FINANCIAL REPORT 2012

56th ANNUAL REPORT

Union Bancaire Privée

FINANCIAL REPORT 2012

FINANCIAL HIGHLIGHTS OF THE GROUP

(in CHF millions)	Financial year 2012	Financial year 2011	Variation in CHF millions	Variation in %
Net profit	175	176	-1	-0.57
Gross profit	181	255	-74	-29.02
Client assets (in CHF billions)	80	71.7	8	11.58
Total operating income	**691**	**763**	**-72**	**-9.44**
Net interest income	153	163	-10	-6.13
Net fees and commissions income	435	420	15	3.57
Net trading income	99	163	-64	-39.26
Total operating expenses	**509**	**508**	**1**	**0.20**
Personnel costs	379	387	-8	-2.07
Other operating expenses	130	121	9	7.44
Depreciation, value adjustments, provisions and losses	113	68	45	66.18
Total assets	**18 860**	**17 983**	**877**	**4.88**
Shareholders' equity	1 724	1 530	194	12.68
Share capital	300	300		
Capital reserves	452	452		
Reserves and retained earnings	786	680	106	15.59
Reserves for general banking risks	186	98	88	89.80
Staff members (as at 31 December)	1 270	1 491	-221	-14.82
Net profit per staff member (in CHF thousands)	138	142	-4	-2.82
Operating cost/income ratio	73.7%	66.6%		
Cost/income ratio after depreciation	82.9%	71.3%		
Return on equity (ROE)	10.2%	10.6%		
Shareholders' equity/total assets	9.1%	8.5%		
BIS ratio (Basel II)	25.7%	23.9%		

CONSOLIDATED BALANCE SHEET 2012

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	2012	2011
Assets		
Cash and cash equivalents	6 999 563 236	6 795 897 162
Money-market paper	148 129 091	371 710 518
Due from banks	1 902 178 316	2 082 990 606
Due from clients	2 501 732 569	2 304 742 928
Mortgages	290 265 303	237 206 112
Trading balances in securities and precious metals	803 488 129	664 791 097
Financial investments	5 248 776 272	4 262 686 683
Non-consolidated participations	2 397 086	2 349 696
Tangible fixed assets	283 209 923	293 128 631
Intangible assets	222 780 280	185 744 628
Prepayments and accrued income	136 343 082	110 102 079
Other assets	321 085 940	671 270 863
Total assets	**18 859 949 227**	**17 982 621 003**
Total claims against unconsolidated holdings and qualifying holdings	**19 121 703**	**56 971 544**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

	2012	2011
Liabilities		
Due to banks	179 655 218	698 995 700
Due to clients on savings and deposit accounts	1 562 829	2 008 932
Other amounts due to clients	16 043 166 483	14 856 509 693
Accruals and deferred income	210 356 663	195 745 065
Other liabilities	462 532 306	443 371 964
Value adjustments and provisions	63 267 790	79 995 749
Reserves for general banking risks	186 124 839	97 624 839
Share capital	300 000 000	300 000 000
Capital reserves	452 335 872	452 335 872
Reserves and retained earnings	785 908 701	680 000 351
Group profit	175 038 526	176 032 838
Total liabilities	**18 859 949 227**	**17 982 621 003**
Total liabilities to unconsolidated participations and significant shareholders	**253 160 563**	**569 643 372**

OFF-BALANCE-SHEET TRANSACTIONS

	2012	2011
Contingent liabilities	353 120 883	416 811 158
Irrevocable commitments	299 944 380	475 260 570
Liabilities to pay in full and to make additional payments	35 628 823	36 907 064
Liabilities under deferred payment	2 799 673	25 022 011
Derivative instruments		
– Underlying amounts	33 490 458 352	48 841 191 755
– Positive replacement values	230 055 399	493 051 400
– Negative replacement values	270 586 105	356 927 216
Fiduciary transactions	4 722 202 369	5 430 176 189

Consolidated statement of ordinary income and expenses on banking operations	2012	2011
Interest income		
Interest and discount income	133 211 778	152 378 012
Interest and dividends from financial investments	42 840 086	53 371 914
Interest expenses	(23 219 006)	(42 668 929)
Net interest income	**152 832 858**	**163 080 997**
Fees and commissions		
Credit-related fees and commissions	2 453 268	2 930 204
Fees and commissions from securities and investment business	442 683 830	423 480 747
Other fees and commissions income	5 510 285	4 662 063
Commission expenses	(15 499 631)	(11 415 012)
Fees and commissions	**435 147 752**	**419 658 002**
Trading income	**99 164 514**	**163 273 762**
Other ordinary net income		
Gains on disposal of financial assets	1 832 314	1 848 457
Income from non-consolidated participations	1 714 359	1 444 808
Income from real estate	1 357 854	1 245 937
Other ordinary income	3 309 721	12 920 260
Other ordinary expenses	(4 654 640)	–
Other ordinary results	**3 559 608**	**17 459 462**
Total income	**690 704 732**	**763 472 223**
Operating expenses		
Personnel costs	(378 738 583)	(387 249 281)
General administrative expenses	(130 527 779)	(120 991 147)
Operating expenses	**(509 266 362)**	**(508 240 428)**
Operating profit	**181 438 370**	**255 231 795**

