

Union Bancaire Privée Fast-Tracks its Private Banking Operations in Asia

Michael Blake is CEO of the Asian private banking operations of Union Bancaire Privée (UBP) and is presiding over a phase of dramatic growth for the business in Asia, where assets under management have surged more than 50% since 2016. He met with Hubbis in July to cast his eye over the regional wealth management market and to explain why UBP is so optimistic about private banking in the region, and how the bank has already converted almost two-thirds of the rapidly growing business in Asia to a recurring revenue model. As to the future, he expects the Asian operations to enjoy robust organic growth driven by the new talent recently arrived, and additional bankers for whom UBP is now on the hunt.



“OUR OBJECTIVE IS TO CONTINUE BUILDING a profitable

and sustainable business in Asia,” Blake begins. “Our private banking AUM has grown more than 50% in the past three years so that today, our asset management and private banking businesses manage almost USD25 billion across Asia, and we continue to see significant growth opportunities throughout the region.”

UBP is not listed - it has been family owned since it was founded in 1969 - which enables it to take a slightly longer-term view than perhaps a public company would take, given the pressures of quarterly reporting. “We are highly focused on the long term commerciality of the business,” Blake explains, “and are not pursuing short term growth for growth’s sake.”

Asia shines

Blake is judiciously optimistic about the bank’s worldwide prospects and enthusiastic about the opportunities afforded by Asia. “Globally, the business generates a solid return on equity, AUM is growing each year and we are on top of costs. Private banking continues to be an extremely attractive business within the financial services space, and with Asia being the most dynamic region of the world, we are committed to investing and expanding rapidly here.”

UBP was founded in 1969 by Edgar de Picciotto, whose vision from the outset was to offer investors a high-quality and innovative wealth and asset management service. In its fifty-year history to date, the bank has maintained its independence and

remains on the expansion trail. In recent years UBP has acquired the international private banking divisions of Royal Bank of Scotland (Coutts) and Lloyds, the Swiss subsidiary of the ABN AMRO group, ACPI Investments in London, and Banque Carnegie Luxembourg.

Key Priorities

Firstly, Blake reports that the bank is aiming to ensure that the new bankers who have joined the firm in the last 12 months settle into their new roles as smoothly and successfully as possible. “Things are heading in the right direction - we are very pleased with progress so far,” he comments.

The second priority is to keep enhancing the close cooperation and effective working relationship with the bank’s asset management colleagues. “We have customised around half a billion dollars of investment solutions for private banking clients in the last 12 months, and I would like to maintain this momentum over the coming year. Our organisation set-up positions us strongly to provide customised “institutional-grade” solutions to private clients.”

These solutions may well be third party products, in whole or in part. “As an example,” he elucidates, “as interest rates started to rise - and were expected to rise further - the bank provided a Libor plus solution for clients, attracting about USD100 million from people who wanted to protect against the changing interest rate environment.”

Another solution that has attracted close to USD50 million relates to an Asia ex-China, ex-Japan equity mandate. “Many products in Asia these days have a fairly high weighting to China,” Blake explains, “but many of our clients did not want further exposure there, instead preferring to boost their exposure to Southeast Asia.”

Blake’s third priority is to continue to hire experienced bankers. “Our focus in the next six months will be Singapore, Malaysia, Thailand and Indonesia,” he explains. “We hired a sizeable Singapore team about a year ago, and we would like to build on that momentum.”

Rapid growth

These significant and timely acquisitions, combined with organic growth, have helped group AUM surge by some 75% in the past seven years. The near USD25 billion of AUM that UBP has now built up in the Asia



MICHAEL BLAKE
Union Bancaire Privée (UBP)

Pacific region, today represents around 15% of the group's total.

UBP has benefitted from the enhanced M&A activity that arose in the years after the global financial crisis, as weakened global financial institutions sold off businesses. UBP itself had more than its fair share of troubles in the years shortly after the GFC, but the bank pulled through to recover and position itself as a buyer not a seller.

Today, the bank operates from more than 20 locations worldwide, including within Asia the major Hong Kong and Singapore offices, as well as smaller offices in Tokyo, Taiwan and Shanghai.

The acquisition of Coutts in 2016 added roughly USD10bn to group AUM and also brought a substantial Asian operation into the fold. Previously, Blake was CEO of Coutts International, leading its global wealth management business, until it was acquired by UBP in 2016. Since then, he has been responsible for managing and developing UBP's private banking business in Asia.

He explains that the core Singapore and Hong Kong offices provide excellent platforms for the South East Asia and Greater China

Getting Personal

Michael Blake is British and hails from the historic cathedral and university city of Durham in the north east of England. His formative years were spent further south, in Bedford, from where he won a place at Oxford University for his undergraduate studies, attaining an honours degree in Philosophy, Politics and Economics.

His early career was in the British diplomatic service, where he worked for eight years, during which time he learned Mandarin, including a stint in Beijing.

"One of the highlights," he recalls, with seeming fondness, "was moving to Hong Kong a few years after the 1997 handover at a time when the world started to realise the importance of the Pearl River Delta as a workshop of the world."

