FINANCIAL REPORT 2010

54th ANNUAL REPORT

UNION BANCAIRE PRIVÉE

FINANCIAL REPORT 2010

FINANCIAL HIGHLIGHTS OF THE GROUP

(in CHF millions)	Financial year 2010	Financial year 2009	Variation in CHF millions	Variation in %
Net profit	216	216		
Gross profit	273	307	-34	-11.07
Client assets (in CHF billions)	64.8	75.0	-10.2	-13.60
Total operating income	**766**	**806**	**-40**	**-4.96**
Net interest income	162	167	-5	-2.99
Net fees and commissions income	401	494	-93	-18.83
Net trading income	195	138	57	41.30
Total operating expenses	**494**	**499**	**-5**	**-1.00**
Personnel costs	377	379	-2	-0.53
Other operating expenses	117	120	-3	-2.50
Depreciation, value adjustments, provisions and losses	446	355	91	25.63
Total assets	**18 084**	**20 072**	**-1 988**	**-9.90**
Shareholders' equity	1 573	1 573		
Share capital	300	300		
Capital reserves	452	452		
Reserves and retained earnings	722	762	-40	-5.25
Reserves for general banking risks	98	58	40	68.97
Staff members (at 31 December)	1 198	1 203	-5	-0.42
Net profit per staff member (in CHF thousands)	180	180		
Operating cost/income ratio	64.5%	61.9%		
Cost/income ratio after depreciation	70.5%	66.9%		
Return on equity (ROE)	12.8%	11.9%		
Shareholders' equity/total assets	8.7%	7.8%		
BIS ratio (Basle II)	24.1%	25.6%		

CONSOLIDATED BALANCE SHEET 2010

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

	2010	2009
Assets		
Cash and cash equivalents	3 026 813 425	6 836 891 884
Money-market paper	3 218 742 268	3 156 038 031
Due from banks	4 486 592 477	2 609 257 648
Due from clients	1 564 949 343	2 031 026 805
Trading balances in securities and precious metals	1 042 499 765	735 431 378
Financial investments	3 642 943 060	3 800 287 360
Non-consolidated participations	2 350 830	2 378 555
Tangible fixed assets	258 424 966	271 036 987
Intangible assets	32 104 631	56 036 821
Prepayments and accrued income	126 656 401	126 560 054
Other assets	682 220 191	447 202 923
Total assets	**18 084 297 357**	**20 072 148 446**
Total claims against unconsolidated holdings and qualifying holdings	**16 861 498**	**85 398 839**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

	2010	2009
Liabilities		
Due to banks	1 140 680 681	1 111 389 315
Due to clients on savings and deposit accounts	2 223 079	2 386 221
Other amounts due to clients	13 667 372 168	16 301 564 120
Accruals and deferred income	212 863 141	221 649 969
Other liabilities	1 206 222 000	618 512 639
Value adjustments and provisions	66 150 592	27 893 590
Reserves for general banking risks	97 624 839	57 624 839
Share capital	300 000 000	300 000 000
Capital reserves	452 335 872	452 335 872
Reserves and retained earnings	722 413 476	761 644 161
Minority interests in shareholders' equity	674 928	1 182 217
Group profit	215 736 581	215 965 503
including minority shareholders' interests	153 172	58 237
Total liabilities	**18 084 297 357**	**20 072 148 446**

Total liabilities to unconsolidated participations and significant shareholders	**885 686 194**	**500 315 471**

OFF-BALANCE-SHEET TRANSACTIONS

	2010	2009
Contingent liabilities	331 570 727	343 672 525
Irrevocable commitments	662 822 000	561 545 000
Liabilities under deferred payment	31 651 054	9 751 664
Derivative instruments		
– Underlying amounts	43 418 556 538	42 811 849 260
– Positive replacement values	497 909 908	412 108 555
– Negative replacement values	478 958 902	243 142 331
Fiduciary transactions	1 256 342 900	1 753 887 976

Consolidated statement of ordinary income and expenses on banking operations	2010	2009
Interest income		
Interest and discount income	143 674 533	190 596 499
Interest and dividends from financial investments	39 497 291	62 888 342
Interest expenses	(21 631 802)	(86 834 733)
Net interest income	**161 540 022**	**166 650 108**
Fees and commissions		
Credit-related fees and commissions	3 493 731	8 408 048
Fees and commissions from securities and investment business	404 912 921	489 288 431
Other fees and commissions income	4 631 594	5 384 719
Commission expenses	(11 583 234)	(9 500 722)
Fees and commissions	**401 455 012**	**493 580 476**
Trading income	**194 507 303**	**138 350 882**
Other ordinary net income		
Gains (losses) on disposals of financial assets	909 687	1 942 255
Income from non-consolidated participations	1 526 665	2 073 199
Income from real estate	1 254 371	1 465 425
Other ordinary income	4 833 854	1 561 873
Other ordinary results	**8 524 577**	**7 042 752**
Total income	**766 026 914**	**805 624 218**
Operating expenses		
Personnel costs	(377 176 400)	(378 725 500)
General administrative expenses	(116 345 074)	(120 001 723)
Operating expenses	**(493 521 474)**	**(498 727 223)**
Operating profit	**272 505 440**	**306 896 995**

CONSOLIDATED STATEMENT OF INCOME

	2010	2009
Operating profit	272 505 440	306 896 995
Depreciation of fixed assets	(46 828 228)	(40 369 066)
Value adjustments, provisions and losses	(398 742 341)	(315 006 929)
Recoveries	143 220 000	–
Profit before extraordinary items and taxes	**(29 845 129)**	**(48 479 000)**
Extraordinary income	300 531 609	268 457 000
Extraordinary expenses	(40 000 000)	–
Taxes	(14 949 899)	(4 012 497)
Group profit	**215 736 581**	**215 965 503**
including minority shareholders' interests	153 172	58 237

CONSOLIDATED CASH FLOW STATEMENT

(in CHF thousands)	**Financial year 2010** Source of funds	Use of funds	**Financial year 2009** Source of funds	Use of funds
Cash flow from operations (internal financing)				
Group profit	215 737		215 966	
Depreciation of fixed assets	46 828		40 369	
Value adjustments and provisions	398 742		315 007	
Prepayments and accrued income		96	80 224	
Accruals and deferred income		8 787		73 503
Other items		360 826		340 056
Dividend for the preceding financial year		255 000		360 000
General banking risks	40 000			110 285
Balance	**76 598**			**232 278**
Cash flow from equity transactions				
Minority shareholders' interests		363		433
Balance		**363**		**433**
Cash flow from transactions in fixed assets				
Participations	28		1	
Real estate	2 041			873
Other tangible fixed assets		3 225		4 652
Intangible assets		9 099		11 702
Balance		**10 255**		**17 226**

(in CHF thousands)	**Financial year 2010** Source of funds	Use of funds	**Financial year 2009** Source of funds	Use of funds
Cash flow from banking activities				
Medium- and long-term transactions (>1 year)				
Commitments to clients		27 899	16 910	
Other commitments	587 709			36 425
Due from clients		10 082		2 123
Financial investments	79 358		128 532	
Other receivables		235 017	280 499	
Short-term transactions				
Due to banks	29 291		695 979	
Commitments to clients		2 606 456		86 864
Due on money-market paper		62 704	508 746	
Due from banks		1 877 335	3 364 047	
Due from clients	476 159		1 629 541	
Trading balances in securities and precious metals		307 068		650 336
Financial investments	77 986			417 415
Cash and cash equivalents				
Cash and cash equivalents	3 810 078			5 181 154
Balance		**65 980**	**249 937**	

APPENDIX TO THE CONSOLIDATED ACCOUNTS

VALUATION AND ACCOUNTING PRINCIPLES

Activities

For a report on the Group's activities, see the activity report.

Outsourcing

The Bank subcontracts the operational, technical maintenance and backup aspects of its main application to the company Thales Informations Systems. The Bank retains its equipment and software assets and control of the technological evolution of its IT systems. In compliance with the requirements of the "Swiss Financial Market Supervisory Authority (FINMA)", the outsourcing is subject to a detailed service agreement. In order to guarantee the confidentiality of operations, employees of the external service provider are bound by banking secrecy.

