

# Kaiser Partner Privatbank AG



*Annual Report 2016*

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Responsibility in Wealth

## 2016 key figures

(in CHF m, rounded)

	12/31/2016	12/31/2015
Total income	16.9	16.6
Profit for the year	2.4	2.1
Results from ordinary activities	2.7	2.4
Equity before appropriation of profit	47.0	46.6
Total assets	584.2	499.3
Assets under management	2'504.3	2'249.5
Employees (FTE)	32.6	33.5

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# Gratifyingly large number of new clients and better profits

Annual report by the Chairman of the Board of Directors and Executive Board of Kaiser Partner Privatbank AG

The course that Kaiser Partner Privatbank AG has set has been vindicated by the positive results recorded for 2016. Client assets under management went up 11% to CHF 2.5 billion. Net profit was 14% higher at CHF 2.4 million. Strong organic growth shows that, thanks to its effective focus, the company is becoming increasingly successful. Its strategy of concentrating on selected markets, offering a clearly defined service portfolio and making more time to advise and serve clients personally is paying off.

As well as closeness to our clients, the central tenet of our business model is our philosophy of Responsible Investing: we invest our clients' assets sustainably and responsibly. In uncertain times like these, a long-term approach to investment becomes particularly important for wealthy individuals, families and institutional investors.

The successful switch to the Avaloq banking system was a milestone within the company, providing a platform for numerous organizational initiatives and helping us make more time for our clients.

## Market Review 2016

### **Politics don't affect the market for long**

The 2016 investment year started in a similar fashion to the way 2015 ended: the financial markets feared a sharp decline in the Chinese economy and the consequences this would bring. At first this mainly affected investments in emerging markets and companies that earn most of their money in these countries. Commodity firms were particularly hard hit as prices came under pressure from oversupply by North American oil sand and shale oil producers, and on the demand side from weak numbers out of Asia. The exaggerated market reaction may have seemed familiar to investors who followed the recent US budget crisis or the Greek debt crisis.

After a weak start to the year, the financial markets woke up in the middle of February and enjoyed a successful spring. From the global perspective, this positive trend lasted for the whole year – though with two big surprises along the way. In June, British voters decided against expectations to leave the European Union. Then Donald J. Trump, whose chances during the election campaign were not rated at all highly, was elected President of the United States. Although these two political events were very different in detail, there were some parallels: in both cases, the likelihood of the event occurring was radically underestimated, for example, while the negative effects on the financial markets of each event was radically overestimated. In both cases the equity markets recovered relatively quickly following a – in some cases significant – correction. A number of indices returned to new record high levels after only a few weeks. There is a saying on the stock market that politics don't affect the market for long, and this was proved again in 2016.

### **Central bankers active again**

Although the markets were very strongly influenced by political events, central bankers still played a role. As expected, the European Central Bank extended the duration and increased the scale of its bond purchase program. Japan's central bank also expanded its easing measures. This led to even lower interest rates generally, while all Swiss government bonds – with maturities of longer than 60 years! – had negative yields to maturity.

The election of Donald J. Trump as the 45th President of the United States caused a trend reversal, especially on the bonds markets. The fiscal policy measures he announced, which included large-scale infrastructure programs, fueled major growth expectations. More growth, financed by higher government spending, also increased inflation expectations. This led in turn to marked increases in USD interest rates, a trend which overflowed into Europe to some extent. Worldwide equity markets felt the benefits.

One of the few exceptions was the Swiss Market Index, which finished the year lower than it started. This was mainly due to the performance of index heavyweights Roche and Novartis. Hillary Clinton, long the favorite to become president, announced during the election campaign that she would move against the hugely excessive cost of medicines in the USA. President Trump has also publicly criticized the pharmaceutical multinationals for their pricing. This had a negative impact on Roche and Novartis, whose biggest market by far is the USA. They are likely to earn less there in future. The low interest rate environment made life difficult for bank stocks, especially in the first half of the year. Things improved in the second half, but not enough to make up for the losses of the first.

## Financial Results for 2016

### **Positive growth in client assets and net profit**

The client assets managed by Kaiser Partner Privatbank AG developed very well in 2016. Net new money inflows of CHF 225 million, plus a market effect of CHF 30 million, saw them grow to an overall total of CHF 2,504 million. Asset management agreements covered 28% of client assets. Net profit was 14% higher than in 2015 at a very pleasing CHF 2.4 million.

Total income for the year under review was slightly higher than in the prior year (+2%) at CHF 16.9 million. Thanks to active asset management, income from interest activities was up 15% on 2015 at CHF 3.8 million. The rise in client assets pushed income from commission and service business up 1% to CHF 9.9 million, despite restrained client activity. Income from financial transactions fell by CHF 0.3 million, or 10%, to CHF 2.5 million.

There was only a minimal 0.3% increase in operating expenses to CHF 13.2 million. Higher administrative expenses were offset by savings on personnel costs. At the end of 2016, Kaiser Partner Privatbank AG employed 34 people (FTE: 32.6).

### **Solid equity base**

On December 31, 2016, Kaiser Partner Privatbank AG's total assets stood at CHF 584 million, which is CHF 85 million, or 17%, higher than a year previously. On the assets side, claims due from banks rose by CHF 94 million (+80%), while claims due from clients fell by CHF 1 million (-4%). Claims due to clients went up 18%, from CHF 428 million to CHF 506 million.

Equity capital as of December 31, 2016 was up very slightly on the year (1%) at CHF 47.0 million. With a Tier 1 ratio of 22% before dividend distribution, Kaiser Partner Privatbank AG is very solidly capitalized.

