ACTIVITY REPORT

CONTINUING TO AIM FOR GROWTH IN A MORE COMPLEX ENVIRONMENT

The considerable investments we have made in the past few years to maintain our development and operational efficiency continue to pay off.

Trend reversal in the financial markets

Markets were disrupted in 2018 as uncertainty grew and replaced the confidence that had prevailed for several years. Having provided a decade of moderate interest rates and lack of volatility, the post-crisis spell was broken in the first quarter of 2018 by rising tensions in the bond market. Emerging markets likewise were turbulent after very strong performances in 2017.

Volatility grew when the Federal Reserve, confident about the health of the US economy, definitively ended its accommodative monetary policy, but also when doubts started mounting on world trade in light of the US President's volley of tariffs against his country's main trading partners, most importantly China. Further sources of agitation on the markets included the concern surrounding the increasing traction gained by populist movements across the globe, as well as protracted instability in the Middle East, and also political and social upheaval in Europe due to the chaotic run-up to Brexit, budget contention in Italy, and civil unrest in France.

Investors' already battered confidence was further weakened in the fourth quarter when the turmoil spread to equities. Markets plummeted towards the end of the year, resulting in negative performances in all the major financial hubs and signalling persisting uncertainty, and therefore cautious and risk-averse investing, in 2019.

Active on many fronts

The asset management industry was hit hard in 2018 by the unfavourable conditions on financial markets and the resulting drop in clients' trading activity. Yet, although lower than in 2017, UBP's results were solid. The considerable investments we have made in the past few years to maintain our development and operational efficiency continue to pay off. The boost provided by our vast Commercial Transformation has enabled our Private Banking division to offset the effects of slowing trading activity and bring in significant inflows of new client assets. Likewise, the efforts we have made to move assets into advisory and discretionary management mandates have led to a sharp rise in our recurring income.

Building on that tangible progress, we were active on many fronts in 2018, and continued to invest substantially to develop internationally, strengthen our organisation, and diversify our offering to clients. Human Resources was another area we invested in; hiring new teams in several of our priority markets, including Zurich, Dubai, Singapore and Hong Kong. In addition to these measures aimed at stimulating our organic growth, we also made two acquisitions in Europe in 2018: ACPI, an independent wealth management firm based in London and Jersey, and Banque Carnegie Luxembourg. The former was finalised on 31 December 2018 and the latter on 25 January 2019.

Our range of customised solutions and our responsible investment approach were also major development focuses for us in 2018. We emphasised innovation, launching a range of in-house structured products and thematic certificates, taking new hedge fund managers onto our UCITS platform, and broadening our forex advisory offering. We also expanded our selection of tailored solutions, in particular our bespoke management mandates, which provide clients with dedicated asset management services.

We demonstrated our commitment to sustainable finance from the very start of the year by extending our environmental, social and governance (ESG) requirements across all of our activities. We also scaled up our Responsible Investment Policy in order to meet demand from our clients for ethical investments with high and stable performance potential over the long term. To round off those measures, we joined the Swiss Sustainable Finance and Sustainable Finance Geneva, but also the Investment Leaders Group of the Cambridge Institute for Sustainability Leadership (CISL), a select network of pension funds, insurers and asset managers committed to promoting responsible investing.

Profitability stable, client asset inflows up

The in-depth work we undertook to streamline our organisation continued to yield benefits despite the economic downturn. At the end of 2018 assets managed by the Group stood at CHF 126.8 billion, up from CHF 125.3 billion at the end of 2017, a 1.2% increase. Net asset inflows reached CHF 7.3 billion at the end of 2018 – CHF 4.7 billion in net new money, equally balanced between private and institutional clients, and CHF 2.6 billion from the acquisition of ACPI, which was completed at the end of the year. Overall, net inflows represented nearly 6% of our total assets under management.

As a result, our income rose by 1.6% to CHF 1.06 billion. The interest margin grew sharply (+8.2%), while the slowdown in brokerage was offset by the upturn in management and advisory fees.

