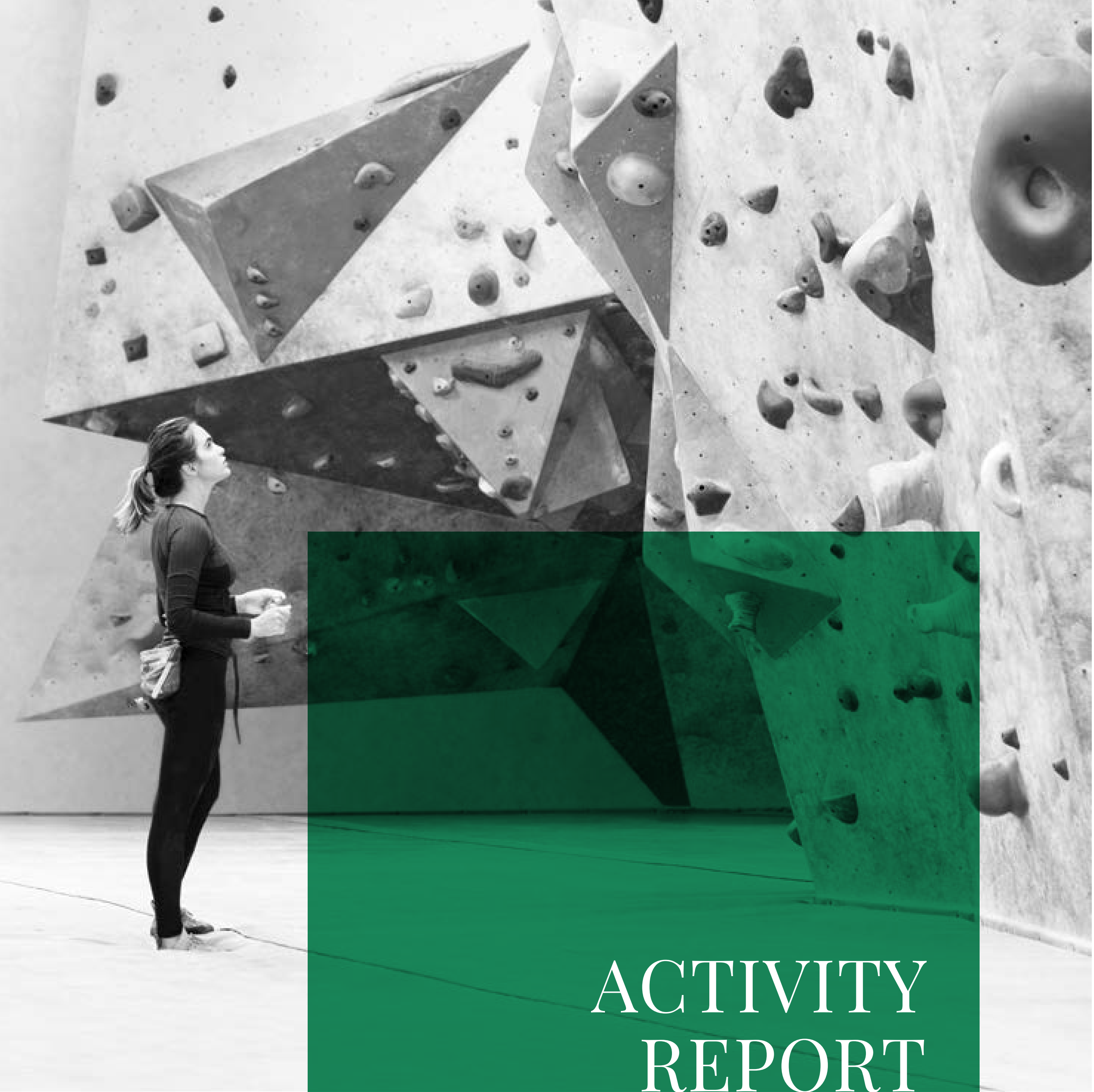

ACTIVITY REPORT

AGILITY IN THE FACE OF RAPID CHANGE

Exceptional conditions required adaptability

2020's two major crises – Covid-19 and the global recession – meant that investors had to deal with an exceptional financial environment. Equity markets in particular saw their most sudden and brutal correction of all time, before staging an impressive rebound correlated with progress in developing coronavirus vaccines.

