



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

Key Financial Information Disclosure Statement
As at 31 December 2015

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

CONTENTS

	Pages
Chief Executive's declaration	1
Statement of comprehensive income	2
Statement of financial position	3
Notes to the financial statements	4 - 10
Off balance sheet exposures and liquidity information	11 - 12
Group consolidated financial information	13

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

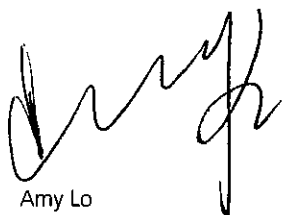
31 December 2015

Chief Executive's Declaration

The key financial information disclosure statement as at 31 December 2015 is 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 be 'Amy Lo', written in a cursive style.

Amy Lo
Chief Executive
UBS AG Hong Kong Branch
31 March 2016

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	31 Dec 2015 HKD million	31 Dec 2014 HKD million
Interest income		2,331	1,816
Interest expense		513	433
Net interest income		<u>1,818</u>	<u>1,383</u>
Other operating income	2	13,850	13,178
Total operating income		<u>15,668</u>	<u>14,561</u>
Operating expenses	3	10,271	9,818
Impairment losses and provisions for impaired loans and receivables		4	32
Gain less losses from the disposal of property, plant and equipment and investment properties		-	-
Profit before taxation		<u>5,393</u>	<u>4,711</u>
Tax expense		919	675
Profit after taxation		<u><u>4,474</u></u>	<u><u>4,036</u></u>

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 Dec 2015 HKD million	30 Jun 2015 HKD million
ASSETS			
Cash and balances with banks (except those included in amount due from overseas offices)		3,675	8,682
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		7,831	20,688
Trade bills		-	-
Certificates of deposit held		194	-
Securities held for trading purposes		22,329	24,232
Loans and receivables	4	110,739	131,575
Investment securities		-	-
Other investments		3,309	2,809
Property, plant and equipment and investment properties		938	849
Total assets		<u>149,015</u>	<u>188,835</u>
LIABILITIES			
Deposits and balances from banks (except those included in amount due to overseas offices)		2,152	2,232
Deposits from customers	8	112,329	112,730
Amount due to overseas offices		25,366	63,394
Certificates of deposit issued		-	-
Issued debt securities		1,018	-
Other liabilities		8,124	10,472
Provisions		26	7
Total liabilities		<u>149,015</u>	<u>188,835</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, market making, brokerage and asset management.

2 Other operating income

Notes	31 Dec 2015 HKD million	31 Dec 2014 HKD million
Net trading income		
Profit on dealing in foreign currencies	150	183
Loss on trading securities	(171)	(34)
Profit from other trading activities	66	140
	<u>45</u>	<u>289</u>
Net fee and commission income		
Fee and commission income	7,305	6,390
Less: Fee and commission expenses	(2,148)	(2,017)
	<u>5,157</u>	<u>4,373</u>
Other income	8,648	8,516
	<u>13,850</u>	<u>13,178</u>

3 Operating expenses

	31 Dec 2015 HKD million	31 Dec 2014 HKD million
Staff costs	6,415	5,982
Rental expenses	499	500
Net service fee to other UBS entities	1,242	1,468
Other operating expenses	2,115	1,868
	<u>10,271</u>	<u>9,818</u>

4 Loans and receivables

	31 Dec 2015 HKD million	30 Jun 2015 HKD million
Loans and advances to customers	104,644	123,671
Accrued interest and other receivables	6,095	7,904
	<u>110,739</u>	<u>131,575</u>
Less: Collective provisions	-	-
Specific provisions		
- loans and advances to customers	10	-
- fee receivables	9	-
	<u>110,720</u>	<u>131,575</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 percentage of secured loans and advances by industry sectors are based on the categories and definitions used by the Hong Kong Monetary Authority.

