FINANCIAL REPORT 2013

57th ANNUAL REPORT

UBP

Union Bancaire Privée

FINANCIAL REPORT 2013

FINANCIAL HIGHLIGHTS OF THE GROUP

(in CHF millions)	Financial year 2013	Financial year 2012	Variation in CHF millions	Variation in %
Net profit	152	175	-23	-13.1
Gross profit	218	181	37	20.4
Client assets (in CHF billions)	87.7	80.0	7.7	9.6
Total operating income	**694**	**691**	**3**	**0.4**
Net interest income	139	153	-14	-9.2
Net fees and commissions income	461	435	26	6.0
Net trading income	84	99	-15	-15.2
Total operating expenses	**475**	**509**	**-34**	**-6.7**
Personnel costs	352	379	-27	-7.1
Other operating expenses	123	130	-7	-5.4
Depreciation, value adjustments, provisions and losses	219	113	106	93.8
Total assets	**18 387**	**18 860**	**-473**	**-2.5**
Shareholders’ equity	1 668	1 724	-56	-3.2
Share capital	300	300	–	–
Capital reserves	307	452	-145	-32.1
Reserves and retained earnings	896	786	110	14.0
Reserves for general banking risks	165	186	-21	-11.3
Staff members (as at 31 December)	1 341	1 270	71	5.6
Net profit per staff member (in CHF thousands)	113	138	-25	-18.1
Operating cost/income ratio	68.5%	73.7%		
Cost/income ratio after depreciation	81.4%	82.9%		
Return on equity (ROE)	8.5%	10.2%		
Shareholders’ equity/total assets	9.1%	9.1%		
BIS ratio (Basel III)	29.0%	25.7%		

CONSOLIDATED BALANCE SHEET 2013

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	2013	2012
Assets		
Cash and cash equivalents	4 997 622 200	6 999 563 236
Money-market paper	292 450 553	148 129 091
Due from banks	1 772 839 831	1 902 178 316
Due from clients	3 208 101 405	2 501 732 569
Mortgages	378 968 824	290 265 303
Trading balances in securities and precious metals	789 871 734	803 488 129
Financial investments	6 023 982 569	5 248 776 272
Non-consolidated participations	2 374 774	2 397 086
Tangible fixed assets	279 805 271	283 209 923
Intangible assets	246 556 121	222 780 280
Prepayments and accrued income	145 007 586	136 343 082
Other assets	249 784 590	321 085 940
Total assets	**18 387 365 458**	**18 859 949 227**
Total claims against unconsolidated holdings and qualifying holdings	**27 925 322**	**19 121 703**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	2013	2012
Liabilities		
Due on money-market paper	20 954 054	
Due to banks	208 536 464	179 655 218
Due to clients on savings and deposit accounts	1 308 671	1 562 829
Other amounts due to clients	15 591 079 549	16 043 166 483
Accruals and deferred income	206 272 187	210 356 663
Other liabilities	386 344 388	462 532 306
Value adjustments and provisions	152 584 419	63 267 790
Reserves for general banking risks	165 374 839	186 124 839
Share capital	300 000 000	300 000 000
Capital reserves	307 335 872	452 335 872
Reserves and retained earnings	895 787 845	785 908 701
Group profit	151 787 170	175 038 526
Total liabilities	**18 387 365 458**	**18 859 949 227**

Total liabilities to unconsolidated participations and significant shareholders	**584 665 896**	**253 160 563**

OFF-BALANCE-SHEET TRANSACTIONS

	2013	2012
Contingent liabilities	389 914 456	353 120 883
Irrevocable commitments	225 196 986	299 944 380
Liabilities to pay in full and to make additional payments	40 211 403	35 628 823
Liabilities under deferred payment	1 862 638	2 799 673
Derivative instruments		
– Underlying amounts	24 323 976 076	33 490 458 352
– Positive replacement values	182 052 258	230 055 399
– Negative replacement values	241 024 600	270 586 105
Fiduciary transactions	2 853 164 601	4 722 202 369

Consolidated statement of ordinary income and expenses on banking operations	2013	2012
Interest income		
Interest and discount income	87 946 140	133 211 778
Interest and dividends from financial investments	63 061 467	42 840 086
Interest expenses	(12 443 908)	(23 219 006)
Net interest income	**138 563 699**	**152 832 858**
Fees and commissions		
Credit-related fees and commissions	2 444 016	2 453 268
Fees and commissions from securities and investment business	470 039 830	442 683 830
Other fees and commissions income	5 761 051	5 510 285
Commission expenses	(17 640 114)	(15 499 631)
Fees and commissions	**460 604 783**	**435 147 752**
Trading income	**83 589 092**	**99 164 514**
Other ordinary net income		
Gains on disposal of financial assets	5 697 094	1 832 314
Income from non-consolidated participations	4 391 850	1 714 359
Income from real estate	1 362 347	1 357 854
Other ordinary income	1 556 743	3 309 721
Other ordinary expenses	(2 101 279)	(4 654 640)
Other ordinary results	**10 906 755**	**3 559 608**
Total income	**693 664 329**	**690 704 732**
Operating expenses		
Personnel costs	(351 786 597)	(378 738 583)
General administrative expenses	(123 618 921)	(130 527 779)
Operating expenses	**(475 405 518)**	**(509 266 362)**
Operating profit	**218 258 811**	**181 438 370**

CONSOLIDATED STATEMENT OF INCOME

	2013	2012
Operating profit	218 258 811	181 438 370
Depreciation of fixed assets	(89 249 296)	(63 289 595)
Value adjustments, provisions and losses	(129 867 617)	(49 939 788)
Recoveries	–	204 770 142
Profit before extraordinary items and taxes	**(858 102)**	**272 979 129**
Extraordinary income	173 077 211	4 195 132
Extraordinary expenses	–	(88 500 000)
Taxes	(20 431 939)	(13 635 735)
Group profit	**151 787 170**	**175 038 526**

