

Kaiser Partner Privatbank AG



Annual Report 2015

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Responsibility in Wealth

2015 key figures

(in CHF m, rounded)

	12/31/2015	12/31/2014
Total income	16.6	16.4
Annual profit	2.1	2.6
Profit on ordinary activities	2.4	2.8
Equity base	46.6	47.0
Total assets	499.3	558.9
Assets under management	2'157.6	2'395.6
Employees	33.5	40.3

Contents

4	Annual Report of Kaiser Partner Privatbank AG
10	Balance Sheet of Kaiser Partner Privatbank AG
12	Off-Balance Sheet Transactions
13	Appropriation of Balance Sheet Profit
14	Income Statement
15	Cash Flow Statement
16	Notes on Business Activities
17	Accounting and Valuation Principles
19	Risk Management
20	Notes on the Balance Sheet
28	Notes on Off-Balance Sheet Transactions
29	Notes on the Income Statement
30	CRD/CRR Disclosure
31	Report of the Statutory Auditors
32	Board of Directors, Executive Board, Investment partners, Executives and Auditors

Investment and a Solid Result

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

In 2015, Kaiser Partner Privatbank AG continued on the course it set some years ago: helping our clients invest sustainably and responsibly. Our value system, based on a clear commitment to tax compliance and a focus on selected markets, is the cornerstone of our success. In times of uncertainty and highly volatile markets, our responsible investment philosophy and long-term approach to investment have proved very popular with families and wealthy private clients. At the start of 2015, the bank completed its switch to the Avaloq system and a new business process outsourcing (BPO) solution. These were substantial investments for a small private bank, but they have made it possible for us to compete with our rivals in terms of client service.

Income for 2015 remained more or less stable at the prior-year level. The 1% rise compared to 2014 came mainly from bigger profits in interest business and from the financial result. Given the significant investments in systems and the performance of the Swiss franc since the start of 2015, we are pleased with the profit for the year of CHF 2.1 million. The Tier 1 capital ratio increased to 24%, reflecting the bank's very solid capital base.

The market environment was very challenging in 2015. The Swiss National Bank (SNB) took the political and business world completely by surprise on January 15, 2015, by abolishing the minimum exchange rate against the euro. The European Central Bank (ECB) bought so many euro-denominated government bonds from the start of 2015 onwards that it became the most important participant in the European bond market. This type of measure turned central banks into the decisive players on Europe's financial markets.

Similar interventionist developments were seen in China and Japan, where central bank programs, launched for various reasons, had a clear impact on exchange rates. In terms of commodities, 2015 was a volatile year. Gold lost its status as a safe haven in difficult times and lost value over the year. Fierce competition in the crude oil market caused prices to fall to an unprecedented low level. The price of industrial metals also declined across the board.

The environment remains challenging in 2016. Kaiser Partner Privatbank AG anticipated many current trends in the strategy it adopted in 2006 and it has focused its activities on the drivers of this change. The main pillars of the strategy are protecting privacy and the sustainable management of tax-compliant assets. Clients have a free choice of products and platforms and can use third-party banks if desired. The client's interests are right at the heart of what we do, and our clients derive long-term benefits from our principles.

Our key principles are as follows:

- Focus on services and markets in which we can achieve a critical mass and, therefore, the necessary expertise.
- Create client benefits through close cooperation between all of our in-house experts, with the careful addition of recognized international experts.
- Targeted investments in employees, knowledge, and systems to ensure the quality, security and efficiency of processes at all times.
- A long-term perspective that takes account of all stakeholders, and that is guided by a responsible value system.

Global Economic Developments in 2015

The geopolitical situation was turbulent last year. The civil war in Syria has cost more than 200,000 lives since 2011. According to the UN, there are 6.6 million internal refugees in Syria, and by the end of 2016 there are likely to be 4.7 million Syrian refugees in other countries; this from a total population of 23 million prior to the outbreak of civil war. The migration flows from Syria have presented Europe with an enormous challenge. Many believe this is the main reason for the rise of populist parties that are calling the EU into question as never before. It remains to be seen whether this tendency is influenced more by genuine values or by economic considerations.

Terrorist attacks in Europe have been interpreted by many commentators as attacks on Western values. Europe lost more people to terrorist attacks in 2015 than at any time since the Madrid train attacks in 2004. The most recent atrocities in Belgium show that the danger is far from over. Will Europe once again have to learn to live with terror, as it did in the 1970s and 1980s? What is certain is that the general feeling of insecurity is increasing and that this could trigger new separatist movements.

