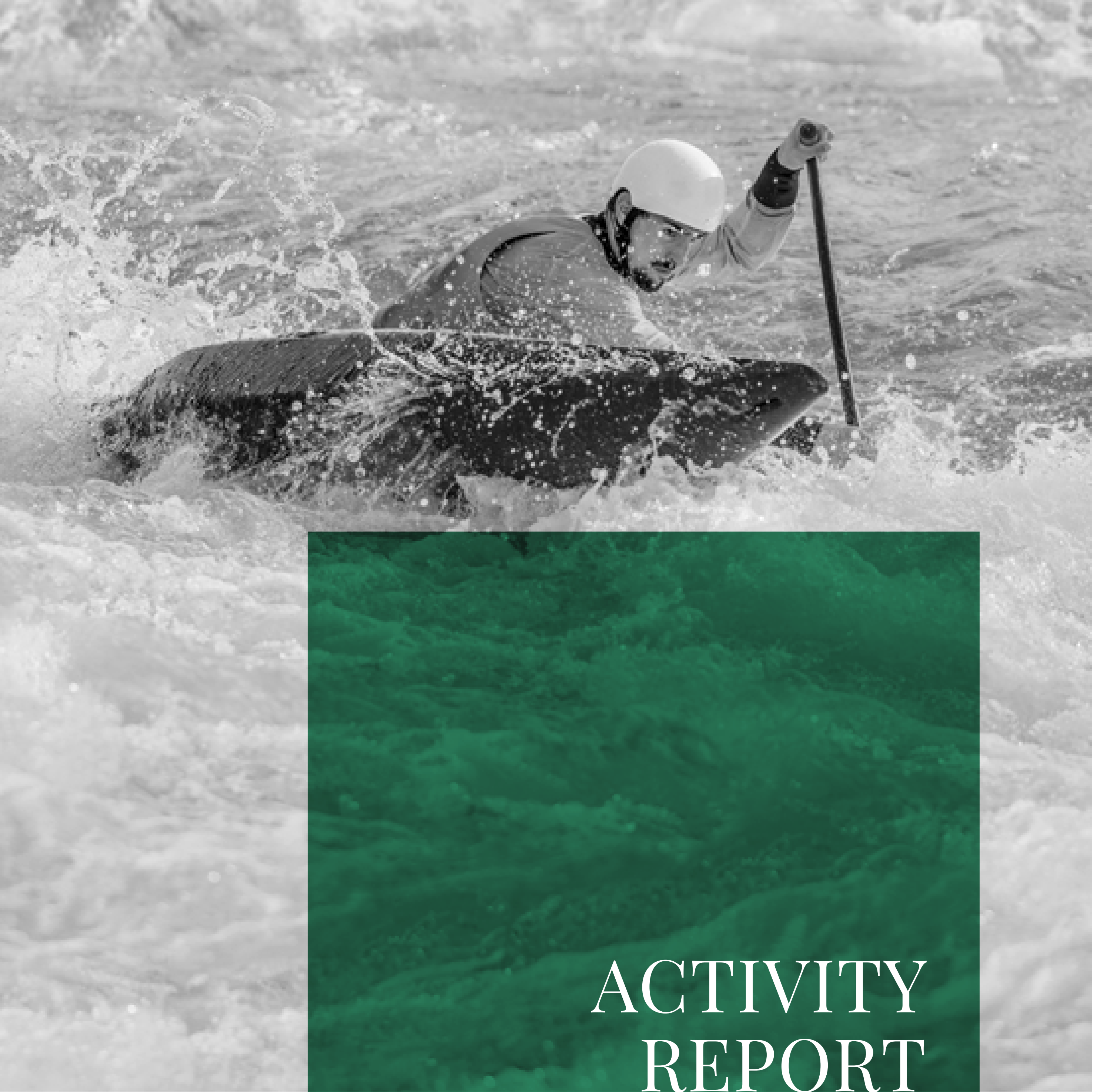

ACTIVITY REPORT

STRENGTHENING OUR OPERATIONS AND OFFERING

We made substantial investments in several areas in 2019 with innovation and corporate responsibility as our leading principles.