CONSOLIDATED CASH FLOW STATEMENT

(in CHF thousands)	Financial year 2013 Source of funds	Use of funds	Financial year 2012 Source of funds	Use of funds
Cash flow from operations (internal financing)				
Group profit	151 787		175 039	
Depreciation of fixed assets	89 249		63 290	
Value adjustments and provisions	129 868		49 940	
Prepayments and accrued income		8 665		26 241
Accruals and deferred income		4 084	14 612	
Other items		40 711		66 793
Dividend		210 000		70 000
General banking risks		20 750	88 500	
Balance	**86 694**		**228 347**	
Cash flow from transactions in fixed assets				
Participations	22			47
Real estate	134			277
Other tangible fixed assets		64 745		30 766
Intangible assets		45 010		59 363
Balance		**109 599**		**90 453**

(in CHF thousands)	Financial year 2013 Source of funds	Use of funds	Financial year 2012 Source of funds	Use of funds
Cash flow from banking activities				
Medium- and long-term transactions (>1 year)				
Due to banks	1 016			
Commitments to clients		15 360		139 341
Other liabilities		76 188	19 160	
Due from clients		17 525	62 122	
Mortgages	2 028			18 061
Financial investments		1 060 971		1 035 453
Other assets	71 301		350 185	
Short-term transactions				
Due on money-market paper	20 954			
Due to banks	27 865			519 341
Commitments to clients		436 981	1 325 551	
Due on money-market paper		144 321	223 581	
Due from banks	129 338		180 812	
Due from clients		688 843		254 275
Mortgages		90 731		39 835
Trading balances in securities and precious metals	13 616			138 697
Financial investments	285 766		49 364	
Cash and cash equivalents				
Cash and cash equivalents	2 001 941			203 666
Balance	**22 905**			**137 894**

APPENDIX TO THE CONSOLIDATED ACCOUNTS

VALUATION AND ACCOUNTING PRINCIPLES

Activities

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

Acquisition

On 31 October 2013, the Bank acquired a portfolio of clients from Lloyds Bank, Switzerland.

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 executed 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 day they are executed.

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:

	31.12.13	31.12.12
USD	0.88935	0.91535
GBP	1.47299	1.4879
EUR	1.22548	1.2068

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

Repos and reverse repos and securities lending and borrowing are shown on 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 assets

Buildings, equipment, fixtures and fittings and computer programs that have been bought, as well as the fees of third parties relating to the development of softwear, are amortised over a period that is calculated according to their useful economic life. The carrrying values are reviewed periodically for any impairment in value.

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

– buildings	67 years
– fixtures and fittings	8 years
– computer programs, IT and telecoms facilities	3 to 10 years

Intangible assets

If, when acquiring a business, the costs of acquisition are higher than the net assets acquired, the difference represents the acquired goodwill. The goodwill is capitalized in the balance sheet and amortized linearly over the estimated useful life. As a general rule, the useful life does not exceed ten years.

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 Group 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 Group Risk Management unit, as well as the Compliance Desk, and the Credit Control Department.

Risk monitoring is carried out in the Group's various divisions, namely, Treasury & Trading, Private Banking and Asset Management, and includes:

a) firm-wide independent risk oversight, risk alert systems and crisis scenarios;
b) governance and risk vision;
c) market, credit 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
– Risk-adjusted performance measurement (RAPM)

and validated by backtesting.

Daily consolidated market risk, "value at risk" and RAPM reporting is produced by Group 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 final ALM decision-making within the policy and framework established by the Committee of the Board of Directors and the Executive Committee, and meets once a month 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.

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:

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

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

On 31 December 2013, the ALM market risk exposure based on an +/-100bp shift in the interest rates on the Bank's assets and income amounted to CHF 31.2 million and CHF 15.0 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 payables by the use of derivatives.

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 mortgages or 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 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, Standard & Poor's 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 Group and encompassing all types of operational risk or incident liable to have a significant impact on the Group'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 (Group 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 (Group 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: Mortgage guarantees	Type of collateral: Other guarantees	Type of collateral: Uncollat-eralised	Total
Loans				
Due from clients		3 180 914	27 187	3 208 101
Mortgages	378 969			378 969
Residential buildings	364 313			364 313
Other	14 656			14 656
Total loans				
Financial year 2013	**378 969**	**3 180 914**	**27 187**	**3 587 070**
Financial year 2012	**290 265**	**2 476 946**	**24 787**	**2 791 998**
Off-balance-sheet				
Contingent liabilities		389 914		389 914
Irrevocable commitments	1 969	223 228		225 197
Liabilities to pay in full and to make additional payments		40 211		40 211
Liabilities under deferred payments		1 863		1 863
Off-balance-sheet total				
Financial year 2013	**1 969**	**655 216**		**657 185**
Financial year 2012	**3 248**	**688 246**		**691 494**

Non-performing loans	Gross amount	Estimated realisable value of collateral	Net amount	Individual value adjustments
Financial year 2013	**1 672**	**360**	**1 312**	**1 312**
Financial year 2012	**32 047**	**538**	**31 509**	**31 509**

TRADING BALANCES IN SECURITIES AND PRECIOUS METALS

(in CHF thousands)	2013	2012
Trading balances in securities and precious metals		
Listed debt securities	9 690	110 944
Shares and similar securities and rights	780 148	388 474
Precious metals	34	304 070
Total trading balances in securities and precious metals	**789 872**	**803 488**
Including securities on deposit according to the liquidity rules	–	–