At the same time, to ease the pandemic-related shock to the global economy, and to try to pull it out of the worst recession since the Great Depression, central bank officials and politicians deployed the largest stimulus programme the world has ever seen. Unprecedented monetary easing averted a liquidity crisis and allowed the markets to continue functioning. Fiscal policy then took up the reins, with plans intended to protect the public's health, as well as jobs and struggling industries. Overall, fiscal stimulus packages amounted to more than 12% of the world's GDP.

The new macroeconomic situation prompted sector rotation among investors. This was clearly shown by large investment flows into the healthcare and technology sectors, and we expect the themes of fintech, sustainability and economic recovery, particularly in China, to be in the spotlight in 2021.

In the bond market, the search for yield should encourage investors to explore less familiar markets, such as emerging-market and European bank debt, and to exploit opportunities in the private debt and forex markets.

After a decade-long decline in interest rates, the industrial transition now taking place, supported by economic growth in Asia, should underpin demand for industrial commodities, gold and certain other precious metals.

Overall, as in 2020, active risk management will be a vital tool in helping investors protect themselves against any disruption caused by the current transformation of the global economy.

Limiting the pandemic's impact on our business

UBP's proven qualities of adaptability and resilience came to the fore in dealing with the challenges created by the pandemic that broke out in early 2020.

As soon as the authorities first raised the alarm, we activated our business continuity plans (BCP) and set up a dedicated task force to assess health risks, adjust our systems in line with new public health rules, and protect our operations in all circumstances.

This early preparation work allowed us to deploy our BCP across all our locations in mid-March, and to organise an orderly changeover to working from home for most of our staff members.

By adapting this plan as the Covid-19 crisis developed, we were able to limit the pandemic's impact on our business with the support of all of our people, who remained highly responsive and committed throughout. We maintained the quality of our services and remained close to our clients, showing them that they had a solid and reliable partner at their side.

We adjusted our day-to-day operations in response to the unfolding crisis and maintained our entrepreneurial, innovative approach. We also continued to invest and to expand our range of products and services, without slowing the pace or losing sight of our medium- and long-term targets.

In geographical terms, we strengthened our capabilities further in Europe, acquiring the wealth management business of Jefferies in the United Kingdom, setting up a Frankfurt branch of our Luxembourg subsidiary and doubling the size of our Monaco office. We also expanded our footprint in Asia-Pacific by opening in Melbourne, Australia.

An increasingly comprehensive and distinctive offering

In terms of the UBP offering, our Asset Management division launched no fewer than 15 new strategies last year, with a theme-based approach that reflects our investment convictions in areas such as fintech, smart data and distressed investments. These strategies are already showing very promising return profiles.

Buoyed by the success of our Positive Impact Equity strategy launched in late 2018, we also continued to develop our Impact Investing franchise, introducing a new Impact fund focusing on emerging-market equities. Our unique expertise marks UBP out as a pioneer in this asset class, clearly demonstrating our desire, as a financial intermediary, to guide investments towards industries and companies that have a positive impact on our planet and our society.

Our European and emerging-market equity teams started to work more closely together, with the intention of making greater use of our proprietary IMAP scoring system and continuing to develop new positive-impact solutions. We also expanded our range of responsible investments in 2020 with a new sustainability fund focusing on Japanese equities.

An increasing number of investors recognised private-market investments as a possible alternative to fixed income. This continued to work in favour of our unlisted-asset activities, which saw annual growth of around 25%. In 2020, we decided to combine all these activities within a single entity called the Private Markets Group (PMG), which mainly covers real estate, private equity, private debt and infrastructure financing. These investments are intended for both private and institutional clients, who now regard them as an important component of their portfolios. Our PMG team, based in Europe, the Middle East and Asia, has more than 20 private-market experts who have a high level of expertise in legal and regulatory matters.

Structured product issuance also grew substantially, rewarding our efforts to be competitive in terms of both pricing and service quality, both before and after issue. Our Actively Managed Certificates (AMC) business saw greater demand in the primary as well as the secondary markets, resulting in record volumes.

Our Direct Access Client (DAC) service was again busy, with further growth in demand from clients wanting direct access to our trading room. We are supporting increasing numbers of clients with their plans through a credit offering tailored to each region's specific features and including mortgages and Lombard loans.

2020 was the year in which we launched our new Bespoke Discretionary Portfolio Management service – a core business and area of expertise at UBP – in response to growing demand for customised solutions. We reviewed all of our clients' profiles according to their objectives, constraints, risk appetite and interest in responsible investment, in order to be able to offer a discretionary management service that specifically addresses each client's individual needs.

