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**160 years**

Driving progress and innovation

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Headquarters of Union Bank of Switzerland at Bahnhofstrasse 45, Zurich, 1957.

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# 160 years of driving progress and innovation

The year 2022 is a momentous one for UBS: it marks 160 years of business tradition for our firm. In this publication, we'll take you on a journey through our rich history. You'll experience the successes that sustained our longevity – successes both as a business and as an agent of economic and social change. You'll see how we took up a pivotal position in Swiss banking tradition and played an important role in the evolution of the global financial sector. And you'll look into a future where our firm acts on its new purpose: to reimagine the power of investing and connect people for a better world.

Banking in Switzerland stretches back to medieval times. And this heritage may explain the widespread impression both at home and internationally that Switzerland has always been a strong financial center. It's a perception that popular fiction and other media have reinforced repeatedly. But the size and international reach of Swiss banking are largely a product of the second half of the 20th century. Two banks – Union Bank of Switzerland and Swiss Bank Corporation (SBC) – significantly influenced this development and merged to form UBS in 1998.

The foundations for the development of modern Swiss banking were laid in the second half of the 19th century, however. Then, the forebears of both the Union Bank of Switzerland and SBC were established and actively contributed to the building of modern Switzerland's industrialized economy. First, the Bank in Winterthur was founded in 1862. It merged in 1912 with the Toggenburger Bank to form the Union Bank of Switzerland. Then the Basler Bankverein was founded in 1872 and, as a result of various mergers, eventually became the Swiss Bank Corporation.

The merger that created UBS in 1998 established a truly global firm capable of giving private, corporate, institutional and sovereign clients around the world access to financial services and markets, as well as to advice and the highest-

quality execution of orders and mandates. The newly formed UBS benefited from a powerful combination of the insights, experience and relationships built up over many years in many countries.

Outside Switzerland, the Swiss predecessors of UBS had a long-established presence in many cities and regions of the world, with the oldest non-Swiss branch, in London, opened precisely one hundred years before the merger. And UBS's global roots were substantially strengthened through various acquisitions by the Union Bank of Switzerland and SBC in the 1980s, 1990s and then 2000 by UBS – some firms with roots deep into the 19th century. The most notable was US brokerage firm PaineWebber, which forms the foundation for today's UBS wealth management operations in the Americas. Other early examples of the historical heritage of UBS include Phillips & Drew, a predecessor of UBS's Asset Management division, founded in 1895. S.G. Warburg, a keystone in the building of UBS's present-day Investment Bank division, was founded some decades later.

In more recent years, our firm has achieved growth organically. We've leveraged our global network and experience, and formed groundbreaking joint ventures in growth markets. In China, UBS Securities – which celebrates its 15th anniversary this year – was the country's first



Headquarters of UBS at Bahnhofstrasse 45, Zurich.

Throughout our 160 years of history, from our Swiss roots to our global reach – we have always known the true meaning of long-term commitment.

foreign-invested fully licensed securities firm. And strategic partnerships with prominent institutions like Sumitomo Mitsui Trust Holdings in Japan and Banco do Brasil underlined our commitment to delivering our capabilities to clients in key geographies.

In 2022, we've shown our agility and focus on innovation by agreeing to make our first major acquisition since the turn of the century. The announcement of our plans to acquire Wealthfront's digital-only wealth management platform in the US will accelerate our growth ambitions there through state-of-the-art services tailored to the needs of millennial and Gen Z affluent investors – a client segment with significant growth potential.

Throughout our 160 years of history, from our Swiss roots to our global reach – we have always known the true meaning of long-term commitment. It is about creating stability and prosperity. It is about helping people to achieve their ambitions – in life, business and beyond. And it is about creating a legacy that spans generations.

Our vision for the future is to convene THE global ecosystem for investing – where thought leadership is impactful, people and ideas are connected and opportunities are brought to life. To do this, we need to make sure that

our purpose – where we reimagine the power of people and capital, to create a better world for all of us – is present in every employee's day-to-day work. Only then do we believe that we can contribute toward a world that's fair, sustainable and gives everyone the opportunity to thrive.

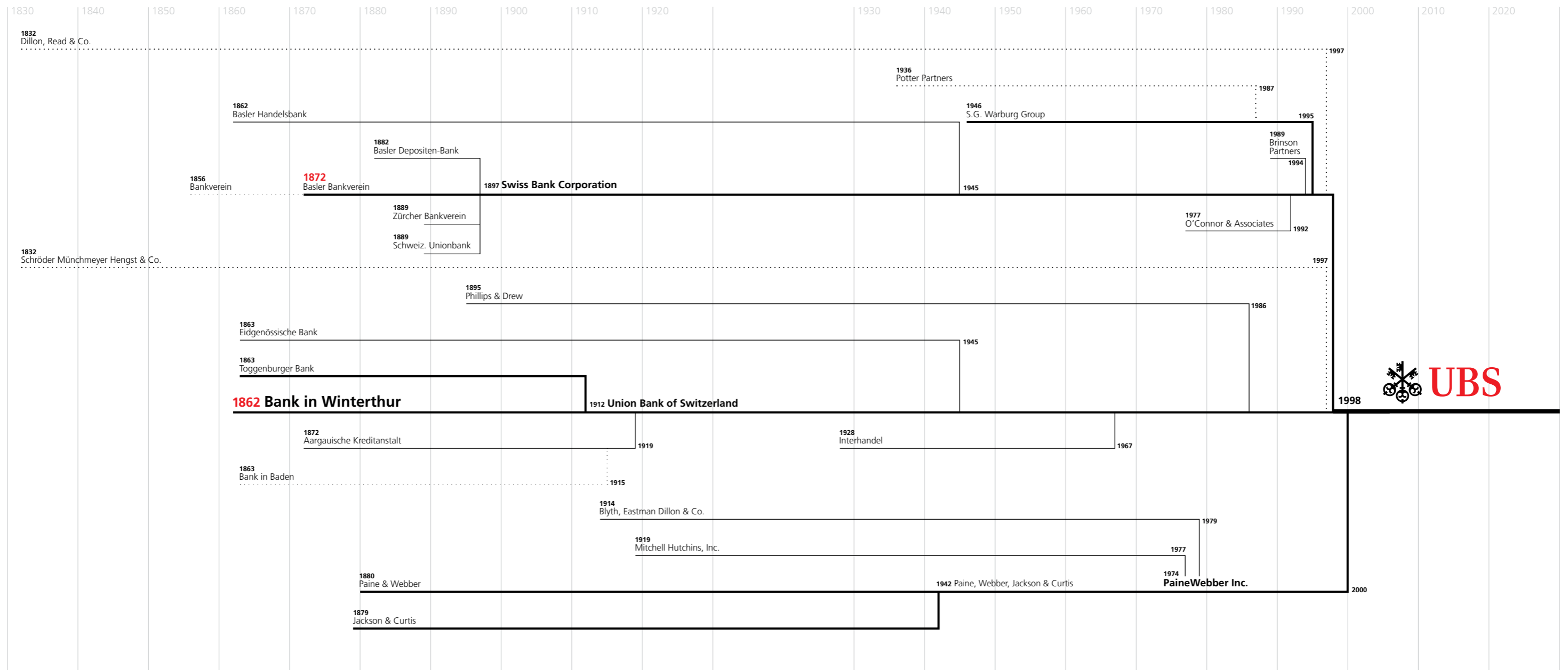
We know that, in today's world, how we connect with clients is what differentiates us. That's why we'll reimagine customer service to deliver a client experience that's personalized, relevant, on-time and seamless.

But before we look to the future, buckle in for a journey back through time to the year 1862, as the newly formed federal state of Switzerland seeks capital to feed its burgeoning economy, and the first of UBS's predecessor banks – Bank in Winterthur – springs into life.

# Key milestones

Since the foundation of the Bank in Winterthur in 1862, more than 370 financial firms, ranging from private banks and savings banks to wealth managers and brokers to commercial banks, have become part of today's UBS. All these acquisitions and mergers have added to the rich historical foundations of our firm and contributed to its

diversity and globality of experiences. The diagram below provides an overview of our key forebears, notably of course the Union Bank of Switzerland and the Swiss Bank Corporation. Among others, the financial firms in the diagram played an important role in the development of today's UBS.



# 1862– 1912



Bank in Winterthur at Untere Museumsstrasse in Winterthur, 1867.

## From Bank in Winterthur to Union Bank of Switzerland

When two leading Swiss banks, Swiss Bank Corporation and Union Bank of Switzerland, merged in 1998, both institutes looked back on a long tradition with roots in the second half of the 19th century. These historical origins of UBS are politically and economically closely intertwined with the emergence of modern Switzerland.

When modern-day Switzerland was founded in 1848 as a federal state from a federation of 22 independent states, a new unitary economic area was created. At the time, the cotton and silk industry dominated Switzerland's industrial economy, followed by the watch and clock industry. Even though 170 banks already existed alongside a number of private bankers, what was missing were banks that could finance the country's industrialization, especially the railway construction boom that picked up with the adoption of the Federal Railway Act in 1852. By the late 1850s, 50 million Swiss francs a year was being invested in the rail network to meet the ever-increasing demand generated by the rapidly growing large-scale industry.