FINANCIAL INVESTMENTS

	Book value		Fair value*	
(in CHF thousands)	2013	2012	2013	2012
Total debt securities	**5 154 531**	**3 809 109**	**5 175 637**	**3 860 413**
of which valued according to the accrual method	5 154 531	3 809 109	5 175 637	3 860 413
including floating-rate bonds	354 555	617 876	356 575	623 438
Equity shares	**136 142**	**168 526**	**141 615**	**171 904**
Precious metals	**733 310**	**1 271 141**	**733 310**	**1 271 141**
Total	**6 023 983**	**5 248 776**	**6 050 562**	**5 303 458**
of which securities rediscounted or accepted as collateral by central banks	1 417 618	1 126 664	–	–

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

PARTICIPATIONS

(in CHF thousands)	2013	2012
Participations		
Without market value	2 375	2 397
Total participations	**2 375**	**2 397**

SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

Name, registered office	Activities	Capital (in thousands)		Ownership/ votes %
UBPI Holdings Inc., New York	Holding company	USD	43 443	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	50 000	100%
Union Bancaire Privée (Europe) S.A., Luxembourg	Asset management bank	CHF	21 000	100%
UBP Investments Co., Ltd, Japon	Portfolio management	JPY	350 000	100%
UBP Asset Management (Europe) S.A., Luxembourg	Portfolio management	CHF	2 500	100%
Nexam SA, Paris	Portfolio management	EUR	2 307	100%
Union Bancaire Privée Gestion Institutionnelle (France) SAS, Paris	Portfolio management	EUR	3 153	100%
Union Bancaire Privée (Middle East) Ltd. Dubaï	Portfolio management	USD	6 000	100%

The ownership rates were identical to those recorded as at 31 December 2012.

FIXED ASSETS

(in CHF thousands)	Acquisition value	Cumulative depreciation	Book value as at 31 December 2012	Additions	Disposals and currency translation differences	Depreciation	Book value as at 31 December 2013
Participations							
Other participations	2 617	(220)	2 397		(22)		2 375
Total participations	**2 617**	**(220)**	**2 397**		**(22)**		**2 375**
Real estate							
Real estate used by the Bank	326 498	(114 237)	212 261		(134)	(4 907)	207 220
Other real estate	11 493	(1 350)	10 143			(192)	9 951
Other tangible fixed assets	80 546	(56 437)	24 109	7 555	(1 618)	(8 466)	21 580
Other	76 918	(40 221)	36 697	26 193	(602)	(21 234)	41 054
Total tangible fixed assets	**495 455**	**(212 245)**	**283 210**	**33 748**	**(2 354)**	**(34 799)**	**279 805**
Goodwill	248 372	(25 592)	222 780	82 360	(4 134)	(54 450)	246 556
Total intangible assets	**248 372**	**(25 592)**	**222 780**	**82 360**	**(4 134)**	**(54 450)**	**246 556**
Fire insurance value of real estate			111 980				111 980
Fire insurance value of other tangible fixed assets			242 007				257 891

OTHER ASSETS AND OTHER LIABILITIES

(in CHF thousands)	Other assets 2013	Other assets 2012	Other liabilities 2013	Other liabilities 2012
Replacement values of derivative instruments	182 052	230 055	241 025	270 586
Netting account	12 362	10 330		
Other assets and liabilities	55 371	80 701	145 319	191 946
Total other assets and other liabilities	**249 785**	**321 086**	**386 344**	**462 532**

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

(in CHF thousands)	2013	2012
Book value of assets pledged or assigned as guarantee	388 619	329 038
Firm commitments	–	–

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	2013	2012
Commitments resulting from cash received during securities lending or repo transactions	–	–
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	–
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	–	–
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.

In 2007 the pension fund for Union Bancaire Privée's Switzerland-based offices ("Fondation de Prévoyance en faveur du personnel de Union Bancaire Privée, UBP SA et des sociétés affiliées ou apparentées ayant leur siège en Suisse") adopted the principle of defined contributions. Over 80% of the Group's employees are affiliated to this pension fund.

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)	2013	2012
Contributions to defined-contribution pension funds	24 462	29 273
Total pension expenses	**24 462**	**29 273**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**105 919**	**87 470**

Pension commitments are as follows:

(in CHF millions)	2013	2012
Net assets of the pension fund at market value	933	839
Present value of benefits due	(858)	(800)
Surplus (deficit)	75	39

VALUE ADJUSTMENTS AND PROVISIONS – RESERVES FOR GENERAL BANKING RISKS

(in CHF thousands)	**Position as at 31 December 2012**	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 as at 31 December 2013**
Provisions for deferred taxes	4 484					4 484
Value adjustments and provisions for default risk (counterparty and country risk)	40 509	(31 374)	1 177		(5 000)	5 312
Value adjustments and provisions for other operating risks	43 384	(29 547)	(364)	2 430		15 903
Provision for restructuring	6 400	(4 506)		10 000		11 894
Other provisions			165	116 138		116 303
Sub-total	**90 293**	**(65 427)**	**978**	**128 568**	**(5 000)**	**149 412**
Total value adjustments and provisions	**94 777**	**(65 427)**	**978**	**128 568**	**(5 000)**	**153 896**
after deduction of: value adjustments directly offset against assets	(31 509)					(1 312)
Total value adjustments and provisions as per the balance sheet	**63 268**					**152 584**
Reserves for general banking risks	**186 125**				**(20 750)**	**165 375**

“Other provisions” shows the composition of those provisions made for the Rubik agreement with the UK and the equivalent US Program.