CONSOLIDATED STATEMENT OF INCOME

	2012	2011
Operating profit	181 438 370	255 231 795
Depreciation of fixed assets	(63 289 595)	(35 811 968)
Value adjustments, provisions and losses	(49 939 788)	(31 919 100)
Recoveries	204 770 142	–
Profit before extraordinary items and taxes	**272 979 129**	**187 500 727**
Extraordinary income	4 195 132	7 660 894
Extraordinary expenses	(88 500 000)	–
Taxes	(13 635 735)	(19 128 783)
Group profit	**175 038 526**	**176 032 838**

CONSOLIDATED CASH FLOW STATEMENT

(in CHF thousands)	Financial year 2012 Source of funds	Use of funds	Financial year 2011 Source of funds	Use of funds
Cash flow from operations (internal financing)				
Group profit	175 039		176 033	
Depreciation of fixed assets	63 290		35 812	
Value adjustments and provisions	49 940		31 919	
Prepayments and accrued income		26 241	16 554	
Accruals and deferred income	14 612			17 118
Other items		66 793		18 088
Dividend for the preceding financial year		70 000		258 000
General banking risks	88 500			
Balance	**228 347**			**32 888**
Cash flow from equity transactions				
Minority shareholders' interests				810
Balance				**810**
Cash flow from transactions in fixed assets				
Participations		47	1	
Real estate		277		30
Other tangible fixed assets		30 766		35 229
Intangible assets		59 363		188 896
Balance		**90 453**		**224 154**

(in CHF thousands)	Financial year 2012 Source of funds	Use of funds	Financial year 2011 Source of funds	Use of funds
Cash flow from banking activities				
Medium- and long-term transactions (>1 year)				
Commitments to clients		139 341	140 000	
Other liabilities	19 160			762 850
Due from clients	62 122			123 164
Mortgages		18 061	6 640	
Financial investments		1 035 453		7 873
Other assets	350 185		10 949	
Short-term transactions				
Due to banks		519 341		441 685
Commitments to clients	1 325 551		1 048 923	
Due on money-market paper	223 581		2 847 032	
Due from banks	180 812		2 403 602	
Due from clients		254 275		697 738
Mortgages		39 835		162 738
Trading balances in securities and precious metals		138 697	377 709	
Financial investments	49 364			611 871
Cash and cash equivalents				
Cash and cash equivalents		203 666		3 769 084
Balance		**137 894**	**257 852**	

APPENDIX TO THE CONSOLIDATED ACCOUNTS

VALUATION AND ACCOUNTING PRINCIPLES

Activities

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

Acquisition

On 30 April 2012, UBP became the sole shareholder of Nexar Capital Group, a global player in alternative asset management. Nexar's activities are primarily focused in Paris, London, Jersey and New York.

On 30 September 2012, the Bank took over a portfolio of Clients from Banco Santander (Suisse) SA.

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 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:

	31.12.12	31.12.11
USD	0.91535	0.93510
GBP	1.4879	1.45328
EUR	1.2068	1.21389

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 2012, the ALM market risk exposure based on an +/-100bp shift in the interest rates on the Bank's assets and income amounted to CHF 29.3 million and CHF 28.2 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.

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	Other guarantees	Uncollat-eralised	Total
Loans				
Due from clients		2 476 946	24 787	2 501 733
Mortgages	290 265			290 265
Residential buildings	274 246			274 246
Other	16 019			16 019
Total loans Financial year 2012	**290 265**	**2 476 946**	**24 787**	**2 791 998**
Financial year 2011	**237 206**	**2 288 031**	**16 712**	**2 541 949**
Off-balance-sheet				
Contingent liabilities		353 121		353 121
Irrevocable commitments	3 248	296 696		299 944
Liabilities to pay in full and to make additional payments		35 629		35 629
Liabilities under deferred payments		2 800		2 800
Off-balance-sheet total Financial year 2012	**3 248**	**688 246**		**691 494**
Financial year 2011	**1 733**	**944 601**	**7 667**	**954 001**

Non-performing loans	Gross amount	Estimated realisable value of collateral	Net amount	Individual value adjustments
Financial year 2012	**32 047**	**538**	**31 509**	**31 509**
Financial year 2011	**33 603**	**969**	**32 634**	**32 634**

TRADING BALANCES IN SECURITIES AND PRECIOUS METALS

(in CHF thousands)	2012	2011
Trading balances in securities and precious metals		
Listed debt securities	110 944	–
Shares and similar securities and rights	388 474	370 868
Precious metals	304 070	293 923
Total trading balances in securities and precious metals	**803 488**	**664 791**
Including securities on deposit according to the liquidity rules	–	–