### From Bank in Winterthur to Union Bank of Switzerland

The Bank in Winterthur was an example of precisely such a bank. The first foundation stone was laid for today's UBS when, on 25 June 1862, the

bank came officially into being, with an initial share capital of 5 million francs. Winterthur, then a city of around 16,000 inhabitants, was to emerge as the industrial hub of northeastern Switzerland in the second half of the 19th century. The city played an important role in the construction and expansion of the country's railway system, both on the regional and on the national level, and through its factories, most notably those of the *Schweizerische Lokomotiv- und Maschinenfabrik* (Swiss Locomotive and Machine Works). And the Bank in Winterthur actively supported the region's commercial and industrial development.

In 1863, another significant development took place. The Toggenburger Bank, named after the region of Toggenburg in the canton of St. Gallen, eastern Switzerland, was founded in the small town of Lichtensteig. With an initial share capital of 1.5 million francs, it was sharply focused on the domestic mortgage and savings business, but

**1862** The Bank in Winterthur commences business operations.

**1863** The Toggenburger Bank is founded in Lichtensteig, in the Swiss canton of St. Gallen.

**1872** The Basler Bankverein is founded in Basel.

**1879/80** Foundation of Jackson & Curtis followed by Paine & Webber in Boston.

**1895** G. A. Phillips & Co. is founded in London, later becoming Phillips & Drew.

**1897** Through mergers and acquisitions the Basler Bankverein evolves into the Swiss Bank Corporation (SBC).

**1898** SBC opens the first office of a Swiss bank in London.

**1901** SBC commences with the regular publication of economic analyses.

**1906** The Bank in Winterthur acquires the Zurich branch of the Bank in Baden at Bahnhofstrasse 44, and becomes a licensed trader of the Zurich Stock Exchange.

**1912** The Bank in Winterthur merges with the Toggenburger Bank to form the Union Bank of Switzerland.

also contributed to the development of the local embroidery industry. In 1912, the Bank in Winterthur and the Toggenburger Bank merged to form the Union Bank of Switzerland.

**From Basler Bankverein to Swiss Bank Corporation (SBC)**

While Winterthur became a hub for Switzerland’s industrialization in the Zurich region, the city of Basel, bordering France and Germany, dominated the economy of Switzerland’s northwest. A city of about 40,000 inhabitants in the 1860s, Basel’s location at one of the main crossroads of Central Europe was crucial. The city benefited from its position as the home of the country’s silk ribbon industry, a major export industry, and as a base for important merchants, factors and agents.

Several private banks had been long established in Basel and it was from among these that the direct forebear of SBC, the Basler Bankverein, emerged in 1872. In 1854, six banking houses had signed an agreement to handle loans jointly. In 1856, the members of this syndicate of banks, known as Bankverein, agreed to establish a major financial institution on a joint stock basis in the city of Basel. This they successfully achieved in 1872 with the establishment of the Basler Bankverein as a fully fledged bank.

Basel’s proximity to Germany helped to shape the origins of the Basler Bankverein. Prussia’s defeat of France in 1870/71 and the subsequent unification of Germany into the German Empire sparked an economic and financial boom in Germany that also left its mark on Switzerland. Not only was the protocol for the formation of the Basler Bankverein signed in Frankfurt, but a German bank provided the capital, in concert with the six Basel-based private banking houses.



Construction of the Gotthard tunnel, 1880.



SBC in Basel, 1909.



Building of the Union Bank of Switzerland in Lichtensteig, 1914.



SBC building on Paradeplatz, Zurich, about 1904.

In 1912, the Bank in Winterthur and the Toggenburger Bank merged to form the Union Bank of Switzerland.



Zurich Stock Exchange, about 1910.

With seven of its 17 original directors domiciled outside Switzerland, the Basler Bankverein, founded with a share capital totaling 30 million francs, was from the outset an internationally oriented institution.

Like the Bank in Winterthur, the Basler Bankverein played a significant role in Switzerland’s rapid industrialization. It helped establish Basel as the center of Switzerland’s chemical industry and finance railway construction, including the most ambitious construction project of its day. In 1882, the 15 km long Gotthard tunnel, a 227 million Swiss franc project, was completed, providing a much-needed railway link through the Alps. The Basler Bankverein was financially and personally linked with its construction, while the Bank in Winterthur financed the locomotives that were to use this astounding feat of engineering.

In the following decades, the Basler Bankverein expanded and merged with the Zürcher Bankverein (Zurich) and took over the Schweizerische Unionbank (St. Gallen) and the Basler Depositen-Bank almost at one fell swoop. The resulting institution changed its name and from 1897 operated as the Swiss Bank Corporation.

**Zurich and Basel**

Within ten years of each other, the Basler Bankverein and the Bank in Winterthur converged on Zurich. The former merged with the Zürcher Bankverein and constructed a building on Paradeplatz, the square which has become synonymous with Zurich’s banking sector. And, in 1906, the Bank in Winterthur acquired a building at Bahnhofstrasse 44, located directly opposite UBS’s current headquarters, which provided easy access to Zurich’s stock exchange. Founded in 1880, the exchange rose to become the most important in Switzerland during the first half of the 20th century.



Union Bank of Switzerland, Münzhof, Bahnhofstrasse 45, Zurich, 1919 (left) and 1926 (right).



At around the same time, in 1907, the Swiss National Bank (SNB), the country's central bank, commenced operations in Berne and Zurich after its establishment by a 1905 federal decree. This institution was, and remains so to this day, key to the future development of the Swiss economy in general and the country's financial sector in particular. The Swiss franc had been introduced as the legal tender in Switzerland in 1850, replacing 13 currencies with 319 different coins. However, up until the founding of the SNB, the issuing of Swiss francs in various designs had been carried out by dozens of commercial banks across the country, including the Toggenburger Bank. In 1907, this ad hoc system was replaced by a standardized SNB-issued Swiss franc based on the gold standard.

Despite both forebears of UBS having established a presence in Zurich, their headquarters remained elsewhere. SBC, in fact, never moved its head office from its original location in Basel. The Union Bank of Switzerland maintained two head offices in Winterthur and St. Gallen until 1945. The bank then moved its head office to Zurich, to the aptly named *Münzhof* (court of coins or court of mint). The head office was now located at Bahnhofstrasse 45, which it had opened in 1917, and which – with its dressed rusticated ashlar and ornate ironwork on the windows and doors – reflected a sense of solidity and imperturbability.

**Into the 20th century**

In 1912, the Union Bank of Switzerland was formed with an initial share capital of 35 million Swiss francs. Even before their merger, both the Bank in Winterthur and the Toggenburger Bank had expanded their business reach within Switzerland. Various ventures of significance for the future of Switzerland had been financed, including in the expanding Swiss insurance sector.

In terms of geographical reach, however, SBC went further by becoming the first Swiss bank to establish a foothold in the City of London, already by then a global financial center. On 1 July 1898, *Swiss Bankverein* opened its doors for business in London at its new branch at 40 Threadneedle Street. This was only SBC's fourth branch overall (after Basel, Zurich and St. Gallen) and is evidence of the bank's early recognition of the need for an international presence. For decades to come, SBC's London branch was at the center of all of its foreign business operations.

A presence in London was essential to play an active role in major global developments. London was undoubtedly the preeminent global financial center and, according to a contemporary estimate, its importance to the global economy was demonstrated by the fact that half of the City's then 160 banks were not domestic institutes.

The historical roots of UBS's wealth management business in the US

Today, it comes as no surprise that UBS's global business presence draws heavily on its strong historical roots in the UK and the US. This is not only because of an early appreciation of the need to be present in the world's major financial centers, but also because of the important antecedents of UBS in those very countries.

The most notable example is the establishment of two broker partnerships in Boston in the last quarter of the 19th century. William A. Paine and Wallace G. Webber set up shop in 1880 (Paine, Webber & Co. from 1881) in the same street as the partnership of Charles C. Jackson and Laurence Curtis (Jackson & Curtis), established in 1879. These two venerable firms merged in 1942 and are the foundation of what are today UBS's wealth management operations in the US.

During the first half of the 20th century, Paine, Webber & Co. was controlled by the Paine family. Reputed to be one of the richest men in New England, William A. Paine died in September 1929, one month short of the disastrous Black Friday that signaled the start of the Wall Street crash. Both Jackson & Curtis and Paine, Webber & Co. survived the crash, but the continuing effects of the Great Depression probably provided an impetus toward their merger discussions in 1939. The merger that created Paine, Webber, Jackson & Curtis (PWJ&C) was eventually sealed on 29 June 1942.

Amidst the growing affluence of post-war America, PWJ&C's activities expanded rapidly. From 23 branch offices at the time of the 1942 merger, the firm grew to 30 offices in 1955 and to 45 offices ten years later. In 1963 PWJ&C's head office moved from Boston to New York. Subsequent changes, mergers and acquisitions furnished the firm with a presence in fixed-income instruments (F.S. Smithers

& Co., 1973), a closed-end investment company (Abacus Fund, 1972) and an investment research and advisory function (Mitchell Hutchins, 1977).

With the Abacus acquisition, the firm went public and two years later decided to form PaineWebber Inc. as a holding company with PWJ&C as the core subsidiary. By 1980 the firm's spread extended to 161 branch offices in 42 US states with six offices

in Europe and Asia. PaineWebber had established a presence throughout America and its popular advertising slogan "Thank You, PaineWebber" made it well known beyond its substantial client base. PaineWebber continued to expand right up to its acquisition by UBS in late 2000. In 1995 it had acquired the brokerage and investment banking firm Kidder, Peabody & Co. As late as April 2000, PaineWebber took over J.C. Bradford & Co. adding 900 brokers and 46 billion US dollars in client assets to PaineWebber's existing 7,600 brokers and 452 billion dollars in client assets.