One example of this is the United Kingdom's referendum on leaving the EU ("Brexit"). Public debate on this question features much discussion of the economic and political consequences; Brexit would undoubtedly lead to tensions between the UK and the (remaining) EU. A potential exit could also trigger conflict within the UK itself: support for Brexit is lowest in Scotland, and leaving the EU could easily reignite the issue of whether Scotland should leave the United Kingdom. Brexit could also lead to the reimposition of systematic border controls between Ireland and Northern Ireland 23 years after their removal, possibly opening up the divide between Catholic Nationalists and Protestant Unionists again. We could see separatist movements not just in extreme states, but also in established nations such as the United Kingdom.

The fact that approval rates for populist parties remained the same in 2015, despite the latest success of the Alternative for Germany (AfD), may indicate that they have peaked. It is virtually impossible to make accurate predictions about geopolitical developments in the years to come, but it is still important to make some preparations for the unexpected.

Asset Protection

In the face of all this uncertainty, protecting one's personal property will be more important than ever. With its stable political conditions and sound state finances with no foreign debt, the Principality of Liechtenstein continues to be a strong anchor in stormy times. Events in the financial markets in 2015 were very much dominated by the monetary policy adopted by leading central banks. The effects were diverse and the impact differed from asset class to asset class. Equity markets were unable to rise as strongly as in previous years. Monetary policy decisions, such as the removal of the euro minimum rate by the SNB, unsettled investors, as did rising concerns about growth in emerging economies. Interest rates hit new historical lows, which led to positive valuations on the bond markets, but made reinvestment less appealing. More than 30% of all outstanding bonds around the world already carry negative yields.

Growth worries in China and excess capacity in the production of industrial metals and energy led to significantly lower equilibrium prices and heavy selling of shares in commodity companies. Countries whose finances rely on raw materials were confronted by new challenges.

In terms of central bank monetary policy, the SNB pulled a surprise early in the year when it announced it was no longer maintaining a minimum rate against the euro. Shortly afterwards, the ECB announced a massive purchase of Euro government bonds, designed to boost the European economy. It invested no less than EUR 60 billion a month, and in no time at all the ECB had become the most important player on the European bond market.

There was a similar picture in Japan and China, where local central banks embarked on massive support programs. Japan aims to increase inflation rates that have been low for years, while China wants to support the local economy. Only the Federal Reserve on the other side of the Atlantic decided against an expansion of money supply. Towards the end of the year, it introduced a tightening of monetary policy with a minimal interest-rate hike. The massive expansion of global money supply, achieved in part through previously unknown instruments, made economic growth dangerously dependent on central banks. The markets became more volatile and all this cheap money started to move more quickly between asset classes, accelerating and reinforcing price movements in both directions.

Central bank measures left their mark on exchange rates. The value of the Swiss franc shot up and even after weakening over the course of the year is still overvalued. After the ECB relaxed its monetary policy, the euro depreciated sharply against the other main currencies. By contrast, the US dollar went higher toward the end of the year, owing to the interest-rate hike and the associated repatriation of capital into the USD currency area.

The value of emerging-market currencies fell sharply for various reasons. Brazil had to cope with another corruption scandal involving Petrobras as well as a severe recession. Russia came under pressure as a result of the sanctions triggered by its annexation of Crimea and because of the collapse in the oil price. The Chinese currency, the yuan, lost value after the central bank devalued it against the US dollar.

For equity markets, 2015 was a volatile, even turbulent year. There were many reasons for this, including the almost-forgotten, but still unresolved, debt crisis in Greece, concerns about China's economy, and the interest-rate turnaround initiated in the USA. In Swiss franc terms, the most important foreign-equity indices posted slightly positive returns across the year as a whole. The Swiss stock market recovered from the sharp collapse it suffered in January and also moved into slightly positive territory for 2015 as a whole. Given the strength of the Swiss franc and the negative impact of this strength on export-oriented companies, this was a notable feat.

Alternative investments, such as gold and commodities, present a tricky situation. At the end of the year, the price of an ounce of gold was lower than at the beginning. The negative performance was driven in particular by the strong US dollar and low inflation expectations in developed nations. The fact that gold could not live up to its status as a safe-haven investment became apparent at the peak of the Greek debt crisis and again during the equities sell-off in late summer. Low inflation expectations and the prospect of higher US dollar interest rates proved stronger influences.