FINANCIAL INVESTMENTS

	Book value		Fair value*	
(in CHF thousands)	2012	2011	2012	2011
Total debt securities	**3 809 109**	**3 108 394**	**3 860 413**	**3 097 115**
of which valued according to the accrual method	3 809 109	3 108 394	3 860 413	3 097 115
including floating-rate bonds	617 876	560 023	623 438	551 303
Equity shares	**168 526**	**96 582**	**171 904**	**99 904**
Precious metals	**1 271 141**	**1 057 711**	**1 271 141**	**1 057 711**
Total	**5 248 776**	**4 262 687**	**5 303 458**	**4 254 730**
of which securities rediscounted or accepted as collateral by central banks	1 126 664	1 301 998	–	–

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

PARTICIPATIONS

(in CHF thousands)	2012	2011
Participations		
Without market value	2 397	2 350
Total participations	**2 397**	**2 350**

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 (Europe) S.A., Luxembourg	Asset management bank	CHF	21 000	100%

The ownership rates were identical to those recorded as at 31 December 2011.

FIXED ASSETS

(in CHF thousands)	Acquisition value	Cumulative depreciation	Book value as at 31 December 2011	Additions	Disposals and currency translation differences	Depreciation	Book value as at 31 December 2012
Participations							
Other participations	2 567	(217)	2 350	48	(1)		2 397
Total participations	**2 567**	**(217)**	**2 350**	**48**	**(1)**		**2 397**
Real estate							
Real estate used by the Bank	326 193	(109 300)	216 893		277	(4 909)	212 261
Other real estate	11 493	(1 157)	10 336			(193)	10 143
Other tangible fixed assets	82 325	(50 096)	32 229	6 934	(536)	(14 518)	24 109
Other	84 314	(50 643)	33 671	24 869	(501)	(21 342)	36 697
Total tangible fixed assets	**504 325**	**(211 196)**	**293 129**	**31 803**	**(760)**	**(40 962)**	**283 210**
Goodwill	189 010	(3 265)	185 745	59 312	50	(22 327)	222 780
Total intangible assets	**189 010**	**(3 265)**	**185 745**	**59 312**	**50**	**(22 327)**	**222 780**
Fire insurance value of real estate			111 980				111 980
Fire insurance value of other tangible fixed assets			276 543				242 007

OTHER ASSETS AND OTHER LIABILITIES

(in CHF thousands)	Other assets 2012	Other assets 2011	Other liabilities 2012	Other liabilities 2011
Replacement values of derivative instruments	230 055	493 051	270 586	356 927
Netting account	10 330			10 653
Other assets and liabilities	80 701	178 220	191 946	75 792
Total other assets and other liabilities	**321 086**	**671 271**	**462 532**	**443 372**

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

(in CHF thousands)	2012	2011
Book value of assets pledged or assigned as guarantee	329 038	338 447
Firm commitments	–	251 931

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	2012	2011
Commitments resulting from cash received during securities lending or repo transactions	–	480 000
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	480 473
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)	2012	2011
Contributions to defined-contribution pension funds	29 273	25 213
Total pension expenses	**29 273**	**25 213**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**87 470**	**55 002**

Pension commitments are as follows:

(in CHF millions)	2012	2011
Net assets of the pension fund at market value	839	789
Present value of benefits due	(800)	(822)
Surplus (deficit)	39	(33)

VALUE ADJUSTMENTS AND PROVISIONS – RESERVES FOR GENERAL BANKING RISKS

(in CHF thousands)	**Position as at 31 December 2011**	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 2012**
Provisions for deferred taxes				4 484		4 484
Value adjustments and provisions for default risk (counterparty and country risk)	41 633	(897)	(272)	45		40 509
Value adjustments and provisions for other operating risks	49 511	(29 944)	(427)	25 529	(1 285)	43 384
Provision for restructuring	21 486	(15 086)				6 400
Sub-total	**112 630**	**(45 927)**	**(699)**	**25 574**	**(1 285)**	**90 293**
Total value adjustments and provisions	**112 630**	**(45 927)**	**(699)**	**30 058**	**(1 285)**	**94 777**
after deduction of: value adjustments directly offset against assets	(32 634)					(31 509)
Total value adjustments and provisions as per the balance sheet	**79 996**					**63 268**
Reserves for general banking risks	**97 625**			**88 500**		**186 125**

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity as at 1 January 2012	
Share capital	300 000
Capital reserves	452 336
Reserves and retained earnings	680 000
Reserves for general banking risks	97 625
Group profit for the financial year 2011	176 033
Total shareholders' equity as at 1 January 2012	**1 705 994**
Dividend	(70 000)
Difference on currency conversion	(124)
Allocation to reserves for general banking risks	88 500
Group profit for the financial year 2012	175 039
Total shareholders' equity as at 31 December 2012	**1 899 409**
Comprising: Share capital	300 000
Capital reserves	452 336
Reserves and retained earnings	785 909
Reserves for general banking risks	186 125
Group profit	175 039

