



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

As at 30 June 2018

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

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Note: The disclosure statements for the current period and prior periods are available in the following UBS website.

<https://www.ubs.com/global/en/legalinfo2/hongkong/disclosure-statements.html>

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

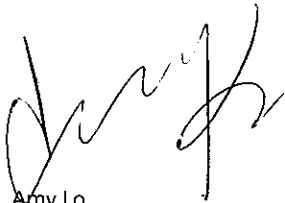
30 June 2018

Chief Executive's Declaration

The key financial information disclosure statements as at 30 June 2018 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 read 'Amy Lo', is positioned above the printed name and title.

Amy Lo
Chief Executive
UBS AG Hong Kong Branch
26 September 2018

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018

	Notes	6 months ended 30 Jun 2018 HKD million	6 months ended 30 Jun 2017 HKD million
Interest income		2,568	1,415
Interest expense		1,492	437
Net interest income		<u>1,076</u>	<u>978</u>
Other operating income	2	7,712	6,347
Total operating income		<u>8,788</u>	<u>7,325</u>
Operating expenses	3	5,661	5,468
Impairment losses and provisions for impaired loans and receivables		28	2
Gains less losses from the disposal of property, plant and equipment and investment properties		-	-
Profit before taxation		<u>3,099</u>	<u>1,855</u>
Tax expense		524	233
Profit after taxation		<u><u>2,575</u></u>	<u><u>1,622</u></u>

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 Jun 2018 HKD million	31 Dec 2017 HKD million
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		5,082	5,933
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)		-	-
Amount due from overseas offices		46,450	37,756
Trade bills		-	-
Certificates of deposit held		706	-
Securities held for trading purposes		34,611	35,393
Loans and receivables	4	183,470	161,377
Investment securities		-	-
Other investments		7,184	2,584
Property, plant and equipment and investment properties		2,117	2,050
Total assets		<u>279,620</u>	<u>245,093</u>
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		1,274	2,766
Deposits from customers	8	154,836	140,564
Amount due to overseas offices		95,870	85,777
Certificates of deposit issued		8,662	-
Issued debt securities		7,160	4,829
Other liabilities		11,749	11,122
Provisions		69	35
Total liabilities		<u>279,620</u>	<u>245,093</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	6 months ended 30 Jun 2018 HKD million	6 months ended 30 Jun 2017 HKD million
Net trading income		
Profit on dealing in foreign currencies	155	146
Profit/(loss) on trading securities	(23)	19
Profit from other trading activities	84	75
	<u>216</u>	<u>240</u>
Net fee and commission income		
Fee and commission income	4,174	3,339
Less: Fee and commission expenses	(946)	(839)
	<u>3,228</u>	<u>2,500</u>
Other income	4,268	3,607
	<u>7,712</u>	<u>6,347</u>

3 Operating expenses

	6 months ended 30 Jun 2018 HKD million	6 months ended 30 Jun 2017 HKD million
Staff costs	3,229	3,241
Rental expenses	315	294
Net service fee to other UBS entities	1,185	1,094
Other operating expenses	932	839
	<u>5,661</u>	<u>5,468</u>

4 Loans and receivables

	30 Jun 2018 HKD million	31 Dec 2017 HKD million
Loans and advances to customers	172,745	154,346
Accrued interest and other receivables	10,725	7,031
	<u>183,470</u>	<u>161,377</u>
Less: Collective provisions	5	-
Specific provisions		
- loans and advances to customers	15	14
- fee receivables	49	21
	<u>183,401</u>	<u>161,342</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 2018	
	HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Manufacturing	35	100%
Industrial, commercial and financial		
Property investment	288	100%
Financial concerns	3,511	100%
Stockbrokers	648	100%
	<u>4,447</u>	<u>100%</u>
Individuals		
For the purchase of other residential properties	445	100%
Other private purposes	41,217	100%
All others	19	100%
	<u>41,681</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	126,582	100%
Total loans and advances to customers	<u><u>172,745</u></u>	<u><u>100%</u></u>

	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%
Stockbrokers	-	N/A
	<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%
Total loans and advances to customers	<u><u>154,346</u></u>	<u><u>100%</u></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 2018	
	HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	46,084	15
British Virgin Islands	82,353	-
Others	44,308	-
	<u>172,745</u>	<u>15</u>

	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>

6 Impaired loans and advances

	30 Jun 2018 HKD million	31 Dec 2017 HKD million
Gross impaired loans and advances to customers (Percentage of total loans and advances to customers)	15 (0.01%)	14 (0.01%)
Specific provisions to customers	15	14
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 30 June 2018 and 31 December 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

	30 Jun 2018 HKD million	31 Dec 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	13 (0.01%)	-
- more than 1 year	14 (0.01%)	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	-	-
Total overdue and rescheduled loans and advances to customers (% to total loans and advances to customers)	<u>27 (0.02%)</u>	<u>14 (0.01%)</u>
Specific provisions on the overdue and rescheduled loans and advances to customers	15	14
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 30 June 2018 and 31 December 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 30 June 2018 and 31 December 2017.