Valuation and accounting principles

The principles governing the valuation and presentation of the Group and individual company accounts conform with the provisions governing the preparation of financial accounts contained in the Ordinance on Banks and Savings Banks ("Ordonnance sur les banques et les caisses d'épargne") and the directives of the FINMA.

The consolidated accounts provide a true and fair picture of the Union Bancaire Privée Group's net worth, financial position and results.

The principal accounting methods used to determine the Group's net assets and earnings are as follows:

Consolidated holdings

Holdings of more than 50% are wholly consolidated if the Bank has the control, i.e. if the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Assets and liabilities, as well as costs and revenues, are stated in full (100%). Minority shareholders' interests in the net assets and net profit are stated separately in the balance sheet and the consolidated statement of income.

Holdings of 20% to 50% are consolidated according to the equity method. The net profit and assets corresponding to such holdings are reflected in the consolidated accounts according to the percentage owned by the Group.

Minor holdings and those of less than 20% are stated as unconsolidated holdings at their purchase price, after deduction of provisions for any permanent diminution in value.

Elimination of intra-group receivables and payables

All items stated in the balance sheet and statement of income (including off-balance-sheet transactions) resulting from business relationships between Group companies are eliminated from the consolidated accounts.

Transaction accounting

All transactions made up to the date of the balance sheet are accounted for and valued according to recognised principles. The result of these operations is included in the statement of income. Completed transactions are stated

off-balance-sheet and reflected in the balance sheet at the value date or the settlement date. Money transfers and spot securities transactions are an exception to this rule, as they are entered in the balance sheet on the date they are made.

Matching principle

Income and expenses are included in the profit and loss account in the period to which they relate. Accruals and prepayments are made to ensure income, and expenses are matched to the proper accounting period.

Conversion of foreign currency

The balance sheets of Group companies, drawn up in foreign currencies, have been converted into Swiss francs at the exchange rate effective on the balance sheet date, with the exception of shareholders' equity, which was converted at the historical hedge rate. For the statement of income, average annual exchange rates are used. Differences on consolidation resulting from these divergent rates appear under shareholders' equity as part of the consolidated reserves.

In the individual accounts of Group companies, assets and liabilities denominated in foreign currencies are converted to local currency at the exchange rate effective on the balance sheet date. Income and expenses are converted at the rate in force at the time of their entry in the accounts or at the exchange rate valid at the end of the month in question, or at a hedge rate if the currency risk was hedged.

Exchange rates of major foreign currencies vs CHF:

	31.12.10	31.12.09
USD	0.9390	1.0350
GBP	1.4500	1.6480
EUR	1.2450	1.4880

Own-account repo and reverse repo and securities lending and borrowing transactions

Repos and reverse repos and securities lending and borrowing are shown in the balance sheet as an advance against securities or cash deposits with a pledge of the Bank's securities. Securities balances are not altered in consequence.

Liquid assets, money-market paper, receivables from banks and clients

These items are stated at their nominal value, with the exception of discount income on bills and money-market paper, which is accrued over the term of the instrument. Known and foreseeable risks are reflected in individual value adjustments, which are stated either directly under the corresponding headings of the balance sheet, or under "Value adjustments and provisions".

Trading balances in securities and precious metals

Trading balances are valued at market price on the balance sheet date. Realised and unrealised profits and losses are included in trading income. Securities that are not traded regularly are stated at their acquisition cost, after deduction of the necessary depreciation.

Interest and dividend income from trading balances are credited to trading income. Funding costs are charged to trading income and credited to interest and discount income.

Financial investments

Financial investments include long-term holdings of securities. In principle, fixed-income or floating-rate instruments are held until maturity. Equity securities are valued at the lower of market and acquisition cost. For fixed-income securities, the difference between the nominal value and the purchase cost is allocated over the residual life of the security and included under interest and dividend from financial investments.

Non-consolidated participations

Minor holdings and those where our holding is less than 20% are stated under participations at their purchase price, after deduction of appropriate provisions for any permanent diminution in value.

Buildings and other tangible fixed assets

Buildings, equipment, fixtures and fittings are stated in the balance sheet at their cost price and depreciated over a period corresponding to their useful economic life. They are reviewed periodically for any impairment in value.

Buildings and other tangible fixed assets are depreciated on a straight-line basis over their estimated useful life as follows:

– buildings	67 years
– fixtures and fittings	8 years
– IT and telecommunications equipment	3 to 5 years

Intangible assets

If, when a company is acquired, the cost of acquisition is higher than that company's net asset value, the difference represents the acquired goodwill.

The latter is capitalised in the balance sheet and amortised using the straight-line method over the estimated useful life. As a general rule, the useful life does not exceed five years.

Other intangible fixed assets include purchased software, software in development by third parties, and acquisition of clients. They are recognised as assets and amortised over its useful life three to ten years using the straight-line method.

Value adjustments and provisions

For all potential and identifiable risks existing at the balance sheet date, value adjustments and provisions are established on a prudent basis. With the exception of the provision for country risk, the Bank does not set up general provisions.

Income tax

Current income taxes are calculated based on the applicable tax laws in the individual countries and recorded as an expense in the period in which the related profits are made. They are shown as liabilities in the balance sheet under "Accruals and deferred income".

The tax effects arising from temporary differences between the carrying value and tax value of assets and liabilities are recorded as deferred taxes under "Value adjustments and provisions" in the liabilities section of the balance sheet. The temporary differences recognised correspond mainly to the reserve for general banking risks. Deferred taxes are calculated using the expected future tax rates.

Employee pension plans

The Group has a number of employee pension benefit institutions in Switzerland and abroad, most of which comprise defined-contribution plans. The adjusted contributions for the period are shown as personnel costs in the statement of income. The corresponding adjustments to assets or liabilities and the claims and commitments arising from legal, regulatory or contractual requirements are shown in the balance sheet. An annual study is conducted to determine whether the pension fund presents a financial benefit (surplus) or a financial commitment (deficit) from the Bank's viewpoint. The basis of evaluation is composed of the contracts, annual financial statements of pension institutions established in Switzerland in accordance with the Swiss GAAP RPC 26, and other calculations showing the financial position and surplus or deficit of each pension plan according to actual conditions.

A surplus is recorded in the Bank's financial statements only if the Bank is legally permitted to use this surplus either to reduce or reimburse the employer contributions, or for purposes outside the framework of the regulatory benefits. In the event of a deficit, a provision is set up only if the Bank has decided to or is required to participate in its financing. When the surplus and/or deficit is recorded in the statement of income, it is recognised under "Personnel costs". In the balance sheet, the surplus is recognised under "Other assets", whereas a deficit is recognised under "Value adjustments, provisions and losses".

Reserves for general banking risks

The provisions concerning the preparation of annual accounts contained in the Ordinance on Banks expressly authorise the creation of a reserve for general banking risks, which may be treated as equity capital.

Derivative instruments

Derivative instruments include options, futures and swaps on equities, stock indices, foreign exchange, commodities and interest rates, forward rate agreements, and forward contracts on currencies, securities and commodities. Derivative instruments are marked-to-market. For trading balances, realised and unrealised profits and losses are stated under "Trading income". Hedging transactions are valued according to the rules applicable to the underlying position. Hedging transactions related to interest-rate and currency risk management are valued according to the rules applicable to the underlying position and reported accordingly in the statement of income. In the case of advance sale of an interest-rate hedging instrument valued on the principle of accrued interest, the realised profit or loss is deferred and reported in the statement of income over the initial duration of the instrument sold. If the impact of the hedging transactions is greater than that of the hedged positions, the surplus fraction is treated as a trading transaction. Positive and negative replacement values on transactions carried out on a proprietary trading basis are reported under "Other assets" or "Other liabilities", as are those entered into for clients' account on OTC contracts.

Overall risk management

The risk management mandate from the Board of Directors and the Executive Committee is clearly defined and codified in various policies and procedures. The aim is to ensure that all significant risks associated with the Group's activities are identified, assessed and controlled, properly and on time, for the benefit of both clients and shareholders. The Bank therefore places great importance on the strength of its human resources, IT systems, infrastructure and internal risk culture, to ensure a sound and efficient risk management process.

The latter is based on comprehensive and detailed guidelines and a strong management information system for the monitoring, controlling and reporting of all significant risks.