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity as at 1 January 2013	
Share capital	300 000
Capital reserves	452 336
Reserves and retained earnings	785 909
Reserves for general banking risks	186 125
Group profit for the financial year 2012	175 039
Total shareholders' equity as at 1 January 2013	**1 899 409**
Ordinary dividend	(65 000)
Extraordinary dividend	(145 000)
Difference on currency conversion	(160)
Dissolution of reserves for general banking risks	(20 750)
Group profit for the financial year 2013	151 787
Total shareholders' equity as at 31 December 2013	**1 820 286**
Comprising: Share capital	300 000
Capital reserves	307 336
Reserves and retained earnings	895 788
Reserves for general banking risks	165 375
Group profit	151 787

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	4 998						4 998
Due on money-market paper	2		206	84			292
Due from banks	831		493	449			1 773
Due from clients		721	1 779	629	59	20	3 208
Mortgages			273	54	42	10	379
Trading balances in securities and precious metals	790						790
Financial investments	870		458	889	3 731	76	6 024
Total current assets							
Financial year 2013	**7 491**	**721**	**3 209**	**2 105**	**3 832**	**106**	**17 464**
Financial year 2012	**10 665**	**572**	**2 633**	**1 164**	**2 337**	**524**	**17 895**
Liabilities							
Due on money-market paper	21						21
Due to banks	201		7		1		209
Due to clients on savings and deposit accounts	1						1
Other amounts due to clients	13 178		2 208	194	11		15 591
Total liabilities							
Financial year 2013	**13 401**		**2 215**	**194**	**12**		**15 822**
Financial year 2012	**13 974**		**1 971**	**254**	**26**		**16 225**

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)	2013	2012
Qualified participants		
Due from clients	27 925	19 122
Due to clients	584 666	253 161
Interest received	46	173
Interest paid	54	199
Commissions received	438	7 365
Commissions paid		2 021
Related companies		
Due to clients	17	18
Directors and Senior Executives		
Due from clients	10 112	24 613
Interest received	103	74

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 2013 Domestic	Foreign	Financial year 2012 Domestic	Foreign
Assets				
Cash and cash equivalents	4 997	1	6 999	1
Due on money-market paper		292		148
Due from banks	177	1 596	257	1 645
Due from clients	204	3 004	131	2 371
Mortgages	60	319	73	217
Trading balances in securities and precious metals	56	734	335	469
Financial investments	1 403	4 621	2 036	3 213
Participations	2		2	
Tangible fixed assets	260	20	274	9
Intangible assets	246	1	188	35
Prepayments and accrued income	35	110	52	84
Other assets	35	214	221	100
Total assets	**7 475**	**10 912**	**10 568**	**8 292**
Liabilities				
Due on money-market paper	21			
Due to banks	22	187	22	158
Due to clients on savings and deposit accounts		1	1	1
Other amounts due to clients	2 037	13 554	1 585	14 458
Accruals and deferred income	131	75	132	78
Other liabilities	159	227	418	45
Value adjustments and provisions	152	1	63	
Reserves for general banking risks	160	5	181	5
Share capital	300		300	
Capital reserves	307		452	
Reserves and retained earnings	896		786	
Group profit	152		175	
Total liabilities	**4 337**	**14 050**	**4 115**	**14 745**

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	4 990	6	1	1	4 998
Due on money-market paper		20	260	12	292
Due from banks	67	666	535	505	1 773
Due from clients	465	700	1 476	567	3 208
Mortgages	105	43	32	199	379
Trading balances in securities and precious metals	51	267	376	96	790
Financial investments	809	1 743	2 452	1 020	6 024
Participations	2				2
Tangible fixed assets	261	1	4	14	280
Intangible assets	245	1		1	247
Prepayments and accrued income	29	56	48	12	145
Other assets	160	23	51	15	249
Total positions carried as assets	**7 184**	**3 526**	**5 235**	**2 442**	**18 387**
Delivery claims resulting from spot, forward and option transactions	**1 233**	**3 400**	**10 241**	**4 025**	**18 899**
Total assets	**8 417**	**6 926**	**15 476**	**6 467**	**37 286**
Liabilities					
Due on money-market paper	2	1	18		21
Due to banks	9	79	77	44	209
Due to clients on savings and deposit accounts	1				1
Other amounts due to clients	1 423	3 443	8 489	2 236	15 591
Accruals and deferred income	131	30	28	17	206
Other liabilities	228	5	121	32	386
Value adjustments and provisions	63	1	89		153
Reserves for general banking risks	165				165
Share capital	300				300
Capital reserves	307				307
Reserves and retained earnings	896				896
Group profit	152				152
Total positions carried as liabilities	**3 677**	**3 559**	**8 822**	**2 329**	**18 387**
Delivery commitments resulting from spot, forward and option transactions	**4 761**	**3 365**	**6 630**	**4 143**	**18 899**
Total liabilities	**8 438**	**6 924**	**15 452**	**6 472**	**37 286**
Net position by currency	**(21)**	**2**	**24**	**(5)**	**–**

NOTES ON OFF-BALANCE-SHEET TRANSACTIONS

CONTINGENT LIABILITIES

(in CHF thousands)	2013	2012
Irrevocable guarantees[1]	351 920	338 550
Irrevocable commitments[2]	37 994	14 571
Total	**389 914**	**353 121**

[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] Irrevocable commitments resulting from documentary credits.