UBS's global business presence draws heavily on its strong historical roots in the UK and the US.



Paine, Webber & Co., Boston, about 1907.

### Coping with early crises

In the last quarter of the 19th century, many parts of the world and countries such as Switzerland experienced unprecedented widespread industrialization. However, the economic development of Europe and the US was – at regular intervals – badly shaken by various crises. Predecessors of today’s UBS were not spared from these events. While, in 1872, the Bank in Winterthur was able to announce a total dividend of 11 percent to its shareholders, a major setback was only around the corner. On 9 May 1873, a severe international economic depression in Europe and the US was triggered that was to last beyond 1879. This crisis eventually forced the bank to create a “liquidation account” into which it moved half of its regular reserves in order to cover current and

potential future losses. The account was increased to 1.9 million Swiss francs by the end of 1879 and was eventually used up completely.

By 1883, the Bank in Winterthur had also completely used up its reserves of 1.3 million francs and was faced with a debit balance of nearly 2 million francs. In ten years, the bank’s share price dropped from 650 to 350 francs in 1883 and it was not able to pay any dividends from 1884 to 1886. As a consequence, the bank’s Board of Directors was almost completely revamped in 1884, leaving only three of the previous members on the Board – and none of those that had founded the bank in 1862. By 1895, the Bank in Winterthur had recovered – as had UBS’s other main forebear, the Basler

Bankverein, which a few years earlier had been forced to acknowledge publicly that “our institution is in a precarious state.” In the US, Paine, Webber & Co. was confronted with the financial crisis of 1883 and, ten years later, the Panic of 1893, which prompted Wallace G. Webber, co-founder of the partnership, to retire from it. Yet, when he tried to take out capital from the firm, “there was none to withdraw.” Paine, Webber & Co. survived. William A. Paine later observed about the 1893 crisis, “We had spent thirteen years gaining people’s confidence and developing resources for just such a struggle; and when it came victory was not so difficult for us as it was for many richer concerns.”



Banking hall of SBC in St. Gallen, about 1900.

At the beginning of the 20th century, not a single Swiss bank was ranked within the global top 50 banks.



SBC in London at 43 Lothbury, cashiers’ counter, 1908.



Branch office of Union Bank of Switzerland, about 1920.

Initially concentrating on international commercial banking activities – including providing loans for the development of railways in East Asia – SBC in London soon expanded its activities with the acquisition of the private banking house Blake, Boissevain & Co. This gave SBC access to an extensive securities business in Holland and the US as well as greater contacts in Switzerland and Germany. A second branch was set up in February 1912 in London’s West End next to the Swiss Railways office in order to service the lucrative travel and tourist trade. After the upheavals of the First World War, SBC quickly managed to (re-)establish itself as one of the leading foreign banks in London. Giving unmistakable evidence of SBC’s innovative and forward-looking spirit, it was in its new building on the corner of Gresham Street and Coleman Street that the first inhouse telephone exchange in London was installed.

Back in 1912, SBC also gave evidence of its interest in looking beyond the shores of Europe and toward the country that was overtaking Britain as the leading economic power globally, the United States of America. Although it was not until the onset of World War II, in 1939, that SBC fully established itself in New York, by then the world’s financial hub, in 1912 business connections to the US had already

been established. However, the evidence for these relations linked the bank to one of the most tragic events in the history of tourism and travel. On a business mission to New York, SBC’s chairman, and his successor, survived the tragedy that was to befall the ship they were traveling on, the *Titanic*.

SBC’s foreign ventures notwithstanding, at the beginning of the 20th century not a single Swiss bank was ranked within the global top 50 banks. In 1900, the Swiss financial services industry as a whole was ranked seventh worldwide, behind London, Paris, Berlin, New York, Brussels and Amsterdam. But this was going to change significantly during subsequent decades. By the late 1940s, Switzerland’s financial sector had forged ahead into third position, behind New York and London.



# 1912– 1945

## Dramatic times – World War I, economic turmoil and World War II

At the outset of the First World War in 1914, both the Union Bank of Switzerland and SBC ranked firmly among Switzerland's "Grossbanken" (big banks). By that time, all of the business divisions UBS has today had put down roots. This is also true for the firm's wealth management operations – even if the firms that preceded UBS did not actually create units explicitly dedicated to "private banking" until the 1990s.

Such services were offered almost from the onset. The Toggenburger Bank, for example, provided a "specialist service for capitalists and wealth management." In the compliance parlance of the time, the bank counseled that this service (housed in a separate office with a separate entrance) "must only recommend solid capital investment and should earnestly desist from encouraging clients to venture above their means or to invest in dubious stocks, as this completely contravenes the principles and tradition of the bank." Consequently, investment advice and wealth management activities were undertaken, usually by individual managers looking after individual wealthy clients, although in relation to the overall business of

UBS's predecessor banks those activities remained somewhat marginal.

### The First World War and its aftermath

Based in a country that remained neutral in both the First and the Second World Wars, the Union Bank of Switzerland and SBC benefited from the stability of Switzerland and consequently from its attractiveness for clients. Although the impact of the First World War was clearly felt in Switzerland, the country's neutrality helped to shelter its citizens from the unprecedented destruction and terrible loss of life experienced by its neighbors.

1912 Foundation of the Swiss Bankers Association.

1917 Union Bank of Switzerland opens its new building at Bahnhofstrasse 45, Zurich, today UBS's head office.

1917 Union Bank of Switzerland sets up a pension fund for its employees.

1924 Dillon, Read & Co., New York, with historical roots dating back to 1832, launches the first post-World War I closed investment fund.

1934 Union Bank of Switzerland launches its quarterly staff magazine *SBG-Blätter*.

1938 SBC co-establishes the first Swiss real estate fund (Swissimmobil Serie D).

1938 Union Bank of Switzerland establishes Intrag, Zurich, company for the management of investment trusts.

1938 Intrag establishes AMCA, the first Swiss investment trust with flexible funds of investment monies.

1942 Jackson & Curtis and Paine, Webber & Co. merge to become Paine, Webber, Jackson & Curtis, headquartered in Boston.

1945 Union Bank of Switzerland moves its headquarters from Winterthur and St. Gallen to Zurich.



Switzerland in the First World War.



Black Friday, New York, October 1929.



SBC London at 11C Regent Street, about 1912.



Union Bank of Switzerland in Locarno, 1930.



SBC London's evacuation premises, 1940.

The destruction caused by the First World War and its aftermath affected certain Swiss companies and industries in particular. One example of them receiving assistance with rebuilding came in 1922, when SBC celebrated its 50th anniversary and marked the occasion by giving each of its employees a Swiss pocket watch. The gifts provided invaluable support to the Swiss watch industry, which had seen a dramatic reduction in exports to the US. By the early 1920s, the number of SBC employees passed 2,000 for the first time, and stood at 1,000 at the Union Bank of Switzerland, showing that the economic impact of the war upon the two banks had not been dramatic.

However, neither of the banks were spared from the repercussions of the First World War, in particular the political and economic instability in much of Europe. In the aftermath of the war, Germany, then as today Europe's pivotal economy, faced severe economic and financial challenges, which culminated in hyperinflation in 1923. Although a certain stability emerged in subsequent years, the brief period of the "Golden 1920s" was not to last. In 1929, the Great Depression caused a radical rupture in the economic and financial fortunes of most countries around the world.

### The Great Depression

On 3 September 1929, the New York stock market index climbed to 381, a level it would not reach again for more than a quarter of a century. However, it was not immediately apparent that Wall Street was poised for the crash that followed in late October (with the Dow Jones reaching a low of 41 in July 1932). A comment in a booklet that commemorated Jackson & Curtis's 50th anniversary in late 1929 provides a whiff of the irrational optimism that

pervaded this first stage of the downturn: "The financial condition of America is so strong, that the slump has not been marked by the dramatic events of 1893 and 1907. It has been little more than a sharp thunderstorm in the middle of a sunny day." In the light of the rapid deterioration of the US economy, it is unlikely that Jackson & Curtis's anniversary booklet – with its optimistic outlook quickly disproved – remained in circulation for long. As an example of the dramatic events of the early 1930s, Jackson & Curtis's future merger partner, Paine, Webber & Co., was drawn into the collapse of the Van Sweringen railroad empire and rail stock held as collateral for the 33 million US dollars owed to Paine, Webber & Co. had to be sold at a loss.

For Switzerland, the downward spiral of the international economy is best symbolized by the disastrous situation that befell the nation's iconic watch industry. In the 1930s, the watch industry's exports dropped by two-thirds and around half of its 60,000 employees lost their jobs. The growth in employment levels at UBS's predecessors also went into reverse, with the Union Bank of Switzerland cutting its staff levels by one-quarter between 1931 and 1936.

The decade's political and economic upheavals, both symbolized and accelerated by such dramatic events as the collapse in 1931 of Austria's Credit-Anstalt, the largest bank in Central and Eastern Europe, also plunged Switzerland's financial sector into dangerous territory. In 1933, Switzerland was forced to rescue one of its Grossbanken, Schweizerische Volksbank, by taking on 100 million Swiss francs of the bank's cooperative capital, equivalent to just under one-quarter of the Swiss government's total spending for that year. Other banks were less fortunate,

with about 60 taken over or shut down between 1930 and 1939. In 1936, Switzerland was forced to devalue the Swiss franc (by 30 percent) for the first and, to date, only time.