In terms of organisational structure, the Group has three levels of risk management/risk controlling responsibilities:

- Overall guidance and supervision, performed by the Committee of the Board of Directors, which is responsible for determining general risk policy and risk management strategy (risk vision, risk appetite and risk control standards)
- Management and operational supervision by the Executive Committee and the Risk Committee (formulation and implementation of risk management strategies)
- Risk control, primarily by the independent Risk Management unit, as well as the Compliance Desk, and the Credit Control Department.

Risk monitoring is carried out in the various business lines (Financial/Treasury, Private Banking and Asset Management) and includes:

a) firm-wide independent risk oversight, risk alert systems and crisis scenarios;
b) risk governance and risk vision;

c) market risk, credit risk and operational risk measurement review, assessment and reporting;
d) Private Banking & Asset Management investment process control, performance measurement/portfolio analytics assessment, operational risk assessment;
e) risk management system selection/design and maintenance;
f) derivatives/structured products valuation and new product development.

Market risk management

The fundamental control of market risks inherent in the Group's trading and strategic position-taking activities is done through defined policies and procedures (described in the internal market-risk manual) and a sound system of integrated limit structure, established at various levels and consisting of:

– Position limits (market value/intra-day)
– Sensitivity limits (duration, delta, gamma, vega)
– "Value at risk" limits
– Maximum allowable losses (stop loss)
– Underwriting/issuer/country position trading limits

and complemented by:

– Stress scenario analysis
– RAPM (risk-adjusted performance measurement)

and validated by backtesting.

Daily consolidated market risk, "value at risk" and RAPM reporting is produced by Risk Management and distributed to the Group's top management for review, analysis and possible corrective action.

In addition, a consolidated stress-scenario analysis is carried out, based on full revaluation (for linear and non-linear positions) and covering the worst historical event and lack of liquidity (e.g. 1987 equity crash, 1992 ERM crisis, 1994 global tightening of interest rates), as defined in the stress-scenario manual for market risk. This analysis is distributed to the Committee of the Board, the Executive Committee, the Risk Committee and the departments concerned.

The Bank employs the standard approach to assess the capital required to hedge the market risk in the trading book.

It centralises asset-liability management (ALM) based on a structure comprising three levels:

– The Committee of the Board of Directors and the Executive Committee
– ALCO
– The Treasury Desk.

The ALCO is in charge of ALM final decision-making within the policy and framework established by the Committee of the Board of Directors and the Executive Committee, and meets once a week or ad interim if necessary. The role of the ALCO is mainly strategic, taking a medium to longer view of the overall risk position of the Bank, whilst the Treasury Desk focuses on day-to-day ALM management.

ALM is conducted in compliance with the framework, directives and procedures set down in the internal "Asset and Liability Management" manual and the following limits:

- Liquidity risk limits
- Sensitivity risk limits to interest-rate shifts (+/-100bp) with respect to value-and-income effects
- Value at Risk limits
- Maximum allowable losses (stop loss)
- Issuer and counterparty risk limits

complemented by:

- ALM stress scenarios analysis and simulated stress scenario on net interest income (e.g. through shifts in the interest rate of +/-100bp, +/-200bp, or the global tightening of 1994).

Risk Management generates specific daily and consolidated monthly ALM risk reports, distributed to the Group's top management for analysis and appropriate decision making. A monthly comprehensive consolidated ALM risk report is submitted to the Committee of the Board of Directors, the Executive Committee, the Risk Committee and respective departments.

On 31 December 2010, the ALM market risk exposure based on an +/-100bp shift in the interest rates on the Bank's assets and income amounted to CHF -22.1 million and CHF -27.4 million respectively.

The policy adopted in order to cover interest-rate risk is to hedge the replacement of core capital and non-interest-bearing sight account receivables by the use of derivatives. The hedge extends to three years on a sliding scale.

Credit risk management

Credit risk concerns the risk of loss should a counterparty fail to honour its contractual obligations.

The Group benefits from a clearly defined system for managing counterparty, settlement and country risk, based on various directives and procedures.

Credit risks concerning individual clients

In principle, credits granted to private banking clients are secured by pledged collateral (lombard loans). This type of loan comprises over 90% of the client credit portfolio. Credit risks include current account loans and advances and risks arising from guarantees and derivatives transactions on forex, securities and other financial instruments.

The pledged portfolios are appraised individually by the Credit Risk Control unit and a loan rate assigned to each position, based on the type of instrument, its credit rating where applicable and its liquidity, together with the diversification of the investments. The assets are valued daily at the spot price. Supervision and daily management of loan rates are based on predefined safety thresholds (additional margin calls and realisation of pledged assets).

The Group's wealth and estate planning business may entail granting loans that are partially or fully secured on pledged real estate. This type of loan is granted only on the basis of appraisal of the pledged property and the fixing of an adequate loan rate.

It is not the Group's policy to grant commercial credits.

In the light of the margins applied to lombard credits and the safety thresholds in place, there is little risk of default in this credit category. In respect of open credits and those secured by less liquid assets, a loan shall be considered non-performing when a due date (for payment of interest and/or all or part of the principal) is exceeded by more than 90 days. If the borrower seems unlikely to be able to meet his commitments, the loan becomes a doubtful loan. In such an event, a special provision shall be set up on a case-by-case basis, as determined by Executive Management and/or the Credit Committee and taking into account a detailed appraisal of any pledged assets. The interest shall be considered at risk when the credit limit granted is exceeded for longer than 90 days. As of that time, the interest is no longer credited to the statement of income.

Credit risks concerning professional counterparties and country risk

Exposure to professional counterparty risk is assumed only with counterparties who have very high credit ratings. Risk is limited by the use of an adequate, flexible system of limits adapted to each category of product and counterparty and to the settlement period. Limits are granted based on the creditworthiness of the specific counterparty. Generally the Group grants credit lines only to those counterparties whose registered office is in an OECD country and whose Fitch long-term credit rating is A or higher.

For all our products, the Group's exposure to country risk is calculated based on the equivalent of the credit rating. Levels of provisioning for specific country risk exposure reflect the ratings by Moody's, S&P and Fitch.

The ongoing monitoring and controlling of counterparty and country risk for market and Treasury activities is managed centrally using a real-time system.

Operational risk management

To manage and supervise operational risk the Bank has set up a dedicated framework and system that it applies consistently throughout its operational entities and activities. The operational risk system is based on the following principles and key components, as specified in the operational-risk manual:

- Clear formulation of the policy, strategies and active supervision required to manage operational risk, as developed by the Committee of the Board of Directors and implemented by the Executive Committee
- A common definition of operational risk, applied throughout the Bank and encompassing all types of operational risk or incident liable to have a significant impact on the Bank's activities
- Clear lines of operational risk responsibilities are defined from the Committee of the Board and the Executive Committee down to the Head of Operating Units and the Risk Control Units (Risk Management, Compliance)
- Detailed definition of the methodology used to identify, assess, monitor and control or reduce operational risk
- Definition of the procedures for regular, efficient monitoring and reporting of operational risk profiles (use of risk mapping and risk indicators) by the Bank's entities and activities, for communication to the Group's top management, Executive Committee, Committee of the Board and Control Committee
- Definition of emergency and business-continuity plans, to ensure that the Bank's activities may proceed uninterrupted
- A clear procedure for assessing the operational risk inherent in the launch or use of new products, business activities, processes or systems
- Promotion of a sound internal operational-risk culture.

To ensure dynamic management and effective supervision of operational risk and to define proactive risk-reduction measures, the Bank has introduced a five-level organisational structure:

- Control Committee of the Board of Directors
- Risk Committee
- Independent Control Units (Risk Management, Compliance, Legal departments),
- Internal Auditing
- Business Unit Management/Individual.

The Bank uses the standardised approach to calculate the regulatory capital requirements in relation to operational risk.

