



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

Key Financial Information Disclosure Statements
As at 30 June 2016

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

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UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

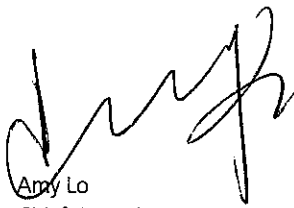
30 June 2016

Chief Executive's Declaration

The key financial information disclosure statements as at 30 June 2016 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.



Amy Lo
Chief Executive
UBS AG Hong Kong Branch
30 September 2016

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2016

| | Notes | 6 months ended 30 Jun 2016 HKD million | 6 months ended 30 Jun 2015 HKD million |
|--|-------|--|--|
| Interest income | | 1,200 | 1,181 |
| Interest expense | | 278 | 285 |
| Net interest income | | <u>922</u> | <u>896</u> |
| Other operating income | 2 | 4,809 | 8,921 |
| Total operating income | | <u>5,731</u> | <u>9,817</u> |
| Operating expenses | 3 | 4,807 | 5,331 |
| Reversal of impairment losses and provisions for impaired loans and receivables | | (13) | - |
| Gains less losses from the disposal of property, plant and equipment and investment properties | | - | - |
| Profit before taxation | | <u>937</u> | <u>4,486</u> |
| Tax expense | | 171 | 751 |
| Profit after taxation | | <u><u>766</u></u> | <u><u>3,735</u></u> |

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | Notes | 30 Jun 2016 HKD million | 31 Dec 2015 HKD million |
|---|-------|----------------------------|----------------------------|
| ASSETS | | | |
| Cash and balances with banks (except those included in amount due from overseas offices) | | 5,100 | 3,675 |
| 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) | | 91 | - |
| Amount due from overseas offices | | 26,764 | 7,831 |
| Trade bills | | - | - |
| Certificates of deposit held | | - | 194 |
| Securities held for trading purposes | | 19,351 | 22,329 |
| Loans and receivables | 4 | 115,504 | 110,739 |
| Investment securities | | - | - |
| Other investments | | 3,310 | 3,309 |
| Property, plant and equipment and investment properties | | 1,133 | 938 |
| Total assets | | <u>171,253</u> | <u>149,015</u> |
| LIABILITIES | | | |
| Deposits and balances from banks (except those included in amount due to overseas offices) | | 1,441 | 2,152 |
| Deposits from customers | 8 | 123,657 | 112,329 |
| Amount due to overseas offices | | 28,674 | 25,366 |
| Certificates of deposit issued | | - | - |
| Issued debt securities | | 10,247 | 1,018 |
| Other liabilities | | 7,221 | 8,124 |
| Provisions | | 13 | 26 |
| Total liabilities | | <u>171,253</u> | <u>149,015</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 | 6 months ended 30 Jun 2016 HKD million | 6 months ended 30 Jun 2015 HKD million |
|---|--|--|
| Net trading income | | |
| Profit on dealing in foreign currencies | 93 | 81 |
| Loss on trading securities | (32) | (3) |
| Profit/(loss) from other trading activities | <u>25</u> | <u>(58)</u> |
| | 86 | 20 |
| Net fee and commission income | | |
| Fee and commission income | 2,691 | 4,485 |
| Less: Fee and commission expenses | <u>(810)</u> | <u>(1,289)</u> |
| | 1,881 | 3,196 |
| Other income | <u>2,842</u> | <u>5,705</u> |
| | <u><u>4,809</u></u> | <u><u>8,921</u></u> |

3 Operating expenses

| | 6 months ended 30 Jun 2016 HKD million | 6 months ended 30 Jun 2015 HKD million |
|---------------------------------------|--|--|
| Staff costs | 3,099 | 3,493 |
| Rental expenses | 270 | 246 |
| Net service fee to other UBS entities | 605 | 641 |
| Other operating expenses | <u>833</u> | <u>951</u> |
| | <u><u>4,807</u></u> | <u><u>5,331</u></u> |