## Trends for 2017

### **Goodbye monetary policy – hello fiscal policy**

A look at the political diary for 2017 shows there is plenty of scope for surprises this year too. With elections in the Netherlands (presidential election in March), France (presidential election in April, parliamentary in May) and Germany (federal government elections in September), the European Union is in for a political endurance test this year. If one of the right-wing populist candidates wins in any of these countries, political pessimism is likely to grow still further. Confidence in the future of the EU could be dented even more severely.

What is really interesting, however, is the discrepancy between political pessimism and economic optimism. Purchasing managers in the EU are more confident than they have been for years, inflation figures are moving upwards (with deflation fears receding accordingly), the EU's unemployment rate is back below 10% after more than five years, and for the first time in more than ten years the European Commission expects all EU member states to post positive economic growth for 2017.

If the European Union can get through the political endurance test posed by this year's elections, it can then refocus on a common purpose. The European Union can certainly be regarded as a defense union; after all the period since the foundation of the EU has also been the longest time in history during which there have been no wars on what is now EU territory. The free movement of persons, capital and goods can also undoubtedly be seen as an economic success factor. If the EU refocuses on these aspects the discrepancy between political pessimism and economic optimism could – in Europe at least – be reduced in favor of the latter.

However, the positive news on the financial markets has been overshadowed in recent months by developments in the USA. America's economic fundamentals remain solid, but the main reason the markets have risen is the expectations raised by Donald J. Trump's announced fiscal measures. This trend may continue in the short term; but with no details forthcoming it is still unclear whether the financial markets' expectations will be met in the medium term. One thing that does seem clear, however, is that – in the USA at least – fiscal policy has taken over from monetary policy as the main driver of growth.

Kaiser Partner Privatbank AG's fundamental principles:

- A focus on services and markets in which we can achieve critical mass ensures we have the necessary competence.
- Close cooperation within the team and seamless integration of external experts creates added value for our customers.
- Investments in people, know-how and systems guarantee added quality, security and efficiency.
- We deal with all our stakeholders on the basis of a responsible value system that focuses on long-term cooperation.

#### **Our expertise in the US market**

Asset managers registered with the US stock market regulator (the SEC) have special needs and requirements. Kaiser Partner Private Bank AG can offer them attractive solutions for investing their US clients' money in a responsible way. Here we benefit from our many years of collaboration with the member of our group of companies that looks after the taxed assets of US citizens: Kaiser Partner Financial Advisors AG in Zurich has been working successfully in this area since 2009.

#### **A partner for external asset managers and funds**

Kaiser Partner Privatbank AG, as a custodian bank, looks after portfolios for our business customers, including external asset managers and international investment fund managers. Our experts concentrate on best-in-class products but, in order to ensure the complete independence of our advisory services, do not offer our own products. More and more of our work with our partners takes place through digital channels, which we continue to develop together with them.

## Outlook for 2017

Over recent years, Kaiser Partner Privatbank AG has laid the technical foundations for its positive onward development. First and foremost, it has introduced a new core banking system. This was essential to the implementation of a series of client initiatives, especially digital ones.

In the months to come we want to continue to harness this momentum so we can provide our services more simply with the help of digital technologies, and bring our clients closer to the company.

In addition, we will remain faithful to our strategy of safeguarding and growing the assets of wealthy individuals and families for the long term. As an independent provider with a broad range of products we can develop the right solutions to do this. Our clients also benefit from the comprehensive expertise of our sister companies within Kaiser Partner. The services provided by Kaiser Partner's Family Office, for example, are attracting particular interest.

In 2017, global politics will still be influenced by military conflict, continuing refugee flows and the latent threat of terrorism. In a number of countries, some politicians believe that these challenges should be met with a return to nationalism, which could have a significant impact on global economic trends. Ultimately, however, the key to success for Kaiser Partner Privatbank AG remains the same as ever: understanding client needs, developing sustainable investment strategies and optimizing these in regular dialog with the client.

We would like to thank our clients and business partners for their loyalty and trust over the last financial year. Thanks also to our employees, who are the main reason for our clients' satisfaction with us. We look forward to continuing on our chosen path together in 2017.

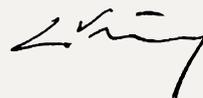
Vaduz, March 2017



**Fritz Kaiser**  
Chairman of the Board of Directors  
Kaiser Partner Privatbank AG



**Christian Reich**  
Head of the Executive Committee of  
Kaiser Partner Privatbank AG



**Christoph Küng**  
Member of the Executive Committee of  
Kaiser Partner Privatbank AG



**Hermann Neusüss**  
Member of the Executive Committee of  
Kaiser Partner Privatbank AG

# Balance Sheet of Kaiser Partner Privatbank AG

as at December 31, 2016 (in CHF 1,000)

<b>Assets</b>		
	12/31/2016	12/31/2015
Cash	60'944	53'023
Due from banks	211'839	117'888
<i>due on a daily basis</i>	44'719	41'731
<i>other claims</i>	167'119	76'157
Due from clients	28'804	29'916
<i>mortgage loans</i>	10'600	11'600
Debt securities and other fixed-income securities	261'528	280'361
<i>debt securities</i>	261'528	280'361
<i>public-sector issuers</i>	64'268	57'454
<i>other issuers</i>	197'260	222'907
Shares and other non-fixed-income securities	44	3
Shares in associated companies	0	0
Intangible assets	4'826	4'748
Fixed assets	5'116	2'355
Other assets	4'066	3'968
Accrued income and prepaid expenses	7'045	7'068
<b>Total assets</b>	<b>584'211</b>	<b>499'329</b>