	31 Dec 2015 HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property investment	589	100%
Financial concerns	3,811	100%
Stockbrokers	261	0%
	<u>4,661</u>	<u>94%</u>
Individuals		
For the purchase of other residential properties	664	100%
Others	23,922	100%
	<u>24,586</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	75,397	100%
Total loans and advances to customers	<u>104,644</u>	<u>99%</u>

	30 Jun 2015 HKD million	
	Gross loans and advances	Collateral or other security *
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property investment	643	100%
Financial concerns	5,770	100%
Stockbrokers	528	0%
	<u>6,941</u>	<u>92%</u>
Individuals		
For the purchase of other residential properties	580	100%
Others	27,013	100%
	<u>27,593</u>	<u>100%</u>
Loans and advances for use outside Hong Kong	89,137	100%
Total loans and advances to customers	<u>123,671</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.

	31 Dec 2015	
	HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	29,248	-
British Virgin Islands	45,195	184
China	10,478	-
Others	19,723	-
	<u>104,644</u>	<u>184</u>

	30 Jun 2015	
	HKD million	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Hong Kong	34,534	-
British Virgin Islands	54,569	199
China	13,404	-
Others	21,164	-
	<u>123,671</u>	<u>199</u>

6 Impaired loans and advances

	31 Dec 2015	30 Jun 2015
	HKD million	HKD million
Gross impaired loans and advances to customers (Percentage of total loans and advances to customers)	184 (0.2%)	199 (0.2%)
Specific provisions to customers	10	-
Value of the collateral in respect of such loans and advances to which the specific provisions have been made	-	199

There were no impaired advances to banks and other financial institutions as at 31 December 2015 and 30 June 2015.

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**

	31 Dec 2015 HKD million	30 Jun 2015 HKD million
Loans and advances to customers overdue for		
- more than 3 months but not more than 6 months	184 (0.2%)	-
- more than 6 months but not more than 1 year	-	-
- more than 1 year	-	-
(% to total loans and advances to customers)		
Rescheduled loans and advances to customers excluding those which overdue for more than 3 months	-	-
Total overdue and rescheduled loans and advances to customers (% to total loans and advances to customers)	<u>184 (0.2%)</u>	<u>-</u>
Specific provisions on the overdue and rescheduled loans and advances to customers	10	-
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 2015 and 30 June 2015.

* Securities suspended for trading were held 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 2015 and 30 June 2015.

8 Deposits from customers

	31 Dec 2015 HKD million	30 Jun 2015 HKD million
Demand deposits and current accounts	57,433	54,469
Savings deposits	897	1,395
Time, call and notice deposits	<u>53,999</u>	<u>56,866</u>
	<u>112,329</u>	<u>112,730</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, collateral 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 2015 HKD million					
	Non-bank private sector					Total
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	
International organisations	-	-	-	-	-	-
Developed countries	15,336	14,474	28	1,544	-	31,382
Switzerland*	9,487	-	-	261	-	9,748
Others	5,849	14,474	28	1,283	-	21,634
Offshore centres	388	-	74	77,668	-	78,130
British Virgin Islands	-	-	-	45,318	-	45,318
Hong Kong	-	-	69	17,725	-	17,794
Others	388	-	5	14,625	-	15,018
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	198	-	198
Developing Africa and Middle East	-	-	-	621	-	621
Developing Asia Pacific	1,418	824	10	14,312	-	16,564
	<u>17,142</u>	<u>15,298</u>	<u>112</u>	<u>94,343</u>	<u>-</u>	<u>126,895</u>

* The country which constitutes less than 10% of the total international claims is presented for comparative purpose only.

	30 Jun 2015 HKD million					
	Non-bank private sector					Total
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	
International organisations	-	3,637	-	-	-	3,637
Developed countries	34,361	11,887	-	3,256	-	49,504
Switzerland	27,968	-	-	477	-	28,445
Others	6,393	11,887	-	2,779	-	21,059
Offshore centres	2	-	-	89,344	-	89,346
British Virgin Islands	-	-	-	54,309	-	54,309
Hong Kong	-	-	-	19,827	-	19,827
Others	2	-	-	15,208	-	15,210
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	648	-	648
Developing Africa and Middle East	-	-	-	354	-	354
Developing Asia Pacific	1,582	-	-	18,071	-	19,653
	<u>35,945</u>	<u>15,524</u>	<u>-</u>	<u>111,673</u>	<u>-</u>	<u>163,142</u>