Global economy in transition

Following the shocks caused by sharp corrections in the last quarter of 2018, global equity markets picked up at the beginning of 2019, boosted by the end of the US Federal Reserve's monetary tightening. The last year saw desynchronisation between the world's major economies: while the US stayed strong, most of the other main powers suffered a marked slowdown, which took them to the brink of recession at the end of 2019.

With the uncertainty related to the heightened trade tensions increasingly casting a shadow over the global growth outlook, central banks were compelled to reintroduce monetary easing measures. This step pushed bond yields towards new historical lows – and even into negative territory in some cases.

In 2020, besides the impact of the coronavirus-related crisis which, at the time of writing, is still developing, the global economy should enter a phase of instability, with fiscal stimulus taking precedence over monetary easing and lifting some of the burden of cyclical adjustment off the shoulders of central banks. This suggests that periods of volatility will appear, which could persist until budgetary measures are put in place by all the major economies.

After long delays, the United Kingdom and the European Union look as if they are about to approach Brexit with cooler heads. On the other hand, the recently agreed truce in the China–US trade war still looks fragile. The resulting risk for the European economy is therefore likely to persist for a few months.

Broad-based innovation

Despite the equity bull run in 2019, the financial sector continued to face multiple challenges that could reshape the future for some players. They have had to tackle persistent negative interest rates, pressure on margins, new forms of competition, the blurring of lines between the private and institutional segments, and the acceleration of the digital revolution.

To be able to beat these challenges and continue to set ourselves apart through the quality of our services and the performance of our investment solutions, it is crucial that UBP anticipates, innovates, enhances and adapts its offering to shifting demands and to new market patterns.

This is a strategy that we pursued actively in 2019. With innovation as our main drive, we strengthened our operations and our offering over the year. From launching investment strategies and services to reorganising our Wealth Management division, hiring new teams, and moving to new premises in London, we have been able to undertake and innovate on a range of fronts without missing a beat. The robustness of our results and the solid growth of assets under management have confirmed the validity of this approach, as have the numerous awards that UBP's teams and products received.

Among those awards one is particularly representative of our adaptability. In 2018, we took several measures to favour responsible wealth and asset management by extending environmental, social and governance (ESG) criteria across our entire investment universe, and by developing innovative investment strategies. One of these – Positive Impact Equity, which focuses on companies which make a positive social and environmental impact – won the European Fund Launch of the Year award at the fifteenth Funds Europe Awards in London last November.

This recognition, as well as its excellent reception among clients, who increasingly see responsibility as an equally important factor in their investments as long-term financial returns, have encouraged us to pursue our innovations in this area. One development has been to open up to our private clients a range of responsible investment solutions that was so far available only to institutional clients.

This resonates with our wish to manage our own environmental and social footprint: in 2019 we formalised our corporate social responsibility (CSR) approach and set up its dedicated governance structure. UBP is a family-owned private bank, and responsibility and sustainability are in its DNA. Future generations are at the very heart of our growth strategy.

Significant net inflows and strong profitability

The investments we have made in recent years are already starting to pay off. At the end of 2019, assets managed by the Group stood at CHF 140.3 billion, up from CHF 126.8 billion at the end of 2018, a year-on-year rise of 10.6%. Net asset inflows reached CHF 4.5 billion at the end of 2019, largely coming from private clients but also from the institutional segment. Asia made a significant contribution to UBP's organic growth in 2019, as did the Middle East and Eastern Europe.

Our revenues rose modestly by +0.6% to CHF 1.07 billion. The interest margin remained stable despite the effects of negative interest rates, while brokerage fees grew by 8%.

Our operating expenses totalled CHF 725.2 million for 2019 (compared with CHF 698 million in 2018). This rise (+3.9%) was the result of acquisitions made in London (ACPI) and Luxembourg (BCL), along with significant investments in digital.

Our net profit came to CHF 187.8 million, versus CHF 202.4 million the previous year (-7.2%). This includes the sale of real estate in London, as well as a USD 14 million payment to the US Department of Justice under the Swiss Bank Program. With a cost/income ratio of 67.9%, UBP has maintained its solid profitability, attesting to our operational efficiency and our strict cost control.