NOTES TO THE CONSOLIDATED BALANCE SHEET

LOAN AND OFF-BALANCE-SHEET TRANSACTION COLLATERAL

(in CHF thousands)	Type of collateral			Total
	Mortgage guarantees	Other guarantees	Uncollat-eralised	
Loans				
Due from clients	74 849	1 333 040	157 060	1 564 949
Total loans Financial year 2010	**74 849**	**1 333 040**	**157 060**	**1 564 949**
Financial year 2009	**74 780**	**1 791 821**	**164 426**	**2 031 027**
Off-balance-sheet				
Contingent liabilities		331 571		331 571
Irrevocable commitments		662 822		662 822
Liabilities under deferred payments		31 651		31 651
Off-balance-sheet total Financial year 2010		**1 026 044**		**1 026 044**
Financial year 2009		**914 970**		**914 970**

Non-performing loans	Gross amount	Estimated realisable value of collateral	Net amount	Individual value adjustments
Financial year 2010	**37 226**	**1 588**	**35 638**	**35 638**
Financial year 2009	**45 357**	**3 297**	**42 060**	**42 060**

TRADING BALANCES IN SECURITIES AND PRECIOUS METALS

(in CHF thousands)	2010	2009
Trading balances in securities and precious metals		
Listed debt securities	-	66 440
Shares and similar securities and rights	900 819	604 792
Precious metals	141 681	64 199
Total trading balances in securities and precious metals	**1 042 500**	**735 431**
Including securities on deposit according to the liquidity rules	–	–

FINANCIAL INVESTMENTS

	Book value		Fair value*	
(in CHF thousands)	2010	2009	2010	2009
Total debt securities	**3 265 498**	**3 744 932**	**3 275 517**	**3 759 342**
of which valued according to the accrual method	3 265 498	3 744 932	3 275 517	3 759 342
including floating-rate bonds	766 188	1 798 550	771 783	1 804 413
Equity shares	**45 944**	**55 355**	**53 994**	**62 193**
Precious metals	**331 501**		**331 501**	
Total	**3 642 943**	**3 800 287**	**3 661 012**	**3 821 535**
of which securities rediscounted or accepted as collateral by central banks	1 961 523	2 479 163		

* Where the fair value was not available, the book value was used.

PARTICIPATIONS

(in CHF thousands)	2010	2009
Participations		
Without market value	2 351	2 379
Total participations	**2 351**	**2 379**

SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

Name, registered office	Activities	Capital (in thousands)		Ownership/ votes %
UBPI Holdings Inc., New York	Holding company	USD	41 743	100%
UBP Securities (UK) Limited, London	Capital markets	GBP	3 000	100%
UBP Asset Management, Geneva	Institutional asset management	CHF	5 000	100%
UBAM International Services SA, Luxembourg	Asset management	CHF	400	100%
UBP Asset Management (Bermuda) Ltd., Bermuda	Asset management	USD	12	100%
Union Bancaire Privée (Bahamas) Ltd., Nassau	Asset management bank	CHF	15 000	100%
Union Bancaire Privée (Luxembourg) SA, Luxembourg	Asset management bank	CHF	20 020	100%

The ownership rates were identical to those recorded at 31 December 2009.

FIXED ASSETS

(in CHF thousands)	**Acquisition value**	**Cumulative depreciation**	**Book value at 31 December 2009**	Transfers	Additions	Disposals and currency translation differences	Depreciation	**Book value at 31 December 2010**
Participations								
Other participations	2 656	(277)	2 379			(28)		2 351
Total participations	**2 656**	**(277)**	**2 379**			**(28)**		**2 351**
Real estate								
Real estate used by the Bank	329 319	(100 580)	228 739			(2 041)	(4 924)	221 774
Other real estate	11 493	(772)	10 721				(193)	10 528
Other tangible fixed assets	88 505	(56 928)	31 577		4 243	(1 018)	(8 679)	26 123
Total tangible fixed assets	**429 317**	**(158 280)**	**271 037**		**4 243**	**(3 059)**	**(13 796)**	**258 425**
Goodwill	35 224	(18 194)	17 030		120	(1 237)	(15 799)	114
Other intangible assets	83 915	(44 908)	39 007		10 208	8	(17 232)	31 991
Total intangible assets	**119 139**	**(63 102)**	**56 037**		**10 328**	**(1 229)**	**(33 031)**	**32 105**
Fire insurance value of real estate			114 847					111 960
Fire insurance value of other tangible fixed assets			228 492					224 479

OTHER ASSETS AND OTHER LIABILITIES

	Other assets		Other liabilities	
(in CHF thousands)	**2010**	**2009**	**2010**	**2009**
Replacement values of derivative instruments	497 910	412 109	478 959	243 142
Netting account	–	–	249 462	167 916
Other assets and liabilities	184 310	35 094	477 801	207 455
Total other assets and other liabilities	**682 220**	**447 203**	**1 206 222**	**618 513**

ASSETS PLEDGED OR ASSIGNED AS GUARANTEE OF THE BANK'S COMMITMENTS AND ASSETS SUBJECT TO RESERVATION OF TITLE

(in CHF thousands)	**2010**	**2009**
Book value of assets pledged or assigned as guarantee	311 706	209 827
Firm commitments	–	–

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	**2010**	**2009**
Commitments resulting from cash received during securities lending or repo transactions	–	800 000
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	799 481
including those regarding which the right to assign them or to pledge them subsequently has been granted without reserve	–	–
Securities received as guarantee in connection with securities lending or borrowing and through repo agreements, and regarding which the right to assign them or to pledge them subsequently has been granted without reserve	2 034 714	–
including the above assigned or pledged securities	–	–

EMPLOYEE PENSION PLAN

The UBP Group operates pension plans for the majority of its employees. They are mostly defined-contribution plans.

As of 2007 the pension fund foundation "La Fondation de Prévoyance en faveur du personnel de Union Bancaire Privée, UBP et des sociétés affiliées ou apparentées ayant leur siège en Suisse" is based on the principle of defined contributions. Over 80% of the Group's employees are affiliated to this Foundation.

Other employee pension schemes are applied in Luxembourg, the Cayman Islands, France, the United Kingdom, the USA, Jersey, the Bahamas and Spain. Most are based on the principle of defined contributions. According to the statement of income, expenses related to the employee pension plan were as follows:

Pension costs for the period under review

(in CHF thousands)	2010	2009
Contributions to defined-contribution pension funds	29 979	31 696
Total pension expenses	**29 979**	**31 696**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**66 320**	**71 780**

Pension commitments are as follows:

(in CHF millions)	2010	2009
Net assets of the pension fund at market value	567	534
Present value of benefits due	(599)	(563)
Surplus (deficit)	(32)	(29)

VALUE ADJUSTMENTS AND PROVISIONS – RESERVES FOR GENERAL BANKING RISKS

(in CHF thousands)	Position at 31 December 2009	Use and dissolution of reserve in accordance with its purpose	Recoveries, doubtful interest, currency differences	New reserves charged to the statement of income	Dissolution credited to the statement of income	Position at 31 December 2010
Value adjustments and provisions for default risk (counterparty and country risk)	51 058	(442)	(6 297)	326	(8)	44 637
Value adjustments and provisions for other operating risks	18 896	(13 601)	119	51 738		57 152
Sub-total	**69 954**	**(14 043)**	**(6 178)**	**52 064**	**(8)**	**101 789**
Total value adjustments and provisions	**69 954**	**(14 043)**	**(6 178)**	**52 064**	**(8)**	**101 789**
after deduction of: value adjustments directly offset against assets	(42 060)					(35 638)
Total value adjustments and provisions as per the balance sheet	**27 894**					**66 151**
Reserves for general banking risks	**57 625**			**40 000**		**97 625**

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity at 1 January 2010	
Share capital	300 000
Capital reserves	452 336
Reserves and retained earnings	761 644
Reserves for general banking risks	57 625
Minority interests in shareholders' equity	1 182
Group profit for the financial year 2009	215 966
Total shareholders' equity at 1 January 2010	**1 788 753**
Dividend	(255 000)
Difference on currency conversion	(118)
Variation in reserves for general banking risks	(20)
Variation in reserves and retained earnings	40 000
Variation in reserves for general banking risks	(566)
Group profit for the financial year 2010	215 737
Total shareholders' equity at 31 December 2010	**1 788 786**

Comprising: Share capital	300 000
Capital reserves	452 336
Reserves and retained earnings	722 413
Reserves for general banking risks	97 625
Minority interests in shareholders' equity	675
Group profit	215 737

MATURITY OF CURRENT ASSETS, FINANCIAL INVESTMENTS AND LIABILITIES

(in CHF millions)	At sight	At call	Outstanding maturity Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	Total
Current assets and financial investments							
Cash and cash equivalents	3 027						3 027
Due on money-market paper	15		2 790	414			3 219
Due from banks	1 659		2 828				4 487
Due from clients		401	762	359	43		1 565
Trading balances in securities and precious metals	145		897				1 042
Financial investments	378		272	1 290	1 703		3 643
Total current assets Financial year 2010	**5 224**	**401**	**7 549**	**2 063**	**1 746**		**16 983**
Financial year 2009	**9 825**	**388**	**2 934**	**4 205**	**1 816**		**19 168**
Liabilities							
Due to banks	1 137		4				1 141
Due to clients on savings and deposit accounts	2						2
Other amounts due to clients	10 520		2 770	351	26		13 667
Total liabilities Financial year 2010	**11 659**		**2 774**	**351**	**26**		**14 810**
Financial year 2009	**13 539**		**3 555**	**293**	**28**		**17 415**

RECEIVABLES FROM, AND PAYABLES TO, QUALIFIED PARTICIPANTS AND RELATED COMPANIES, AND CREDIT TO DIRECTORS AND SENIOR EXECUTIVES

Business relations with related parties

Related parties are those parties (natural persons or legal entities) able to influence the Bank's financial or operational decisions, either directly or indirectly, to a significant extent. Companies controlled either directly or indirectly by related parties are also considered related parties. Accordingly, non-consolidated Group companies, qualified participants, related companies (sister companies) and Directors and Senior Executives are all considered related parties.