## Liabilities

	12/31/2016	12/31/2015
Due to banks	26'121	19'492
<i>due on a daily basis</i>	20'659	7'423
<i>other liabilities</i>	5'462	12'069
Due to clients	505'758	427'850
<i>other liabilities</i>	505'758	427'850
<i>due on a daily basis</i>	460'269	345'418
<i>with agreed maturity or period of notice</i>	45'490	82'432
Other liabilities	4'012	4'181
Accrued expenses and deferred income	975	907
Provisions	313	255
<i>provisions for taxes</i>	295	255
<i>other provisions</i>	18	0
Provisions for general banking risks	500	500
Subscribed capital	10'000	10'000
Retained earnings	33'843	33'843
<i>legal reserves</i>	2'000	2'000
<i>other reserves</i>	31'843	31'843
Profit brought forward	301	201
Profit for the year	2'388	2'100
<b>Total liabilities</b>	<b>584'211</b>	<b>499'329</b>

# Off-Balance-Sheet Transactions

as at December 31, 2016 (in CHF 1,000)

## Off-Balance-Sheet Transactions

	12/31/2016	12/31/2015
Contingent liabilities	5'016	3'291
<i>of which liabilities from guarantees and indemnity agreements and from assets pledged as collateral security</i>	5'016	3'291
Derivative financial instruments		
<i>contract volume</i>	285'490	266'815
<i>positive replacement values</i>	2'675	2'741
<i>negative replacement values</i>	3'547	3'866
Fiduciary transactions	83'143	75'544
<i>fiduciary deposits with other banks</i>	83'143	75'544

# Appropriation of Balance Sheet Profit

(in CHF 1,000)

The Board of Directors will propose to the General Meeting that the balance sheet profit as of December 31, 2016, be appropriated as follows:

<b>Appropriation of balance sheet profit</b>		
	12/31/2016	12/31/2015
Profit for the year	2'388	2'100
Profit brought forward	301	201
<b>Balance sheet profit</b>	<b>2'689</b>	<b>2'301</b>
Distribution of balance sheet profit		
<i>allocation to legal reserves</i>	0	0
<i>allocation to other reserves</i>	0	0
<i>payment of dividend</i>	2'000	2'000
<b>Profit brought forward</b>	<b>689</b>	<b>301</b>

# Income statement

From January 1 to December 31, 2016 (in CHF 1,000)

Income statement		
	2016	2015
<b>Income from interest activities</b>		
Interest income	7'620	6'990
<i>of which from fixed-income securities</i>	5'866	5'523
Interest expenses	-3'821	-3'687
<b>Subtotal income from interest activities</b>	<b>3'798</b>	<b>3'302</b>
<b>Current income from securities</b>		
Shares and other non-fixed-income securities	80	0
Shares in associated companies	0	179
<b>Subtotal income from securities</b>	<b>80</b>	<b>179</b>
<b>Income from commission and service fee activities</b>		
Income from commission and service fee activities	10'728	10'820
<i>credit-related commissions and fees</i>	16	12
<i>commissions from securities and investment transactions</i>	9'779	10'543
<i>other commissions and fee income</i>	933	264
Commission and fee expenses	-826	-1'012
<b>Subtotal income from commission and service fee activities</b>	<b>9'902</b>	<b>9'808</b>
<b>Income from financial transactions</b>		
Income from financial transactions	2'522	2'807
<i>of which from trading business</i>	2'480	2'805
<b>Subtotal income from financial transactions</b>	<b>2'522</b>	<b>2'807</b>
<b>Other ordinary income</b>		
Other ordinary income	557	476
<b>Subtotal other ordinary income</b>	<b>557</b>	<b>476</b>
<b>Gross income</b>	<b>16'859</b>	<b>16'572</b>
<b>Operating expenses</b>		
Personnel expenses	-5'558	-5'834
<i>wages and salaries</i>	-4'128	-4'284
<i>social benefits and pension scheme contributions</i>	-856	-851
<i>of which pension scheme contributions</i>	-628	-658
<i>other personnel expenses</i>	-575	-699
Administrative expenses	-7'643	-7'323
<b>Subtotal operating expenses</b>	<b>-13'201</b>	<b>-13'156</b>
Depreciation on intangible assets and fixed assets	-956	-983
Other ordinary expenses	-42	-52
Value adjustments on claims, provisions for contingent liabilities and credit risks	0	0
<b>Results from ordinary activities</b>	<b>2'660</b>	<b>2'381</b>
Extraordinary income	0	0
<b>Subtotal extraordinary profit</b>	<b>0</b>	<b>0</b>
Income taxes	-272	-281
<b>Profit for the year</b>	<b>2'388</b>	<b>2'100</b>

# Cash Flow Statement

From January 1 to December 31, 2016 (in CHF 1,000)

## Cash flow statement

	2016		2015	
	Source of funds	Use of funds	Source of funds	Use of funds
<b>Cash flow from operating results (internal financing)</b>				
Profit for the year	2'388		2'100	
Depreciation on fixed assets	956		983	
Value adjustments and provisions	58		18	
Accrued income and prepaid expenses	23		1'907	
Accrued expenses and deferred income	68		35	
Dividend previous year		2'000		2500
<b>Net cash flow from operating results (internal financing)</b>	<b>1'493</b>		<b>2'543</b>	
<b>Cash flow from equity capital transactions</b>				
<b>Net cash flow from equity capital transactions</b>		<b>0</b>		<b>0</b>
<b>Cash flow from investment activities</b>				
Shares and other non-fixed-interest securities	18'792			3'901
<b>Fixed assets</b>		<b>3'119</b>		
Intangible assets		676		1'551
Equity interests			500	
<b>Net cash flow from investment activities</b>	<b>14'997</b>			<b>4'952</b>
<b>Cash flow from banking business</b>				
<b>Short-term banking business (≤ 1 year)</b>				
Due to banks	6'629			19'405
Due to clients	77'908			33'612
Other liabilities		169		6'162
Due from banks		93'951	65'660	
Due from clients	1'111		2'527	
Other assets		98	6'095	
<b>Liquidity</b>				
Cash		7'920		12'693
<b>Net cash flow from banking business</b>		<b>16'490</b>	<b>2'410</b>	