4 Loans and receivables

| | 30 Jun 2016 HKD million | 31 Dec 2015 HKD million |
|--|----------------------------|----------------------------|
| Loans and advances to customers | 109,166 | 104,644 |
| Accrued interest and other receivables | <u>6,338</u> | <u>6,095</u> |
| | 115,504 | 110,739 |
| Less: Collective provisions | - | - |
| Specific provisions | | |
| - loans and advances to customers | - | 10 |
| - fee receivables | <u>5</u> | <u>9</u> |
| | <u><u>115,499</u></u> | <u><u>110,720</u></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 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 | 568 | 100% |
| Financial concerns | 3,268 | 100% |
| Stockbrokers | 230 | 0% |
| | <u>4,066</u> | <u>94%</u> |
| Individuals | | |
| For the purchase of other residential properties | 649 | 100% |
| Others | 24,093 | 100% |
| | <u>24,742</u> | <u>100%</u> |
| Loans and advances for use outside Hong Kong | 80,358 | 100% |
| Total loans and advances to customers | <u><u>109,166</u></u> | <u><u>99%</u></u> |

| | 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><u>104,644</u></u> | <u><u>99%</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 2016 | |
|------------------------|---------------------------------|--|
| | HKD million | |
| | Loans and advances to customers | Overdue / Impaired loans and advances to customers |
| Hong Kong | 28,398 | - |
| British Virgin Islands | 60,860 | - |
| China* | 5,912 | - |
| Others | 13,996 | - |
| | <u>109,166</u> | <u>-</u> |

| | 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> |

* The country which constitutes less than 10% of the total amount of loans and advances to customers is presented for comparative purpose only.

6 Impaired loans and advances

| | 30 Jun 2016 | 31 Dec 2015 |
|---|-------------|-------------|
| | HKD million | HKD million |
| Gross impaired loans and advances to customers (Percentage of total loans and advances to customers) | - | 184 (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 | - | - |

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

| | 30 Jun 16 HKD million | 31 Dec 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 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>-</u> | <u>184 (0.2%)</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 30 June 2016 and 31 December 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 30 June 2016 and 31 December 2015.

8 Deposits from customers

| | 30 Jun 2016 HKD million | 31 Dec 2015 HKD million |
|--------------------------------------|----------------------------|----------------------------|
| Demand deposits and current accounts | 63,014 | 57,433 |
| Savings deposits | 1,346 | 897 |
| Time, call and notice deposits | <u>59,297</u> | <u>53,999</u> |
| | <u>123,657</u> | <u>112,329</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 2016 HKD million | | | | | |
|--|----------------------------|-----------------|---------------------------------|------------------------------|----------|----------------|
| | Non-bank private sector | | | | | Total |
| | Banks | Official sector | Non-bank financial institutions | Non-financial private sector | Others | |
| International organisations | - | - | - | - | - | - |
| Developed countries | 30,142 | 12,208 | 3,209 | 692 | - | 46,251 |
| Switzerland | 28,693 | 2,387 | - | 392 | - | 31,472 |
| Others | 1,449 | 9,821 | 3,209 | 300 | - | 14,779 |
| Offshore centres | 2 | - | 828 | 82,031 | - | 82,861 |
| British Virgin Islands | - | - | - | 46,874 | - | 46,874 |
| Hong Kong | - | - | 47 | 16,323 | - | 16,370 |
| Others | 2 | - | 781 | 18,834 | - | 19,617 |
| Developing Europe | - | - | - | - | - | - |
| Developing Latin America and Caribbean | - | - | - | 155 | - | 155 |
| Developing Africa and Middle East | - | - | - | 527 | - | 527 |
| Developing Asia Pacific | 1,329 | 1,078 | 1 | 13,489 | - | 15,897 |
| | 31,473 | 13,286 | 4,038 | 96,894 | - | 145,691 |

| | 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 |
| | 17,142 | 15,298 | 112 | 94,343 | - | 126,895 |