The Bank engages in transactions with related parties in the normal course of its business. These transactions include advances, deposits and transactions on financial instruments (forex, securities etc.). All transactions are performed at the market value prevailing when they were initiated. The balance of transactions with related parties as at 31 December and the volumes and results registered during the period under review are as follows:

(in CHF thousands)	2010	2009
Qualified participants		
Due from clients	16 861	85 399
Due to clients	885 686	500 315
Interest received	64	129
Interest paid	769	857
Commissions received	185	8
Commissions paid	2 000	–
Related companies		
Due to clients	18	20
Directors and Senior Executives		
Due from clients	15 913	14 545
Interest received	146	412

Directors and Senior Executives comprises the members of the Bank's Board of Directors and Executive Committee. These loans are secured by pledged assets, valued according to the criteria laid down by the Bank in its credit policy.

BREAKDOWN OF ASSETS AND LIABILITIES IN SWITZERLAND AND ABROAD

(in CHF millions)	**Financial year 2010** Domestic	Foreign	**Financial year 2009** Domestic	Foreign
Assets				
Cash and cash equivalents	3 026	1	6 835	2
Due on money-market paper	2 660	559	1 861	1 295
Due from banks	2 404	2 083	421	2 188
Due from clients	110	1 455	103	1 928
Trading balances in securities and precious metals	182	860	96	639
Financial investments	332	3 311	2	3 798
Participations	2		2	
Tangible fixed assets	236	22	246	25
Intangible assets	32		39	17
Prepayments and accrued income	12	115	19	108
Other assets	162	520	88	360
Total assets	**9 158**	**8 926**	**9 712**	**10 360**
Liabilities				
Due to banks	981	160	853	258
Due to clients on savings and deposit accounts	1	1	1	1
Other amounts due to clients	1 337	12 330	1 241	15 061
Accruals and deferred income	119	94	120	102
Other liabilities	801	405	376	242
Value adjustments and provisions	64	2	26	2
Reserves for general banking risks	93	5	53	5
Share capital	300		300	
Capital reserves	452		452	
Reserves and retained earnings	722		762	
Minority interests	1		1	
Group profit	216		216	
Total liabilities	**5 087**	**12 997**	**4 401**	**15 671**

GEOGRAPHICAL BREAKDOWN OF ASSETS

(in CHF thousands)	Financial year 2010		Financial year 2009	
	Total	%	Total	%
Assets				
Europe	**15 634 210**	**86.4**	**17 621 108**	**87.8**
North America	**919 579**	**5.1**	**772 270**	**3.8**
Caribbean offshore centres	**901 037**	**5.0**	**979 215**	**4.9**
South America	**99 583**	**0.6**	**62 200**	**0.3**
Africa	**65 509**	**0.4**	**58 907**	**0.3**
Asia	**328 089**	**1.8**	**542 533**	**2.7**
Australia/Pacific Basin	**136 290**	**0.7**	**35 915**	**0.2**
Total assets	**18 084 297**	**100**	**20 072 148**	**100**

This geographical breakdown of assets has been established according to the **client's domicile,** rather than the **risk domicile.** The assets included in these statistics and stated under non-OECD countries are, in general, covered by assets deposited with Union Bancaire Privée.

TOTAL ASSETS AND LIABILITIES BY CURRENCY (IN THE MAIN CURRENCIES USED BY THE BANK)

(in CHF millions)	CHF	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	3 023	3	1		3 027
Due on money-market paper	2 659	279	53	228	3 219
Due from banks	1 823	308	867	1 489	4 487
Due from clients	301	338	682	244	1 565
Trading balances in securities and precious metals	48	352	411	231	1 042
Financial investments	204	1 556	1 351	532	3 643
Participations	2				2
Tangible fixed assets	236		6	16	258
Intangible assets	32				32
Prepayments and accrued income	13	32	74	8	127
Other assets	389	50	227	16	682
Total positions carried as assets	**8 730**	**2 918**	**3 672**	**2 764**	**18 084**
Delivery claims resulting from spot, forward and option transactions	**3 698**	**5 893**	**15 141**	**4 508**	**29 240**
Total assets	**12 428**	**8 811**	**18 813**	**7 272**	**47 324**
Liabilities					
Due to banks	981	50	92	18	1 141
Due to clients on savings and deposit accounts	2				2
Other amounts due to clients	1 554	2 539	7 186	2 388	13 667
Accruals and deferred income	129	21	44	19	213
Other liabilities	639	38	503	26	1 206
Value adjustments and provisions	64	2			66
Reserves for general banking risks	98				98
Share capital	300				300
Capital reserves	452				452
Reserves and retained earnings	722				722
Minority interests	1				1
Group profit	216				216
Total positions carried as liabilities	**5 158**	**2 650**	**7 825**	**2 451**	**18 084**
Delivery commitments resulting from spot, forward and option transactions	**7 284**	**6 161**	**11 188**	**4 607**	**29 240**
Total liabilities	**12 442**	**8 811**	**19 013**	**7 058**	**47 324**
Net position by currency	**(14)**	**0**	**(200)**	**214**	**0**

NOTES ON OFF-BALANCE-SHEET TRANSACTIONS

CONTINGENT LIABILITIES

(in CHF thousands)	2010	2009
Irrevocable guarantees[1]	286 858	303 000
Indemnities[2]	–	134
Irrevocable commitments[3]	44 713	40 539
Total	**331 571**	**343 673**

[1] This type of contingent liability is characterised by the fact that the existing debt of a principal debtor is guaranteed in favour of a third party.
[2] This type of contingent liability is characterised by the fact that when the transaction is entered into and referred to as a contingent liability there is no debt owed by the principal debtor to a third party but one may arise at a future date, for example in a case of civil liability.
[3] Irrevocable commitments resulting from documentary credits.

IRREVOCABLE COMMITMENTS

(in CHF thousands)	2010	2009
Loan commitments and pledges	662 822	561 545
Total	**662 822**	**561 545**

LIABILITIES UNDER DEFERRED PAYMENT

(in CHF thousands)	2010	2009
Deferred payments	31 651	9 752
Total	**31 651**	**9 752**

OPEN POSITIONS IN DERIVATIVE INSTRUMENTS

(in CHF thousands)	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Underlying amount	Positive replacement value	Negative replacement value	Underlying amount
Interest-rate instruments						
Swaps				104 020	30 648	4 635 439
Futures	442	442	4 464 241			
Currency/Precious metals						
Forwards	368 503	540 484	29 331 509			
Swaps				8 094	21 844	235 037
Futures	108	108	39 044			
Options (OTC)	67 034	61 284	3 939 757			
Equity securities/stock-index derivatives						
Swaps		2 697	33 323			
Futures	2 963	2 927	705 953			
Options (traded)	28	20	1 915			
Other						
Futures	498	498	32 339			
Total before impact of netting agreements						
Financial year 2010	**439 576**	**608 460**	**38 548 081**	**112 114**	**52 492**	**4 870 476**
Financial year 2009	**285 077**	**268 480**	**37 180 890**	**151 330**	**35 280**	**5 630 959**

	Positive replacement values (accrued)	Negative replacement values (accrued)
Total after impact of netting agreements		
Financial year 2010	**497 910**	**478 959**
Financial year 2009	**412 109**	**243 142**

FIDUCIARY TRANSACTIONS

(in CHF thousands)	2010	2009
Fiduciary placements with third-party banks	1 242 431	1 722 841
Fiduciary loans and other financial fiduciary transactions	13 912	31 047
Total	**1 256 343**	**1 753 888**

ASSETS UNDER MANAGEMENT

(in CHF millions)	2010	2009
Assets held by funds managed by the Bank	13 115	15 436
Assets under discretionary management mandates	11 515	12 453
Other assets under management	40 201	47 140
Total administered assets	**64 831**	**75 029**
including those counted twice	5 894	6 725
Net inflows (outflows) of money	(5 614)	(21 312)

Assets under management include all assets that are held for investment purposes by private banking clients, institutional clients and investment companies/funds. Accordingly, only those assets attributable to profit centres (the Private Banking and Asset Management divisions) and whose profitability can be measured are taken into account. Assets deposited simply for safekeeping and intended solely for use in transactions/administration are excluded.