# Notes on Business Activities

Kaiser Partner Privatbank AG focuses on asset management for a sophisticated international clientele, mainly from the UK, Switzerland, Eastern Europe and Russia.

## Personnel

As at December 31, 2016, Kaiser Partner Privatbank AG had 34 (FTE 32.6) employees (previous year 35, FTE 33.5).

## Commission Business and Services

The bank's principal activities are asset management and investment consulting. Consequently, the largest share of income from commission business and services is generated by commissions related to securities trading for clients. Other significant components of income are securities management (including investment fund business) and the arrangement of fiduciary investments.

## Lending

Generally, loans are only granted in connection with asset management and investment transactions against collateral and at margins that are customary in banking. Other lending commitments are only offered in exceptional cases.

## Outsourcing

Kaiser Partner uses an extensive range of services provided by Avaloq Sourcing within a BPO arrangement. All payment transactions and securities administration are processed through Avaloq Sourcing. Kaiser Partner is responsible for monitoring and supervision.

# Accounting and Valuation Principles

## Legal Basis

Accounting, valuation and reporting principles comply with the provisions of the Liechtenstein Persons and Companies Law (PGR), the Liechtenstein Banking Act and the related Banking Ordinance. The annual financial statements provide a true and fair view of the net assets, financial position and earnings situation of Kaiser Partner Privatbank AG.

## Reporting of Transactions

All completed transactions are reported on the balance sheet and in the income statement in accordance with the defined valuation principles. Transactions are recognized and booked as of the date of completion.

## Foreign Currencies

Receivables and obligations in foreign currencies are valued at the average exchange rate in effect on the balance sheet date. The rate applying on the day of the transaction is used for income and expenses. Exchange gains or losses resulting from the valuation are recognized in the income statement.

The following exchange rates were used for foreign currency translations:

	12/31/2016	12/31/2015
USD	1.017500	1.001250
EUR	1.072750	1.087608
GBP	1.255849	1.476393

## Cash, Receivables, Liabilities due to Banks and to Clients and Securitized Debt

These items are reported at nominal values. Allowances have been established for identifiable risks in accordance with the precautionary principle.

Impaired assets, i.e. receivables for which debtors are unlikely to be able to meet future obligations, are individually valued, and impairments are covered by specific value adjustments. Off-balance sheet transactions, such as firm commitments, guarantees and derivative financial instruments, are also included in this valuation. Loans are classified as doubtful no later than when the contractually stipulated repayments of principal and/or interest payment have been outstanding for more than 90 days. Interest payments outstanding for more than 90 days are considered overdue. Loans are placed on a non-accrual basis if the collection of the interest is sufficiently doubtful to make accrual no longer practical.

Impairments are calculated based on the difference between the carrying amount of the receivable and the expected collectible amount, taking account of the counterparty risk and the net proceeds from the sale of any collateral. Specific value adjustments are netted directly against the corresponding asset items.

## Debt Securities and other Fixed-Interest Securities, Shares and other Non-Fixed-Interest Securities

Fixed-interest securities that are to be held to maturity are valued using the accrual method. Any premium or discount is apportioned over the term of the security until maturity. Realized interest-related profits or losses from early disposal or repayment are apportioned over the remaining term, i.e. until the original maturity. Interest income is credited to "Interest income". Equities and fixed-interest securities that are not held to maturity are valued at the lower of cost or market. Interest income is credited to "Interest income", while dividends received are reported under "Income from securities". Value adjustments are recognized in "Depreciation of (or gains from the addition to) equity investments", "Shares in associated companies" and "Securities held as fixed assets".

## Fixed Assets, Tangible and Intangible Assets

Other fixed assets and intangible assets are depreciated over their estimated useful life (three to thirteen years) based on operational criteria. Impairment is reviewed annually. If the impairment test results in a change in useful life or a decrease in value, the residual book value is depreciated over the remaining useful life, or unscheduled write-down is effected.

An impairment test is applied to tangible assets at each balance sheet date. If there is evidence of impairment, the recoverable value is calculated. If the book value exceeds the recoverable value, an adjustment is made on the income statement by means of an unscheduled write-down.

## Value Adjustments and Provisions

Specific value adjustments and provisions are established for all identifiable risks as of the balance sheet date in accordance with the precautionary principle. Value adjustments are offset directly against the corresponding asset items. Provisions for taxes include accruals for taxes based on the result for the year under review.

## Provisions for General Banking Risks

Provisions for general banking risks are precautionary reserves established to cover latent risks in the bank's operating activities. The formation and reversal of provisions for general banking risks are recognized separately in the income statement.

## Off-Balance-Sheet Transactions

Off-balance-sheet transactions are reported at their nominal values. Identifiable risks arising from contingent liabilities and other off-balance-sheet transactions are taken into account by establishing provisions.