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	7 000						7 000
Due on money-market paper	11			137			148
Due from banks	1 410		492				1 902
Due from clients		572	1 419	450	54	7	2 502
Mortgages			216	20	42	12	290
Trading balances in securities and precious metals	804						804
Financial investments	1 440		506	557	2 241	505	5 249
Total current assets							
Financial year 2012	**10 665**	**572**	**2 633**	**1 164**	**2 337**	**524**	**17 895**
Financial year 2011	**9 652**	**624**	**2 922**	**1 652**	**1 716**	**155**	**16 721**
Liabilities							
Due to banks	151		29				180
Due to clients on savings and deposit accounts	2						2
Other amounts due to clients	13 821		1 942	254	26		16 043
Total liabilities							
Financial year 2012	**13 974**		**1 971**	**254**	**26**		**16 225**
Financial year 2011	**12 453**		**2 628**	**311**	**166**		**15 558**

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)	2012	2011
Qualified participants		
Due from clients	19 122	56 972
Due to clients	253 161	569 643
Interest received	173	35
Interest paid	199	1 557
Commissions received	7 365	321
Commissions paid	2 021	2 000
Related companies		
Due to clients	18	19
Directors and Senior Executives		
Due from clients	24 613	49 625
Interest received	74	152

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 2012 Domestic	Foreign	Financial year 2011 Domestic	Foreign
Assets				
Cash and cash equivalents	6 999	1	6 795	1
Due on money-market paper		148		372
Due from banks	257	1 645	164	1 919
Due from clients	131	2 371	152	2 153
Mortgages	73	217	119	118
Trading balances in securities and precious metals	335	469	305	360
Financial investments	2 036	3 213	1 545	2 718
Participations	2		2	
Tangible fixed assets	274	9	272	21
Intangible assets	188	35	183	3
Prepayments and accrued income	52	84	33	77
Other assets	221	100	391	280
Total assets	**10 568**	**8 292**	**9 961**	**8 022**
Liabilities				
Due to banks	22	158	492	207
Due to clients on savings and deposit accounts	1	1	1	1
Other amounts due to clients	1 585	14 458	1 768	13 089
Accruals and deferred income	132	78	132	64
Other liabilities	418	45	326	117
Value adjustments and provisions	63		80	
Reserves for general banking risks	181	5	93	5
Share capital	300		300	
Capital reserves	452		452	
Reserves and retained earnings	786		680	
Group profit	175		176	
Total liabilities	**4 115**	**14 745**	**4 500**	**13 483**

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	6 993	5	1	1	7 000
Due on money-market paper			148		148
Due from banks	27	154	654	1 067	1 902
Due from clients	234	597	1 181	490	2 502
Mortgages	96	38	30	126	290
Trading balances in securities and precious metals	27	174	230	373	804
Financial investments	1 068	1 115	1 587	1 479	5 249
Participations	2				2
Tangible fixed assets	261	6		16	283
Intangible assets	189	1	32	1	223
Prepayments and accrued income	38	45	43	10	136
Other assets	149	29	130	13	321
Total positions carried as assets	**9 084**	**2 164**	**4 036**	**3 576**	**18 860**
Delivery claims resulting from spot, forward and option transactions	**3 749**	**4 039**	**12 720**	**3 953**	**24 461**
Total assets	**12 833**	**6 203**	**16 756**	**7 529**	**43 321**
Liabilities					
Due to banks	55	36	66	23	180
Due to clients on savings and deposit accounts	2				2
Other amounts due to clients	1 791	3 093	8 069	3 090	16 043
Accruals and deferred income	136	22	34	18	210
Other liabilities	172	22	232	37	463
Value adjustments and provisions	41		22		63
Reserves for general banking risks	186				186
Share capital	300				300
Capital reserves	452				452
Reserves and retained earnings	786				786
Group profit	175				175
Total positions carried as liabilities	**4 096**	**3 173**	**8 423**	**3 168**	**18 860**
Delivery commitments resulting from spot, forward and option transactions	**8 781**	**2 985**	**8 733**	**3 962**	**24 461**
Total liabilities	**12 877**	**6 158**	**17 156**	**7 130**	**43 321**
Net position by currency	**(44)**	**45**	**(400)**	**399**	

NOTES ON OFF-BALANCE-SHEET TRANSACTIONS

CONTINGENT LIABILITIES

(in CHF thousands)	2012	2011
Irrevocable guarantees[1]	338 550	364 694
Irrevocable commitments[2]	14 571	52 117
Total	**353 121**	**416 811**

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)	2012	2011
Loan commitments and pledges	299 944	475 261
Total	**299 944**	**475 261**