The Union Bank of Switzerland and SBC were not immune to these troubles. The Union Bank's balance sheet total more than halved, from nearly 1 billion in 1930 to 441 million francs in 1935 (and only gradually recovered thereafter). An important factor in the deterioration of the situation pertained to what were referred to as "transfer impeded" assets, a euphemism for assets blocked abroad (mainly in Germany). The Union Bank of Switzerland reduced these assets in the mid-1930s and was forced to adopt some stringent measures at the same time. The bank's reserves were cut by 50 percent, its share capital reduced from 100 million in 1933 to 40 million francs in 1936, the share dividend was cut and salaries were reduced. By 1938, however, salaries were on the rise again – as were staff numbers.

SBC also saw its balance sheet fall from its then highest level of 1.6 billion francs in 1930 to a low of approximately 1 billion in 1935. It wrote off 32.5 million francs between 1930 and 1939, which, in 1935, led the bank to undertake a stringent examination of all then current loans. Commitments that proved not to be one hundred percent sound or which yielded an inadequate return were terminated wherever possible, or at least reduced. At the same time, SBC used the crisis as an opportunity to strengthen other areas of its business, for example paying more attention to "cultivating and extending its circle of private clients." And the crisis yielded one enduring legacy, when SBC decided to commission a new logo

The political and economic upheavals of the 1930s subjected Switzerland's financial center to dangerous turbulence.

in 1937: the bank settled on the three keys, then symbolizing trust, security and discretion, which still figure prominently in the UBS logo today.

### Banking secrecy – Article 47 of the Banking Act

Arguably, SBC's keys reflect another legacy of the 1930s, one of direct importance to the entire financial sector in Switzerland. When the Swiss authorities introduced the Federal Act on Banks and Savings Banks in 1934/35, the first national banking law, it was to include an article that provided rich material for many subsequent discussions – and countless depictions in literature and film. Article 47 of the new law officially referred to banking secrecy, an aspect of Swiss banking that had de facto existed in banks' relationships with their clients for a long time. As one historian put it, banking secrecy had "become established as an unwritten code of confidentiality similar to the one offered by lawyers, doctors or priests." The Union Bank of Switzerland's regulations, for example, had included a "confidentiality rule" for bank employees as far back as 1915.

In 1939, shortly before the outbreak of war, SBC opened an agency in New York. When the second global conflict in



The headquarters of the Basler Handelsbank in Basel, about 1900.

In the mid-1930s, Switzerland introduced the Federal Act on Banks and Savings Banks, the first national banking law.

less than a generation broke out in September of that year, Switzerland declared its neutrality, as it had done in the First World War. In fact, anything but a declaration of neutrality would have astounded the world. Switzerland had, after all, long been traditionally neutral. Its neutrality was internationally recognized, first in the Acts of the Congress of Vienna and again in 1919, and had been in place longer than that of any other country. Officially neutral since 1815, Switzerland as a state had come to be identified with its status of neutrality both at home and abroad.

Before 1939, Germany had long been a significant contributor to Switzerland’s economy. It would, however, be wrong to argue that during the war Switzerland chose voluntarily to reorient its foreign trade toward Germany and away from Britain and France. After the surrender of France in 1940, and given Switzerland’s position within a Europe dominated by Germany, a reorientation of the country’s foreign trade was to be expected. The decline in Switzerland’s trade with the West was dramatic, while trade with Germany increased massively. In addition to the economic aspect, Switzerland’s neutrality and its position as an international financial center also enabled Germany to obtain significant financial services from its southern neighbor.

Decades after the end of the war, Switzerland’s wartime relationship with Germany, and the terrible effects of the inhuman acts committed by the Nazi regime across Europe, became the subject of heated controversy, notably for Swiss banks. In the 1990s, class action suits were filed against banks regarding the issue of World

War II-era dormant accounts. Between 1996 and 1999, Swiss banks submitted themselves to a major, independent investigation, unique in its kind, with a view to identifying potential Holocaust-related assets dating from before or during the Second World War. The conclusions drawn by the investigation were that there was no evidence of systematic destruction of records of victims’ accounts or of organized discrimination against the victims of Nazi persecution. However, according to the investigation, there was confirmed evidence of questionable and deceitful actions by some of the banks in the handling of the accounts of victims. These developments reached their height at precisely the time that the Union Bank of Switzerland and SBC were negotiating their merger. A settlement agreement was concluded in August 1998 in which Swiss banks agreed to pay 1.25 billion US dollars. The formal settlement agreement became definitive on 30 March 1999 and the banks paid the final installment in 2000. The subsequent processing of the claims and the monetary awards were entirely the responsibility of a New York judge and the Special Masters designated by him.

The historical roots of Asset Management

In 1895, George Phillips sought out Richard Drew to help him run a city brokerage. Then known as G.A. Phillips & Co., the firm’s share portfolio included such grandly named (and long-forgotten) companies as Thunderbolt Patent Governor and Automotive Syndicate. It also had interests in West Australian gold mining companies. In 1905, the firm adopted the name Phillips & Drew with the arrival of Geoffrey Harvey Drew as a new partner. Until the late 1940s, the Drew family continued to hold a controlling position within the firm. By the late 1960s, the firm had earned this assessment from a contemporary observer: “Very professional, broadly meritocratic, and sustaining an ethos in which teamwork was preferred to stars, Phillips & Drew had at this stage in its history a unique reputation in the City.”

By the 1980s, while no longer unique, Phillips & Drew’s reputation was still conspicuous. In business terms, the firm held a leading share of the UK gilts and fixed-interest markets, it was the country’s largest broker in convertible stocks and the largest asset manager among UK brokers. During the “Big Bang” of deregulation of the UK’s financial industry in the mid-1980s, the Union Bank of Switzerland acquired Phillips & Drew. The Phillips & Drew name lived on in the Union Bank’s UK asset management business, which became known as Phillips & Drew Fund Management (or PDFM). This continued to operate relatively independently. Thanks to rapid growth in the late 1980s and early 1990s, the firm was a leader in the UK fund management industry.

The merger of the Union Bank of Switzerland and SBC bequeathed to the new bank three major asset management operations, which were subsequently combined in the single UBS Global Asset Management division in April 2002: Phillips & Drew and UBS Asset Management from the Union Bank of Switzerland side and Brinson Partners from the SBC side. The latter firm had been established in 1989 after a management buyout of First Chicago Investment Advisors, the asset management subsidiary that First National Bank of Chicago had set up in 1984. In 1994, when the firm accepted SBC’s purchase offer, Brinson Partners had 10 managing partners and 250 employees. Its headquarters were in Chicago, with offices in London and Tokyo.



The headquarters of Eidgenössische Bank in Berne, about 1930.

# 1945– 1980



SBC building, Zurich Paradeplatz, 1960s.

## Reconstruction and economic boom

In the midst of war-torn Europe, Switzerland stood out for its balanced state budget, high savings rate, stable Swiss franc and low inflation. This also benefited Swiss financial institutions, which were very solid due to strict capital adequacy regulations. In addition, the Swiss Federal Banking Act protected the financial privacy of bank customers. This provided the Swiss banking system with an ideal starting point for building its reputation.

After the Second World War, the US and Western Europe experienced a period of unprecedented and uninterrupted economic boom that was to last until the first oil crisis in 1973. When post-war reconstruction began, most Europeans were pessimistic about the future in terms of both politics and economics. Relief about the end of the war was tinged with uncertainty about the emerging Cold War between the US and the Soviet Union. At the same time, it was difficult to imagine how Europe could pull itself out of the economic desolation caused by Nazi Germany's occupation of most of the continent.

In 1945, both the Union Bank of Switzerland and SBC substantially strengthened their position by taking over two large but troubled competitors that had experienced severe liquidity problems as a result of their financial overcommitment to Germany in previous decades. The Union Bank of Switzerland absorbed the Eidgenössische Bank (EIBA, founded in 1863),

bringing total assets to 1.5 billion Swiss francs. And SBC's takeover of the Basler Handelsbank (founded in 1862) increased its balance sheet to almost 2 billion francs. The Basler Handelsbank had played an important role in Europe's economic development, most specifically with regard to electrification. In 1896, together with Siemens & Halske AG, Berlin, the bank had established the Schweizerische Gesellschaft für elektrische Industrie (INDELEC) in Basel, which then financed hydroelectric power stations in Switzerland, Europe and Mexico and also drove the electrification of major towns, including Paris, St. Petersburg, Moscow, Riga, Lodz and Baku.

Both takeovers put the Union Bank of Switzerland and SBC in good positions to benefit from the economic upswing of the 1950s. By the mid-1960s, both banks individually held over 10 billion Swiss francs in total assets for the first time, while shareholder equity increased to more than 1 billion francs by the end of the decade.

**1945** Union Bank of Switzerland acquires Eidgenössische Bank, SBC takes over Basler Handelsbank.

**1958** S.G. Warburg engineers the City of London's first hostile corporate takeover.

**1958** Union Bank of Switzerland introduces its first Autoschalter, a drive-in bank counter.

**1960** Paine, Webber, Jackson & Curtis develops the so-called Green Shoe Option.

**1963** S.G. Warburg plays a pioneering role in the launch of the Eurobond market.

**1963** Paine, Webber, Jackson & Curtis moves its headquarters from Boston to New York.

**1965** Union Bank of Switzerland is among the few companies to advertise on Swiss television's first commercial break.

**1967** Union Bank of Switzerland launches the first automated cash dispenser in Continental Europe.

**1970** Union Bank of Switzerland opens Switzerland's first underground bank agency, in Zurich main station's underground shopping alley.

