Forward purchases	147,142	6,243	2,722	594	13,660	70,814	241,175
Forward sales	(91,739)	(11,643)	(4,671)	(594)	(12,615)	(86,529)	(207,791)
Net options position	-	-	-	-	-	-	-
Net long / (short) position	495	(195)	78	61	7	120	566

Net structural position

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

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

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OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 31 December 2017

	31 Dec 2017 HKD million			30 Jun 2017 HKD million		
1 Contingent liabilities and commitments (contractual amounts)						
Direct credit substitutes	7,672			7,046		
Other commitments	-			-		
2 Derivatives transactions (HKD million)						
	31 Dec 2017			30 Jun 2017		
	Fair value		Total Notional Amount	Fair value		Total Notional Amount
	Positive	Negative		Positive	Negative	
Exchange rate-related derivative contracts	2,448	3,097	458,414	2,356	2,197	401,371
Interest rate derivative contracts	194	264	90,553	281	191	75,632
Equity derivative contracts	541	541	16,056	292	292	10,830
Precious metals other than gold contracts	6	6	596	16	16	1,265

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

	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016
Average Liquidity Maintenance Ratio for the financial year	53.0%	59.6%

The average Liquidity Maintenance Ratio for the year 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.

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OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 31 December 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 31 December 2017

	31 Dec 2017 CHF million	30 Jun 2017 CHF million
Total shareholders' equity attributable to UBS shareholders	51,214	51,744
Common equity tier 1 capital ratio (phase-in) (Note 1)	14.9%	14.8%
Common equity tier 1 capital ratio (fully applied) (Note 1)	13.8%	13.5%
Other financial information		
Statement of financial position:		
Total assets	915,642	890,831
Total liabilities	864,371	838,394
Total loans and advances	319,568	308,280
Total customer deposits	408,999	404,303
	For the year ended 31 Dec 2017 CHF million	For the year ended 31 Dec 2016 CHF million
Statement of comprehensive income:		
Pre-tax profit	5,268	4,090

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 2017 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.