Our operating expenses amounted to CHF 698 million for 2018 (versus CHF 673.1 million in 2017). This contained rise (+3.7%), is mainly attributable to non-recurring costs (CHF 7.2 million) generated by the acquisitions of ACPI and Banque Carnegie Luxembourg, and by recruitments to underpin our front-office capabilities in our key markets in Asia and the Middle East.

We posted a 2018 operating result of CHF 257.5 million, compared with CHF 271.2 million the year before. Our net profit came to CHF 202.4 million, 8.2% (or 5.2% excluding non-recurring costs) lower than in 2017 (CHF 220.4 million). With a cost/income ratio of 65.8% (64.4% in 2017), our Group has maintained a solid profitability, attesting to our operational efficiency and our strict cost control.

Diversified income and positive inflows in Private Banking

The Transformation Programme launched in 2017 in the Private Banking division continued throughout 2018. The purpose of the programme is to harmonise our business and management practices and it has made us more effective in tackling the commercial challenges the Bank has to overcome in order to keep growing. The positive effects of the transformation are being felt at several levels, in particular in terms of inflows of new assets and the structure of the revenue base. Our teams' efforts to speed up conversion of execution-only client accounts into discretionary management or advisory mandates are proving successful. In 2018 the proportion of clients with their assets managed in mandates or in funds increased to above 60%. Over a third of our income in Private Banking is now generated by advisory mandate accounts, and the proportion of recurring income continues to increase.

Our teams' ability to proactively come up with innovative and tailor-made solutions for our private clients has once again brought in positive net inflows of new assets for Private Banking, with nearly half from new clients. This is a particularly remarkable achievement in light of the fact that recent years had seen significant outflows due to several waves of tax regularisation. Among those successful innovative solutions there are our newly launched thematic certificates (including Artificial Intelligence and Car of Tomorrow), as well as five new investment projects initiated by our Direct Investments Group (DIG) team, amounting to a total of over CHF 200 million. In addition, the development of our Independent Asset Managers business has also contributed to the increase in our assets under management. Assets managed by the Private Banking division reached CHF 95.6 billion in 2018, a slight rise year on year.

The two strategic acquisitions, which will boost our domestic business in Europe, represented another major milestone for UBP in 2018. By integrating UK wealth management company ACPI and Banque Carnegie Luxembourg (the latter in January 2019), we are benefiting from the valuable expertise of additional experienced and skilled teams. The acquisitions also further establish our presence in Europe, broadening our footprint in the UK and strengthening our Luxembourg subsidiary as UBP's European hub.

We also opened a branch of Union Bancaire Privée (Europe) S.A. in Milan, allowing Private Banking to offer a broad range of solutions suited to the specific features of the Italian market, while benefiting from the stability of the Luxembourg financial centre. Beyond Europe, UBP obtained an investment advisory licence in Israel, with a view to opening a subsidiary in Tel Aviv so that we can offer targeted products to local private clients. Finally we continued to create solutions for US persons through our UBP Investment Advisors SA (UBP IAS) subsidiary, which is registered with the Securities and Exchange Commission in the US. The team has expanded and opened an office in Zurich, giving the entity the critical size it needs to develop on this key market in the years to come.

Major developments in digital and IT

We are determined to take full advantage of the potential offered by the digital revolution, and investing in technology has been among our priorities for several years. The IT infrastructure overhaul which we embarked upon in 2016 in order to improve our information system and make it more efficient continues and is on track. The partnership we have entered into with IBM for the maintenance and development of our IT platform is a major component and a focus of that transformation project.

Other major steps were completed in 2018 with the launch of the Digital Client Onboarding system and the new mobile e-banking application for our Private Banking clients. The UBP Mobile app aims to improve both security and the experience for clients, enabling them to be in contact with their relationship manager using a secure multi-channel communication tool, and giving them access to customised content. The app will be gradually enhanced with new functionalities.