IRREVOCABLE COMMITMENTS

(in CHF thousands)	2013	2012
Loan commitments and pledges	225 197	299 944
Total	**225 197**	**299 944**

LIABILITIES UNDER DEFERRED PAYMENT

(in CHF thousands)	2013	2012
Deferred payments	1 863	2 800
Total	**1 863**	**2 800**

LIABILITIES TO PAY IN FULL AND TO MAKE ADDITIONAL PAYMENTS

(in CHF thousands)	2013	2012
Liabilities to pay in full and to make additional payments	40 211	35 629
Total	**40 211**	**35 629**

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				7 793	22 875	842 099
Futures	9	9	90 090			
Currency/Precious metals						
Forwards	85 900	104 354	15 375 706	108	108	12 419
Swaps				11 330	93 874	3 300 306
Futures	33	33	16 219			
Options (OTC)	83 963	47 710	3 846 220			
Equity securities/Stock-index derivatives						
Futures	995		636 149			
Options (traded)	226	226	195 835			
Other						
Futures			8 933			
Total before impact of netting agreements Financial year 2013	**171 126**	**152 332**	**20 169 152**	**19 231**	**116 857**	**4 154 824**
Financial year 2012	**251 520**	**240 938**	**29 975 670**	**60 928**	**112 040**	**3 514 788**

	Positive replacement values (accrued)	Negative replacement values (accrued)
Total after impact of netting agreements Financial year 2013	**182 052**	**241 025**
Financial year 2012	**230 055**	**270 586**

FIDUCIARY TRANSACTIONS

(in CHF thousands)	2013	2012
Fiduciary placements with third-party banks	2 666 690	3 245 115
Fiduciary loans and other financial fiduciary transactions	186 475	1 477 087
Total	**2 853 165**	**4 722 202**

ASSETS UNDER MANAGEMENT

(in CHF millions)	2013	2012
Assets held by funds managed by the Bank	15 591	12 675
Assets under discretionary management mandates	19 560	18 043
Other assets under management	52 556	49 319
Total administered assets	**87 707**	**80 037**
including those counted twice	6 836	5 104
Net inflows (outflows) of money	7 460	5 045

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

	2013	2012
Interest income		
Interest income from banks and clients	85 615 308	123 047 695
Interest on negotiable instruments and money-market paper	2 189 314	8 656 916
Net interest on capital employed in trading portfolios	141 518	1 507 167
Interest and dividend income from financial investments	63 061 467	42 840 086
Total	**151 007 607**	**176 051 864**

Profit on trading operations		
Income from currency trading and metals	75 129 236	95 933 702
Trading in securities (less funding costs)	8 459 856	3 230 812
Total	**83 589 092**	**99 164 514**

Personnel costs		
Salaries and related costs	290 496 630	310 482 110
Social charges	20 124 058	20 416 088
Contributions to pension funds	25 283 032	30 707 595
Other personnel expenses	15 882 877	17 132 790
Total	**351 786 597**	**378 738 583**

General administrative expenses		
Cost of office space	20 515 556	27 554 378
Cost of computer equipment, machines, furnishings, etc.	23 326 648	35 258 224
Other operating expenses	79 776 717	67 715 177
Total	**123 618 921**	**130 527 779**

Extraordinary products

Extraordinary income is the result of the dissolution of provisions which become available; this came to CHF 28.1 million, and non-refundable grants totalled CHF 145 million.

OPERATING PROFIT BY LOCATION

(in CHF thousands)	Financial year 2013 Domestic	Foreign	Financial year 2012 Domestic	Foreign
Net interest income	89 771	48 793	111 378	41 455
Net fees and commissions income	315 577	145 028	315 957	119 191
Net trading income	79 261	4 328	91 951	7 214
Gains (losses) on disposals of financial assets	5 109	588	1 397	435
Other ordinary net income	(6 840)	12 050	(1 850)	3 577
Total operating income	**482 878**	**210 787**	**518 833**	**171 872**
Personnel costs	273 897	77 890	302 748	75 990
Other operating expenses	90 879	32 740	100 248	30 280
Total operating expenses	**364 776**	**110 630**	**402 996**	**106 270**
Operating profit	**118 102**	**100 157**	**115 837**	**65 602**

COMPOSITION OF CAPITAL REQUIREMENT – PRELIMINARY RECONCILIATIONS

Pursuant to the capital adequacy ordinance of 18 September 2013, calculation of the regulatory capital (Basel III) 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".

(in CHF thousands)	Based on close of accounts and relating to the consolidated Group
Balance sheet	
Assets	
Cash & cash equivalents	4 997 622
Due on money-market paper	292 451
Due from banks	1 772 840
Due from clients	3 208 101
Mortgages	378 969
Trading balances in securities and precious metals	789 871
Financial investments	6 023 982
Participations	2 375
Tangible fixed assets	279 805
Intangible assets*	246 556
Of which goodwill	246 556
Prepayments and accrued income	145 008
Other assets	249 785
Total assets	**18 387 365**
Liabilities	
Due on money-market paper	20 954
Due to banks	208 537
Due to clients on savings and deposit accounts	1 309
Other amounts due to clients	15 591 080
Accruals and deferred income	206 272
Other liabilities	451 343
Value adjustments and provisions	152 584
Total liabilities	**16 632 079**
Capital	
Reserves for general banking risks*	165 375
Share capital*	300 000
Legal reserves/open reserves/profits (losses) carried forward and from the period concerned*	1 289 911
Total capital	**1 755 286**

*Share capital; reserves derived from profits, including reserves for banking risks; goodwill (see page 39).

