



---

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

Key Financial Information Disclosure Statements  
As at 31 December 2016

UBS AG HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENTS

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 STATEMENTS

31 December 2016

**Chief Executive's Declaration**

The key financial information disclosure statements as at 31 December 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.

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  
31 March 2017

UBS AG HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	Year ended 31 Dec 2016 HKD million	Year ended 31 Dec 2015 HKD million
Interest income		2,515	2,331
Interest expense		577	513
Net interest income		<u>1,938</u>	<u>1,818</u>
Other operating income	2	9,878	13,850
Total operating income		<u>11,816</u>	<u>15,668</u>
Operating expenses	3	10,223	10,271
Impairment losses and provisions for impaired loans and receivables		3	4
Gains less losses from the disposal of property, plant and equipment and investment properties		-	-
Profit before taxation		<u>1,590</u>	<u>5,393</u>
Tax expense		314	919
Profit after taxation		<u><u>1,276</u></u>	<u><u>4,474</u></u>

UBS AG HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 Dec 2016 HKD million	30 Jun 2016 HKD million
<b>ASSETS</b>			
Cash and balances with banks (except those included in amount due from overseas offices)		4,063	5,100
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)		130	91
Amount due from overseas offices		18,899	26,764
Trade bills		-	-
Certificates of deposit held		-	-
Securities held for trading purposes		18,802	19,351
Loans and receivables	4	123,157	115,504
Investment securities		-	-
Other investments		3,384	3,310
Property, plant and equipment and investment properties		1,580	1,133
Total assets		<u>170,015</u>	<u>171,253</u>
<b>LIABILITIES</b>			
Deposits and balances from banks (except those included in amount due to overseas offices)		1,513	1,441
Deposits from customers	8	125,529	123,657
Amount due to overseas offices		26,993	28,674
Certificates of deposit issued		478	-
Issued debt securities		7,384	10,247
Other liabilities		8,090	7,221
Provisions		28	13
Total liabilities		<u>170,015</u>	<u>171,253</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	Year ended 31 Dec 2016 HKD million	Year ended 31 Dec 2015 HKD million
Net trading income		
Profit on dealing in foreign currencies	204	150
Loss on trading securities	(50)	(171)
Profit from other trading activities	66	66
	<u>220</u>	<u>45</u>
Net fee and commission income		
Fee and commission income	5,729	7,305
Less: Fee and commission expenses	(1,627)	(2,148)
	<u>4,102</u>	<u>5,157</u>
Other income	5,556	8,648
	<u>9,878</u>	<u>13,850</u>

**3 Operating expenses**

	Year ended 31 Dec 2016 HKD million	Year ended 31 Dec 2015 HKD million
Staff costs	6,134	6,415
Rental expenses	566	499
Net service fee to other UBS entities	1,632	1,242
Other operating expenses	1,891	2,115
	<u>10,223</u>	<u>10,271</u>

**4 Loans and receivables**

		31 Dec 2016 HKD million	30 Jun 2016 HKD million
Loans and advances to customers	5	115,641	109,166
Accrued interest and other receivables		7,516	6,338
		<u>123,157</u>	<u>115,504</u>
Less: Collective provisions		-	-
Specific provisions			
- loans and advances to customers		15	-
- fee receivables		6	5
		<u>123,136</u>	<u>115,499</u>

**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 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%
Total loans and advances to customers	<u><u>115,641</u></u>	<u><u>99%</u></u>

	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>

\* 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 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>

	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	-
Others	19,908	-
	<u>109,166</u>	<u>-</u>

**6 Impaired loans and advances**

	31 Dec 2016 HKD million	30 Jun 2016 HKD million
Gross impaired loans and advances to customers (Percentage of total loans and advances to customers)	35 (0.03%)	-
Specific provisions to customers	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 31 December 2016 and 30 June 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.



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 2016 HKD million	30 Jun 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	-	-
- 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	21 (0.02%)	-
Total overdue and rescheduled loans and advances to customers (% to total loans and advances to customers)	<u>35 (0.03%)</u>	<u>-</u>
Specific provisions on the overdue and rescheduled loans and advances to customers	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 31 December 2016 and 30 June 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 31 December 2016 and 30 June 2016.