The posting evidently served to consolidate Blake's love of the region and his commitment to building his career out east. When he later left the diplomatic service, he returned to Hong Kong with UBS, working from 2005 to 2010 for the then regional chairman and CEO.

Blake then moved in 2011 to Coutts, working as GM for Asia and later as Group CEO out of Zurich, a role he held when Coutts was acquired by UBP in 2016. Blake then became CEO of the UBP private banking business in Asia from April 2016.

Blake's wife was born and brought up in Geneva, and the couple have young children. Unsurprisingly given their background and their shared Swiss connection, family holidays are often spent in the Swiss mountains. In Singapore, Blake is often to be found taking early morning runs. "It means making an early start, but it's also a great way to kick off the day and catch up with friends," he says.

markets, which are both growing rapidly. And expansion continues apace across the region, with the high-profile recruitment of a team of some 20 private bankers in Hong Kong last year an example of the quantum leaps the bank is intent on making.

Three core areas of focus

"The business continues to grow well out here," Blake observes. "The focus over the last six to 12 months has been on strengthening the proposition, which we have tackled in three key areas."

First, on the wealth planning side, UBP has introduced a service to help larger families establish single family offices or multi-family offices. Second, in Hong Kong we are establishing a corporate finance advisory referral panel.”

“And third,” he continues, “and most importantly, we are working closely with our asset management colleagues to customise investment mandates for private clients using our asset management platform, with much of the demand coming from North Asia.”

M&A subsides, organic growth presides

Blake observes that the worst of the stresses caused by the GFC are now over and while UBP has

However, he does see greater likelihood of more consolidation in the external asset management (EAM) space over the next five years.

“There have been a number of entrants in the EAM market in Asia over the last three to five years,” he observes, “and while they have been quite successful at getting up to what we might call a cruising altitude, many of them are now facing a challenge to achieve further growth. This, combined with tighter regulatory scrutiny and higher costs will encourage smaller firms to come together.”

Seeking more talent

Organic expansion, driven by new talent and by boosting the productivity of existing talent will

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enjoyed a spate of transformational acquisitions in recent years, looking ahead he does not anticipate such a robust environment for further consolidation.

“The profitability of most banks has improved, reducing the impetus for divestments and consolidation,” he reports. “The pressure to sell units is considerably less than in the years after the global financial crisis. This region is growing dynamically and is regarded as a strategic market, so institutions are less likely to consider divesting.”

therefore more likely drive UBP’s progress in the region for the foreseeable future.

Blake says the bank is agnostic as to whether the Asia business develops most rapidly out of its Hong Kong or Singapore hubs. “We have some 300 people now in this region, roughly evenly split between the two centres. If I were to predict forward, I would expect this to be the same in five years’ time. The two financial centres are complementary and by having a strong presence in each location, we give our clients more choice.”

Seeking predictability

A key mission for Blake and colleagues has also been to transform the revenue model from the more transactional and therefore ad hoc business to a more predictable flow.

“Almost two-thirds of the bank’s revenues in the region are recurring,” he reports, “and by recurring revenues I mean including net interest income, fees and commissions, as well as credit income. Three years ago that figure was roughly 50%, so the growth is clear, and the figures just go to show that we spent a lot of time focussing on this transformation.”

He explains that just three years ago, 70% of UBP Asia’s accounts were execution only, but today 70% of the bank’s accounts have advisory or discretionary portfolio mandates.

“To achieve this,” he elucidates, “we empowered the RMs. Recognising that private banks are in the business of offering advice, we re-focused on advisory mandates. We also asked our RMs to discuss with their clients a range of fee options, from a standard brokerage fee schedule to an all-in fee schedule. The approach was well received by clients and has led to an increase in recurring fee revenue.”

A new phase

Blake believes the private banking market is now in a phase during which competitors are moving to more clearly differentiated business models. “You are seeing some banks decide, particularly for the mass affluent segment, to move to wholesale digitisation in the hope of increasing volumes and reducing costs. And then you have other private banks - and I would put UBP in this category - who offer a high touch service for a smaller number of larger clients.”

Blake says this approach is working for UBP. “Some 70% of our assets are now from clients who have more than USD10 million with us,” he explains, “and that number has increased steadily over the last three years. This growth is particularly robust in North Asia, especially in Greater China, which has proven to be a highly dynamic and fertile territory.

Connecting across generations

Blake zooms in on the increasingly pressing challenge of engaging with the second and third generations of Asia’s established wealth.

“There has been much talk of reaching out to the younger generations in this industry, but actually not so much concrete progress thus far,” he observes. “What is critical is to first ensure the proposition is attractive to the next generation. For example, we are seeing a trend towards impact and ESG investing, as well as greater interest in direct and alternative investments, with younger clients often wanting to be more involved in some of the decisions relating to these investments than perhaps the older generation were.”

UBP also focuses keenly on engagement via next generation conferences, events, discussion forums, and so forth.