Prices of industrial metals and energy fell across the board. Economic uncertainty in China was undoubtedly the main driver of lower industrial metal prices. The fall in crude oil prices was particularly notable, and the continuing battle between OPEC and American shale oil producers created an oversupply that was further exacerbated by the lifting of sanctions against Iran. As a result, the price per barrel of crude oil came under continuous pressure.

Real estate prices fell around the world in 2015, though in Switzerland, the property market was boosted by the lack of alternatives for Swiss investors. Tighter guidelines on granting mortgages did nothing to mitigate this trend.

Outlook

Investors will continue to face challenges in 2016. One example of this is the situation with Swiss-franc-denominated fixed-income investments. In last year's annual report, we were concerned that a rate rise of 3.3 basis points would eat up the whole coupon income on a 10-year Swiss government bond. The picture is even more dramatic today: if you buy a 10-year Swiss government bond now, you already know that with a negative yield, you will lose money by the time the bond matures.

The unconventional measures taken by central banks mean that assumptions that were once self-evident can no longer be made. For example, bonds denominated in Swiss francs or euros and issued by highly creditworthy governments are no longer the risk-free sources of income they once were. These days, they are a sort of insurance against crises and a diversification play. Whereas the focus for fixed-income investments used to be on achieving the highest possible interest rate, the main aim now is to avoid negative returns. A decent income is only possible if you are prepared to take on higher risk or consider alternative asset classes. This requires careful thought about your willingness and ability to take on risk. Less traditional, fixed-income investments require more thorough analysis. Over the past few years, we have expanded our offering in both areas. Our clients can choose from a portfolio of solutions to help them respond to these challenges without entering into unwanted risk.

The situation is similar in equity markets. Political developments will tend to increase uncertainty in the financial markets in 2016: investors could be unsettled by the presidential election in the United States, Britain's referendum on withdrawing from the EU, or the debate about the refugee crisis in developed countries. Developments in emerging countries, such as the election of a new government in Argentina and the political crisis in Brazil, are also fraught with uncertainty. Beneath it all, there is likely to be a tug-of-war between good and bad news.

A quicker recovery in Europe or more stimulus from central banks in Europe or Japan could provide a tailwind. Higher-than-expected corporate profits in the USA would be similarly positive, but seem more unlikely.

On the other hand, concerns about the Chinese economy or a sustained decline in commodity prices would represent strong headwinds for equities. It does not take much to change the mood in equity markets and it all depends what financial-market players focus on at any one time. As before, we believe global economic growth will be positive, which will enable corporate earnings to grow further, and thus support equity markets. For this reason, and bearing in mind the challenges facing fixed-income investments, equities remain an important component in any portfolio. Investors with solid securities and a broadly diversified share portfolio should remember the following words of wisdom when uncertainty increases: a falling tree makes more noise than a growing forest. In other words, equity markets often overreact to negative news. The thing to do in such situations is keep calm so that you can distinguish between opportunities and risks.

However, continued skepticism about Europe, worldwide fear of deflation and a persistently poor outlook for emerging countries do encourage negative expectations with regard to the financial markets. Investors should be preparing themselves for all eventualities. If commodity prices stabilize and labor markets continue to improve, inflation could confound expectations by rising again. Given how low expectations are, this could bring risks, but also opportunities for low-cost hedges. There is widespread doubt that Europe can free itself from its very low growth environment in the foreseeable future. But if it can, the ECB may bring its support measures to an end earlier than expected. This could cause a headache for investors in euro-denominated government bonds in particular. Pessimism also continues to surround emerging economies, which means that even minor developments could lead to positive surprises, boosting not only emerging-market, currencies but also commodities.

Financial Results for 2015

Since January 2015, Kaiser Partner Privatbank AG has used a full range of services from B-Source as part of a BPO initiative. The migration to the B-Source system, which is based on the Avaloq Banking Suite, was completed successfully on January 5, 2015, after a project spanning nine months. The investment made in this modern IT platform affected the annual results for 2015: net profit for the year came to CHF 2.1 million, which is 18% lower than in the previous year. However, the platform allows us to offer clients better services and to secure future growth without significantly increasing costs.