Broader product offering in Asset Management

After two years of steady growth, the instability of 2018 made life considerably more complicated for investors and asset managers. Despite this our Asset Management division succeeded in expanding its asset base to CHF 40.3 billion, a 2.3% rise on 2017. The sales teams in Asset Management are to be credited for that, having unrelentingly promoted our investment convictions and technical expertise. As a result, despite the unfavourable market environment net inflows of assets into our funds and mandates continued, exceeding CHF 2 billion for the year and demonstrating the confidence institutional clients have in our managers. Sales were particularly strong in France, Japan and Spain, but also good in the UK, Italy and the rest of Asia. All in all, our Asset Management division was chosen by some forty new institutional clients during the year.

Given the market volatility, our clients kept their focus on high-return solutions and products. They tended to go for fixed income in 2018, especially our developed market credit solutions and our absolute-return funds, shying away from equities and convertible bonds. This trend, which has been in place for a couple of years, has been putting some pressure on margins. As regards performances, 2018 turned out to be one of only three years since 1900 in which the performances of both equities and bonds lagged behind that of the money market. In the circumstances most active management funds struggled to beat their reference indexes; only alternative funds did better, with 40% of them outperforming their benchmarks.

The economic slowdown did not deter us from our goal of diversifying our product range. We broadened our offering, launching three new strategies that capitalise on our in-house expertise (Tech Global Leaders, Global Carry Enhanced, and High Grade Euro Income) and two that draw on the high added value from our partnerships with external players (one arbitrage specialist and a small-cap Japanese equity expert). We also created two strategies that reflect our strong commitment to responsible investing: EM Sustainable High Grade Corporate Bond in February and Positive Impact Equity in October. This last launch was made as part of a digital marketing campaign, attracting the attention and interest of social media users.

In addition to product development, Asset Management also made some organisational adjustments, relocating our entity in Spain from Barcelona to Madrid, and ending our partnership with TransGlobe Life Insurance in Taipei to create a UBP subsidiary, UBP Asset Management Taiwan Ltd.

ASSET MANAGEMENT

CHF 40.3*

billion's worth of assets under management

90

people dedicated to institutional clients

290

staff

*of which CHF 9.1 billion managed by Asset Management on behalf of Private Banking clients

UBP is still one of the best-capitalised and strongest banks among its peers, as attested by the recent Aa2 long-term deposit rating recently assigned to it by Moody's.

Development in Treasury & Trading

Persistently low volatility made arbitrage opportunities scarce in the currency markets in 2018. We nevertheless succeeded in achieving slightly stronger results than in 2017, thanks to steady trading activity among clients and new products in our derivatives offering. On the treasury side, we continued to manage the balance sheet conservatively, optimising it to adjust to monetary policy normalisation, while shielding the Bank against any potential liquidity incidents or any other such risks.

The Treasury & Trading division also stepped up its activities in Europe and Asia and expanded its Direct Access Client service for professional clients. This offers sophisticated clients with high transaction volumes direct access to the trading room and its first-rate advice and execution services.