“We have taken a slightly different view, in that our NextGen programme is offered to slightly older people who have been through university, worked for several years, in other words those who have already begun to establish themselves in a career or in a business.”

He explains that UBP had just concluded one such gathering in Monaco, partnering with one of the leading business schools. “There is no silver bullet to connect to the next generation,” Blake adds, “but we focus on being relevant, being present, and having something valuable to offer and discuss.”

Keeping it in the family

In many ways connected to this drive for younger generation clients, UBP is keenly promoting its wealth planning and family office expertise in the region, with teams of seasoned wealth planners in Hong Kong and Singapore, supported by the Swiss team, who are also family office specialists.

“We established a service in Switzerland about a decade ago called Family Office Service Switzerland, which was designed to help families who are looking for a multifamily office with that search and selection,” Blake explains.

UBP then saw demand from a number of large families in Europe to establish single family

offices, and they were drawn to the bank’s 15-step modular service which takes a family through the entire process, from the start of how they should think about the structuring through to the staffing, the conversations, the remuneration framework, right through to risk management and connecting to external partners that can help.

“With this being one of our three core areas of business focus in Asia, UBP is now rolling out this area of expertise in Asia,” Blake reports. “There is already strong and growing interest amongst Asia’s wealthy families seeking enhanced organisational consolidation, efficiencies and one-stop hubs for solutions.”

Binary solutions

As to the other challenges that lie ahead, Blake comments that the grasp and absorption of digital technologies is a continuing trial for the industry. “Technology is a transformational challenge that every bank has been grappling with over the last eight years,” he observes, “and frankly few in the industry have been great at quickly incorporating comprehensive solutions that transform the client experience. This is partly due to legacy systems and partly due to an incremental management approach that is designed to minimise risk.” ■



Union Bancaire Privee Today - Solid, Robust, and Increasingly Asia-Focused

UBP recently announced a net profit of CHF117.2 million for the first half of 2019 and a 6% increase in assets under management (AUM). That growth was driven by net inflows from private clients, along with the CHF2.1 billion contributed by Banque Carnegie in Luxembourg, acquired at the start of the year. The bank reported that positive market conditions and solid asset management performance comfortably offset the negative impact resulting from declines in the US dollar and the euro and from profit-taking by institutional clients in early 2019.

The Bank's Tier 1 capital ratio of 26.1% at the end of June 2019, and its short-term liquidity coverage ratio (LCR) of 301.3% underscores its solid financial position and the quality of its balance sheet, according to the bank's release.

UBP also reported that it had been making significant investments in its Asian business, as well as in the digital arena over the same period.

"The successful integration of the two recently acquired entities, and of our new teams in Asia, is starting to pay off. The strong returns delivered by our investment solutions and the ongoing growth in assets under management mean that we can look ahead to the second half of 2019 with confidence. This represents a promising backdrop for our ongoing commitment to investing for the future," commented UBP's CEO Guy de Picciotto when announcing the first half results.

Family-owned and headquartered in Geneva, the bank aims to help clients preserve and grow wealth through a highly personal service and bespoke investment solutions specifically tailored to specific needs. UBP presents itself as a global bank offering strong local and global expertise. With some 300 private banking professionals, including seasoned wealth planners and investment experts, based in Hong Kong and Singapore, the bank provides highly customised solutions to individual clients, family offices and independent asset managers in Asia and abroad.

The bank's array of offerings spans discretionary services, which is a customisable solution to capitalise on UBP's strategic and tactical investment convictions implemented directly into the client's portfolio. This is for client portfolios of USD3 million and above.

Other key offerings include advisory service, direct investments, direct access, asset management, hedge funds, structured products, credit solutions, wealth planning, market intelligence & investment convictions.

Through the direct investments channel, clients gain access to exclusive and unique investment opportunities in tangible assets in private markets beyond traditional instruments, which are generally only available to large institutional or sovereign investors, for sophisticated investors.

Direct access on the other hand offers clients direct access to the trading floor to implement their own investment strategies for forex. The Direct Access Client (DAC) service is a bespoke service for affluent forex clients that seek professional advice and direct execution of their foreign exchange transactions. The FX DAC Desk based in Singapore provides quick and efficient execution of forex trades, engages with the clients to give timely market updates, and provides forex advice for investment and hedging strategies.

In the hedge funds segment, UBP helps clients by providing diversification from traditional assets through uncorrelated return drivers. The bank has been a pioneer in alternative investments since the early 1970s, and today draws on its extensive experience of developing a wide range of alternative investment portfolios and solutions, including discretionary portfolios and an advisory service, to meet clients' evolving needs. The bank also specialises in alternative UCITS funds and provides access to high-conviction alternative funds through its UCITS fund platform.

For structured products, the bank works with a selection of third-party providers to offer clients high-quality products with competitive pricing and an open architecture structure.

UBP additionally offers access to credit facilities, whether lending to cover a short-term cash flow requirement, to fund the purchase of a new home, or to take advantage of an identified investment opportunity.