**1970** SBC is the first Swiss bank to open a full branch in Tokyo.

**1972** Union Bank of Switzerland launches the first option bond in Switzerland.

**Expansion in the 1960s**

Prior to the 1960s, the Union Bank of Switzerland normally ranked third among Switzerland’s Grossbanken, with SBC first or second. This changed in 1967 when Interhandel (Internationale Industrie- und Handelsbeteiligungen AG, Basel), the former I.G. Chemie holding company founded in Basel in 1928, merged with the Union Bank of Switzerland. While the Union Bank of Switzerland had been in sole control of this holding company since 1961, the 1963 settlement between Interhandel and the US government on corporate interests originally held by I.G. Chemie in the US meant that Interhandel would receive 122 million US dollars (500 million Swiss francs) from the sale. When, in 1967, Union Bank of Switzerland merged with Interhandel, these resources went to the bank, making it the largest bank in Switzerland and one of the strongest banks in Europe, in terms of capital. Growth at the Union Bank of Switzerland and SBC continued thereafter, with a tenfold increase of total assets and shareholder equity between the late 1960s and the 1980s.

At this time, the business and geographical focus of both banks still remained overwhelmingly domestic, even though both had established a foothold in other financial centers. In addition to two branches in London, SBC had added an agency in New York in 1939. And the Union Bank of Switzerland had opened a representative office there in 1946.

In many ways, the 1960s proved to be a decisive period for both banks – with expansion and innovation at home and abroad. Important milestones included the June 1960 opening of SBC’s new office building on Zurich’s Paradeplatz, which replaced the bank’s original turn-of-the-century building. And when, in the early



Strong room at Union Bank of Switzerland, early 1960s.



SBC in London in the 1960s.



Release of Real Time Banking at SBC, 1979.



SBC’s global presence in the late 1960s.

By the early 1970s, SBC and the Union Bank of Switzerland were represented on all continents, from Australia to East and Southeast Asia to South Africa and across the Americas.



SBC offices in Tokyo, 1971.

1970s, the Union Bank of Switzerland acquired Bank Pozzy (founded in 1747 in the picturesque town of Poschiavo, Switzerland) it tapped into a history even older than its own.

In 1946, the Swiss branch network of the Grossbanken, including SBC and the Union Bank of Switzerland, had been small compared to other Swiss banks, with only a 20 percent share of the country’s retail banking. In less than 25 years, this had expanded to 40 percent. Pursuing similar strategies for growth and greater market share, the Union Bank of Switzerland and SBC acquired a number of smaller Swiss banks and opened new branches. SBC increased its total number of branches and agencies in Switzerland to 110 by the end of 1970 while the Union Bank of Switzerland’s tally reached 159, including Switzerland’s first below-the-ground bank agency, established in October 1970, in the shopping complex underneath Zurich’s main railway station.

By the early 1970s, SBC and the Union Bank of Switzerland were represented on all continents, from Australia (Sydney and Melbourne) to East and Southeast Asia (Hong Kong, Tokyo, Singapore) to South Africa (Johannesburg) and across the Americas (Montreal, Chicago, San Francisco, Mexico, Caracas, Bogotá, Rio de Janeiro, São Paulo, Buenos Aires).

Expansion of the branch network led to greater emphasis on the banking needs of the average Swiss citizen. At the beginning of the 1960s, Switzerland’s Grossbanken were still essentially commercial banks that did not offer mortgages, savings and salary accounts. Data processing technology was in its infancy. Although salary and depot statements were produced through data processing, they had to be sent out manually every quarter.



Autoschalter, a drive-in bank counter, at Union Bank of Switzerland, 1979.



Switzerland's first automated teller machine (ATM), 1967.

By the end of the decade, however, both banks had taken to private and retail banking with enthusiasm.

Technological progress was unmistakable – and directly relevant to clients. An important example of this was the establishment of an automated teller machine (ATM) network, which began in November 1967 with the installation of the first ATM in Continental Europe at the headquarters of the Union Bank of Switzerland in Zurich. Just one year later, a number of Swiss banks (including the Union Bank of Switzerland and SBC) rolled out a uniform system of ATMs. In 1968, the Union Bank of Switzerland offered its first savings accounts to the general public and two years later, it introduced current accounts, followed by an account card. More progress was made for banking clients in 1969 with the introduction of the Swiss cheque card, which permitted the holder to cash cheques up to 300 Swiss francs. The Zurich Gold Pool was also created around this time, a buying cartel formed by the Union Bank of Switzerland, SBC and Credit Suisse, which laid the basis for Switzerland to emerge as the largest gold market in the world.

Increased and better service, more clients, and an expanded product range added to the workload. During the 1960s, employee numbers at both SBC and the Union Bank of Switzerland increased notably. Between the end of 1962 and the end of 1972, SBC recruited nearly 4,000 new employees, bringing total headcount to almost 9,400. At the Union Bank of Switzerland, the payroll grew from just under 4,000 employees in 1960 to just under 10,000 in 1970 (of which almost half were younger than 25). This development led the banks to introduce new working

arrangements. In 1962, the Union Bank of Switzerland introduced the uninterrupted workday, the 45-minute lunch break and the establishment of staff restaurants. To cater for the career development of a growing employee population, the Union Bank of Switzerland established its own bank and management school in 1965 and, ten years later, turned the Wolfsberg estate on the Swiss shores of Lake Constance into its management training center.

**UBS forebears in the UK and US**

During the same period, an important part of UBS's heritage made its presence felt in the City of London. Founded in 1946, merchant bank S.G. Warburg attracted the attention of its competitors when, in 1958, it engineered the City's first ever hostile corporate takeover. Only a few years later, in 1963, S.G. Warburg added a further firm imprint upon the history of the City when it played a pioneering role in the launch of the Eurobond market with the issue of the first long-term international bond issue (for Italy's Autostrade), denominated in US dollars, to be sold entirely out of Europe and not the US.

While S.G. Warburg established a name for itself as a significant merchant bank (and PaineWebber as an effective wealth manager – see also "The historical roots of UBS's wealth management business in the US" on page 13), the O'Connor brothers, Edmund and William, became influential players on the Chicago Board of Trade. Eventually, from the late 1960s, the O'Connors played a pioneering role in the modern options market, both as driving forces behind the Chicago Board Options Exchange and, simultaneously, as founders of Chicago's first options clearing firm, First Options Corp., in 1973. Four years later, the O'Connor brothers decided to finance the establishment of O'Connor & Associates as a private partnership. They traded stock options on US exchanges explicitly using theoretical trading strategies (most notably Black-Scholes-Merton). In the early 1990s, the firm was acquired by SBC, an important milestone on the path toward today's Investment Bank.



Union Bank of Switzerland agency, Zurich main station, 1975.

## Investment Bank

“Warburgs have proved themselves to be the most successful Merchant Banking House to have been formed since the war. [Nevertheless] in our old-fashioned way we should not want to appear on a prospectus with them.”<sup>1</sup>

Evelyn Baring’s comment provides an excellent flavor both of the position S.G. Warburg (Warburgs) had established for itself in the City of London since its foundation in 1946, but equally of the perception more staid members of the City’s financial community had of the “upstart” banking house. Certainly, by the early 1960s, Warburgs had succeeded in making a name for itself. That this development had largely derived from an approach deemed to be, at the least, unorthodox, can be easily derived from Baring’s sardonic reservation.

Siegmund Warburg, founder and key figure of the merchant bank, had arrived in London in 1934 after leaving Germany in response to rising Nazi oppression. Warburg was a member of a family with deep historical roots in the German banking community; the family bank M.M. Warburg had been established in Hamburg in 1798.

Upon his arrival in London, Siegmund Warburg became co-founder and joint managing director of the New Trading Company (NTC). In January 1946, Warburg decided to put his business presence in London on a new footing by turning NTC into a proper merchant bank, S.G. Warburg & Co. Initially, business was sluggish as the firm struggled with both the difficult post-war economic climate in the UK and the prejudices it encountered as a newcomer in Britain’s financial and industrial business communities. From the mid-1950s, however,

a sustained turnaround started to show. With a number of important business transactions, which were to leave an imprint upon the history of the City, Warburgs moved to the forefront of Britain’s merchant banking establishment. These undertakings demonstrated the willingness of the bank’s management to ignore traditional attitudes that still dominated the thinking of most of its competitors in the City.

Its involvement in late 1958 in a syndicate underwriting the public issue of 25 million US dollars’ worth of bonds as a flanking measure for a 25 million dollar World Bank loan to Austria was immediately followed by Warburgs’ most spectacular achievement yet, its success in the so-called “Aluminium Wars.” Today, few would associate the concept of war with what came to pass in the late 1950s. Then, however, the takeover of British Aluminium Company (BAC) by US company Reynolds Metals clearly created such a dramatic impression among both participants and observers. In its capacity as financial advisor to Reynolds Metals, Warburgs helped the firm to acquire BAC overcoming the opposition of a major consortium of City firms that favored BAC’s takeover by Aluminum Company of America (ALCOA). The battle was fierce and acrimonious, but in the end it breathed new life into the City with takeover bids of a similar kind as pioneered by Warburgs becoming common – and with the pioneering firm reaping much benefit from its success and the changes it helped to bring under way.

Further feats followed. And to top it all – at least in view of wider historical implications – in 1963, Warburgs played a key role in the launch of the

Eurobond market with the issue of the first long-term international bond (for Italy’s Autostrade). Thereafter, Warburgs remained a key player in the managing of Eurobond offerings.