## Derivative Financial Instruments

The gross replacement values of individual contracts for derivative financial instruments – positive and negative replacement values are not offset – are reported in the balance sheet and in the notes. The equalization account is shown in the balance sheet. Income-relevant adjustments are recognized in the income statement. All replacement values of contracts concluded for the Bank's own account are reported. However, the replacement values for client transactions are only reported for OTC contracts and exchange-traded products if the margin requirements are insufficient. Contract volumes and replacement values are disclosed in "Off-Balance-Sheet Transactions" and in the notes.

## Changes in Accounting and Valuation Principles

The accounting and valuation principles are unchanged on the prior year.

# Risk Management

The risk policy defines the fundamental aspects of Kaiser Partner Privatbank AG's risk management system. This risk policy forms an integral component of general business policy

It pursues the following objectives:

- a balanced, qualitative and quantitative definition of capacity and appetite for risk.
- creation of a risk culture that promotes risk-relevant controls and effective, efficient reporting.
- establishing a risk management structure for Kaiser Partner Privatbank AG with clearly defined roles, responsibilities, rights and obligations.
- defining a consistent risk management process, in particular identifying, measuring/assessing, controlling/limiting and monitoring all risks, and mitigating these through appropriate measures.
- setting up a reporting system that enables the bank's managing bodies to obtain a comprehensive view of the general risk situation and fulfill their supervisory duties.

Risk Management is based, legally and operationally, on the Liechtenstein Banking Act and Banking Ordinance, the Risk Management Guidelines as set out in the Appendix to the Banking Ordinance, as well as the bank's own articles of incorporation, internal rules and directives. Risk Management is responsible for strategic risks, credit risks, market risks, liquidity risks and operational risks. Kaiser Partner's legal department and, if necessary, external legal advisors are brought in on occasion to help limit and manage legal risks. The Compliance unit ensures that the statutory and regulatory guidelines relating to money laundering, duties of due diligence and securities law are observed.

## Counterparty Risks

As a basic principle, Privatbank only makes investments with first-class counterparties, and these are hedged round with limits and monitored every day. Risk Management periodically reviews the creditworthiness of counterparties.

## Country Risks

Since, as a matter of principle, Kaiser Partner Privatbank AG only grants secured loans to borrowers domiciled in OECD countries or Liechtenstein, the potential risk can be rated as low. Security is provided based on cautiously defined Lombard rates. The same criteria are used to assess country risks in interbank transactions

when selecting potential counterparties as set out in "Counterparty Risks".

## Trading and Using Derivative Financial Instruments

Since Kaiser Partner Privatbank AG does not run a trading book, proprietary trading is only conducted on a very small scale for foreign exchange business. Derivative financial instruments are only used in the context of client business or for hedging purposes. The bank trades both standardized and OTC derivatives. The counterparties are first-class Swiss and Liechtenstein banks.

## Market Risks

The risks in the bank book primarily relate to interest rate, currency and price risks. Interest rate risks are controlled through strict rules on permitted duration gaps. Interest rate swaps are concluded for larger duration gaps. The risks are monitored using sensitivity limits. Interest rate sensitivity measures the effect a 100 basis point change in interest rates would have on cash value and income for Privatbank. In addition, interest rate risks are monitored through active balance sheet structure management. To avoid currency risks, investments are normally made in matching currencies. Owing to the "held to maturity" approach, price risk is of secondary importance.

## Liquidity Risks

Privatbank pursues a moderate investment strategy focused on continuous availability of the necessary liquidity. Liquidity risks are continuously monitored and controlled based on the provisions of the Banking Act.

## Personnel Risks / Remuneration Policy

The bank avoids disproportionate risks by taking great care when recruiting new employees. Priority is given to professional expertise, moral integrity and values that match those of the bank. The remuneration policy is based on non-performance-related fixed remuneration with no variable components. At group level (Kaiser Partner Group), however, an employee dividend, based on the group's performance, may be paid out by an associated company specially set up for this purpose.

# Notes on the Balance Sheet

(in CHF 1,000)

## Coverage of loans and off-balance-sheet transactions

Loans		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Due from clients		10'600	13'204	5'000	28'804
<b>Total loans</b>	<b>12/31/2016</b>	<b>10'600</b>	<b>13'204</b>	<b>5'000</b>	<b>28'804</b>
	12/31/2015	11'600	13'316	5'000	29'916
<b>Off-balance-sheet transactions</b>					
Contingent liabilities		0	5'016	0	5'016
<b>Total off-balance-sheet transactions</b>	<b>12/31/2016</b>	<b>0</b>	<b>5'016</b>	<b>0</b>	<b>5'016</b>
	12/31/2015	0	3'291	0	3'291
<b>Doubtful receivables</b>					
		Gross debt	Estimated proceeds from sale of collateral	Net debt	Individual value adjustments
	<b>12/31/2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	12/31/2015	0	0	0	0

### Securities and precious metals (fixed assets)

	Book value		Acquisition value		Market value	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Debt securities</b>						
of which valued using the accrual method	261'528	280'361	267'216	287'058	267'468	286'031
<b>Equity securities</b>						
of which valued at lower of cost or market value	44	3	44	3	57	3
<b>Total</b>	<b>261'572</b>	<b>280'364</b>	<b>267'260</b>	<b>287'061</b>	<b>267'525</b>	<b>286'034</b>
of which eligible at central banks	110'108	114'329	111'092	116'269	112'081	116'761