Total income for the year under review was slightly higher than the previous year (+1%) at CHF 16.6 million. Thanks to active asset management, income from interest activities was up 7% on 2014 at CHF 3.3 million. Subdued client activities and the outflow of client assets, exacerbated by a negative market, caused an 8% fall in income from commission and service fee activity to CHF 9.8 million. The result from financial transactions improved by CHF 0.3 million (12%) to CHF 2.8 million thanks to healthy earnings from currency-hedging transactions.

There was only a minimal increase in operating expenses of 0.5% to CHF 13.2 million. Higher administrative expenses were offset by savings on personnel costs. At the end of 2015, Kaiser Partner Privatbank AG employed 35 people (FTE: 33.5). Depreciation increased by 154% from CHF 0.4 million to CHF 1.0 million owing to the investments made.

On December 31, 2015, Kaiser Partner Privatbank AG's total assets stood at CHF 499 million, which is CHF 60 million, or 11%, lower than the previous year. On the assets side, claims due from banks fell by CHF 66 million (-36%), and claims due from clients by CHF 3 million (-8%). Claims due to clients fell by 7% from CHF 461 million to CHF 428 million.

Equity capital as at December 31, 2015 was down very slightly on the year (-1%) at CHF 46.6 million. With a Tier 1 ratio of 24% before dividend distribution, Kaiser Partner Privatbank AG remains very solidly capitalized.

Client assets under management fell by CHF 238 million, or 10%, during the year under review, from CHF 2,396 million to CHF 2,158 million. This decline was made up of a net cash outflow of CHF 186 million and negative market effects of CHF 52 million. The asset management ratio for client assets is 30%.

Solutions for US Clients

Kaiser Partner Privatbank AG offers attractive solutions for US clients. As a custodian bank, we work closely with asset managers that are registered with the US Securities and Exchange Commission (SEC) and that manage US assets in a tax-compliant manner. Our group asset management company Kaiser Partner Financial Advisors, based in Zollikon, near Zurich, is registered with the SEC, so we are in a position to look after US citizens with taxed assets. In 2015, Kaiser Partner Financial Advisors acquired numerous tax-compliant, US-related accounts from Coutts (Switzerland) AG. We have been able to offer these Coutts clients a new platform.

Solutions for External Asset Managers and Funds

We continued to expand our services as a custodian bank for external asset managers during the year under review. The new IT system offers e-banking solutions and new interfaces. Our modular solutions, which we put together with internal and external specialists, focus on best-in-class products as we do not sell any products of our own. Kaiser Partner Privatbank AG also works with Liechtenstein and international administrators as a custodian bank for investment funds.

Outlook for 2016

We made substantial investments in strengthening our IT platform in 2015. In collaboration with our partner B-Source we work with the Avaloq software package. As well as our direct clients, external asset managers and institutional investors such as investment funds and large family offices in particular are benefiting from the extra efficiency of our IT systems.

Our bank's focus remains the same: we want to help protect and grow the assets of high net worth individuals and their families. In doing this, we remain true to our strategy of offering a broad range of products so we can find the best possible solution for our clients. We avoid conflicts of interest by refusing to accept financial incentives for financial products. This means our focus is always strictly on our clients' needs and expectations.

The outlook for the world economy remains challenging in 2016. More serious military conflicts, the continuing refugee crisis, the threat of terrorist attacks, and unstable political developments will continue to unsettle financial markets this year.

However, the requirements of professional investors remain unchanged. The central elements are the same: understanding client needs, working out sustainable investment strategies, and meeting regularly to optimize these.

We would like to thank our clients and business partners for their loyalty and trust over the previous financial year. Thank you in particular to our employees, who are the main reason for our clients' satisfaction with us. It is certain that 2016 will present us with more new challenges and developments. We look forward to navigating through them with you.

Vaduz, April 2016



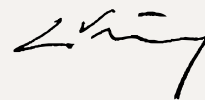
Fritz Kaiser

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

Balance Sheet of Kaiser Partner Privatbank AG

as of December 31, 2015 (in CHF thousands)

Assets	12/31/2015	12/31/2014
Cash	53'023	40'330
Due from banks	117'888	183'547
<i>due on a daily basis</i>	41'731	57'136
<i>other claims</i>	76'157	126'411
Due from clients	29'916	32'443
<i>mortgage loans</i>	11'600	12'600
Debt securities and other fixed-income securities	280'361	276'463
<i>Debt securities</i>	280'361	276'463
<i>public-sector issuers</i>	57'454	24'597
<i>other issuers</i>	222'907	251'866
Shares and other non-fixed-interest securities	3	0
Shares in associated companies	0	500
Intangible assets	4'748	3'812
Fixed assets	2'355	2'723
Other assets	3'968	10'063
Accrued income and prepaid expenses	7'068	8'974
Total assets	499'329	558'856