CAPITAL REQUIREMENT

(in CHF thousands)	Net figures (after transitional arrangements)	Impact of transitional arrangements (phase in/phase out) on minority shareholders
Common equity tier 1 (CET1)		
Fully eligible issued and paid-up share capital*	300 000	–
Reserves coming from profits, including reserves for general banking risks/profits (losses) carried forward and from the period concerned*	1 455 286	–
= Common equity tier 1, before adjustments	**1 755 286**	**–**
Goodwill (net of recognised deferred taxes)*	(246 556)	–
Qualifying cross-shareholdings (CET1 assets)	(1 651)	–
= Net common equity tier 1 (net CET1)	**1 507 079**	**–**
Supplementary (T2) capital		
= Net supplementary capital (net T2)	**4 000**	**–**
= Total required capital (net T1 and T2)	**1 511 079**	**–**
Total risk-weighted investments	**5 201 113**	**–**

CAPITAL REQUIRED AS AT 31 DECEMBER

(in CHF thousands)	Approach used	Capital requirement
Credit risks	SA-BRI	263 360
of which price risk related to shares and similar securities and rights in the banking book		4 128
Non-counterparty-related risk	SA-BRI	22 465
Market risk related to	Standard	21 593
– interest-rate instruments		3 389
– shares and similar securities and rights		13 942
– currency and precious metals		3 362
– commodities		69
Operational risks	Standard	108 671
Total		**416 089**

Capital ratio	
CET1 capital ratio (BIS minimum requirement under Basel III: 3.5%)	29%
Tier 1 capital ratio (BIS minimum requirement under Basel III: 4.5%)	29%
Total capital ratio (BIS minimum requirement under Basel III: 8%)	29%

FINMA-defined minimum CET1	7.8%
FINMA-defined minimum Tier 1	9.6%
FINMA-defined minimum total capital ratio	12%

RISK-WEIGHTED POSITIONS DUE TO EXTERNAL RATINGS

(in CHF thousands)		Risk-weighted positions				
Counterparty	**Rating agency**	**0%**	**20%**	**50%**	**100%**	**150%**
Central governments and central banks	Rated	6 276 537	29 208	145 304	23 136	
	Non-rated	12 808				
Public-sector entities	Rated		27 038			
	Non-rated					
Banks and securities dealers	Rated		2 480 434	639 665		7 282
	Non-rated		202 176	4 429		917
Joint institutions of banks	Rated					
	Non-rated				10 253	
Corporates	Rated		512 563	390 250	332 339	2 775
	Non-rated			1 329	403 321	13 439

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	**Total**
Loan commitments (as at closure)							
Due from banks	8	1 765					1 773
Due from clients	61	811	19	1 087	1 230		3 208
Mortgages	1	1		205	172		379
Financial investments/ debt securities	1 472	1 669	263	2 117		34	5 555
Other assets/VRP	23	43	2	119	208		395
Balance-sheet total as at 31.12.2013	**1 565**	**4 289**	**284**	**3 528**	**1 610**	**34**	**11 310**
Balance-sheet total as at 31.12.2012	**1 268**	**3 898**	**227**	**2 531**	**1 315**	**48**	**9 287**
Off-balance-sheet transactions							
Contingent liabilities Liabilities under deferred payments	2	39	1	68	76		186
Irrevocable commitments				40	11		51
Liabilities to pay in full and to make additional payments				30	10		40
Additional charges	10	92	1	207	37		347
Value adjustments and provisions					(4)		(4)
Off-balance-sheet total as at 31.12.2013	**12**	**131**	**2**	**345**	**130**		**620**
Off balance-sheet total as at 31.12.2012	**5**	**149**	**3**	**273**	**175**		**605**

CREDIT RISK/CREDIT RISK MITIGATION

(in CHF millions)	Secured by approved financial collateral (within the meaning of the rules applying to equity capital)	Other loan commitments	Unsecured	**Total**
Loan commitments (as at closure)				
Due from banks	624		1 149	1 773
Due from clients	2 593	588	27	3 208
Mortgages	9	370		379
Financial investments/debt securities			5 555	5 555
Other assets/VRP	117	34	244	395
Balance-sheet total as at 31.12.2013	**3 343**	**992**	**6 975**	**11 310**
Balance-sheet total as at 31.12.2012	**2 547**	**344**	**6 396**	**9 287**
Off-balance-sheet transactions				
Contingent liabilities and liabilities under deferred payments	186			186
Irrevocable commitments	49		2	51
Liabilities to pay in full and to make additional payments	40			40
Add-ons (derivatives)	153		194	347
Value adjustments and provisions			(4)	(4)
Off-balance-sheet total as at 31.12.2013	**428**		**192**	**620**
Off-balance-sheet total as at 31.12.2012	**505**		**100**	**605**

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	223	1 130		416		4				1 773
Due from clients	2 716		55	11	27	390		9		3 208
Mortgages	8		298		9	64				379
Financial investments/ debt securities	1 504	2 189		1 114		722		26		5 555
Other assets/VRP	171	26	13	6	12	165		2		395
Balance-sheet total as at 31.12.2013	**4 622**	**3 345**	**366**	**1 547**	**48**	**1 345**		**37**		**11 310**
Balance-sheet total as at 31.12.2012	**3 359**	**3 570**	**299**	**806**	**57**	**1 084**	**10**	**64**	**38**	**9 287**
Off-balance-sheet transactions										
Contingent liabilities and liabilities under deferred payments	129	13			3	41				186
Irrevocable commitments	19		1			31				51
Liabilities to pay in full and to make add. payments						40				40
Add-ons (derivatives)	198	77		29		36		7		347
Value adjustments and provisions	(4)									(4)
Off-balance-sheet total as at 31.12.2013	**342**	**90**	**1**	**29**	**3**	**148**		**7**		**620**
Off-balance-sheet total as at 31.12.2012	**339**	**60**		**7**	**(6)**	**205**				**605**