## Statement of fixed assets

	Reporting year								Book value 12/31/2016
	Cost	Accu- mulated deprecia- tion	Book value 12/31/2015	Invest- ments	Disposals	Reclassi- fications	Write-ups	Deprecia- tion	
Securities and precious metals (fixed assets)			280'361	114'144	-132'977	0	0	0	261'528
Intangible assets (software)	7'389	-2'641	4'748	676	0	0	0	-598	4'826
Tangible assets	0	0	0	3'100	0	0	0	0	3'100
<b>Fixed assets</b>	<b>6'281</b>	<b>-3'926</b>	<b>2'355</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-357</b>	<b>2'016</b>

	12/31/2016	12/31/2015
Fire insurance value of fixed assets (including IT equipment)	23'700	23'700

## Pledged or assigned assets, assets under reservation of ownership, security lending and repurchase agreements

	12/31/2016	12/31/2015
Book value of pledged or assigned (transferred as collateral) assets	7'161	9'908
Actual liabilities	0	0
Security or repurchase agreements	0	0

## Liabilities toward own pension funds

Kaiser Partner Privatbank AG does not have its own pension fund

### Value adjustments and provisions/ provisions for general banking risks

	As at 12/31/2015	Specific use	Recoveries, overdue interest, exchange differences	New provisions charged to income statement	Write- backs credited to income statement	As at 12/31/2016
Value adjustments for loan default risks						
<i>specific value adjustments</i>	0	0	0	0	0	0
Other provisions	0	0	0	18	0	18
Provisions for tax and deferred tax	255	-225	0	265	0	295
<b>Total value adjustments and provisions</b>	<b>255</b>	<b>-225</b>	<b>0</b>	<b>283</b>	<b>0</b>	<b>313</b>
<i>less value adjustments</i>	0	0	0	0	0	0
<b>Total provisions according to balance sheet</b>	<b>255</b>	<b>-225</b>	<b>0</b>	<b>283</b>	<b>0</b>	<b>313</b>
<b>Provisions for general banking risks</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>

### Company capital

	12/31/2016			12/31/2015		
	Total par value	Number of shares	Capital ranking for dividends	Total par value	Number of shares	Capital ranking for dividends
<b>Company capital</b>						
Share capital	10'000	10'000	10'000	10'000	10'000	10'000
<b>Total capital</b>	<b>10'000</b>	<b>10'000</b>	<b>10'000</b>	<b>10'000</b>	<b>10'000</b>	<b>10'000</b>

### Significant shareholders

	12/31/2016		12/31/2015	
	Nominal	Share in %	Nominal	Share in %
<b>With voting rights</b>				
Kaiser Partner Holding Anstalt, Vaduz (100% owned by Kaiser Beteiligungen Anstalt)	10'000	100.00	10'000	100.00

## Statement of shareholders' equity

Shareholders' equity at beginning of business year	
Paid-in subscribed capital	10'000
Legal reserves	2'000
Other reserves	31'843
Provisions for general banking risks	500
Balance sheet profit	2'301
<b>Total shareholders' equity at the beginning of the business year (before appropriation of profit)</b>	<b>46'644</b>
- Dividend paid out of prior year's profit	2'000
+ Profit for the year	2'388
<b>Total shareholders' equity at the end of the business year (before appropriation of profit)</b>	<b>47'032</b>
<i>of which Paid-in subscribed capital</i>	<i>10'000</i>
<i>Legal reserves</i>	<i>2'000</i>
<i>Other reserves</i>	<i>31'843</i>
<i>Provisions for general banking risks</i>	<i>500</i>
<i>Balance sheet profit</i>	<i>2'689</i>

## Maturity structure of assets, liabilities and provisions

	Due							Total
	Sight deposits	Callable	within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	immobilized	
<b>Assets</b>								
Cash	60'944							60'944
Due from banks	115'913		57'940	37'986				211'839
Due from clients	1'262	302	9'435	5'505	12'300			28'804
<i>Mortgage loans</i>				1'000	9'600			10'600
Other assets	144		31'520	60'775	178'240	2'005	9'942	282'625
<b>Total assets 12/31/2016</b>	<b>178'263</b>	<b>302</b>	<b>98'895</b>	<b>104'265</b>	<b>190'540</b>	<b>2'005</b>	<b>9'942</b>	<b>584'211</b>
12/31/2015	122'492	328	76'742	128'455	164'209	1	7'103	499'330
<b>Liabilities and provisions</b>								
Due to banks	20'659		205	5'257				26'121
Due to clients	481'723		22'898	1'138				505'758
<i>Other liabilities</i>	481'723		22'898	1'138				505'758
Provisions (excl. provisions for general banking risks)	0			313				313
Other liabilities	541		1'120	1'365	1'962			4'987
<b>Total liabilities 12/31/2016</b>	<b>502'923</b>	<b>0</b>	<b>24'222</b>	<b>8'072</b>	<b>1'962</b>	<b>0</b>	<b>0</b>	<b>537'179</b>
12/31/2015	407'491	0	20'574	23'404	1'217	0	0	452'685

## Due to and from associated companies, significant shareholders and members of the governing bodies and material transactions with affiliated parties

	12/31/2016	12/31/2015
Due from associated companies (included in "Due from clients")	5'000	5'165
Due from significant shareholders (included in "Due from clients")	10'600	11'600
Due to associated companies (included in "Due to clients")	12'945	12'411
Due to significant shareholders (included in "Due to clients")	1'784	2'415
Loans to members of the bank's governing bodies	0	0

Transactions with affiliated parties (such as securities transactions, payment transactions, lending and reimbursements on deposits) are carried out on the same terms used for third parties.

Kaiser Partner Privatbank Group also remunerates associated companies for consultancy and other services. The total amount of this remuneration came to CHF 1.41 million in 2016 (2015: CHF 1.31 million).