Liabilities

	12/31/2015	12/31/2014
Due to banks	19'492	38'897
<i>due on a daily basis</i>	7'423	10'200
<i>other liabilities</i>	12'069	28'697
Due to clients	427'850	461'463
<i>other liabilities</i>	427'850	461'463
<i>due on a daily basis</i>	345'418	395'340
<i>with agreed maturity or period of notice</i>	82'432	66'122
Other liabilities	4'181	10'343
Accrued expenses and deferred income	907	872
Provisions	255	237
<i>provisions for taxes</i>	255	237
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	201	142
Profit for the year	2'100	2'559
Total liabilities	499'329	558'856

Off-Balance Sheet Transactions

as of December 31, 2015 (in CHF thousands)

Off-balance sheet transactions

	12/31/2015	12/31/2014
Contingent liabilities	3'291	3'352
<i>of which liabilities from guarantees and indemnity agreements and from assets pledged as collateral security</i>	3'291	3'352
Derivative financial instruments		
<i>contract volume</i>	266'815	293'705
<i>positive replacement values</i>	2'741	8'615
<i>negative replacement values</i>	3'866	9'592
Fiduciary transactions	75'544	119'568
<i>fiduciary deposits with other banks</i>	75'544	119'568

Appropriation of Balance Sheet Profit

(in CHF thousands)

The Board of Directors will propose to the General Meeting that the balance sheet profit as of December 31, 2015 be appropriated as follows:

Appropriation of balance sheet profit		
	12/31/2015	12/31/2014
Profit for the year	2'100	2'559
Profit brought forward	201	142
Balance sheet profit	2'301	2'701
Transfer from other reserves	0	0
Total distributable	2'301	2'701
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	2'500
Profit brought forward	301	201

Income Statement

from January 1 to December 31, 2015 (in CHF thousands)

Income statement	2015	2014
Results from interest activities		
Interest income	6'990	8'332
<i>of which from fixed-income securities</i>	5'523	7'048
Interest expenses	-3'687	-5'253
Subtotal income from interest activities	3'302	3'078
Current results from securities		
Equities and other non-fixed-interest securities	179	50
Subtotal income from securities	179	50
Results from commission and service fee activities		
Results from commission and service fee activities	10'820	12'353
<i>credit-related commissions and fees</i>	12	12
<i>commissions from securities and investment transactions</i>	10'543	10'634
<i>other commissions and fee income</i>	264	1'707
Commission and fee expenses	-1'012	-1'700
Subtotal income from commission and service fee activities	9'808	10'653
Results from financial transactions		
Results from financial transactions	2'807	2'499
<i>of which from trading business</i>	2'805	2'495
Subtotal income from financial transactions	2'807	2'499
Other ordinary income		
Other ordinary income	476	162
Subtotal other ordinary income	476	162
Gross income	16'572	16'442
Operating expenses		
Personnel expenses	-5'834	-6'228
<i>wages and salaries</i>	-4'284	-5'129
<i>social benefits and pension scheme contributions</i>	-851	-910
<i>of which pension scheme contributions</i>	-658	-759
<i>other personnel expenses</i>	-699	-189
Administrative expenses	-7'323	-6'868
Subtotal operating expenses	-13'156	-13'097
Depreciation on intangible assets and fixed assets	-983	-387
Other ordinary expenses	-52	-37
Value adjustments on claims, provisions for contingent liabilities and credit risks	0	-141
Results from ordinary activities	2'381	2'781
Extraordinary income	0	0
Subtotal extraordinary profit	0	0
Income taxes	-281	-222
Profit for the year	2'100	2'559

Cash Flow Statement

from January 1 to December 31, 2015 (in CHF thousands)