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	175	3	84	4	1 442		65		1 773
Due from clients	252	32	196	165	1 176	809	516	62	3 208
Mortgages	61		1		149	137	31		379
Financial investments/ debt securities	671	308	643	101	3 366	202	218	46	5 555
Other assets/VRP	97	2	15	4	114	72	89	2	395
Balance-sheet total as at 31.12.2013	**1 256**	**345**	**939**	**274**	**6 247**	**1 220**	**919**	**110**	**11 310**
Balance-sheet total as at 31.12.2012	**1 531**	**178**	**913**	**232**	**4 905**	**984**	**483**	**61**	**9 287**
Off-balance-sheet transactions									
Contingent liabilities and liabilities under deferred payments	38	2	6	7	42	71	12	8	186
Irrevocable commitments	10		3		6	32			51
Liabilities to pay in full and to make add. payments	1			1	17	17	2	2	40
Add-ons	105	2	40	6	92	80	19	3	347
Value adjustments and provisions	(4)								(4)
Off-balance-sheet total as at 31.12.2013	**150**	**4**	**49**	**14**	**157**	**200**	**33**	**13**	**620**
Off-balance-sheet total as at 31.12.2012	**152**	**27**	**16**	**11**	**161**	**206**	**19**	**13**	**605**

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 2013**	**Total 2012**
Loans to clients	2								**2**	**32**
Individual value adjustments	1								**1**	**31**

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 2013.

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 2013 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, 21 March 2014

Ernst & Young Ltd

Didier Müller	**Prof. Dr.**
Licensed audit expert	**Andreas Blumer**
Auditor in charge	Licensed audit expert

2013 ANNUAL FINANCIAL STATEMENT

BALANCE SHEET AS AT 31 DECEMBER

	2013	2012
Assets		
Cash and cash equivalents	4 996 868 484	6 999 271 109
Money-market paper	292 450 553	148 129 091
Due from banks	1 784 104 620	1 990 012 058
Due from clients	3 186 511 036	2 526 362 579
Mortgages	374 073 077	290 019 533
Trading balances in securities and precious metals	788 368 951	796 724 362
Financial investments	5 237 510 263	4 826 047 618
Participations	175 295 169	156 912 289
Tangible fixed assets	193 864 234	193 889 337
Intangible assets	245 133 898	188 355 930
Prepayments and accrued income	103 612 671	92 762 230
Other assets	232 057 660	302 193 906
Total assets	**17 609 850 616**	**18 510 680 042**

Total receivables from Group companies and qualified participants	**302 942 678**	**356 979 596**

BALANCE SHEET AS AT 31 DECEMBER

	2013	2012
Liabilities		
Due on money-market paper	20 954 054	
Due to banks	1 204 346 439	1 535 825 777
Due to clients on savings and deposit accounts	1 308 669	1 562 829
Other amounts due to clients	14 427 261 442	14 899 830 676
Accruals and deferred income	144 579 758	145 311 108
Other liabilities	395 058 976	460 265 724
Value adjustments and provisions	225 159 966	136 311 333
Share capital	300 000 000	300 000 000
Legal reserves	403 185 872	594 935 872
Reserves from capital contribution	415 000 000	415 000 000
Other reserves	1 500 000	1 500 000
Profit brought forward	1 886 723	564 246
Annual profit	69 608 717	19 572 477
Total liabilities	**17 609 850 616**	**18 510 680 042**
Total subordinated receivables	**188 524 768**	
Total liabilities to Group companies and qualified participants	**1 876 070 466**	**1 913 058 290**

OFF-BALANCE-SHEET TRANSACTIONS AS AT 31 DECEMBER

	2013	2012
Contingent liabilities	375 697 032	337 029 862
Irrevocable commitments	225 194 474	295 252 172
Liabilities to pay in full and to make additional payments	34 693 194	34 841 676
Liabilities under deferred payments	1 862 638	2 799 673
Derivative instruments		
– Underlying amount	24 435 468 858	32 009 528 050
– Positive replacement value	186 918 265	231 433 366
– Negative replacement value	245 486 415	272 035 809
Fiduciary transactions	2 671 929 411	3 251 376 668

STATEMENT OF INCOME

	2013	2012
Income and expenditure from ordinary banking operations		
Net interest income		
Interest and discount income	87 097 274	132 424 886
Interest and dividends from financial investments	58 721 225	40 145 988
Interest expenses	(12 504 228)	(23 900 626)
Net interest income	**133 314 271**	**148 670 248**
Fees and commissions		
Credit-related fees and commissions	2 397 123	2 410 772
Commission income on securities trading and investments	336 600 344	337 710 438
Commission income on other services	5 440 221	5 355 868
Commission expenses	(14 406 849)	(11 783 039)
Fees and commissions	**330 030 839**	**333 694 039**
Trading income	**82 142 944**	**96 383 972**
Other ordinary net income		
Gains (losses) on disposals of financial assets	5 683 267	1 832 314
Income from permanent investments	4 346 609	1 714 359
Income from real estate	1 362 347	1 357 854
Other ordinary income	11 453 325	12 175 583
Other ordinary expenses	(35 667 995)	(34 327 066)
Other ordinary net income	**(12 822 447)**	**(17 246 956)**
Total income	**532 665 607**	**561 501 303**
General administrative expenses		
Personnel costs	(288 836 371)	(320 214 186)
Other operating expenses	(102 278 693)	(113 630 036)
Operating expenses	**(391 115 064)**	**(433 844 222)**
Operating profit	**141 550 543**	**127 657 081**

STATEMENT OF INCOME

	2013	2012
Operating profit	141 550 543	127 657 081
Depreciation of fixed assets	(79 967 495)	(57 479 936)
Value adjustments, provisions and losses	(129 535 435)	(44 933 752)
Recoveries		16 182 993
Profit before extraordinary items and taxes	**(67 952 387)**	**41 426 386**
Extraordinary income	150 001 226	3 394 375
Extraordinary expenses		(18 500 000)
Taxes	(12 440 122)	(6 748 284)
Annual profit	**69 608 717**	**19 572 477**