LIABILITIES UNDER DEFERRED PAYMENT

(in CHF thousands)	2012	2011
Deferred payments	2 800	25 022
Total	**2 800**	**25 022**

LIABILITIES TO PAY IN FULL AND TO MAKE ADDITIONAL PAYMENTS

(in CHF thousands)	2012	2011
Liabilities to pay in full and to make additional payments	35 629	36 907
Total	**35 629**	**36 907**

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				24 481	20 728	1 637 626
Futures	217	217	182 642			
Currency/Precious metals						
Forwards	134 249	126 021	22 148 190	15	15	12 948
Swaps				36 432	91 297	1 864 214
Futures	1 143	1 143	94 106			
Options (OTC)	111 850	108 819	7 009 970			
Equity securities/Stock-index derivatives						
Swaps		281	24 996			
Futures	3 332	3 728	498 843			
Options (OTC)	469	469	5 190			
Other						
Futures	260	260	11 733			
Total before impact of netting agreements Financial year 2012	**251 520**	**240 938**	**29 975 670**	**60 928**	**112 040**	**3 514 788**
Financial year 2011	**324 132**	**320 337**	**35 620 747**	**177 676**	**45 347**	**13 220 445**
			Positive replacement values (accrued)			**Negative replacement values (accrued)**
Total after impact of netting agreements Financial year 2012			**230 055**			**270 586**
Financial year 2011			**493 051**			**356 927**

FIDUCIARY TRANSACTIONS

(in CHF thousands)	2012	2011
Fiduciary placements with third-party banks	3 245 115	4 155 595
Fiduciary loans and other financial fiduciary transactions	1 477 087	1 274 581
Total	**4 722 202**	**5 430 176**

ASSETS UNDER MANAGEMENT

(in CHF millions)	2012	2011
Assets held by funds managed by the Bank	12 675	10 206
Assets under discretionary management mandates	18 043	13 361
Other assets under management	49 319	48 085
Total administered assets	**80 037**	**71 652**
including those counted twice	5 104	4 636
Net inflows (outflows) of money	5 045	11 186

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

	2012	2011
Interest income		
Interest income from banks and clients	123 047 695	130 962 320
Interest on negotiable instruments and money-market paper	8 656 916	15 847 015
Net interest on capital employed in trading portfolios	1 507 167	5 568 677
Interest and dividend income from financial investments	42 840 086	53 371 914
Total	**176 051 864**	**205 749 926**

	2012	2011
Profit on trading operations		
Income from currency trading and metals	95 933 702	166 953 406
Trading in securities (less funding costs)	3 230 812	(3 679 644)
Total	**99 164 514**	**163 273 762**

	2012	2011
Personnel costs		
Salaries and related costs	310 482 110	320 722 000
Social charges	20 416 088	18 811 540
Contributions to pension funds	30 707 595	26 384 090
Other personnel expenses	17 132 790	21 331 651
Total	**378 738 583**	**387 249 281**

	2012	2011
General administrative expenses		
Cost of office space	27 554 378	25 215 892
Cost of computer equipment, machines, furnishings, etc.	35 258 224	26 407 100
Other operating expenses	67 715 177	69 368 155
Total	**130 527 779**	**120 991 147**

Recoveries

The recovery of CHF 204.8 million is the result of the receipt of a partial liquidation dividend on financial investments.

Extraordinary income and expenses

The extraordinary income is the result of the dissolution of provisions which became available.

The extraordinary expenses reflect the creation of a CHF 88.5 million reserve for general banking risks.

OPERATING PROFIT BY LOCATION

(in CHF thousands)	Financial year 2012 Domestic	Foreign	Financial year 2011 Domestic	Foreign
Net interest income	111 378	41 455	96 454	66 627
Net fees and commissions income	315 957	119 191	254 088	165 570
Net trading income	91 951	7 214	152 022	11 252
Gains (losses) on disposals of financial assets	1 397	435	662	1 186
Other ordinary net income	(1 850)	3 577	7 848	7 763
Total operating income	**518 833**	**171 872**	**511 074**	**252 398**
Personnel costs	302 748	75 990	308 403	78 846
Other operating expenses	100 248	30 280	94 875	26 116
Total operating expenses	**402 996**	**106 270**	**403 278**	**104 962**
Operating profit	**115 837**	**65 602**	**107 796**	**147 436**

CONSOLIDATED REGULATORY CAPITAL AS AT 31 DECEMBER 2012

Pursuant to the capital adequacy ordinance of 29 September 2006, calculation of the regulatory capital (Basel 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 2012**	**31 December 2011**
Gross Tier 1 capital (after deduction of shares and similar securities and rights)	1 832 757	1 634 343
./. items for deduction from Tier 1 capital	(222 780)	(185 745)
= eligible capital	**1 609 977**	**1 448 598**

