ACTIVITY REPORT

Key figures

in CHF millions, unless otherwise stated

	As at 31.12.2021	As at 31.12.2020	Variation in %
Assets under management (in CHF billions)	160.4	147.4	8.8%
Total operating income	1,134	1,071	5.9%
Total operating expenses	754	718	5.0%
Operating result	244	220	11.1%
Net profit	201	181	10.9%
Total assets	38,785	37,809	2.6%
Shareholders' equity	2,478	2,407	3.0%
Staff headcount (FTE)	1,904	1,812	5.1%
Operating cost/income ratio	66.5%	67.1%	-
Return on equity (ROE)	8.4%	7.7%	-
Shareholders' equity / total assets ratio	6.4%	6.4%	-
Tier 1 equity ratio	25.2%	27.7%	-
Liquidity coverage ratio (LCR)	274.5%	307.5%	-
Leverage ratio (LERA)	5.4%	6.6%	-
Net stable funding ratio (NSFR)	162.6%	-	-
Moody's long-term deposit rating	Aa2	Aa2	-

Growth across the board

Positive economic conditions despite rising inflation

After the economic shock resulting from the Covid-19 pandemic in 2020, 2021 was a year of recovery. The world economy grew by almost 6%, and most countries made up at least some of the shortfall in output caused by the public health crisis.

The rebound was especially rapid because it was supported by the full range of economic policy tools on a global scale. All regions of the world benefited from the continuation of expansionary monetary and fiscal policies. Large-scale vaccination programmes also helped the recovery, which started in China, before spreading to the US and finally Europe.

Although supply-chain problems did not bring the upturn to a complete halt, they hampered it in some areas of manufacturing. Consumer spending had been the main driver of the rebound, but some countries saw confidence affected by rising inflation – caused by the rapid and widespread rise in the prices of energy, food and other commodities – which damaged retail sales in the second half of the year.

Equity markets were busy and hit all-time highs in 2021, driven by the economic recovery. Bond markets held up well on the whole, despite concern about the return of inflation. The pick-up in volatility also created numerous opportunities and boosted trading volumes.

In early 2022, we saw the global economy transition from a post-pandemic rebound to a more normal level of growth, until the conflict broke out in Ukraine in February. For investors this will mean remaining alert and actively managing risk.

Two major acquisitions

In 2021, UBP again showed its ability to navigate an unstable environment, this time resulting from the successive waves of the pandemic. Our Group's resilience enabled us to hold our course and increase our presence in our priority markets.

We took several major steps forward in terms of acquisitions in our strategic markets last year. We expanded in Luxembourg by acquiring Danske Bank's local wealth management business, operated under the name of Danske Bank International S.A. (DBI). That transaction, which was announced in 2021 and completed in January 2022, has bolstered our Luxembourg office's position as UBP's European hub by doubling the size of its operation. The Group is now one of the leading players in this financial centre, particularly for Nordic clients following the integration of DBI's dedicated teams.

In November 2021, UBP also completed the acquisition of Millennium Banque Privée in Geneva, strengthening our positions in the Portuguese and African markets.

In Zurich, we strengthened our wealth management by recruiting senior managers, but also entire teams in some cases. This increased our coverage in our growth markets. Similarly, in Asia, our entities in Hong Kong and Singapore benefited from the arrival of new teams as we sought to increase our footprint in Asia, where we now manage more than CHF 30 billion worth of assets.

Through both recruitment and acquisitions, UBP is adding new skills, experience and know-how, allowing us to develop our corporate culture and adjust constantly to an ever-changing world.

Responsible investment and private markets: key areas of development

We continued investing in our business last year, aiming to align our asset management solutions with current – but also future – market conditions. In particular, we now offer a broad range of responsible investment strategies.

Having noted the growing appeal that sustainable finance holds for our institutional and private clients, we expanded our responsible bond range, launching three new funds in this asset class. Similarly, following the success of our first two impact equity funds and to enhance our range of impact solutions, we launched a new strategy focusing on the theme of restoring biodiversity. As a result, our Impact franchise now has more than CHF 1.5 billion worth of assets under management. Our efforts in this area reflect our conviction that the finance industry can be a catalyst for positive change, while also generating attractive financial returns.

Overall, across all strategies, our Asset Management division launched no fewer than 18 new investment solutions in 2021. This shows the dynamism of our product and research teams, but also our ability to reduce time-to-market for new solutions.

We strengthened our Private Markets Group (PMG) and expanded its array of solutions, which allow private clients to access the market for unlisted assets. Our PMG franchise, which is aimed at qualified and institutional investors, now features more than 30 experts working in Geneva, Zurich, London, Singapore and Hong Kong. PMG offers an exclusive service, combining expertise in private equity, companies at the pre-IPO stage, real-estate projects, private debt and the financing of infrastructure that supports the current transition in pursuit of net zero targets. Private assets have the advantage of showing little or no correlation with movements in traditional asset prices, and PMG has proved very popular with clients, with AuM now exceeding EUR 3.5 billion.