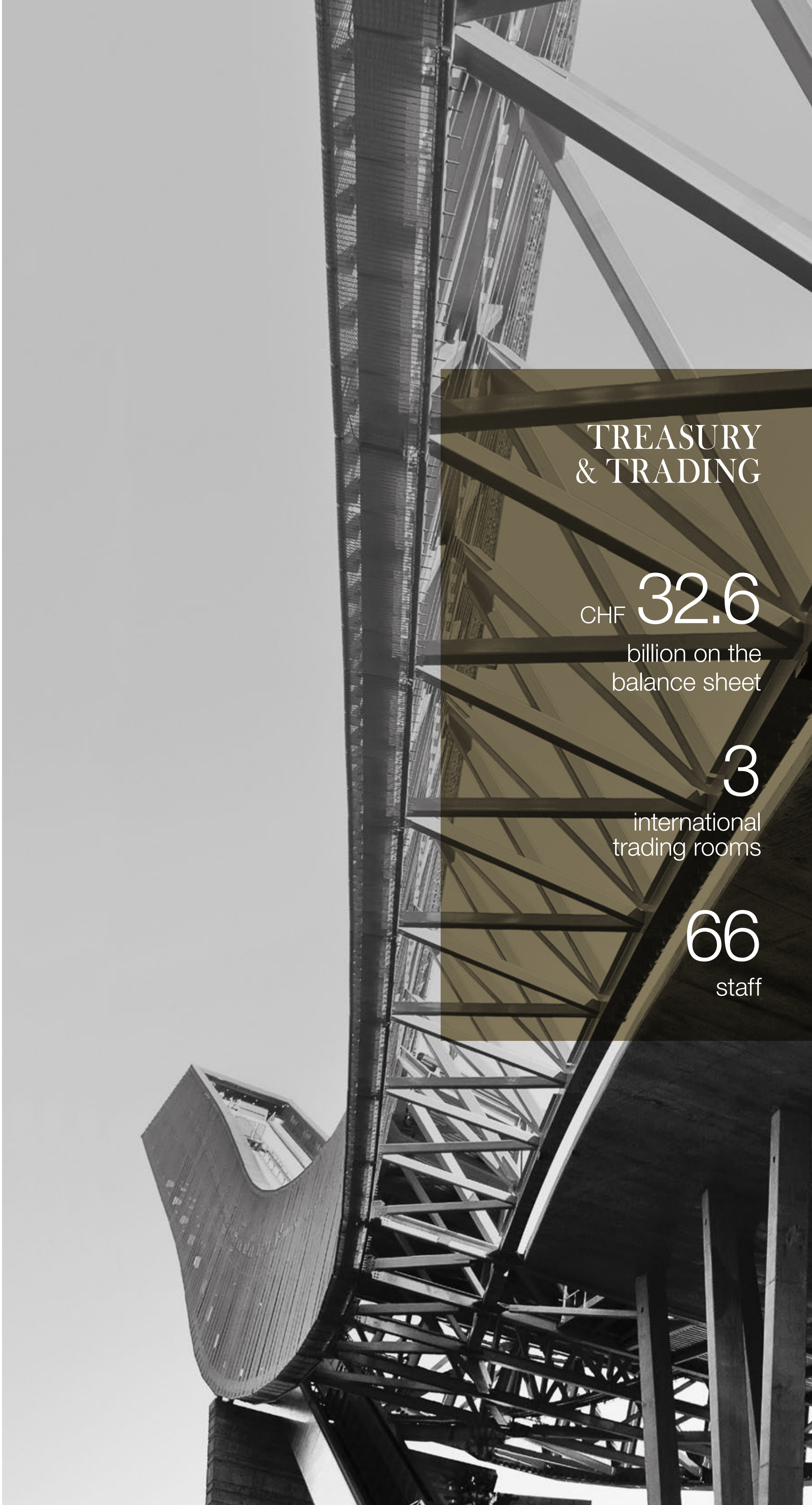
Moody's long-term deposit rating of Aa2

Our prudent balance sheet oversight is reflected in our liquidity coverage ratio, which stood at 301.4% for 2018, three times the minimum level needed as per Basel III regulations. Our Tier 1 ratio, at 26.6%, also remains well above both Basel III and FINMA minimum requirements.

UBP is still one of the best-capitalised and strongest banks among its peers, as attested by the recent Aa2 long-term deposit rating recently assigned to it by Moody's. This gives us the financial means we need to continue our development, not only in Switzerland but also worldwide.

Daniel de Picciotto
Chairman of the Board of Directors

Guy de Picciotto
Chief Executive Officer



TREASURY & TRADING

CHF 32.6

billion on the balance sheet

3

international trading rooms

66

staff

Union Bancaire Privée