CAPITAL REQUIRED AS AT 31 DECEMBER

(in CHF thousands)	Approach used	Capital requirement
Credit risks	SA-CH	236 747
of which price risk related to shares and similar securities and rights in the banking book		8 546
Non-counterparty-related risk	SA-CH	76 201
Market risk related to	Standard	71 220
– interest-rate instruments		4 855
– shares and similar securities and rights		17 773
– currency and precious metals		47 001
– commodities		807
Operational risks	Standard	118 159
Total		**502 327**
Ratio of eligible capital to capital required according to Swiss law		3

BIS ratios	
Eligible capital	25.7%

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	**Total**
Loan commitments (as at closure)							
Due from banks	8	1 894					1 902
Due from clients	53	642	13	891	903		2 502
Mortgages	1	2		155	132		290
Financial investments/ debt securities	1 188	1 286	212	1 402		48	4 136
Other assets/VRP	18	74	2	83	280		457
Balance-sheet total as at 31.12.2012	**1 268**	**3 898**	**227**	**2 531**	**1 315**	**48**	**9 287**
Balance-sheet total as at 31.12.2011	**855**	**4 563**	**98**	**2 180**	**1 238**	**63**	**8 997**
Off-balance-sheet transactions							
Contingent liabilities Liabilities under deferred payments	4	76	3	131	131		345
Irrevocable commitments				69	7		76
Liabilities to pay in full and to make additional payments				45			45
Additional charges	1	73		28	46		148
Value adjustments and provisions					(9)		(9)
Off-balance-sheet total as at 31.12.2012	**5**	**149**	**3**	**273**	**175**		**605**
Off balance-sheet total as at 31.12.2011	**8**	**234**	**8**	**289**	**133**		**672**

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			1 902	1 902
Due from clients	2 403	74	25	2 502
Mortgages	21	269		290
Financial investments/debt securities			4 136	4 136
Other assets/VRP	123	1	333	457
Balance-sheet total as at 31.12.2012	**2 547**	**344**	**6 396**	**9 287**
Balance-sheet total as at 31.12.2011	**2 533**	**221**	**6 243**	**8 997**
Off-balance-sheet transactions				
Contingent liabilities and liabilities under deferred payments	345			345
Irrevocable commitments	76			76
Liabilities to pay in full and to make additional payments	45			45
Add-ons (derivatives)	39		109	148
Value adjustments and provisions			(9)	(9)
Off-balance-sheet total as at 31.12.2012	**505**		**100**	**605**
Off-balance-sheet total as at 31.12.2011	**550**		**122**	**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	20	1 877		1		4				1 902
Due from clients	2 063		53		34	345		7		2 502
Mortgages	21		233		5	31				290
Financial investments/ debt securities	1 109	1 637		784		501	10	57	38	4 136
Other assets/VRP	146	56	13	21	18	203				457
Balance-sheet total as at 31.12.2012	**3 359**	**3 570**	**299**	**806**	**57**	**1 084**	**10**	**64**	**38**	**9 287**
Balance-sheet total as at 31.12.2011	**2 964**	**4 054**	**194**	**651**	**87**	**848**	**21**	**133**	**45**	**8 997**
Off-balance-sheet transactions										
Contingent liabilities and liabilities under deferred payments	299				2	44				345
Irrevocable commitments						76				76
Liabilities to pay in full and to make add. payments						45				45
Add-ons (derivatives)	40	60		7	1	40				148
Value adjustments and provisions					(9)					(9)
Off-balance-sheet total as at 31.12.2012	**339**	**60**		**7**	**(6)**	**205**				**605**
Off-balance-sheet total as at 31.12.2011	**373**	**107**		**5**	**(3)**	**187**		**3**		**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	257	5	154	5	1 395	1	84	1	1 902
Due from clients	164	44	215	151	1 008	649	238	33	2 502
Mortgages	73		1		94	118	4		290
Financial investments/ debt securities	765	128	507	72	2 343	163	131	27	4 136
Other assets/VRP	272	1	36	4	65	53	26		457
Balance-sheet total as at 31.12.2012	**1 531**	**178**	**913**	**232**	**4 905**	**984**	**483**	**61**	**9 287**
Balance-sheet total as at 31.12.2011	**1 230**	**176**	**1 140**	**176**	**5 066**	**837**	**304**	**68**	**8 997**
Off-balance-sheet transactions									
Contingent liabilities and liabilities under deferred payments	58	3	13	10	86	147	15	13	345
Irrevocable commitments	8		1		19	48			76
Liabilities to pay in full and to make add. payments	20	24				1			45
Add-ons	75		2	1	56	10	4		148
Value adjustments and provisions	(9)								(9)
Off-balance-sheet total as at 31.12.2012	**152**	**27**	**16**	**11**	**161**	**206**	**19**	**13**	**605**
Off-balance-sheet total as at 31.12.2011	**173**	**5**	**20**	**11**	**206**	**226**	**16**	**15**	**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 2012**	**Total 2011**
Loans to clients					31	1			**32**	**34**
Individual value adjustments					31				**31**	**33**

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 44) for the year ended 31st December 2012.