	2015		2014	
	Source of funds	Use of funds	Source of funds	Use of funds
Cash flow statement				
Cash flow from operating results (internal financing)				
Profit for the year	2'100		2'559	
Depreciation on fixed assets	983		387	
Value adjustments and provisions	18			179
Accrued income and prepaid expenses	1'907		1'451	
Accrued expenses and deferred income	35		280	
Dividend previous year		2500		7'000
Total cash flow from operating results (internal financing)	2'543			2'502
Cash flow from equity capital transactions				
Total cash flow from equity capital transactions		0		0
Cash flow from investment activities				
Shares and other non-fixed-interest securities		3'901		62'306
Other fixed assets		1'551		3'729
Equity interests	500			
Total cash flow from investment activities		4'952		66'035
Cash flow from banking business				
Short-term banking business (≤ 1 year)				
Due to banks		19'405	20'638	
Due to clients		33'612	83'373	
Other liabilities		6'162	5'566	
Due from banks	65'660			52'921
Due from clients	2'527		16'343	
Other assets	6'095			5'233
Liquidity				
Cash		12'693	772	
Total cash flow from banking business	2'410		68'537	

Notes on Business Activities

The activities of Kaiser Partner Privatbank AG are focused on asset management for a sophisticated international clientele, mainly from the USA, the UK, Switzerland, Eastern Europe and Russia.

Sale of stake in Serval AG

On March 31, 2015 Kaiser Partner Privatbank AG, Vaduz, transferred the assets and liabilities of Serval AG to Kaiser Partner Holding Anstalt, Vaduz, with economic effect from March 25, 2015. Serval AG, Vaduz, was a wholly owned subsidiary of the seller and thus a 100% sub-subsidiary of the purchaser. Serval AG, Vaduz, provides performance and risk analysis. The book value of the transfer as at March 25, 2015 was CHF 500,000.

Personnel

As at December 31, 2015, Kaiser Partner Privatbank AG had 35 (FTE 33.5) employees (previous year 43, FTE 40.3).

Commission Business and Services

The principal activities of the Bank 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 funds) and the arrangement of fiduciary investments.

Lending

As a basic principle, loans are granted in connection with asset management and investment transactions against securities collateral and at margins that are customary in banking. Other loan commitments are offered in exceptional cases only.

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 pertaining Banking Ordinance. The 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. Exchange gains or losses resulting from the valuation are recognized in the income statement.

The following exchange rates were used for foreign currency translations:

	12/31/2015	12/31/2014
USD	1.001250	0.98955
EUR	1.087608	1.20290
GBP	1.476393	1.54120

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. Overdue interest and doubtful interest payments are no longer stated as income but posted directly to value adjustments and provisions. 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 and Intangible Assets

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

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.

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. Positive and negative replacement values are booked to an adjustment account under other assets or other liabilities without affecting 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 remain unchanged from 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 the general business policy.

It pursues the following objectives:

- a balanced, primarily qualitative 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
- setting up a reporting system that enables the bank's executive 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 control is carried out in accordance with internal guidelines through regular risk monitoring, assessment and reporting to the Executive Board and the Board of Directors, and the implementation of appropriate risk limitation measures.

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 and duties of due diligence are observed.

Kaiser Partner Privatbank AG does not maintain a trading book. The risks in the bank book primarily relate to interest rate and counterparty risks. The investment and refinancing of borrowings are carried out in the matching currency.

Counterparty Risks

As a basic principle, the Bank only invests with first-class counterparties. Risk Management periodically reviews the quality of counterparties.

Interest Rate Risks

Interest rate risks are controlled through very conservative 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 the cash value and income for Privatbank.

Liquidity Risks

Liquidity risks are monitored and controlled based on the provisions of the Banking Act.

Business Policy Regarding Derivative Financial Instruments

Transactions involving derivative financial instruments are concluded for clients and for hedging purposes. The Bank trades both standardized and OTC derivatives. The counterparties are first-class Swiss and Liechtenstein banks.

Personnel Risks / Remuneration Policy

The bank takes various measures to avoid disproportionately high risks. When recruiting new employees, great care is taken to ensure that applicants not only have the right specialist expertise, but that they also have moral integrity and values that match those of the bank. Employees are paid primarily through a fixed, non-performance-related remuneration based on an annual gross salary. The bank does not pay variable compensation elements. At group level (Kaiser Partner Group), however, an employee dividend, based on the group's performance, may be paid out by an associated company set up for this purpose. This distribution is determined by the group result rather than by the performance of an individual person or department, so no link is established between risk taking and the variable component of remuneration.