Net inflows/outflows of new money comprise assets acquired from new or existing clients and assets withdrawn by existing clients or clients that have terminated their relation with the Bank. Their value is fixed on the transfer day (cash and/or negotiable securities). The item excludes movements due to markets or quotation changes and the related income (interest/dividends), together with commissions and interest on loans.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

	2010	2009
Interest income		
Interest income from banks and clients	131 326 133	149 145 501
Interest on negotiable instruments and money-market paper	8 759 702	39 939 474
Net interest on capital employed in trading portfolios	3 588 698	1 511 524
Interest and dividend income from financial investments	39 497 291	62 888 342
Total	**183 171 824**	**253 484 841**
Profit on trading operations		
Income from currency trading and metals	186 685 045	131 079 410
Trading in securities (less funding costs)	7 822 258	7 271 472
Total	**194 507 303**	**138 350 882**
Personnel costs		
Salaries and related costs	307 396 343	311 261 532
Social charges	18 653 166	18 464 894
Contributions to pension funds	30 714 467	31 331 083
Other personnel expenses	20 412 424	17 667 991
Total	**377 176 400**	**378 725 500**
General administrative expenses		
Cost of office space	20 211 332	21 233 634
Cost of computer equipment, machines, furnishings, etc.	22 616 534	21 101 496
Other operating expenses	73 517 208	77 666 593
Total	**116 345 074**	**120 001 723**

Main losses, and extraordinary income and expenses

As a result of a deal reached in December 2010 with the trustee of Bernard L. Madoff Investment Securities LLC, the Bank booked a CHF 340 million expenditure under the entry “value adjustments, provisions and losses”.

Extraordinary income essentially comprised shareholder inflows amounting to CHF 300 million.

As for extraordinary expenses, they included a reserve for general banking risks of CHF 40 million.

OPERATING PROFIT BY LOCATION

(in CHF thousands)	**Financial year 2010** Domestic	Foreign	**Financial year 2009** Domestic	Foreign
Net interest income	67 899	93 641	72 169	94 481
Net fees and commissions income	279 973	121 482	333 827	159 753
Net trading income	172 698	21 809	78 984	59 367
Gains (losses) on disposals of financial assets	117	793	149	1 793
Other ordinary net income	8 826	(1 211)	6 260	(1 159)
Total operating income	**529 513**	**236 514**	**491 389**	**314 235**
Personnel costs	292 819	84 358	273 204	105 522
Other operating expenses	80 761	35 584	77 810	42 192
Total operating expenses	**373 580**	**119 942**	**351 014**	**147 714**
Operating profit	**155 933**	**116 572**	**140 375**	**166 521**

CONSOLIDATED REGULATORY CAPITAL AS AT 31 DECEMBER 2010

Pursuant to the capital adequacy ordinance of 29 September 2006 calculation of the regulatory capital (Basle II) is based on the following principles:

INVESTMENTS AND SCOPE OF CONSOLIDATION

The consolidation criteria used in calculating the capital requirements are the same as those used in drawing up the consolidated accounts for the Group (see on page 13 under "Consolidated holdings"). The main investments included in calculating the regulatory capital are recorded in this report on page 24 under "Significant investments in subsidiaries".

ELIGIBLE CAPITAL

(in CHF thousands)	31 December 2010	31 December 2009
Gross Tier 1 capital (after deduction of shares and similar securities and rights)	1 528 786	1 527 647
./. items for deduction from Tier 1 capital	(114)	(17 030)
= eligible capital	**1 528 672**	**1 510 617**

CAPITAL REQUIRED AS AT 31 DECEMBER

(in CHF thousands)	Approach used	Capital requirement
Credit risks	SA-CH	203 103
of which price risk related to shares and similar securities and rights in the banking book		12 117
Non-counterparty-related risk	SA-CH	76 870
Market risk related to	Standard	107 487
– interest-rate instruments		7 071
– shares and similar securities and rights		73 830
– currency and precious metals		21 696
– commodities		4 868
Operational risks	Standard	120 068
Total		**507 528**
Ratio of eligible capital to capital required according to Swiss law		3.0
BIS ratios		
Eligible capital		24.1%

CREDIT RISKS

The Bank uses the Swiss standardised approach to calculate the capital required in relation to the credit risks.

The risk weightings assigned to claims against central governments; central banks; public bodies; multilateral development banks; banks and securities firms; institutions created jointly by banks, stock exchanges and clearing houses; and corporates are based on the external credit ratings issued by Standard & Poor's and Moody's.

Collateralised loans are accounted for according to the comprehensive approach, whereby the risk exposure is offset to the extent of the estimated value of the collateral.

CREDIT RISK BY TYPE OF COUNTERPARTY

(in CHF millions)	Central governments and central banks	Banks and securities firms	Public bodies	Corporates	Retail	Shares and similar securities and rights	Other exposures	**Total**
Loan commitments (as at closure)								
Due from banks	1 837	2 650						4 487
Due from clients	83	270	14	581	617			1 565
Financial investments/ debt securities	4 215	1 364	140	765	332	68		6 884
Other assets/VRP	5	323	3	73	405			809
Balance-sheet total as at 31.12.2010	**6 140**	**4 607**	**157**	**1 419**	**1 354**	**68**		**13 745**
Balance-sheet total as at 31.12.2009	**4 938**	**4 474**	**484**	**1 135**	**1 084**	**122**		**12 237**
Off-balance-sheet transactions								
Contingent liabilities Liabilities under deferred payments	11	74	5	134	106			330
Irrevocable commitments				168	23			191
Additional charges	2	80	1	39	22			144
Value adjustments and provisions					(9)			(9)
Off-balance-sheet total as at 31.12.2010	**13**	**154**	**6**	**341**	**142**			**656**
Off balance-sheet total as at 31.12.2009	**39**	**97**	**9**	**359**	**168**			**672**

(in CHF millions)	Secured by approved financial collateral (within the meaning of the rules applying to equity capital)	Secured by guarantees and credit derivatives	Other loan commitments	Unsecured	**Total**
Loan commitments (as at closure)					
Due from banks				4 487	4 487
Due from clients	1 333		75	157	1 565
Financial investments/debt securities				6 884	6 884
Other assets/VRP	113		1	695	809
Balance-sheet total as at 31.12.2010	**1 446**		**76**	**12 223**	**13 745**
Balance-sheet total as at 31.12.2009	**1 932**		**76**	**10 229**	**12 237**
Off-balance-sheet transactions					
Contingent liabilities and liabilities under deferred payments	330				330
Irrevocable commitments	191				191
Add-ons (derivatives)	44			100	144
Value adjustments and provisions				(9)	(9)
Off-balance-sheet total as at 31.12.2010	**565**			**91**	**656**
Off-balance-sheet total as at 31.12.2009	**613**			**59**	**672**

Loan commitments are shown after netting as recognised by the rules applying to equity capital.