**8 Deposits from customers**

	31 Dec 2016 HKD million	30 Jun 2016 HKD million
Demand deposits and current accounts	66,692	63,014
Savings deposits	807	1,346
Time, call and notice deposits	<u>58,030</u>	<u>59,297</u>
	<u>125,529</u>	<u>123,657</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 2016 HKD million					
	Non-bank private sector					Total
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	
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
Hong Kong*	-	-	172	13,660	-	13,832
Others	-	-	9	22,596	-	22,605
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
	<u>22,937</u>	<u>14,368</u>	<u>2,747</u>	<u>102,314</u>	<u>-</u>	<u>142,366</u>
	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
	<u>31,473</u>	<u>13,286</u>	<u>4,038</u>	<u>96,894</u>	<u>-</u>	<u>145,691</u>

\* 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:

	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
<b>Total</b>	<b>13,663</b>	<b>180</b>	<b>13,843</b>	<b>5</b>
Total assets after provision	169,987			
On-balance sheet exposures as percentage of total assets	8.04%			

	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	-
<b>Total</b>	<b>12,741</b>	<b>172</b>	<b>12,913</b>	<b>-</b>
Total assets after provision	171,240			
On-balance sheet exposures as percentage of total assets	7.44%			

### 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 2016				Total
	USD	CNY	CHF	Others	
Spot assets	69,054	5,582	4,050	35,564	114,250
Spot liabilities	(90,979)	(5,683)	(1,164)	(26,846)	(124,672)
Forward purchases	125,487	6,824	683	98,535	231,529
Forward sales	(102,574)	(6,878)	(3,703)	(107,112)	(220,267)
Net options position	-	-	-	-	-
Net long / (short) position	988	(155)	(134)	141	840
Net structural position	-	-	-	-	-

	30 Jun 2016				Total
	USD	CNY*	CHF	Others	
Spot assets	77,926	4,048	3,866	39,941	125,781
Spot liabilities	(96,210)	(4,757)	(904)	(24,739)	(126,610)
Forward purchases	102,428	10,922	2,381	70,320	186,051
Forward sales	(83,413)	(10,221)	(5,581)	(85,395)	(184,610)
Net options position	-	-	-	-	-
Net long / (short) position	731	(8)	(238)	127	612
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.

UBS AG HONG KONG BRANCH

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 31 December 2016

	31 Dec 2016			30 Jun 2016		
	HKD million			HKD million		
<b>1 Contingent liabilities and commitments</b> (contractual amounts)						
Direct credit substitutes				6,580		6,358
Other commitments				-		496
<b>2 Derivatives transactions</b> (HKD million)						
	31 Dec 2016			30 Jun 2016		
	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)	3,852	3,450	353,172	2,846	2,589	314,782
Interest rate derivative contracts	164	288	52,962	453	262	57,014
Equity derivative contracts	140	140	7,500	250	250	9,433
Precious metals other than gold contracts	8	8	316	18	19	548

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 2016	For the year ended 31 Dec 2015
Average Liquidity Maintenance Ratio for the financial year	59.6%	51.4%

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.

UBS AG HONG KONG BRANCH

OFF BALANCE SHEET EXPOSURES AND LIQUIDITY INFORMATION

As at 31 December 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 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 2016

	31 Dec 2016 CHF million	30 Jun 2016 CHF million
Total shareholders' equity attributable to UBS shareholders	53,621	52,876
Common equity tier 1 capital ratio (phase-in) (Note 1)	16.8%	17.1%
Common equity tier 1 capital ratio (fully applied) (Note 1)	13.8%	14.2%
Other financial information		
Statement of financial position:		
Total assets	935,016	989,397
Total liabilities	880,714	935,835
Total loans and advances	306,325	306,881
Total customer deposits	423,672	409,084
	Year ended 31 Dec 2016 CHF million	Year ended 31 Dec 2015 CHF million
Statement of comprehensive income:		
Pre-tax profit	4,090	5,489

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 29 July 2016 for June 2016 half-year results which may be viewed on our website: [www.ubs.com](http://www.ubs.com).