8 Deposits from customers

	30 Jun 2018 HKD million	31 Dec 2017 HKD million
Demand deposits and current accounts	68,806	71,697
Savings deposits	1,912	1,351
Time, call and notice deposits	<u>84,118</u>	<u>67,516</u>
	<u>154,836</u>	<u>140,564</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 2018 HKD million					
	Non-bank private sector					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
International organisations	-	4,890	-	-	-	4,890
Developed countries	63,275	14,603	1,063	1,447	-	80,388
Switzerland	44,658	-	-	219	-	44,877
Others	18,617	14,603	1,063	1,228	-	35,511
Offshore centres	10	-	689	120,652	-	121,351
British Virgin Islands	-	-	-	82,680	-	82,680
Others	10	-	689	37,972	-	38,671
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	50	-	50
Developing Africa and Middle East	-	-	-	525	-	525
Developing Asia Pacific	983	-	6	19,634	-	20,623
	64,268	19,493	1,758	142,308	-	227,827

	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

10 Non-bank Mainland exposures

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

	30 Jun 2018 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	13,151	276	13,427	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	9,426	42	9,468	15
Total	22,577	318	22,895	15
Total assets after provision	<u>279,550</u>			
On-balance sheet exposures as percentage of total assets	8.08%			

	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	<u>245,058</u>			
On-balance sheet exposures as percentage of total assets	8.04%			

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.

	30 Jun 2018											Total	
	AUD	CHF	CNY	EUR	GBP*	IDR	JPY	MYR	SGD	USD	XAU		Others
Spot assets	5,941	1,627	36,026	11,463	3,466	72	17,225	62	1,065	70,319	3,537	993	151,756
Spot liabilities	(4,585)	(1,181)	(4,750)	(5,546)	(3,633)	(45)	(3,350)	(31)	(4,134)	(192,915)	(3,538)	(3,052)	(226,760)
Forward purchases	8,089	2,304	12,499	21,451	11,959	36	7,788	53	9,819	218,190	1,065	28,740	321,993
Forward sales	(9,624)	(2,719)	(44,185)	(27,276)	(11,810)	(36)	(21,716)	(53)	(6,790)	(95,252)	(1,105)	(26,720)	(247,286)
Net options position	-	-	-	-	-	-	-	-	-	-	-	-	-
Net long / (short) position	(179)	31	(410)	92	(18)	27	(53)	31	(40)	342	(41)	(39)	(257)
Net structural position	-	-	-	-	-	-	-	-	-	-	-	-	-

	31 Dec 2017											Total	
	AUD*	CHF	CNY	EUR*	GBP	IDR*	JPY*	MYR*	SGD*	USD	XAU*		Others
Spot assets	7,604	2,345	26,551	13,237	6,397	59	20,039	87	1,265	56,502	3,730	3,136	140,952
Spot liabilities	(4,170)	(1,094)	(5,686)	(5,073)	(3,308)	(27)	(3,332)	(56)	(4,219)	(162,972)	(3,730)	(3,873)	(197,540)
Forward purchases	3,329	2,675	8,590	24,566	19,640	923	13,591	49	9,683	222,905	1,753	26,902	334,606
Forward sales	(6,753)	(3,672)	(29,708)	(32,694)	(22,784)	(924)	(30,271)	(49)	(6,735)	(116,038)	(1,773)	(26,172)	(277,573)
Net options position	-	-	-	-	-	-	-	-	-	-	-	-	-
Net long / (short) position	10	254	(253)	36	(55)	31	27	31	(6)	397	(20)	(7)	445
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.

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OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 30 June 2018

	30 Jun 2018 HKD million		31 Dec 2017 HKD million		
1 Contingent liabilities and commitments (contractual amounts)					
Direct credit substitutes	8,829		7,672		
Transaction-related contingent items	2,462		-		
Other commitments	-		-		
2 Derivatives transactions (HKD million)					
	30 Jun 2018		31 Dec 2017		
	Fair value		Fair value		Total
	Positive	Negative	Positive	Negative	Notional Amount
Exchange rate-related derivative contracts	5,188	3,755	2,448	3,097	458,414
Interest rate derivative contracts	150	458	194	264	90,553
Equity derivative contracts	632	627	541	541	16,056
Precious metals other than gold contracts	7	7	6	6	596

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

	3 months ended 31 Mar 2018	3 months ended 30 Jun 2018	6 months ended 30 Jun 2017
Average Liquidity Maintenance Ratio for the financial period	58.0%	61.1%	49.9%

The average Liquidity Maintenance Ratio for the 3-month and 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.

b. Core Funding Ratio

	3 months ended 31 Mar 2018	3 months ended 30 Jun 2018
Average Core Funding Ratio for the financial period	1381.5%	1270.8%

The average Core Funding Ratio for the 3-month period, is the simple average of each calendar month's average Core Funding 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.

UBS AG HONG KONG BRANCH

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 30 June 2018

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 2018

	30 Jun 2018 CHF million	31 Dec 2017 CHF million
Total shareholders' equity attributable to UBS shareholders	50,774	51,214
Common equity tier 1 capital ratio (Note 1)	13.4%	14.9%
Other financial information		
Statement of financial position:		
Total assets	944,482	915,642
Total liabilities	893,649	864,371
Total loans and advances	318,278	318,509
Total customer deposits	403,430	408,999
	6 months ended 30 Jun 2018 CHF million	6 months ended 30 Jun 2017 CHF million
Statement of comprehensive income:		
Pre-tax profit	3,652	3,192

Notes :

- (1) As of 31 December 2017, phase-in deduction applied for the purpose of the CET1 capital calculation was 80%. These effects are fully phased in from 1 January 2018.
- (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 24 July 2018 for June 2018 half-year results which may be viewed on our website: www.ubs.com.