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 2012 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, 28 February 2013

Ernst & Young Ltd

Stéphane Muller	**Didier Müller**
Licensed audit expert	Licensed audit expert
Auditor in charge	

2012 ANNUAL FINANCIAL STATEMENT

BALANCE SHEET AS AT 31 DECEMBER

	2012	2011
Assets		
Cash and cash equivalents	6 999 271 109	6 795 244 531
Money-market paper	148 129 091	371 710 518
Due from banks	1 990 012 058	2 148 452 594
Due from clients	2 526 362 579	2 364 455 149
Mortgages	290 019 533	236 641 238
Trading balances in securities and precious metals	796 724 362	656 493 012
Financial investments	4 826 047 618	4 088 919 240
Participations	156 912 289	115 834 534
Tangible fixed assets	193 889 337	201 944 483
Intangible assets	188 355 930	183 212 980
Prepayments and accrued income	92 762 230	81 243 269
Other assets	302 193 906	524 563 662
Total assets	**18 510 680 042**	**17 768 715 210**

Total subordinated receivables		**13 365 853**
Total receivables from Group companies and qualified participants	**356 979 596**	**375 891 221**

BALANCE SHEET AS AT 31 DECEMBER

	2012	2011
Liabilities		
Due to banks	1 535 825 777	1 739 661 621
Due to clients on savings and deposit accounts	1 562 829	2 008 932
Other amounts due to clients	14 899 830 676	13 909 827 066
Accruals and deferred income	145 311 108	142 325 455
Other liabilities	460 265 724	453 868 326
Value adjustments and provisions	136 311 333	139 023 692
Share capital	300 000 000	300 000 000
Legal reserves	594 935 872	611 435 872
Reserves from capital contribution	415 000 000	415 000 000
Other reserves	1 500 000	1 500 000
Profit brought forward	564 246	1 451 709
Annual profit	19 572 477	52 612 537
Total liabilities	**18 510 680 042**	**17 768 715 210**

Total liabilities to Group companies and qualified participants	**1 913 058 290**	**1 724 415 423**

OFF-BALANCE-SHEET TRANSACTIONS AS AT 31 DECEMBER

	2012	2011
Contingent liabilities	337 029 862	400 743 297
Irrevocable commitments	295 252 172	470 399 570
Liabilities to pay in full and to make additional payments	34 841 676	34 725 779
Liabilities under deferred payments	2 799 673	25 022 011
Derivative instruments		
– Underlying amount	32 009 528 050	48 857 228 812
– Positive replacement value	231 433 366	494 229 715
– Negative replacement value	272 035 809	358 122 685
Fiduciary transactions	3 251 376 668	4 163 243 633

STATEMENT OF INCOME

	2012	2011
Income and expenditure from ordinary banking operations		
Net interest income		
Interest and discount income	132 424 886	150 090 844
Interest and dividends from financial investments	40 145 988	52 737 364
Interest expenses	(23 900 626)	(44 099 219)
Net interest income	**148 670 248**	**158 728 989**
Fees and commissions		
Credit-related fees and commissions	2 410 772	2 900 072
Commission income on securities trading and investments	337 710 438	273 814 770
Commission income on other services	5 355 868	4 262 974
Commission expenses	(11 783 039)	(32 827 570)
Fees and commissions	**333 694 039**	**248 150 246**
Trading income	**96 383 972**	**161 707 747**
Other ordinary net income		
Gains (losses) on disposals of financial assets	1 832 314	1 828 117
Income from permanent investments	1 714 359	1 444 808
Income from real estate	1 357 854	1 245 937
Other ordinary income	12 175 583	15 790 030
Other ordinary expenses	(34 327 066)	(9 272 115)
Other ordinary net income	**(17 246 956)**	**11 036 777**
Total income	**561 501 303**	**579 623 759**
General administrative expenses		
Personnel costs	(320 214 186)	(328 569 136)
Other operating expenses	(113 630 036)	(106 882 686)
Operating expenses	**(433 844 222)**	**(435 451 822)**
Operating profit	**127 657 081**	**144 171 937**

STATEMENT OF INCOME

	2012	2011
Operating profit	127 657 081	144 171 937
Depreciation of fixed assets	(57 479 936)	(77 505 942)
Value adjustments, provisions and losses	(44 933 752)	(18 898 966)
Recoveries	16 182 993	
Profit before extraordinary items and taxes	**41 426 386**	**47 767 029**
Extraordinary income	3 394 375	8 637 884
Extraordinary expenses	(18 500 000)	
Taxes	(6 748 284)	(3 792 376)
Annual profit	**19 572 477**	**52 612 537**

Proposal of the Board

Net profit available for distribution amounts to CHF 20 136 723

Distribution of profit

	2012	2011
Annual profit	19 572 477	52 612 537
Profit brought forward from prior years	564 246	1 451 709
Total	**20 136 723**	**54 064 246**