Notes on the Balance Sheet

(in CHF thousands)

Overview of loans and off-balance sheet transactions

Loans		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Due from clients		11'600	13'316	5'000	29'916
Total loans	12/31/2015	11'600	13'316	5'000	29'916
	12/31/2014	12'600	19'843	0	32'443
Off-balance sheet transactions					
Contingent liabilities		0	3'291	0	3'291
Total off-balance sheet transactions	12/31/2015	0	3'291	0	3'291
	12/31/2014	0	3'352	0	3'352
Doubtful receivables	12/31/2015	0	0	0	0
	12/31/2014	382	1	381	381

Securities and precious metals (fixed assets)

	Book value		Acquisition value		Market value	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Debt securities						
of which valued using the accrual method	280'361	275'320	287'058	288'166	286'031	281'628
of which valued at lower of cost or market	3	1'143	3	1'196	3	1'143
Total	280'364	276'463	287'061	289'362	286'034	282'771
of which eligible at central banks	114'329	118'673	116'269	125'135	116'761	111'938

Shares in associated companies

	12/31/2015	12/31/2014
Shares in associated companies		
Without market value	0	500
Total shares in associated companies	0	500

Name of company, domicile	Type of business	12/31/2015			12/31/2014		
		Company capital	Voting share in %	Capital share in %	Company capital	Voting share in %	Capital share in %
Shares in associated companies							
Serval AG, Vaduz	Securities accounting	0	0.00	0.00	500	100.00	100.00

Statement of fixed assets

	Reporting year							
	Cost	Accumulated depreciation	Book value 12/31/2014	Investments	Disinvestments	Reclassifications	Depreciation	Book value 12/31/2015
Shares in associated companies								
Total shares in associated companies	500	0	500	0	-500	0	0	0
Intangible assets								
Total intangible assets (software)	5'838	-2'026	3'812	1'551	0	0	-615	4'748
Other fixed assets	6'281	-3'558	2'723	0	0	0	-368	2'355
Total fixed assets	6'281	-3'558	2'723	0	0	0	-368	2'355
						12/31/2015		12/31/2014
Fire insurance value of other fixed assets (including IT equipment)						23'700		23'700

Pledged or assigned assets as well as assets under reservation of ownership and security lending and repurchase agreements

	12/31/2015	12/31/2014
Book value of pledged or assigned (transferred by way of security) assets	9'908	11'743
Actual liabilities	0	0
Security lending 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 of 12/31/2014	Specific use	Recoveries, overdue interest, exchange differences	New provisions charged to income statement	Wri- te-backs credited to income statement	As of 12/31/2015
Value adjustments for loan default risks						
<i>specific value adjustments</i>	381	-347	0	0	-34	0
Provisions for tax and deferred tax	237	-222	0	240	0	255
Total value adjustments and provisions	618	-569	0	240	-34	255
<i>net of value adjustments</i>	-381	347	0	0	34	0
Total provisions according to balance sheet	237	-222	0	240	0	255
Provisions for general banking risks	500	0	0	0	0	500

Company capital

	12/31/2015			12/31/2014		
	Total par value	Number of shares	Capital ranking for dividend	Total par value	Number of shares	Capital ranking for dividend
Company capital						
Share capital	10'000	10'000	10'000	10'000	10'000	10'000
Total company capital	10'000	10'000	10'000	10'000	10'000	10'000

Significant shareholders

	12/31/2015		12/31/2014	
	Nominal	Share in %	Nominal	Share in %
With voting rights				
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 the beginning of the business year

Subscribed capital paid-in	10'000
Legal reserves	2'000
Other reserves	31'843
Provisions for general banking risks	500
Balance sheet profit	2'701
Total shareholders' equity at the beginning of the business year (before distribution of balance sheet profit)	47'044
- dividend paid-out of the net profit of the prior year	2'500
+ profit for the year	2'100
Total shareholders' equity at the end of the business year (before distribution of balance sheet profit)	46'644
<i>of which subscribed capital paid-in</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>2'301</i>

Maturity structure of assets, liabilities and provisions

	Due Sight deposits	Callable	fällig					Total
			within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	Immobilized	
Assets								
Cash	53'023							53'023
Due from banks	68'188		42'287	7'412				117'888
Due from clients	515	328	5'314	11'497	12'262			29'916
<i>mortgage loans</i>				1'000	10'600			11'600
Other assets	765		29'141	109'546	151'947	1	7'103	298'502
Total assets 12/31/2015	122'492	328	76'742	128'455	164'209	1	7'103	499'329
12/31/2014	118'090	360	138'556	89'482	198'232	7'600	6'535	558'856
Liabilities and provisions								
Due to banks	7'423		0	12'069				19'492
Due to clients	398'804		19'132	9'914				427'850
<i>other liabilities</i>	398'804		19'132	9'914				427'850
Provisions (excl. provisions for general banking risks)	0			255				255
Other liabilities	1'264		1'442	1'165	1'217			5'088
Total liabilities 12/31/2015	407'491	0	20'574	23'404	1'217	0	0	452'685
12/31/2014	416'756	0	73'080	21'977	0	0	0	511'812