By the early 1960s, Warburgs had become one of the most respected banking houses in the City. However, Warburgs’ most important contribution was not just the business it facilitated, but the mindset it cultivated. Already in the 1950s, Warburgs opposed the nepotistic recruitment practices seen in many other City firms. Instead, the merchant bank’s leadership favored selection based on merit. Criteria for employment were, in Siegmund Warburg’s own words, “independent thought, intelligence, accuracy, social skills (not social background) and, last but not least, courage and common sense.” On the other hand, Warburg warned, “arrogance, self-promotion, sloppiness, bad writing style and bureaucratic behavior” would be counterproductive to both clients and employees.

In 1982, the year of Siegmund Warburg’s death, the firm that he had founded was the most profitable merchant bank in the City. The firm’s workforce had grown by nearly 270 percent to just under 800 in two decades. In the following five years, Warburgs achieved further growth largely through the acquisition of market-makers Ackroyd & Smithers, the top jobber at the time, Rowe & Pitman, one of the top three stockbrokers, and Mullens & Co., the government broker.

For a time, Warburgs proved to be one of the few successful British “products” of the “Big Bang.” By 1994, with a workforce of 5,800, Warburgs was the UK’s top under-

writer for equity. It maintained the top position in M&A in the UK, the top position in European equities research and ranked among the top five in international equity underwriting. Yet, during the very same year, Warburgs’ expenditure on salaries and related items rose massively, yet returns did not keep up. Even worse than the financial woes created by the expensive expansion in the US was the effect of the 1994 collapse in international bond markets. On 2 May 1995, the day before the bank announced a profit warning for the previous financial year ended on 31 March, an unforeseen piece of information was unveiled to the public when Warburgs disclosed that it was examining an offer from SBC for its investment banking business. One week later, on 10 May, Warburgs’ (last) financial results were published. On the very same day, SBC’s acquisition of the merchant bank for 860 million pounds was announced.



Siegmund Warburg, 1972.

## Innovative advertising

Some marketing experts held that the Union Bank of Switzerland should take a leading role in the introduction of television advertising. Others that the new medium would sit badly with the “standing and reputation of a major bank.” It was 1964; Switzerland was preparing to broadcast its first television commercials and the pros and cons were flying at the Union Bank of Switzerland. In the event, the bank’s marketing and communications

experts carried the day. In their words, “It was critical for us to participate right from the outset, in order to show that once again we are ahead of the game.” And so it was that the Union Bank of Switzerland became one of the very first companies to project its brand on Swiss television. The country’s first commercials went out at 7:25 p.m. on 1 February 1965. In the same year, the Union Bank of Switzerland scored an extra coup,

courtesy of James Bond. As the marketing and communications experts reported to the bank’s Board of Directors in October: “Our department is not responsible for the fact that a scene in the new Goldfinger film takes place in the vault of UBS Geneva. However, it registers with delight the free advertising UBS received in an article in one of the latest copies of Time magazine.”

<sup>1</sup> Evelyn Baring, 1961.

# 1980– 2000

## The making of UBS

By the mid-1980s, Switzerland could boast of 581 banking institutions, with total assets and liabilities of 723 billion Swiss francs and employing about 100,000 people. Among these institutions, SBC and the Union Bank of Switzerland, together with Credit Suisse, dominated the home market. Measured by balance sheet size, their combined market share reached as high as 50 percent. However, despite their international expansion in the 1960s, neither SBC nor the Union Bank of Switzerland were prominently represented outside their domestic market.

The Swiss expansionary monetary policy of the 1980s induced banks to adopt aggressive lending policies, resulting in the massive expansion of mortgage loan volumes. This led to a real estate bubble that was ultimately punctured by the central bank in order to prevent a sudden and uncontrolled burst. Even so, Switzerland's financial sector started to come under pressure in the late 1980s and the country entered a period of economic stagnation that lasted from 1990 to 1997. A lack of growth and a sharp rise in credit losses meant that banks were losing money in the Swiss corporate and consumer lending markets. These conditions, together with the deregulation of the Swiss banking industry after 1990, forced the banks to reconsider their strategy. As *The Economist* observed in January 1991, "A rude shock has hit Switzerland's bankers. They are being forced ... to compete." SBC, for instance, had increased its total mortgage loan volume from 9.5 billion Swiss francs at

the end of 1980 to 46.8 billion francs by the end of 1993. For the period from 1991 until 1996 total write-offs by Swiss banks were estimated to be 42 billion francs, with 70 percent of this amount written off by the Grossbanken. In the 1996 financial year, both SBC and the Union Bank of Switzerland suffered losses, 348 million francs at the Union Bank of Switzerland and 457 million francs at SBC, largely due to the need to make special provisions.

### Toward "making" UBS

Deregulation – combined with the crisis – had far-reaching effects, starting with an accelerated rate of consolidation in the financial services sector. With Credit Suisse's acquisition of Bank Leu in 1990 and Schweizerische Volksbank in 1993, the number of Grossbanken shrunk from five to three. In view of their already substantial market share in Switzerland, the major banks had to look outside the country's borders for significant further growth.

**1986** SBC is one of the first banks in Europe to offer gold options.

**1986** Union Bank of Switzerland opens its first electronic banking branch (in Zurich).

**1988** SBC launches TicketCorner, the first such service offered by a bank in Europe.

**1991** SBC acquires a majority holding in Australian firm DBSM to make it SBC Dominguez Barry, from 1994 SBC Australia.

**1994** Union Bank of Switzerland launches the Kinebar, as the first bank globally.

**1994** SBC launches KeyClub, the first such bonus program at a European bank.

**1995** SBC acquires S.G. Warburg in London, a leading European investment bank.

**1998** UBS AG, Zurich and Basel, is created through the merger of the Union Bank of Switzerland and the Swiss Bank Corporation.

**1999** UBS is founding member of the Wolfsberg Group.

**1999** UBS is the first bank to obtain ISO 14001 certification for its worldwide environmental management system in banking business.

**1999** UBS opens its new trading floor in Opfikon (Switzerland), the largest in Europe.

**2000** UBS acquires US brokerage PaineWebber.





First electronic banking branch in Zurich, 1986.



PaineWebber, Avenue of the Americas, New York, 1985.



UBS, Avenue of the Americas, New York.

In December 1997, the Union Bank of Switzerland and SBC announced that they would join forces to create UBS, thus laying the foundations for a global and integrated financial services firm.

By the early 1990s, both SBC and the Union Bank of Switzerland had reached similar conclusions. Their future would lie beyond the borders of Switzerland in the major financial markets of the world. They would have to look beyond their mainstay Swiss retail, private, and commercial banking activities. From the late 1980s, therefore, both banks sought growth abroad. They looked for a long-term competitive advantage by transforming themselves into top-tier global financial institutions with international cultures and multinational workforces.

By the mid-1990s, both SBC and the Union Bank of Switzerland had made some progress toward their strategic goals. But going the extra mile would take nothing less than

an epoch-defining merger. In December 1997, the Union Bank of Switzerland and SBC announced that they would join forces to create UBS, thus laying the foundations for a global and integrated financial services firm.

In 1996, leadership changes had taken place at both banks. It was within this new organizational context that the first merger discussions began in January 1997. By the third week of November, the key merger issues had been resolved. The agreement stated that the merged firm would, for the greater part, adopt SBC's organizational model and principles. The new structure would include a Corporate Center to support the business groups and reinforce the separation of business origination and risk control.

During the crucial days of 19 to 21 November 1997, the two sides resolved the remaining key points. They determined the new legal structure and the share exchange ratio. The business model was also revised. Decisions were made as to who would sit on the new group executive board, as well as drawing up the legal contracts for the merger transaction, and the preparation of a communications plan. On 5 December, the boards of both banks voted in favor of the transaction and the merger was announced as planned on 8 December 1997.

In the course of their negotiations, both the Union Bank of Switzerland and SBC had faced challenges that influenced their opinion of the necessity and timing of a merger.



Château Wolfsberg, home to the UBS Center for Education and Dialogue.

These constraints aside, the merger was a forward-looking and positive move. Its aims were to build top-tier positions for the new firm's core activities, and to create substantial shareholder value. The new firm aspired to be among the global leaders in its four international business divisions (investment banking, institutional asset management, private banking and private equity), while in Switzerland it aimed at leading the Swiss consumer and corporate banking sectors.

**The UBS merger**

The completion date for the merger would depend on the necessary approvals from shareholders and government regulators. The shareholders gave their support at extraordinary general meetings in Zurich for the Union Bank of Switzerland and Basel for SBC. Support was overwhelming in both cases.

On 29 June 1998, the merger of the Union Bank of Switzerland and the Swiss Bank Corporation was legally completed and UBS AG was established. Implementing the merger, however, was a daunting task, given the number of affected staff, the wide range of businesses, and the size of the balance sheets. Neither party had ever undertaken a merger of this magnitude. Fortunately, the new organization could draw on SBC's experience of integrating S.G. Warburg in 1995. This episode had underlined the critical importance of tight project management and rapid implementation, lessons that were subsequently applied in the Union Bank-SBC merger.

In the midst of these efforts, UBS was hit by the implosion of the large hedge fund Long-Term Capital Management (LTCM), in which the Union Bank of Switzerland had invested. On 23 September 1998, UBS declared a 793 million Swiss francs pre-tax loss on its LTCM exposure. The bank also injected 300 million US dollars into the fund as part of a bailout coordinated by the US Federal Reserve. Several UBS senior managers assumed responsibility for this and resigned on 6 October. Far worse than its financial impact, the LTCM episode dealt a crushing blow to the fledgling firm's image and confidence.