## Balance sheet by currency

	Currency				Total
	CHF	USD	EUR	Other	
<b>Assets</b>					
Cash	59'853	405	612	74	60'944
Due from banks	9'210	126'788	28'606	47'235	211'839
Due from clients	21'093	4'530	3'131	49	28'804
<i>Mortgage loans</i>	<i>10'600</i>				<i>10'600</i>
Shares and other non-interest-bearing securities	2	42			44
Debt securities and other fixed-income securities	30'865	158'362	45'634	26'668	261'528
Shares in associated companies	0				0
Intangible assets	4'826				4'826
Fixed assets	5'097		19		5'116
Other assets	4'066				4'066
Accrued expenses and deferred income	1'827	2'121	1'707	1'389	7'045
<b>Total on-balance sheet assets</b>	<b>136'840</b>	<b>292'247</b>	<b>79'708</b>	<b>75'416</b>	<b>584'211</b>
Delivery claims from foreign exchange spot, forward and option transactions	51'615	106'600	92'811	13'264	264'290
<b>Total assets</b>	<b>188'455</b>	<b>398'847</b>	<b>172'519</b>	<b>88'680</b>	<b>848'502</b>
<b>Liabilities</b>					
Due to banks	4'817	10'770	3'036	7'498	26'121
Due to clients	73'947	274'762	102'868	54'183	505'758
Other liabilities	3'948	37	16	12	4'012
Accrued expenses and deferred income	847	103	15	11	975
Provisions	295				295
Other provisions	18				18
Provisions for general banking risks	500				500
Subscribed capital	10'000				10'000
Retained earnings	33'843				33'843
Profit brought forward	301				301
Profit for the year	2'388				2'388
<b>Total on-balance-sheet liabilities</b>	<b>130'902</b>	<b>285'671</b>	<b>105'935</b>	<b>61'704</b>	<b>584'211</b>
Delivery commitments from foreign exchange spot, forward and option transactions	55'468	114'050	67'075	27'415	264'007
<b>Total liabilities</b>	<b>186'370</b>	<b>399'721</b>	<b>173'010</b>	<b>89'118</b>	<b>848'219</b>
<b>Net position per currency</b>	<b>2'085</b>	<b>-873</b>	<b>-490</b>	<b>-439</b>	

## Other assets and other liabilities

	12/31/2016	12/31/2015
<b>Balance sheet items</b>		
Positive replacement values	2'675	2'741
Compensation account	915	1'092
Input tax	78	94
Accounts receivable	398	41
Settlement accounts	0	0
<b>Total other assets</b>	<b>4'066</b>	<b>3'968</b>
Negative replacement values	3'547	3'866
Compensation account	0	0
Accounts payable	343	324
Settlement accounts	123	-9
<b>Total other liabilities</b>	<b>4'012</b>	<b>4'181</b>

# Notes on Off-Balance-Sheet Transactions

(in CHF 1,000)

## Breakdown of contingent liabilities

	12/31/2016	12/31/2015
Credit guarantees	5'016	3'291
<b>Total</b>	<b>5'016</b>	<b>3'291</b>

## Open derivative financial instruments

		Trading instruments			Hedging instruments		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
<b>Foreign currencies</b>							
Foreign exchange forwards		2'675	2'631	263'290			
Currency swaps		0	0				
<b>Interest rate instruments</b>							
Interest rate swaps					0	915	22'200
<b>Total before netting agreements</b>	<b>12/31/2016</b>	<b>2'675</b>	<b>2'631</b>	<b>263'290</b>	<b>0</b>	<b>915</b>	<b>22'200</b>
	12/31/2015	2'741	2'770	243'615	0	1'096	23'200
		Positive replacement values (cumulative)			Negative replacement values (cumulative)		
<b>Total after netting agreements</b>	<b>12/31/2016</b>			<b>2'675</b>			<b>3'547</b>
	12/31/2015			2'741			3'866

## Fiduciary transactions

		Currencies, translated into CHF					Total in CHF 1,000
		CHF	USD	GBP	EUR	übrige	
Fiduciary deposits with other banks		0	80'891	0	0	2'252	83'143
<b>Total</b>	<b>12/31/2016</b>	<b>0</b>	<b>80'891</b>	<b>0</b>	<b>0</b>	<b>2'252</b>	<b>83'143</b>
	12/31/2015	0	75'544	0	0	0	75'544

## Client assets under management

	12/31/2016 in CHF m	12/31/2015 in CHF m
<b>Type of client assets</b>		
Discretionary assets	711	682
Other client assets	1'793	1'568
<b>Total client assets (incl. double counts)</b>	<b>2'504</b>	<b>2'249</b>
of which double counts	13	32
Net new money inflow/outflow	225	-186

Owing to the expansion of services offered, on April 30, 2016 a total of CHF 181 million in assets held by another bank in pooled accounts and segregated sub-accounts was classified as client assets pursuant to Appendix 3 BankV and presented as such. This includes CHF 91 million which was already there at the end of 2015. The prior-year figure has been adjusted accordingly.

# Notes on the Income Statement

(in CHF 1,000)

<b>Income from trading operations</b>		
	2016	2015
<b>Income from trading operations</b>		
Precious metals	0	9
Foreign exchange, notes and coins	2'480	2'796
<b>Total trading income</b>	<b>2'480</b>	<b>2'805</b>

<b>Breakdown of personnel expenses</b>		
	2016	2015
<b>Personnel expenses</b>		
Wages and salaries <sup>1)</sup> <sup>2)</sup>	4'128	4'284
Social benefits and pension scheme contributions	856	851
<i>of which pension scheme contributions</i>	628	658
Other personnel expenses	575	699
<b>Total personnel expenses</b>	<b>5'558</b>	<b>5'834</b>
Payments to members of the Board of Directors	0	0
Payments to members of the Executive Board	486	607

<sup>1)</sup> Includes accrued vacation.