Our issuance of structured products continued to grow rapidly, involving both plain-vanilla products and actively managed certificates (AMCs). The quality of service that our teams provide in terms of structuring, managing and administering these certificates is well known and much appreciated by our clients. Trading volumes and AuM in this segment hit record levels in 2021, driven by increasing client demand.

New biodiversity restoration strategy

Over CHF 1.5 bn AuM in our Impact franchise

18 new investment solutions launched in 2021

Over EUR 3.5 bn AuM with the Private Markets Group (PMG) team

Finally, our DAC (Direct Access Client) service, for clients wanting direct access to our trading room, continued to see firm growth.

Solid organic growth

In 2021, our Wealth Management division made great strides in terms of shifting assets towards discretionary management and advisory mandates. The proportion of assets actively managed according to the Bank's investment strategy rose above 60% last year, and this means that recurring revenues made up a significantly larger share of the total.

The dynamic approach of our advisory services business also paid off: as well as investments in private markets – which saw firm demand in 2021 – and those based on hedge funds, which came back strongly into vogue, our teams proposed investment themes throughout the year that proved very successful among our clients and made a major contribution to the increase in brokerage revenues.

Despite the pandemic, we forged closer relationships with our prospective and existing clients by using various digital communication tools. As a result, business levels were particularly solid. This was especially the case in our growth markets which include Latin America, Israel, the Middle East, Africa and Turkey, where our clients were clearly receptive to the advice offered by our various teams in this new context. In particular, we were able to show them the benefits of moving from passive asset allocations, which generate limited returns in a zero-interest-rate environment, to alternative income sources (structured products, private investments, investment funds with a local focus, and responsible investment strategies).

In Europe and Switzerland, we refocused on high-net-worth individuals (HNWIs), developing custom solutions addressing the regulatory and tax situation in each country, but also by intensifying our contacts with family offices.

In Asia, we maintained our growth trajectory in 2021. We continued to enhance our offering, recruiting specialists in the technology and healthcare sectors as well as launching new mandates with a regional focus. The number of clients opting for discretionary solutions doubled during the year, and a third of clients now have discretionary mandates, which represent a key part of our value proposition. We intend to continue expanding in Asia, and in particular we are planning to broaden our footprint in mainland China, which now accounts for 60% of the whole Asian market in terms of available wealth.

Finally, we adjusted control procedures in our Wealth Management division in order to support our business development in strict compliance with regulations, particularly as regards investment suitability requirements.

Active management driving returns

Our investment convictions, along with the quality and diversity of our solutions – including a range of high-value-added products and services – helped us stand out from the competition once again last year. By specifically addressing the needs of sophisticated clients, we were able to continue strengthening our position in this segment across all regions of the world in which we now operate. This is not only very helpful for our development, but also provides a convincing argument in our efforts to recruit talented professionals to our teams.

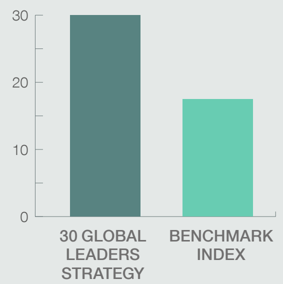
Because of these strengths, we received various accolades in 2021, particularly for our Wealth Management activities in Asia, Monaco and Switzerland. The performance of UBP's funds also resulted in a number of awards.

The value added by our active investment approach was again confirmed last year, with 60% of our funds (23 out of 39) outperforming their respective benchmark indices. Our flagship 30 Global Leaders strategy stood out in particular: it delivered a return of 30% in absolute terms and outperformed its benchmark index by 12.7 points over the year as a whole.

It is also worth noting the success of our Alternative Investment Solutions franchise at a time when the market outlook remained uncertain. Alternative products still make up a significant proportion of our portfolios, complementing traditional strategies.

2021 was a year of large-scale reallocations within portfolios, with clients opting to reduce exposure to the bond markets and move into assets that are riskier but have a better return profile, particularly in private markets. This led to significant withdrawals from traditional bond mandates,

60%
of our funds outperformed their benchmarks



30%
in absolute performance for our flagship 30 Global Leaders strategy

which were offset by solid inflows into our equity funds. Those inflows were partly driven by relationships formed with more than 50 new institutional clients, and AuM in our Asset Management division was stable at CHF 43.9 billion at the end of December 2021.

From the operational point of view, Asset Management made adjustments to the organisation and governance of UBP Asset Management (Europe) S.A. in Luxembourg, which became necessary because of its rapid expansion. We appointed a new head of our Frankfurt office, whose brief is to continue developing our institutional client base in the German-speaking markets. In London, a new franchise called Alternative Fixed Income & Partnerships was set up within Asset Management. This new entity brings together our fixed income strategies for emerging markets and our convertible bond and private debt investment solutions, and is also supported by external partnerships that bring more specific expertise. In this way it supplements our flagship Global & Absolute Return Fixed Income offering and allows UBP to provide a broader array of bond solutions.