Integration costs, as well as LTCM and other setbacks, resulted in a disappointing first year of business for the new firm, but performance improved from late 1999. Despite doubts over its private banking and asset management divisions, UBS had good reason to be upbeat about the future. By 2000, it was able to post a first set of strong financial results and, in May of that year, it also listed its global registered shares on the New York Stock Exchange. This was a first step toward acquiring the US broker PaineWebber, a move that was to transform the scope and scale of the firm's wealth management activities in America.

# 2000– 2022



UBS office campus at 9 Penang Road, Singapore, completely powered by renewable energy.

## Challenges and organic growth

UBS took a quantum leap into the new millennium with its global expansion strategy. Until now, the firm had been, in essence, Swiss. But, with the watershed acquisition of PaineWebber in the US, the demographic and cultural structure of UBS changed enormously. While two-thirds of almost 50,000 staff had previously worked in the firm's home country, the takeover catapulted the number of employees working outside of Switzerland to more than 40,000, accounting for 58 percent of the new total workforce.

After the acquisition of PaineWebber, UBS had established a very sizeable presence in the world's largest financial market. Subsequently, the firm added mainly smaller acquisitions and, through both these and through organic growth, it rapidly expanded its presence in emerging markets. UBS's global ambitions were solidified through the introduction of the single UBS brand in 2003. By early 2007, UBS proudly reported 2006 as the best year in the firm's history. However, only a few months later, UBS was forced to acknowledge a severe reversal of fortunes. On 1 October, the firm had to announce that, mainly due to deteriorating conditions in the US sub-prime residential mortgage market, it would likely record an overall loss for third quarter following a write-down of positions in the Investment Bank.

As a result of the global financial market crisis, between the third quarter

of 2007 and the fourth quarter of 2009, UBS wrote down more than 50 billion Swiss francs, mostly on structured financial products linked to the US residential real estate market.

UBS's crisis was heightened further when, at the same time, the US Department of Justice and later the US Securities and Exchange Commission informed the firm that they had opened investigations into the firm's US cross-border business. This issue eventually led to the firm ceasing to provide cross-border services to private banking clients domiciled in the US through non-US regulated entities.

### Saving UBS

UBS responded to the financial crisis by raising capital, notably through a 13 billion Swiss franc issue of mandatory convertible notes (MCNs) in late 2007, and in June 2008 through a public rights offering of approximately

**2000** UBS is the first non-US bank listed on New York's Wall Street.

**2003** China officially certifies UBS as a Qualified Foreign Institutional Investor (QFII), allowing it to participate in the country's securities market.

**2009** After a major crisis that began in mid-2007, UBS returns to profitability in the fourth quarter.

**2016** UBS opens the new and sustainably designed London headquarters, and the UBS Oncology Impact Fund closes, having raised a record-breaking 471 million US dollars for cancer research.

**2018** After three years of renovation work, UBS celebrates the reopening of its global headquarters at Bahnhofstrasse 45, Zurich.

**2020** The COVID-19 pandemic accelerates digital transformation and influences digital interactions with clients. More than 95 percent of staff are able to work at any given time on a remote basis.

**2021** UBS defines its purpose: Reimagining the power of investing. Connecting people for a better world, and launches its Group Sustainability and Impact organization, which is responsible for driving the implementation of the Group-wide sustainability and impact strategy.

**2022** In the US, UBS plans to acquire Wealthfront, a major digital wealth management provider.

UBS was the first bank to offer philanthropy services on a global basis to clients who are seeking ways to invest their wealth actively for the greater good.

15 billion francs. In the same year, the Swiss National Bank (SNB) and UBS announced a comprehensive solution to materially de-risk and reduce UBS's balance sheet, a key element of which was the SNB's undertaking to establish a fund to acquire securities held by UBS in an amount of up to 60 billion US dollars to relieve UBS's balance sheet. By spring 2009, the SNB StabFund, a special purpose vehicle established by the SNB, had acquired such securities in the total amount of 39.6 billion US dollars. In addition, UBS received a capital injection of 6 billion francs from the Swiss Confederation in the form of MCNs. In 2009, the Swiss Confederation successfully completed a placement of 332.2 million UBS shares from the conversion of its UBS MCNs. At the same time, the Confederation sold its future MCN coupon payments back to UBS for cash. In doing so, the Confederation recouped its initial investment of 6 billion francs and additionally generated a return of approximately 1.2 billion francs.

In corporate governance terms, a new Board of Directors, together with a new Group Executive Board, took on the challenge of restructuring UBS in 2009. A first sign for a successful turnaround appeared in the fourth quarter of 2009, when the firm returned to profitability and had reduced its balance sheet total and risks by some 50 percent, compared to the situation at the outbreak of the financial market crisis. UBS maintained its profitability during the course of 2010 and 2011, even though it experienced a further setback in September 2011, announcing that it had discovered unauthorized deals by a trader in its Investment Bank, resulting in a loss of 2.3 billion dollars. Despite this, UBS continued to remain well positioned as a result of the sound financial, capital and funding positions.

**Focusing on three keys to success and digitalization**

After that turbulent period, UBS accelerated the implementation of the new organizational structure. This saw a globally focused wealth management business and the universal bank in Switzerland at the center of the business model, supported by global asset management capabilities and a less complex and less capital-intensive investment bank. Accompanying this transformation step, the three keys to success program was launched to form the strategy, identity and culture of the firm, based on Pillars (what we are built on), Principles (what we stand for) and Behaviors (how we do it). With that in place, UBS concentrated on the growth of its industry-leading capital position and on reductions in fully applied risk-weighted assets as well as cost base. Only two years after announcing the new strategy, by the end of 2013, the ambitious capital targets were exceeded and key measures of financial strength had more than doubled.

In regional terms, UBS saw strong organic growth in the Asia Pacific region, focusing on the leading financial centers Hong Kong and Singapore, building a targeted presence in key onshore markets, such as Japan and Taiwan, and further strengthening local presence in China.



In 2003, UBS is main sponsor of *Alinghi*, the first European sailing yacht to win the America's Cup.



UBS Optimus Foundation, part of our Philanthropy offering, focuses on working with grantees in education, health, environment and child protection.

One year before celebrations began to mark 50 years of doing business in Asia Pacific, UBS (China) Limited opened officially in Beijing in 2013 to capitalize on long-term growth opportunities. And UBS continued to take root in China throughout the following years, with a new branch in Shanghai, a new Business Solutions Center in Wuxi, and UBS University in Shanghai all opening in 2016, supplementing existing campuses in the US, Europe and India.

In the aftermath of the financial crisis, regulatory pressure on the financial services industry remained a major driver of change for the industry. To keep up with the change, UBS continued to amend its legal structure to become simpler, more transparent, and more resilient, also by improving the firm's resolvability in response to the too-big-to-fail requirements. With the strategic transformation complete, UBS was now able to concentrate all of its efforts on unlocking the firm's full potential and enhancing its effectiveness and efficiency. That proactive shaping of the firm happened alongside the increasing digitalization. UBS developed e-banking solutions for clients in the Swiss home market that went far beyond online transactions and initiatives, such as the Personal Financial Assistant or the UBS Portfolio Health Check. These have put the firm at the leading edge in e-banking and mobile banking in Switzerland. On an international scale, the introduction of a wide range of innovative tools like our digital mandate solution My Way or the early-warning system for companies UBS Guard redefined the digital client experience.

**Propelling social change and growing sustainably in all aspects**

As a global firm with business relations involving many individuals and companies, UBS is of course part of the social fabric of the communities bound to be dealing with issues of societal relevance. In this regard, the firm decided in 2014 to establish UBS and Society – to coordinate everything UBS does in terms of sustainable investing and client philanthropy, environmental and human rights policies, the management of its own environmental footprint, as well as its community investment. Already in 2014, when the concept of impact investing was very new, we demonstrated our commitment to creating sustainable value when, in an industry first, the firm launched a fund that linked a fund manager's performance fee not only with financial targets, but also with certain measurable social impact thresholds. In the years that followed the launch of this particular fund, more funds were raised to serve low-income populations in the developing world through microcredit, small- and medium-sized enterprise loans, housing, agriculture, and education loans.

UBS was the first bank to offer philanthropy services on a global basis to clients who are seeking ways to invest their wealth actively for the greater good. And, with an ambition to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of the 17 United Nations Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy, in 2020, UBS also became the first major global



Empty offices during the COVID-19 pandemic, 2020.

financial institution to make sustainable investments the preferred solution for private clients investing globally. In 2021, the activities of UBS and Society became incorporated into the new Group Sustainability and Impact organization, with Planet, People, Partnerships as its focus themes. As part of this, our Community Impact program acts as a powerful vehicle to address issues associated with wealth inequality by generating social impact and to mobilize employees. For example, we work with our local communities to understand the social issues they are facing, we develop long-term partnerships with our communities to help address those issues, we focus on education and skills to catalyze sustainable change in people’s lives, and we enable our employees to help deliver this change through volunteering.

In our offices, 2016 saw the opening of UBS’s new, sustainably designed London headquarters 5 Broadgate for 5,400 employees. It was the first in a series of new sustainable and carbon-neutral buildings, including our more than 100-year-old headquarters and branch at Bahnhofstrasse 45 in Zurich, which reopened its doors in 2018 after a complete renovation, or the prime property at 9 Penang Road in Singapore, which, in 2019, became the new home to 3,000 of our employees.