	2012	2011
The following distribution is proposed to the General Meeting of Shareholders:		
– Contribution to legal reserves	3 250 000	3 500 000
– Distributions to shareholders	65 000 000	70 000 000
– Of which covered by drawing on legal reserves	(50 000 000)	(20 000 000)
Profit carried forward	**1 886 723**	**564 246**

APPENDIX TO THE 2012 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

	Other assets		Other liabilities	
(in CHF thousands)	2012	2011	2012	2011
Replacement values of derivative instruments	231 433	494 230	272 036	358 123
Netting account	10 330			10 653
Other assets and liabilities	60 431	30 334	188 230	85 092
Total other assets and other liabilities	**302 194**	**524 564**	**460 266**	**453 868**

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

(in CHF thousands)	2012	2011
Book value of assets pledged or assigned as guarantee	329 038	338 447
Firm commitments	–	251 931

SECURITIES LENDING AND REPO TRANSACTIONS

(in CHF thousands)	2012	2011
Commitments resulting from cash received during securities lending or repo transactions	–	480 000
Securities held for the Bank's own account, lent or transferred as surety in connection with securities borrowing or repo transactions	–	480 473
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)	2012	2011
Contributions to defined-contribution pension funds	26 344	22 502
Total pension expenses	**26 344**	**22 502**
Commitments to the pension funds' capital base:		
– in relation to pension contributions	**–**	**–**
– as custodian bank	**87 470**	**55 002**

Pension commitments are as follows:

(in CHF millions)	2012	2011
Net assets of the pension fund at market value	839	789
Present value of benefits due	(800)	(822)
Surplus (deficit)	39	(33)

VALUE ADJUSTMENTS AND PROVISIONS

(in CHF thousands)	Position as at 31 December 2011	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 2012
Value adjustments and provisions for default risk (counterparty and country risk)	44 133	(883)	(272)	45		43 023
Value adjustments and provisions for other operating risks	49 478	(29 944)	(427)	25 529	(1 285)	43 351
Provision for restructuring	21 486	(15 086)				6 400
Other provisions	59 060			18 500		77 560
Total value adjustments and provisions	**174 157**	**(45 913)**	**(699)**	**44 074**	**(1 285)**	**170 334**
after deduction of: value adjustments directly offset against assets	(35 133)					(34 023)
Total value adjustments and provisions as per the balance sheet	**139 024**					**136 311**

SHARE CAPITAL

(in CHF thousands)

	Financial year 2012 Total nominal value	Number of shares	Dividend-bearing capital	Financial year 2011 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

		2012		**2011**
	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 96.478% of CBI Holding SA voting rights and 86.499% of its share capital.

STATEMENT OF SHAREHOLDERS' EQUITY

(in CHF thousands)

Shareholders' equity as at 1 January 2012	
Share capital	300 000
Legal reserve	611 436
Reserves from capital contribution	415 000
Other reserves	1 500
Retained earnings	54 064
Total shareholders' equity as at 1 January 2012	**1 382 000**
Dividend	(70 000)
Annual profit	19 572
Total shareholders' equity as at 31 December 2012	**1 331 572**
Comprising: Share capital	300 000
Legal reserve	594 936
Reserves from capital contribution	415 000
Other reserves	1 500
Retained earnings carried forward	564
Balance-sheet profit	19 572

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)	2012	2011
Qualified participants		
Due from clients	19 122	56 972
Due to clients	251 098	567 580
Interest received	173	35
Interest paid	199	1 557
Commission received	7 365	321
Commission paid	21	–

(in CHF thousands)	2012	2011
Group companies		
Due from clients	337 858	318 919
Due to clients	1 661 960	1 156 835
Interest received	1 297	1 288
Interest paid	1 420	3 784
Commission received	159	20 332
Commission paid	20	–
Related companies		
Due to clients	18	19
Directors and Senior Executives		
Due from clients	24 613	49 625
Interest received	74	152

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)	2012	2011
Fiduciary placements with other banks	3 245 116	4 155 595
Fiduciary loans and other financial fiduciary transactions	6 261	7 649
Total	**3 251 377**	**4 163 244**

TRADING INCOME

	2012	2011
Income from currency trading and metals	93 348 447	165 030 873
Trading in securities (less funding costs)	3 035 525	(3 323 126)
Total	**96 383 972**	**161 707 747**

Recoveries

The recovery of CHF 16.2 million is the result of the receipt of a partial liquidation dividend on financial investments.

Extraordinary income and expenses

The extraordinary income is the result of the dissolution of provisions which became available.

The extraordinary expenses reflect the creation of a CHF 18.5 million reserve for general banking risks.

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 46 to 58) for the year ended 31st December 2012.

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 2012 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, 28 February 2013

Ernst & Young Ltd

Stéphane Muller	**Didier Müller**
Licensed audit expert	Licensed audit expert
Auditor in charge	

UBP

Union Bancaire Privée