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

10 Non-bank Mainland exposures

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

| | 30 Jun 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 | 8,531 | 120 | 8,651 | - |
| Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 4,210 | 52 | 4,262 | - |
| Total | 12,741 | 172 | 12,913 | - |
| Total assets after provision | <u>171,240</u> | | | |
| On-balance sheet exposures as percentage of total assets | 7.44% | | | |
| | 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% | | | |

UBS AG HONG KONG BRANCH

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 2016 | | | Total |
|-----------------------------|-------------|---------|----------|-----------|
| | USD | CHF | Others | |
| Spot assets | 77,926 | 3,866 | 43,989 | 125,781 |
| Spot liabilities | (96,210) | (904) | (29,496) | (126,610) |
| Forward purchases | 102,428 | 2,381 | 81,242 | 186,051 |
| Forward sales | (83,413) | (5,581) | (95,616) | (184,610) |
| Net options position | - | - | - | - |
| Net long / (short) position | 731 | (238) | 119 | 612 |
| Net structural position | - | - | - | - |

| | 31 Dec 2015 | | | Total |
|-----------------------------|-------------|---------|----------|-----------|
| | USD | CHF | Others | |
| Spot assets | 64,521 | 1,623 | 46,099 | 112,243 |
| Spot liabilities | (75,130) | (1,097) | (36,623) | (112,850) |
| Forward purchases | 87,518 | 1,432 | 76,129 | 165,079 |
| Forward sales | (76,327) | (1,680) | (85,591) | (163,598) |
| Net options position | - | - | - | - |
| Net long / (short) position | 582 | 278 | 14 | 874 |
| Net structural position | - | - | - | - |

The above figures 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 30 June 2016

| | 30 Jun 2016 | | | 31 Dec 2015 | | |
|--|-------------|----------|-----------------|-------------|----------|-----------------|
| | Fair value | | Total | Fair value | | Total |
| | Positive | Negative | Notional Amount | Positive | Negative | Notional Amount |
| 1 Contingent liabilities and commitments (contractual amounts) | | | | | | |
| Direct credit substitutes | | | | | | |
| | | | | 6,358 | | 5,659 |
| Other commitments | | | | 496 | | - |
| 2 Derivatives transactions (HKD million) | | | | | | |
| | | | | | | |
| Exchange rate-related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements) | 2,846 | 2,589 | 314,782 | 1,922 | 1,937 | 267,298 |
| Interest rate derivative contracts | 453 | 262 | 57,014 | 229 | 188 | 50,390 |
| Equity derivative contracts | 250 | 250 | 9,433 | 476 | 476 | 13,148 |
| Precious metals other than gold contracts | 18 | 19 | 548 | 2 | 2 | 39 |

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 2016 | 6 months ended 30 Jun 2015 |
|--|-------------------------------|-------------------------------|
| Average Liquidity Maintenance Ratio for the financial period | 60.1% | 49.8% |

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.

UBS AG HONG KONG BRANCH

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 30 June 2016

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 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 scenarios 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 30 June 2016

| | 30 Jun 2016 CHF million | 31 Dec 2015 CHF million |
|---|--|--|
| Total shareholders' equity attributable to UBS shareholders | 52,876 | 55,313 |
| Common equity tier 1 capital ratio (phase-in) (Note 1) | 17.1% | 19.0% |
| Common equity tier 1 capital ratio (fully applied) (Note 1) | 14.2% | 14.5% |
| Total capital ratio (phase-in) (Note 1) | 25.4% | 26.8% |
| Total capital ratio (fully applied) (Note 1) | 23.1% | 22.9% |
| Other financial information | | |
| Statement of financial position: | | |
| Total assets | 989,397 | 942,819 |
| Total liabilities | 935,835 | 885,511 |
| Total loans and advances | 306,881 | 311,954 |
| Total customer deposits | 409,084 | 390,185 |
| | 6 months ended 30 Jun 2016 CHF million | 6 months ended 30 Jun 2015 CHF million |
| Statement of comprehensive income: | | |
| Pre-tax profit | 2,467 | 4,467 |

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 2015 Annual Report and press release issued on 29 July 2016 for June 2016 half-year results which may be viewed on our website: www.ubs.com.