Proposal of the Board

Net profit available for distribution amounts to CHF 71 495 440

Distribution of profit

	2013	2012
Annual profit	69 608 717	19 572 477
Profit brought forward from prior years	1 886 723	564 246
Total	**71 495 440**	**20 136 723**

	2013	2012
The following distribution is proposed to the General Meeting of Shareholders:		
– Allocated to capital inflow reserve (shareholder contribution)	145 000 000	
– Contribution to legal reserves		3 250 000
– Distributions to shareholders	65 000 000	65 000 000
– Of which covered by drawing on legal reserves	(139 000 000)	(50 000 000)
Profit carried forward	**495 440**	**1 886 723**

APPENDIX TO THE 2013 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

OTHER ASSETS AND OTHER LIABILITIES

(in CHF thousands)	Other assets 2013	Other assets 2012	Other liabilities 2013	Other liabilities 2012
Replacement values of derivative instruments	186 918	231 433	245 486	272 036
Netting account	12 356	10 330		
Other assets and liabilities	32 784	60 431	149 573	188 230
Total other assets and other liabilities	**232 058**	**302 194**	**395 059**	**460 266**

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

(in CHF thousands)	2013	2012
Book value of assets pledged or assigned as guarantee	388 619	329 038
Firm commitments	–	–

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	2013	2012
Commitments resulting from cash received during securities lending or repo transactions	–	–
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	–
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	–	–
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.

In 2007 the pension fund for Union Bancaire Privée's Switzerland-based offices ("Fondation de Prévoyance en faveur du personnel de Union Bancaire Privée, UBP SA et des sociétés affiliées ou apparentées ayant leur siège en Suisse") adopted the principle of defined contributions. Over 80% of the Group's employees are affiliated to this pension fund.

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)	2013	2012
Contributions to defined-contribution pension funds	22 086	26 344
Total pension expenses	**22 086**	**26 344**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**105 919**	**87 470**

Pension commitments are as follows:

(in CHF millions)	2013	2012
Net assets of the pension fund at market value	933	839
Present value of benefits due	(858)	(800)
Surplus (deficit)	75	39

VALUE ADJUSTMENTS AND PROVISIONS

(in CHF thousands)	**Position as at 31 December 2012**	Used according to purpose	Recoveries, doubtful interest, currency differences	New reserves charged to the statement of income	Dissolution of reserves credited to the statement of income	**Position as at 31 December 2013**
Value adjustments and provisions for default risk (counterparty and country risk)	43 023	(33 888)	1 177		(5 000)	5 312
Value adjustments and provisions for other operating risks	43 351	(29 514)	(364)	1 930		15 403
Provision for restructuring	6 400	(4 506)		10 000		11 894
Other provisions	77 560		165	116 138		193 863
Total value adjustments and provisions	**170 334**	**(67 908)**	**978**	**128 068**	**(5 000)**	**226 472**
after deduction of: value adjustments directly offset against assets	(34 023)					(1 312)
Total value adjustments and provisions as per the balance sheet	**136 311**					**225 160**

“Other provisions” shows the composition of those provisions made for the Rubik agreement with the UK and the equivalent US Program.

SHARE CAPITAL

(in CHF thousands)	**Financial year 2013** Total nominal value	Number of shares	Dividend-bearing capital	**Financial year 2012** 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

	2013		**2012**	
	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 96.528% of CBI Holding SA voting rights and 86.691% of its share capital.

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity as at 1 January 2013	
Share capital	300 000
Legal reserve	594 936
Reserves from capital contribution	415 000
Other reserves	1 500
Retained earnings	20 136
Total shareholders' equity as at 1 January 2013	**1 331 572**
Ordinary dividend	(65 000)
Extraordinary dividend	(145 000)
Annual profit	69 609
Total shareholders' equity as at 31 December 2013	**1 191 181**
Comprising: Share capital	300 000
Legal reserve	403 185
Reserves from capital contribution	415 000
Other reserves	1 500
Retained earnings carried forward	1 887
Balance-sheet profit	69 609

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)	**2013**	**2012**
Qualified participants		
Due from clients	27 925	19 122
Due to clients	584 479	251 098
Interest received	46	173
Interest paid	54	199
Commission received	438	7 365
Commission paid		21

(in CHF thousands)	2013	2012
Group companies		
Due from clients	275 018	337 858
Due to clients	1 291 591	1 661 960
Interest received	1 194	1 297
Interest paid	766	1 420
Commission received	206	159
Commission paid	204	20
Related companies		
Due to clients	17	18
Directors and Senior Executives		
Due from clients	10 112	24 613
Interest received	103	74

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)	2013	2012
Fiduciary placements with other banks	2 666 689	3 245 116
Fiduciary loans and other financial fiduciary transactions	5 240	6 261
Total	**2 671 929**	**3 251 377**

TRADING INCOME

	2013	2012
Income from currency trading and metals	73 905 124	93 348 447
Trading in securities (less funding costs)	8 237 820	3 035 525
Total	**82 142 944**	**96 383 972**

Extraordinary income

Extraordinary income is the result of the dissolution of provisions which become available; this came to CHF 5 million, and non-refundable grants totalled CHF 145 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 2013.

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 2013 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, 21 March 2014

Ernst & Young Ltd

Didier Müller
Licensed audit expert
Auditor in charge

Prof. Dr.
Andreas Blumer
Licensed audit exper

UBP

Union Bancaire Privée