Wealth Management: reorganisation and new offering to adapt to markets

Our wealth and asset management environment continues to evolve. Laws and tax regulations as well as our clients' expectations are changing and diverging across Europe, Asia and our developing markets, calling for different approaches depending on the region. Our ability to react to these shifts has enabled us to significantly increase our assets under management, supported largely by strong organic growth, as shown by another year of solid inflows (of net new money) from our key markets, as well as the positive market performance

To maintain that momentum, we have redesigned Wealth Management's governance structure and reorganised our activities by region. While maintaining transverse risk control, the aim of this new arrangement is to tailor the services we offer to the specific features of each of our markets. It is also a step further along the path of our integrated bank model combining wealth and asset management.

Today, Wealth Management's activities for the whole of the Group are divided into three major regions: Asia, which encompasses Hong Kong, Singapore and the non-resident Indian (NRI) market in Singapore and Dubai; Developing Markets, which comprises the markets of Eastern Europe, Latin America, Israel, the Middle East & Africa, and Turkey; Europe which brings together our branches in Zurich, Lugano, London, Milan and Monaco, our subsidiary in Luxembourg, the Swiss market, the external asset manager (EAM) segment and those European countries managed out of Geneva.

Wealth Management Europe: fresh momentum

The Bank has also continued to strengthen its domestic business in Europe. With the integration of Banque Carnegie Luxembourg (BCL) finalised on 25 January 2019, our structure in Luxembourg took on a new dynamic. This should enable us to expand our Nordic client base and to consolidate the role of our Luxembourg subsidiary as UBP's European hub.

Having finalised the purchase of ACPI on 31 December 2018, our London branch has also reshuffled and redefined its priorities; strengthening UBP's presence on the UK market and growing Wealth Management's market share, as well as making London a centre of expertise for our Asset Management division, particularly for hedge funds, responsible investing, and private debt. Eleven months after the ACPI integration, our teams left their respective offices and moved to our new premises in Seymour Mews House, a few streets north of Mayfair. This investment demonstrates UBP's willingness to develop its presence in London over the longer term. Furthermore, bringing the teams together under the same roof will encourage cooperation between Asset Management and Wealth Management, with the aim of offering our clients the best of both worlds.

Wealth Management Asia: steady business growth

In 2019, our ambitions in Asia were reinforced by positive net inflows of new money, attesting to our momentum in this rapidly expanding market, which made a strong contribution to UBP's organic growth in 2019.

The awards that we won also demonstrated the excellence of our teams and their hard work, which has enabled our Bank to rapidly become one of the top twenty players in Asia. UBP was named Best Private Bank Singapore and Best Private Bank Pure Play Asia at the 2019 Asian Private Banker Awards in February last year. With these awards the jury recognised our firm commitment to sustained business growth in the region and also underlined the success of our, "One Bank, One Team" approach, which emphasises our integrated bank model.

Another significant development was in Singapore, where our branch was granted its licence to operate as a wholesale bank. This means that, since 1 April 2019, it has been able to offer services in Singapore dollars, including deposits and loans, and a wider range of investment solutions for domestic clients.

Wealth Management Developing Markets: closer team synergies

The areas that make up the Developing Markets region are known for being strong wealth creators. Although they face very different geopolitical and regulatory hurdles, our Eastern Europe, Latin America, and Near & Middle East clients have shown a keen interest in innovative solutions (such as private markets and bespoke certificates) and thematic investments (such as new technologies and responsible investing). Our mostly high net worth client base also seeks political and economic stability, and therefore likes to have access to our main booking centres. They also appreciate our wealth planning expertise with which we support them in their wealth transfer arrangements and their new enterprises.

By targeting our offering by region, we can now capitalise on the synergies and shared characteristics of those different markets (e.g. the dollar as the base currency and demand for high-yield solutions). We can launch products for the Developing Markets region as a whole, which we then adjust to fit each country's specific regulatory requirements. As part of this strategy we have continued to invest, particularly in human resources by hiring new highly skilled wealth management teams in Monaco and Dubai.

We have also sustained our efforts to convert execution-only relationships into discretionary portfolio management and advisory mandates, which has brought the penetration rate to over 65%.