CREDIT RISK SEGMENTATION

(in CHF millions)	Regulatory risk weightings									
	0%	20–25%	35%	50%	75%	100%	125%	150%	250%	**Total**
Loan commitments										
Balance sheet/loans										
Due from banks	2 165	2 322								4 487
Due from clients	1 059		54		23	429				1 565
Financial investments/ debt securities	4 547	1 788		474		7	14		54	6 884
Other assets/ VRP	117	386	1	22	6	277				809
Balance-sheet total as at 31.12.2010	**7 888**	**4 496**	**55**	**496**	**29**	**713**	**14**		**54**	**13 745**
Balance-sheet total as at 31.12.2009	**6 352**	**4 842**	**61**	**58**	**47**	**755**	**11**		**111**	**12 237**
Off-balance-sheet transactions										
Contingent liabilities and liabilities under deferred payments	297				2	31				330
Irrevocable commitments						191				191
Add-ons (derivatives)	44	85		1	1	13				144
Value adjustments and provisions					(9)					(9)
Off-balance-sheet total as at 31.12.2010	**341**	**85**		**1**	**(6)**	**235**				**656**
Off-balance-sheet total as at 31.12.2009	**350**	**39**		**6**	**(6)**	**283**				**672**

CREDIT RISK BY GEOGRAPHIC REGION

(in CHF millions)	Switzerland	Oceania	North America	South America	Europe	Caribbean offshore centres	Asia	Africa	**Total**
Loan commitments (as at closure)									
Balance sheet/loans									
Due from banks	2 404	3	153	5	1 881	2	39		4 487
Due from clients	132	39	259	59	624	306	111	35	1 565
Financial investments/ debt securities	2 993	97	433	10	3 101	125	125		6 884
Other assets/VRP	178	2	84	2	357	165	19	2	809
Balance-sheet total as at 31.12.2010	**5 707**	**141**	**929**	**76**	**5 963**	**598**	**294**	**37**	**13 745**
Balance-sheet total as at 31.12.2009	**2 631**	**43**	**701**	**54**	**7 547**	**680**	**536**	**45**	**12 237**
Off-balance-sheet transactions									
Contingent liabilities and liabilities under deferred payments	43	3	15	7	76	161	13	12	330
Irrevocable commitments	23		4		71	93			191
Add-ons	36	1	4	1	84	13	4	1	144
Value adjustments and provisions	(9)								(9)
Off-balance-sheet total as at 31.12.2010	**93**	**4**	**23**	**8**	**231**	**267**	**17**	**13**	**656**
Off-balance-sheet total as at 31.12.2009	**99**	**4**	**15**	**12**	**207**	**306**	**16**	**13**	**672**

The breakdown of geographic risk is based on the domicile as recorded in the SNB statistics.

NON-PERFORMING CLIENT LOANS BY GEOGRAPHIC REGION

(in CHF millions)	Switzerland	Oceania	North America	South America	Europe	Caribbean offshore centres	Asia	Africa	**Total 2010**	**Total 2009**
Loans to clients	1				3	33			**37**	**45**
Individual value adjustments	1				2	33			**36**	**42**

REPORT OF THE GROUP AUDITORS

to the General Meeting
of Union Bancaire Privée, Geneva

As statutory auditor, we have audited the consolidated financial statements of Union Bancaire Privée, which comprise the balance sheet, income statement, cash flow statement and notes (pages 6 to 45) for the year ended 31st December 2010.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for banks, and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31st December 2010 give a true and fair view of the financial position, the results of operations and the cash flow in accordance with the provisions governing the preparation of financial statements for banks, and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Geneva, 3 March 2011

Ernst & Young Ltd

Hans Isler
Licensed audit expert

Jérôme Desponds
Licensed audit expert
Auditor in charge

2010 ANNUAL FINANCIAL STATEMENT

BALANCE SHEET AT 31 DECEMBER

	2010	2009
Assets		
Cash and cash equivalents	3 026 234 628	6 836 018 717
Money-market paper	3 125 761 756	3 104 290 963
Due from banks	4 456 259 584	2 474 765 140
Due from clients	1 726 748 404	2 147 954 733
Trading balances in securities and precious metals	1 033 939 575	726 381 714
Financial investments	3 642 571 676	3 799 910 543
Participations	98 737 781	104 205 348
Tangible fixed assets	166 250 624	174 253 685
Intangible assets	31 970 345	38 995 393
Prepayments and accrued income	63 576 135	65 094 364
Other assets	529 904 430	420 069 446
Total assets	**17 901 954 938**	**19 891 940 046**
Total subordinated receivables	**13 627 392**	**24 339 618**
Total receivables from Group companies and qualified participants	**276 257 781**	**270 308 829**

BALANCE SHEET AT 31 DECEMBER

	2010	2009
Liabilities		
Due to banks	2 031 695 733	2 108 515 726
Due to clients on savings and deposit accounts	2 223 079	2 386 221
Other amounts due to clients	12 834 058 563	15 339 515 617
Accruals and deferred income	117 106 700	128 715 069
Other liabilities	1 202 485 917	614 060 735
Value adjustments and provisions	126 997 365	88 717 862
Share capital	300 000 000	300 000 000
Legal reserves	1 002 135 872	978 135 872
Other reserves	1 500 000	1 500 000
Profit brought forward	51 392 944	167 457 544
Annual profit	232 358 765	162 935 400
Total liabilities	**17 901 954 938**	**19 891 940 046**
Total liabilities to Group companies and qualified participants	**1 878 741 097**	**1 644 975 296**

OFF-BALANCE-SHEET TRANSACTIONS AS AT 31 DECEMBER

	2010	2009
Contingent liabilities	307 661 197	339 003 446
Irrevocable commitments	662 822 000	561 545 000
Liabilities under deferred payments	31 651 054	9 751 664
Derivative instruments		
– Underlying amount	42 698 239 302	42 194 871 391
– Positive replacement value	498 393 809	412 920 789
– Negative replacement value	479 864 783	243 675 323
Fiduciary transactions	1 256 342 900	1 749 747 976

STATEMENT OF INCOME

	2010	2009
Income and expenditure from ordinary banking operations		
Net interest income		
Interest and discount income	144 022 139	190 844 935
Interest and dividends from financial investments	39 497 291	62 888 342
Interest expenses	(21 774 192)	(87 468 616)
Net interest income	**161 745 238**	**166 264 661**
Fees and commissions		
Credit-related fees and commissions	3 461 995	8 382 188
Commission income on securities trading and investments	285 106 504	348 874 499
Commission income on other services	4 085 586	4 674 235
Commission expenses	(11 587 660)	(12 682 449)
Fees and commissions	**281 066 425**	**349 248 473**
Trading income	**194 145 495**	**134 576 359**
Other ordinary net income		
Gains (losses) on disposals of financial assets	909 687	1 876 231
Income from permanent investments	54 794 878	3 302 799
Income from real estate	1 254 371	1 465 425
Other ordinary income	12 201 781	8 601 989
Other ordinary expenses	(8 364 380)	
Other ordinary net income	**60 796 337**	**15 246 444**
Total income	**697 753 495**	**665 335 937**
General administrative expenses		
Personnel costs	(329 333 563)	(316 373 976)
Other operating expenses	(101 365 469)	(97 963 376)
Operating expenses	**(430 699 032)**	**(414 337 352)**
Operating profit	**267 054 463**	**250 998 585**

STATEMENT OF INCOME

	2010	2009
Operating profit	267 054 463	250 998 585
Depreciation of fixed assets	(27 684 405)	(31 235 589)
Value adjustments, provisions and losses	(438 695 860)	(302 782 761)
Recoveries	142 784 363	–
Profit before extraordinary items and taxes	**(56 541 439)**	**(83 019 765)**
Extraordinary income	300 066 182	268 457 000
Taxes	(11 165 978)	(22 501 835)
Annual profit	**232 358 765**	**162 935 400**

Proposal of the Board

Net profit available for distribution amounts to CHF 283 751 709:

Distribution of profit

Annual profit	232 358 765	162 935 400
Profit brought forward from prior years	51 392 944	167 457 544
Total	**283 751 709**	**330 392 944**
The following distribution is proposed to the General Meeting of Shareholders:		
– Contribution to legal reserves	24 300 000	24 000 000
– Distributions to shareholders	258 000 000	255 000 000
Profit carried forward	**1 451 709**	**51 392 944**

APPENDIX TO THE 2010 ANNUAL FINANCIAL STATEMENT

Valuation and accounting principles

Union Bancaire Privée's valuation and accounting principles for the parent company correspond to those adopted by the Group. However, unlike the Group financial statement, which is drawn up on the "true and fair view principle", the parent company's financial statement may be influenced by undisclosed reserves.