Faster shift to digital transformation

In the last few years, UBP has devoted significant resources to digital transformation, constantly integrating the latest advances in this area. Of course, we had no way of knowing that 2020 would speed up that transformation and boost the take-up of digital tools in such a spectacular way. Our digital investments gave us the technical resources we needed to remain operational despite the challenges posed by working from home and the travel ban.

The unprecedented conditions in 2020 quickly gave rise to new requirements in terms of digitising our processes and communication, both internally and with our clients. To cite just one aspect of the irreversible changes that took place last year, we started to host a number of highly successful webinars for our staff and clients.

A surge in cyberattacks across all industries made it even more important to ensure the security of our data and communications. In the circumstances, our UBP Mobile e-banking service was naturally vital in helping us maintain seamless contact with our clients, while guaranteeing that we handled transactions and processed data in a fully secure way.

We also made rapid progress with three other major projects in 2020. Our partnership with IBM for the development and maintenance of our core banking applications continued in accordance with our roadmap, while our IT teams successfully deployed the Aladdin portfolio management tool for our Asset Management division, along with a portfolio management system for our discretionary asset management teams.

Significant growth across all of our priority markets

A year after we overhauled the governance structure of our Wealth Management division, it achieved outstanding growth in net new money and a significant increase in trading volumes in 2020. That strong momentum was largely down to the close ties and high-quality relationships we have with our clients, fostered by our relationship managers. It was also the result of the attractive new products and services launched by Asset Management's Investment Services teams, who work hand-in-hand with Wealth Management to develop a distinctive offering tailored to each region.

Our private-markets offering was enhanced with the launch of various co-investment deals, in areas including commercial real estate in Germany, motorways in Spain and financing for small and medium-sized enterprises in Asia-Pacific. Our alternative investment solutions and the theme-based approaches developed by our Advisory teams also attracted a great deal of interest among our clients. The positive trend was driven partly by the success of our customised “institutional grade” solutions for ultra-high net worth clients, who represent an increasing proportion of our client base in certain markets such as the Middle East and Asia.

Alongside these activities, we continued our recruitment policy intended to broaden our skills and attract new talent. As part of this policy, our London branch grew in 2020 with the acquisition of Jefferies’ Wealth Management business in the United Kingdom. In terms of clientele, the 13 professionals joining UBP have developed great expertise in serving entrepreneurs and family offices. This business therefore represents a useful addition to UBP’s range of services for high net worth clients and fits perfectly with our determination to bolster our position in the City and to promote our London office as a strategic booking centre. With these teams, we now have the right structure in place in the United Kingdom to offer a comprehensive range of services and solutions to both domestic and international clients.

UBP Luxembourg was strengthened by the arrival of a number of experienced people in 2020, covering the Nordic markets (Sweden and Denmark) in particular. The subsidiary is now a major player in Luxembourg’s financial centre, focusing on three main areas: domestic business, the Nordic market and the Southern European market.

From the regional point of view, the Developing Markets segment (Eastern Europe, Latin America, Israel, Middle East, Africa and Turkey) saw excellent growth in assets under management and brokerage revenue. It was a key driver of Wealth Management's growth in 2020, with net new money exceeding expectations. Growth was particularly strong in the Middle East, Eastern Europe and Turkey. In those markets, the tactical and carefully managed onboarding of several wealth management teams also boosted assets under management, counterbalancing the negative impact of travel bans. Another positive factor was the specific appeal of several of our booking centres (including Switzerland and Monaco) for these clients, most of whom are high net worth individuals. Although they are looking for political and economic stability, these clients place at least as much value on the high quality of our service, our competitiveness and our leading expertise in wealth planning across a broad variety of jurisdictions.

In Asia, we maintained our targeted efforts to recruit experienced relationship managers, and this helped us generate large net inflows, particularly in the north of the continent.

Once again, we won a host of awards, highlighting the quality of the products, services and expertise we offer across several markets. We were named "Best Wealth Management Business Servicing the Central or Eastern Europe Region" in the WealthBriefing European Awards. In Asia, for the second year in a row, we won the awards for "Best Private Bank – Pure Play" and "Best Private Bank – Singapore" at the Asian Private Banker Awards for Distinction, an acknowledgement of the credibility that UBP has achieved within the industry and among our Asian clients. Meanwhile, our Monaco branch was named "Best Private Bank in Monaco" in the PWM/FT The Banker 2020 Global Private Banking Awards, an accolade that acknowledges its excellent reputation only six years after it was set up. Finally, in the WealthBriefing MENA Awards, our Dubai office carried off the prize for "Best Wealth Management Team Offering Family Governance Advice".