And, in 2016, UBS merged Wealth Management and Wealth Management Americas to create one single business division: Global Wealth Management. In the first year of combined operations, it reached a decade-high profit before tax. That momentum was paralleled by the Group, which, despite a very challenging market environment, achieved solid results thanks to its balanced business and geographic mix, as well as its strong focus on executing

the strategy. With over 70,000 employees globally in more than 50 countries, cross-divisional collaboration is key. To further increase the level of cross-divisional collaboration, the Group Franchise Awards program was introduced in 2016 on international scale, to give employees the opportunity to submit – and be rewarded for – ideas to improve processes.

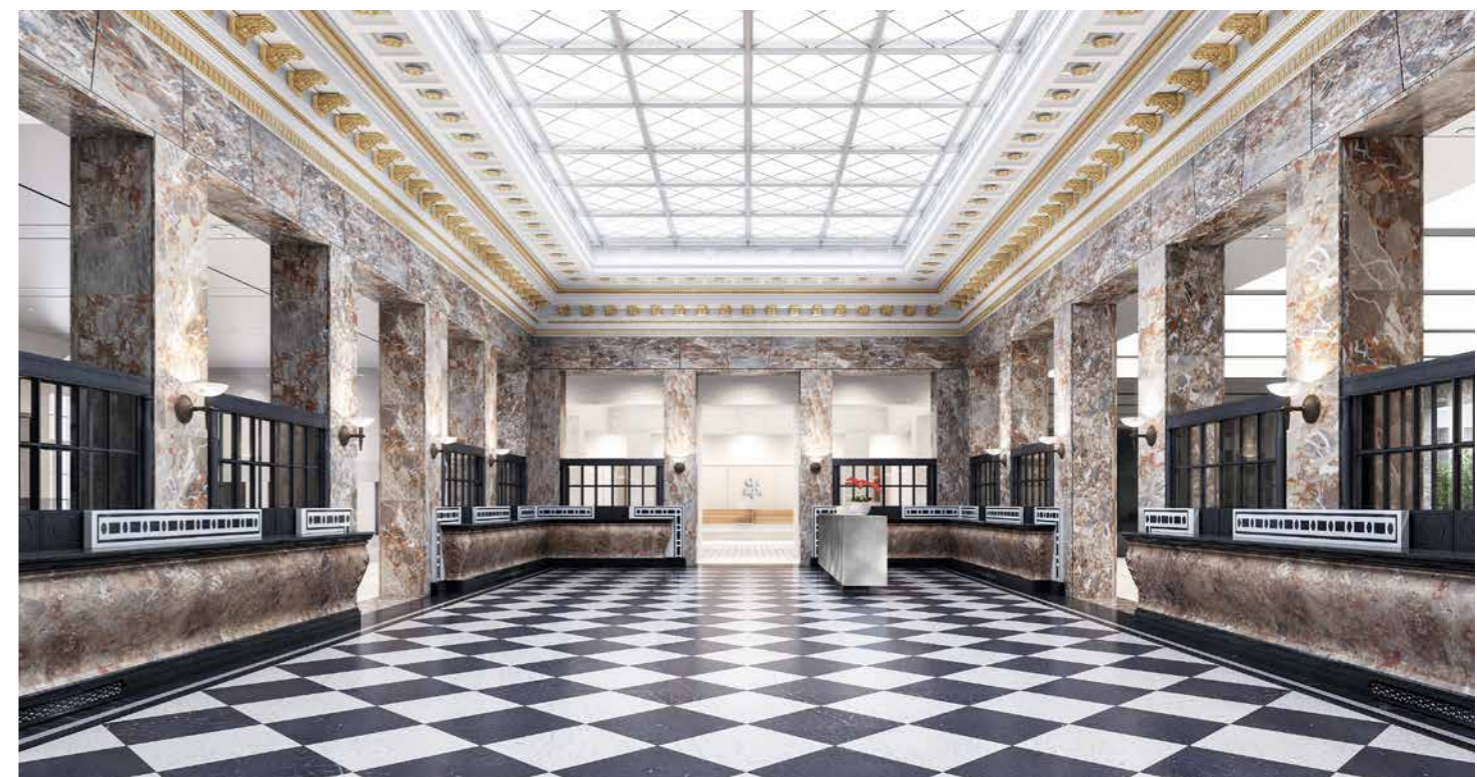
**Milestones and partnerships – but not without challenges**

In 2019, 30 birthday candles were lit in the Swiss home market for UBS’s mascot Topsy – a cuddly red fox. He and his friends Sophie Squirrel, Barry Badger and Willie Woodpecker have been helping children manage money and making clients happy appearing in person at events such as the UBS Kids Cup. However, it was not all celebrations as, in the same year, in connection with a litigation matter related to cross-border business activities with French residents between 2004 and 2011/12, the Paris Court of First Instance imposed fines on UBS. After filing an appeal against that verdict, the French Court of Appeal acquitted UBS (France) S.A. on charges of aiding and abetting of laundering the proceeds of tax fraud, but found guilty of aiding and abetting of unlawful solicitation, ordering a lower fine than in the first instance, in December 2021. UBS decided to defend the firm in front of the French Supreme Court, with the best interest of its stakeholders in mind.

In 2019, UBS established a strategic wealth management partnership with Sumitomo Mitsui Trust Holdings in Japan, creating the first one-stop shop for all of the needs of high net worth and ultra high net worth individuals in Japan. Only a year later, the firm entered a strategic partnership with Banco do Brasil. This jointly owned entity provides



5 Broadgate, UBS’s London headquarters, opened in 2016.



UBS head office, Bahnhofstrasse 45, Zurich, after the renovation in 2018.



Our purpose statement.

investment banking services in Latin America and institutional securities brokerage in Brazil. While these strategic partnerships created new encouraging opportunities, the year 2020 also highlighted new risks of a globalized world. The impact of the COVID-19 pandemic on the world economy was severe and brought increased hardship to communities all over the world. As a global financial institution, UBS committed resources and support to various aid projects. From a business side in this very challenging year, UBS remained close to its clients, helping them navigate uncertainty and offering them, above all, stability and dependability, as well as its well-known tailored advice and solutions. The firm also demonstrated how years of sustainable thinking and acting delivered value for all stakeholders, by allowing strengthened support for business owners during the crisis. Technology investments that long preceded the virus outbreak allowed the firm's employees to transition from the workplace to home office. As the pandemic rolled on, it became clear that economies must better prepare for global systemic risks, including climate change.

**Moving forward with purpose**

While still managing the challenges presented by the pandemic, the firm looked to the future – starting from within. In April 2021, UBS revealed its purpose statement:

Reimagining the power of investing.  
Connecting people for a better world.

Our purpose, together with our strategy, explains the why, what, how and who behind the firm. Embedded in this is our vision for the future to convene THE global ecosystem

for investing – where thought leadership is impactful, people and ideas are connected, and opportunities are brought to life. And we also know that, in today's world, how we connect with clients is what differentiates us. Our client promise reimagines customer service to deliver a client experience that's personalized, relevant, on-time, and seamless. For us to fully bring our purpose to life, fulfill our promise and achieve our vision, there are five strategic imperatives that play a central role in our change and growth journey and that will focus our actions across the entire firm: client, connections, contributors; focus; technology; simplification and efficiency; and culture. Each of these imperatives is underpinned by clear strategic initiatives and address industry trends, build on our strengths, keep us close to our clients and create a unique space for us to grow and set ourselves apart. With full connectivity, our purpose – underpinned by our client promise, vision and strategic imperatives – is what will propel us into the future.

By the end of 2021, this new approach to focus and purpose had already helped the Group achieve its best financial year since 2006. And, while 2022 certainly still brings challenges, it also brings cause for celebration, as we mark 160 years of UBS. The year started for the Group with a big breakthrough, as it announced plans to acquire Wealthfront – a state-of-the-art, digital-only wealth management provider in the US. The platform with over 27 billion US dollars in assets under management and more than 470,000 clients is tailored to the next generation of affluent investors and only one example of how UBS is already taking steps to meet clients' diverse and changing needs.

Going forward, we'll continue to look for growth opportunities for the firm and our clients.

# Focusing on planet, people and partnerships

Helping clients is the essence of what we do. As we continue to build on the strength of our history, with our purpose statement, and all it encompasses, we do it all with clients firmly at the forefront of our mind and plans.

Achieving great change at scale means finding – and making the most of – opportunities that will contribute to the bigger picture. For us, that means continuing on our journey of convening the global ecosystem for investing, becoming more digital, and having firm-wide objectives to align our business activities. It means taking our vision and strategic imperatives from words into scalable solutions. And, it means asking the right questions, to the right people.

As a frontrunner in sustainability for many decades, we know that what we do now matters in the future. It is our ambition to stand out from the crowd in creating better outcomes for today and future generations, as sustainable investing goes mainstream.

We have put sustainability at the heart of our own business: as one of the world's largest wealth managers, we want to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of the SDGs and the orderly transition to a low-carbon economy.

To get there, our sustainability strategy focuses on three key areas: planet, people and partnerships. And we're

also contributing to the solution of societal challenges, by sharpening the focus of our philanthropy and community activities in health and education.

Together with other standard setters, and through effective partnerships with regulatory authorities, central banks, academia and peers, we're enabling the transition of the whole economy and defining new methodologies to quantify the impact of our business on all of our stakeholders.

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