<sup>2)</sup> Income from loans from personnel to affiliated companies in the amount of 200.

<b>Breakdown of administrative expenses</b>		
	2016	2015
<b>Administrative expenses</b>		
Occupancy expenses	1'432	1'446
Expenses for IT, machinery, furniture, vehicles and other equipment	3'545	3'119
Other administrative expenses	2'666	2'757
<b>Total administrative expenses</b>	<b>7'643</b>	<b>7'323</b>

# Disclosure as per Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR)

(in CHF 1,000)

## Darstellung der anrechenbaren Eigenmittel

	12/31/2016	12/31/2015
Kernkapital (vor Bereinigung)	44'644	44'544
Davon Minderheitsanteile		
Davon „innovative“ Instrumente		
– Surplus of losses anticipated from application of the IRB approach less the value adjustments established (article 21 [1] d)		
– Net long position in own equities		
– Other elements to be deducted from core capital	-4'826	-4'748
= Eligible core capital (adjusted core capital)	39'818	39'796
+ Upper supplementary capital		
+ Lower supplementary capital		
+ Additional capital		
– Other deductions from supplementary capital, additional capital and total capital		
= Eligible capital	39'818	39'796

## Statement of required capital

	Method used	Equity requirement
Credit Risk	Standard approach	12'026
Of which price risk relating to equities in the bank book		
Non-counterparty-related risks		62
Market risk	Standard approach	136
of which on interest rate instruments (general and specific market risk)		
of which on equities		
of which on foreign exchange and precious metals		136
of which on commodities		
of which for settlement and delivery risks		
Operational risk	Basic indicator approach	2'395
Zusätzliche Eigenmittel		
<b>Total minimum capital</b>		<b>14'620</b>
Capital conservation buffer		4'569
<b>Total regulatory required capital</b>		<b>19'189</b>
Ratio of eligible/required capital:		2.08
Equity ratios		
Hard core capital ratio		22%
Core capital ratio		22%

Further details can be found on our website [www.kaiserpartner.com](http://www.kaiserpartner.com)

To the General Meeting of  
Kaiser Partner Privatbank AG, Vaduz

Zürich, 10. April 2017

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accounting records, the accompanying financial statements (balance sheet, income statement, cash flow statement and notes; pages 10 - 12 and pages 14 - 29), and the accompanying annual report (pages 4 - 9) of Kaiser Partner Privatbank AG for the year ended 31 December 2016.



### Board of Directors' responsibility

These financial statements and the annual report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.



### Auditor's responsibility

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance that the financial statements and annual report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



### Opinion

In our opinion, the financial statements give a true and fair view of the financial position, the result of operations and the cash flows in accordance with Liechtenstein law. Furthermore, the accounting records, the financial statements and the annual report as well as the proposed appropriation of available earnings comply with Liechtenstein law and the Company's articles of incorporation.



### Report on other legal requirements

The annual report corresponds to the annual financial statements and contains no significant incorrect information according to our assessment.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Stefan Fuchs  
Certified Accountant  
(Auditor in charge)



i.V. Christian Gmür  
Bachelor of Science

# Board of Directors, Executive Board, Investment Partners, Executives and Auditors

as at February 1, 2017

<b>Board of Directors</b>	Fritz Kaiser, Vaduz FL (Chairman) Dr. Elmar Wiederin, CH Schindellegi / SZ (Member) Otmar Hasler, FL Gamprin-Bendern (Member)
<b>Executive Board</b>	Christian Reich, CH Speicher / AR (CEO) Christoph Küng, CH Erlenbach / ZH (Member) Hermann Neusüss, FL Triesenberg (Member from July 1, 2016)
<b>Investment Partners*</b>	Dr. Klaus W. Wellershoff, CH Zurich / ZH (Chief Executive Officer / Partner, Wellershoff & Partners Ltd.; Chief Economic Advisor, Kaiser Partner)  Joachim Klement, CH Zurich / ZH (Chief Investment Officer / Partner, Wellershoff & Partners Ltd.; Chief Investment Advisor, Kaiser Partner)
<b>Vice Directors</b>	Nicolas Jego, CH Cham / ZG Daniela Tschirky, CH Pfäfers / SG Damien Wyss, CH Näfels / GL
<b>Authorized Signatories</b>	Reinhard Matt, FL Schaan Rainer Nachbauer, AT Hohenems Michele Petriella, FL Vaduz Adrian Schneider, CH Chur / GR
<b>Internal Audit</b>	Grant Thornton Bankrevision AG, CH Zurich / ZH
<b>Statutory Auditors</b>	Ernst & Young AG, CH Zurich / ZH
<b>Memberships</b>	Liechtenstein Bankers Association Swiss Bankers Association

\* Strategic partnership agreement with Wellershoff & Partners Ltd,  
Zurich, for macroeconomic analysis and investment strategies



Cautionary Statement Regarding Forward-Looking Statements:  
This annual report contains forward-looking statements. These statements are subject to general and specific risks and uncertainties.

It is possible that forecasts and results described or implied will not occur or will differ considerably from the mentioned expectations and intentions. Please consider these uncertainties when evaluating forward-looking statements.

This report appears in German and English. The German version is binding.

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