Success in the institutional business and investment funds

We formed relationships with almost 40 new institutional clients and our assets under management in the Asset Management division remained stable at CHF 43.4 billion at the end of December 2020. Those relationships enabled Asset Management to offset substantial withdrawals by clients wanting to take profits or to reduce risk.

Our new clients were attracted by our innovative approach to alternative investments and impact investing, along with our ability to offer emerging-debt and custom solutions. They entrusted us with large mandates, while our traditional bond funds saw outflows.

Although the pandemic caused significant volatility and major sector rotation in equity markets, almost 60% of all our funds (22 out of 37) beat their benchmark indices, showing the value added by an asset management approach that is genuinely active and based on strong investment convictions.

UBP pursued its strategy of developing partnerships in Europe. In Milan, we recruited a specialist distributor of investment funds in Italy, a market that is being buoyed by the increasing popularity of the open architecture approach. We also opened a new office in Frankfurt in order to accelerate the growth of our German institutional client base, which we had previously been developing from our Zurich branch. Finally, our strategic partnership with Bell Asset Management in Australia means that we can now promote our expertise and investment solutions in that continent.

Doubling of net new money and confirmed operational efficiency

The various challenges created by the coronavirus crisis did not stop us bolstering our market share and maintaining our growth. At the end of 2020, assets managed by the Group stood at CHF 147.4 billion, up from CHF 140.3 billion at the end of 2019, a year-on-year rise of 5.1%. Net new money doubled relative to 2019 and equalled CHF 9.0 billion or 6.4% of assets under management. New inflows came mainly from private clients in our main markets of Switzerland, the United Kingdom, the Middle East, Europe and Asia, reflecting the commitment of our front-office teams but also the appeal of our funds and mandates, which are generating solid returns.

Revenues were stable at CHF 1.071 billion in 2020 (an increase of 0.4%), even though the interest margin was adversely affected by lower US interest rates. However, the fall in the interest margin was fully offset by growth in brokerage fees (up CHF 58.8 million or +8.7%), reflecting a healthy level of trading activity among our clients, and by good forex and trading results (up CHF 22.9 million or +27.3%). Operating expenses fell slightly (-0.9%) to CHF 718.4 million, despite large-scale digital investments and the recruitment of new teams in certain key growth markets.

Despite the difficult environment, operating profit rose by 8.7%. Net profit fell by 3.4% to CHF 181.4 million as opposed to CHF 187.8 million in 2019. However, if we adjust the 2019 figure by deducting the exceptional capital gain realised on the sale of a building in London that year, net profit increased by 1.9%. With a cost/income ratio of 67.1%, our group maintained its solid profitability, attesting to its operational efficiency and strict cost control.

Prudent balance sheet management and a solid financial position

In 2020, we continued to manage the balance sheet conservatively, as demonstrated by our high regulatory liquidity ratios and available capital. That prudent balance sheet oversight by our Treasury teams is a key characteristic of UBP and is reflected in our short-term liquidity coverage ratio, which stood at 307.5% at the end of 2020. Our Tier 1 ratio, at 27.7%, also remains well above both Basel III and FINMA requirements. High volatility created numerous arbitrage opportunities across all asset classes, which allowed all of our trading desks to generate better results than in 2019 while remaining strictly within defined limits and risk levels.

UBP is still one of the best-capitalised and strongest banks among its peers, as shown by our long-term Aa2 rating (with stable outlook), which was confirmed by Moody's in 2020. This gives our Group the solid financial base it needs to continue its development not only in Switzerland, but also worldwide.

2020 was a milestone in UBP's history. Despite the Covid-19 situation and the exceptional market environment, we were able to keep our people safe, while ensuring operational continuity and maintaining a high-quality service for our clients. This is down to the resilience, agility and forward-thinking nature of UBP's people. Their exemplary efforts allowed us to stand out in the market, and we can now look ahead to the future with confidence and optimism.

Daniel de Picciotto
Chairman of the Board
of Directors

Guy de Picciotto
Chief Executive Officer

UBP

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