We also streamlined our presence in New York, closing our local office after forming a strategic partnership with B. Riley Financial, which specialises in US equity research and long-only asset management. Our US equity allocation is now managed within this company.

Operational agility

We had to remain alert and adjust our ways of working with each wave of the pandemic, but also maintain a high level of quality in our services and interactions with clients at all times.

In 2020, the Covid-19 crisis had prompted us to accelerate our digital transformation, and we continued investing in that area in 2021. In particular, we added new functions to our e-banking service, and introduced enhanced, secure tools to ensure optimal communication with our clients.

Following on from the success of the digital conferences and webinars we held in 2020, we again organised a number of online events in 2021 to maintain interactions both internally and with our clients.

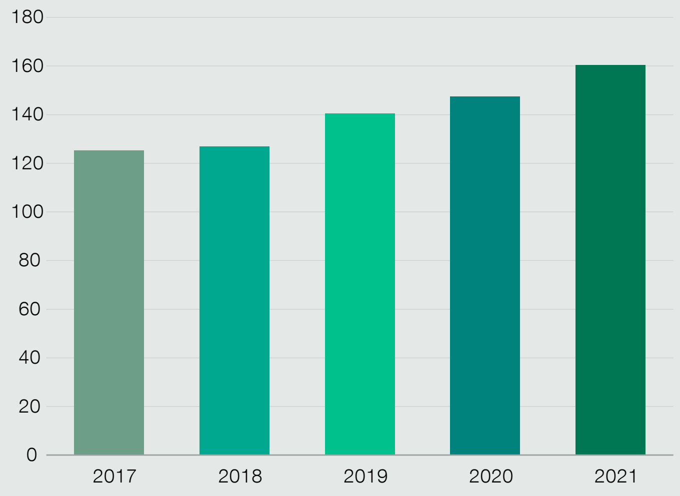
Our partnership with IBM for the development and maintenance of our core banking applications continued in accordance with our roadmap. After integrating a new management tool for the Asset Management business in 2020, we have been able to get data flowing more effectively between our various departments, increase efficiency and reduce execution risks. This solution covers front office, middle office and risk management functions. It is also used by our Discretionary Portfolio Management (DPM) team to manage certificates. In addition, UBP signed a licence agreement with IMTF to improve our compliance tools, including our anti-money laundering arrangements. This is a major project that represents an investment of more than CHF 7 million over three years.

Significant increase in operating income and profits

We continued to grow in 2021, and increased our market share. At the end of the year, our Group's AuM totalled CHF 160.4 billion, up 8.8% relative to the end-2020 figure of CHF 147.4 billion.

Assets under management

in CHF billions



Net new money totalled CHF 5.7 billion, mainly coming from the Group's growth markets in Asia and the Middle East. It was also partly driven by the acquisition of Millennium Banque Privée.

Revenues amounted to CHF 1.134 billion in 2021, up 5.9% on 2020, despite the 7.5% decline in net interest margin caused by lower interest rates. The fall in the interest margin, which was fully offset by a 10.6% increase in fee and commission income, bottomed out in the first half of the year and was followed by an improvement.

Operating expenses rose 5.0% to CHF 754.5 million. This reflects large-scale investment in building our expertise and offering in the sustainability and responsible investment space, along with the recruitment of new teams in certain priority markets and costs related to recent acquisitions.

As a result, in market conditions that remained uncertain, we increased operating profit by 11.1%. Net profit was CHF 201.2 million in 2021, up 10.9% from CHF 181.4 million a year earlier.

With a cost/income ratio of 66.5% in 2021, down from 67.1% in 2020, UBP remained highly profitable, attesting to our operational efficiency and strict cost control.

Prudent balance sheet management and a solid financial position

In 2021, 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 (LCR), which stood at 274.5% at the end of 2021. Our Tier 1 ratio, at 25.2%, 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 shown by our Aa2 long-term deposit rating (with stable outlook), which was confirmed by Moody's in the fourth quarter of 2021.

Showing its ability to diversify its sources of funding, UBP raised money in the financial markets by issuing CHF 335 million worth of 5-year bonds to private and institutional investors, securing a very favourable rate. The funds raised will be used to strengthen the Bank's profile over time.

In conclusion, although 2021 was an unusual year in which the pandemic was still not resolved, our teams were able to continue combining their strengths for the benefit of our clients while also capitalising on opportunities arising in the markets. Given the geopolitical effects of the developments in Ukraine, our balance sheet management will remain all the more cautious. Our balance sheet's exposure to Russia is marginal. Today our ambitions remain unchanged: to increase our regional focus and make our offering more distinctive in order to meet our clients' needs and provide them with the best possible service, while also concentrating on our core business and continuing to develop in Switzerland and internationally.

Daniel de Picciotto
Chairman of the Board
of Directors

Guy de Picciotto
Chief Executive Officer