Asset Management: inflows

2019 was a tough year overall for our Asset Management division, with our institutional clients taking profits, particularly at the start of the year. Nonetheless, our business showed resilience. We earned the trust of some 45 new institutional and distribution clients and our assets under management reached CHF 43.3 billion at the end of 2019, up 4% year on year.

Net inflows were largely into yield-generating products, such as corporate and high-yield bonds, while the prevailing sense of uncertainty kept some investors away from the assets carrying the highest risk, such as equities, convertible bonds and emerging debt.

Our Asset Management division continued to develop our responsible investment capabilities, in particular with the Positive Impact Equity strategy, expanding our range of sustainable investment products which now includes four funds.

Our teams also launched several new thematic strategies, including Europe Market Neutral, based on a quantitative process that uses artificial intelligence, Global Credit 2023, and Multifunds Secular Trends, which seeks to capture growth generated by the major trends affecting society today (such as climate change, disruptive innovation, and demographics). Meanwhile we continued to broaden our selection of strategic partners in order to offer our clients the best managers on the market in given asset classes. Among those we work closely with are Global Credit Advisers, Income Partners, and Shannon River.

In our search for new investment alternatives, given that yields remain low and investors are shying away somewhat from listed companies, Asset Management put together an exclusive private market offering. It combines unlisted assets, private debt, and co-investments, both internally and with players such as Fasanara and Rothschild & Co.

By recruiting a new alternative asset management team with an excellent reputation and a strong track record our Bank has demonstrated its conviction that alternatives is a segment that is particularly well suited to the current environment. The team's arrival towards the end of the year coincided with the decision to relocate most of our alternative investment activities to London and Geneva in order to move closer to our client base and to boost interactions between teams.

Treasury & Trading: firm activity

Volatility generally remained very low in 2019, even lower than in 2018, in particular in the currency markets. Nonetheless, we achieved adequate FX trading performances, seizing opportunities on selected currency pairs, particularly sterling. Renewed activity on structured products was a sign of clients' appetite for solutions that offer asymmetric performances.

This demand has enabled us to achieve high revenues. The diversification of our range means we can expect to spread our services to a broader client base.

On the treasury side, we continued to manage the balance sheet conservatively, as demonstrated by the level of liquidity and available capital. Despite this we have been able to offset the negative effects of the monetary policy reversal by slightly extending the average maturity of our short-term investments.

The increased interactions between T&T and Wealth Management have channelled more requests towards the Direct Access Client service, which gives experienced investors privileged access to T&T's trading room, along with the guarantee of professional quality execution services.

Continued digital transformation in IT

Being part of the digital revolution is a high priority for UBP, hence our continuing investments in technology. The IT infrastructure overhaul to improve our information system and to make it more efficient continues according to plan.

As part of our partnership with IBM, the renovation of our core banking systems progressed, and IBM is now partially responsible for the maintenance and development of some of our legacy applications.

This project is being deployed alongside our data governance strategy, which aims to improve data quality and use big data.

We rolled out further functionalities on our new e-Banking system and the mobile app for our Wealth Management clients over the course of the year. Advisory clients can now receive personalised content and have access to all the information they need to manage their portfolios. We have also deployed new client account management tools across all our branches and subsidiaries in the EMEA region with the aim of cutting response times significantly and thereby improving client satisfaction.

In terms of cybersecurity, we continued to make significant investments in 2019, both in technology and staff training and awareness so as to protect our information systems.

A solid financial base

Our prudent balance sheet oversight is reflected in our short-term liquidity coverage ratio, which stood at 316.4% at the end of 2019, more than three times the minimum level needed as per Basel III regulations. Our Tier 1 ratio, at 25.6%, also remains well above both Basel III and FINMA requirements.

UBP is still one of the best-capitalised and strongest banks among its peers, as attested by the long-term Aa2 rating (with stable outlook) assigned to us by Moody's at the beginning of 2019. This gives our Group the financial means it needs to continue its development not only in Switzerland, but also worldwide.

Daniel de Picciotto
Chairman of the Board
of Directors

Guy de Picciotto
Chief Executive Officer

UNION BANCAIRE PRIVÉE