10 Non-bank Mainland exposures

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

	31 Dec 2015 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	9,184	98	9,282	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,661	22	3,683	-
Total	12,845	120	12,965	-
Total assets after provision	<u>148,989</u>			
On-balance sheet exposures as percentage of total assets	8.62%			
	30 Jun 2015 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	11,551	98	11,649	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,745	22	4,767	-
Total	16,296	120	16,416	-
Total assets after provision	<u>188,828</u>			
On-balance sheet exposures as percentage of total assets	8.63%			

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 2015		
	USD	CHF	Others Total
Spot assets	64,521	1,623	46,099
Spot liabilities	(75,130)	(1,097)	(36,623)
Forward purchases	87,518	1,432	76,129
Forward sales	(76,327)	(1,680)	(85,591)
Net options position	-	-	-
Net long / (short) position	582	278	14
Net structural position	-	-	-

	30 Jun 2015		
	USD	CHF	Others Total
Spot assets	79,658	2,475	63,287
Spot liabilities	(76,413)	(2,060)	(65,594)
Forward purchases	103,740	1,956	118,555
Forward sales	(106,250)	(1,956)	(116,046)
Net options position	-	-	-
Net long / (short) position	735	415	102
Net structural position	-	-	-

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

UBS AG HONG KONG BRANCH

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 31 December 2015

	31 Dec 2015 HKD million			30 Jun 2015 HKD million		
1 Contingent liabilities and commitments (contractual amounts)						
Direct credit substitutes	5,659			5,359		
2 Derivatives transactions (HKD million)						
	31 Dec 2015			30 Jun 2015		
	Fair value		Total	Fair value		Total
	Positive	Negative	Notional Amount	Positive	Negative	Notional Amount
Exchange rate-related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	1,922	1,937	267,298	3,052	3,065	337,001
Interest rate derivative contracts	229	188	50,390	229	191	62,540
Equity derivative contracts	476	476	13,148	477	477	15,716
Precious metals other than gold contracts	2	2	39	10	10	172

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 ratio

	For the year ended 31 Dec 2015
Average liquidity maintenance ratio for the financial year	51.4%

The average liquidity maintenance ratio for the year ended 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.

Pursuant to the Banking (Liquidity) Rules, liquidity maintenance ratio was adopted at the beginning of 2015. It is not directly comparable to the liquidity ratio for the year ended 31 December 2014.

	For the year ended 31 Dec 2014
Average liquidity ratio for the financial year	80.1%

As at 31 December 2015

3 Liquidity ratio (Cont'd)

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 ("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"), which was part of Group Treasury prior to 2015, 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 future 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 scenario to apply behavioural adjustments to our balance sheet and calibrate the results from these internal stress models with external measures, primarily the liquidity maintenance ratio.

UBS GROUP AG

CONSOLIDATED FINANCIAL INFORMATION

As at 31 December 2015

	31 Dec 2015 CHF million	30 Jun 2015 CHF million
Total shareholders' equity attributable to UBS shareholders	55,313	50,211
Common equity tier 1 capital ratio (phase-in) (Note 1)	19.0%	18.2%
Common equity tier 1 capital ratio (fully applied) (Note 1)	14.5%	14.4%
Total capital ratio (phase-in) (Note 1)	26.8%	25.0%
Total capital ratio (fully applied) (Note 1)	22.9%	21.2%
Other financial information		
Statement of financial position:		
Total assets	942,819	950,168
Total liabilities	885,511	896,915
Total loans and advances	311,954	313,852
Total customer deposits	390,185	377,054
	Year ended 31 Dec 2015 CHF million	Year ended 31 Dec 2014 CHF million
Statement of comprehensive income:		
Pre-tax profit	5,489	2,461

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 2015 Annual Report and press release issued on 31 July 2015 for June 2015 half-year results which may be viewed on our website: www.ubs.com.