In the Bank's annual accounts, the reserves for general banking risks are shown under "Value adjustments and provisions" and are taxed at a rate of 100%.

Participations

Participations comprise shares in companies, including real-estate companies, held as permanent investments. They are valued at acquisition cost, adjusted for depreciation and other necessary financial provisions.

The principles applicable to the Group regarding derivative instruments, risk management and market risk are also applicable to Union Bancaire Privée.

Subsequent event

On 10 January 2011, effective retroactively from 1 January 2011, the assets and liabilities of Union Bancaire Privée, Luxembourg branch, were transferred to Union Bancaire Privée (Luxembourg) S.A., a wholly owned subsidiary. Following the inflows mentioned above, the capital of Union Bancaire Privée (Luxembourg) S.A. was increased from CHF 20 020 000 to CHF 21 000 000 with a share premium of CHF 41 020 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

OTHER ASSETS AND OTHER LIABILITIES

	Other assets		Other liabilities	
(in CHF thousands)	**2010**	**2009**	**2010**	**2009**
Replacement values of derivative instruments	498 394	412 921	479 865	243 675
Netting account			249 074	168 250
Other assets and liabilities	31 510	7 148	473 547	202 136
Total other assets and other liabilities	**529 904**	**420 069**	**1 202 486**	**614 061**

ASSETS PLEDGED OR ASSIGNED AS GUARANTEE OF THE BANK'S COMMITMENTS AND ASSETS SUBJECT TO RESERVATION OF TITLE

(in CHF thousands)	**2010**	**2009**
Book value of assets pledged or assigned as guarantee	311 706	209 827
Firm commitments	–	–

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	**2010**	**2009**
Commitments resulting from cash received during securities lending or repo transactions	–	800 000
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	799 481
including those regarding which the right to assign them or to pledge them subsequently has been granted without reserve	–	–
Securities received as guarantee in connection with securities lending or borrowing and through repo agreements, and regarding which the right to assign them or to pledge them subsequently has been granted without reserve	2 034 714	–
including the above assigned or pledged securities	–	–

EMPLOYEE PENSION PLAN

The UBP Group operates pension plans for the majority of its employees. They are mostly defined-contribution plans.

As of 2007 the pension fund foundation "La Fondation de Prévoyance en faveur du personnel de Union Bancaire Privée, UBP et des sociétés affiliées ou apparentées ayant leur siège en Suisse" is based on the principle of defined contributions. Over 80% of the Group's employees are affiliated to this Foundation.

Other employee pension schemes are applied in Luxembourg, the Cayman Islands, the United Kingdom, Jersey and the Bahamas. Most are based on the principle of defined contributions.

Pension costs for the period under review

(in CHF thousands)	2010	2009
Contributions to defined-contribution pension funds	28 115	29 595
Total pension expenses	**28 115**	**29 595**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**66 320**	**71 780**

Pension commitments are as follows:

(in CHF millions)	2010	2009
Net assets of the pension fund at market value	567	534
Present value of benefits due	(599)	(563)
Surplus (deficit)	(32)	(29)

VALUE ADJUSTMENTS AND PROVISIONS

(in CHF thousands)	**Position at 31 December 2009**	Used according to purpose	Change in the specified purpose of provisions	Recoveries, doubtful interest, currency differences	New reserves charged to the statement of income	Dissolution of reserves credited to the statement of income	**Position at 31 December 2010**
Value adjustments and provisions for default risk (counterparty and country risk)	137 139	(53 989)		(7 228)	40 326	(8)	116 240
Value adjustments and provisions for other operating risks	18 839	(13 578)		119	51 738		57 118
Other provisions	60 879						60 879
Total value adjustments and provisions	**216 857**	**(67 567)**		**(7 109)**	**92 064**	**(8)**	**234 237**
after deduction of: value adjustments directly offset against assets	(128 139)						(107 240)
Total value adjustments and provisions as per the balance sheet	**88 718**						**126 997**

SHARE CAPITAL

(in CHF thousands)	**Financial year 2010** Total nominal value	Number of shares	Dividend-bearing capital	**Financial year 2009** Total nominal value	Number of shares	Dividend-bearing capital
Share capital	**300 000**	**30 000**	**300 000**	**300 000**	**30 000**	**300 000**

MAJOR SHAREHOLDERS AND GROUPS OF SHAREHOLDERS BOUND BY VOTING AGREEMENTS

	2010		**2009**	
	Nominal	Participation rate	Nominal	Participation rate
With voting rights:				
CBI Holding SA*, Geneva	300 000 000	100%	300 000 000	100%

* The de Picciotto family holds directly and indirectly 96.32% of CBI Holding SA voting rights and 85.89% of its share capital.

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity at 1 January 2010		
Share capital		300 000
Legal reserve		978 136
Other reserves		1 500
Retained earnings		330 393
Total shareholders' equity at 1 January 2010		**1 610 029**
Dividend		(255 000)
Annual profit		232 359
Total shareholders' equity at 31 December 2010		**1 587 388**
Comprising:	Share capital	300 000
	Legal reserve	1 002 136
	Other reserves	1 500
	Retained earnings carried forward	51 393
	Balance sheet profit	232 359

RECEIVABLES FROM, AND PAYABLE TO, QUALIFIED PARTICIPANTS AND RELATED COMPANIES, AND CREDIT TO DIRECTORS AND SENIOR EXECUTIVES

Business relations with related parties

Related parties are those parties (natural persons or legal entities) able to influence the Bank's financial or operational decisions, either directly or indirectly, to a significant extent. Companies controlled either directly or indirectly by related parties are also considered related parties. Accordingly, Group companies, qualified participants, related companies (sister companies) and Directors and Senior Executives are all considered related parties.

The Bank engages in transactions with related parties in the normal course of its business. These transactions include advances, deposits and transactions on financial instruments (forex, securities etc.). All transactions are performed at the market value prevailing when they were initiated. The balance of transactions with related parties as at 31 December and the volumes and results registered during the period under review are as follows:

(in CHF thousands)	2010	2009
Qualified participants		
Due from clients	16 861	85 399
Due to clients	883 625	500 315
Interest received	64	129
Interest paid	769	857
Commission received	185	8

(in CHF thousands)	2010	2009
Group companies		
Due from clients	259 397	184 910
Due to clients	995 116	1 144 660
Interest received	2 038	2 850
Interest paid	843	5 001
Commission received	23 567	56 902
Commission paid	–	30 588
Recoveries	142 784	–

The Bank sold its claim for its share of the B. Madoff bankrupt estate to one of its subsidiaries for an amount credited to the income statement under “recoveries”.

Related companies		
Due to clients	18	20

Directors and Senior Executives		
Due from clients	15 913	14 493
Interest received	146	411

Directors and Senior Executives comprises the members of the Bank’s Board of Directors and Executive Committee. These loans are secured by pledged assets, valued according to the criteria laid down by the Bank in its credit policy.

FIDUCIARY TRANSACTIONS

(in CHF thousands)	2010	2009
Fiduciary placements with other banks	1 242 431	1 722 841
Fiduciary loans and other financial fiduciary transactions	13 912	26 907
Total	**1 256 343**	**1 749 748**

TRADING INCOME

	2010	2009
Income from currency trading and metals	186 601 057	127 837 995
Trading in securities (less funding costs)	7 544 438	6 738 364
Total	**194 145 495**	**134 576 359**

Main losses, and extraordinary income and expenses

As a result of a deal reached in December 2010 with the trustee of Bernard L. Madoff Investment Securities LLC, the Bank booked a CHF 340 million expenditure under the entry “value adjustments, provisions and losses”.

Extraordinary income essentially comprised shareholder inflows amounting to CHF 300 million.

REPORT OF THE STATUTORY AUDITORS

to the General Meeting of
Union Bancaire Privée, Geneva

As statutory auditor, we have audited the financial statements of Union Bancaire Privée, which comprise the balance sheet, income statement and notes (pages 47 to 59) for the year ended 31st December 2010.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31st December 2010 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (Art. 728 Code of Obligations [CO] and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Geneva, 3 March 2011

Ernst & Young Ltd

Hans Isler
Licensed audit expert

Jérôme Desponds
Licensed audit expert
Auditor in charge

UBP

Union Bancaire Privée