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

	12/31/2015	12/31/2014
Due from associated companies (included in "Due from clients")	5'165	165
Due from significant shareholders (included in "Due from clients")	11'600	12'600
Due to associated companies (included in "Due to clients")	12'411	12'819
Due to significant shareholders (included in "Due to clients")	2'415	6'124
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.

Within the context of consultancy and other services, Kaiser Partner Privatbank Group also remunerates associated companies. The total amount of this remuneration came to CHF 1.31 million in 2015 (2014: CHF 1.27 million).

Balance sheet by currency

	Currency				Total
	CHF	USD	EUR	Other	
Assets					
Cash	52'213	105	615	91	53'023
Due from banks	11'757	45'776	26'663	33'691	117'888
Due from clients	22'875	4'055	2'939	47	29'916
<i>mortgage loans</i>	11'600				11'600
Shares and other non-interest-bearing securities	3				3
Debt securities and other fixed-income securities	47'515	171'931	38'474	22'441	280'361
Shares in associated companies	0				0
Intangible assets	4'748				4'748
Fixed assets	2'355				2'355
Other assets	3'913	0	54	0	3'968
Accrued income and prepaid expenses	1'723	3'153	1'362	830	7'068
Total on-balance sheet assets	147'102	225'019	70'108	57'101	499'329
Delivery claims from foreign exchange spot, forward and option transactions	58'403	108'006	69'458	7'748	243'615
Total assets	205'505	333'025	139'566	64'849	742'544
Liabilities					
Due to banks	565	18'323	210	394	19'492
Due to clients	92'539	207'462	71'008	56'841	427'850
Other liabilities	4'021	76	83	1	4'181
Accrued expenses and deferred income	789	105	3	9	907
Provisions	255				255
Provisions for general banking risks	500				500
Subscribed capital	10'000				10'000
Retained earnings	33'843				33'843
Profit brought forward	201				201
Profit for the year	2'100				2'100
Total on-balance sheet liabilities	144'813	225'966	71'304	57'245	499'329
Delivery commitments from foreign exchange spot, forward and option transactions	58'257	108'372	68'986	7'794	243'009
Total liabilities	203'070	334'338	146'290	65'039	742'337
Net position per currency	2'435	-1'313	-724	-190	

Other assets and other liabilities

	12/31/2015	12/31/2014
Balance sheet items		
Positive replacement values	2'741	8'615
Compensation account	1'092	978
Input tax	94	301
Accounts receivable	41	104
Settlement accounts	0	66
Total other assets	3'968	10'063
Negative replacement values	3'866	9'592
Compensation account	0	0
Creditors	324	686
Settlement accounts	-9	65
Total other liabilities	4'181	10'343

Notes on Off-Balance Sheet Transactions

(in CHF thousands)

Breakdown of contingent liabilities

	12/31/2015	12/31/2014
Credit guarantees and similar instruments	3'291	3'352
Total	3'291	3'352

Open derivative financial instruments

	Trading instruments			Hedging instruments			
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume	
Foreign currencies							
Foreign exchange forwards	2'741	2'770	243'615				
Currency swaps	0	0					
Interest rate instruments							
Interest rate swaps				0	1'096	23'200	
Total before consideration of netting agreements	12/31/2015	2'741	2'770	243'615	0	1'096	23'200
	12/31/2014	8'615	8'375	281'105	0	1'217	12'600
		Positive replacement values (accumulated)		Negative replacement values (accumulated)			
Total after consideration of netting agreements	12/31/2015	2'741		3'866			
	12/31/2014	8'615		9'592			

Fiduciary transactions

	Currencies translated into CHF					Total in CHF thousands	
	CHF	USD	GBP	EUR	Other		
Fiduciary deposits with other banks	0	75'544	0	0	0	75'544	
Total	12/31/2015	0	75'544	0	0	75'544	
	12/31/2014	1'606	117'242	720	0	0	119'568

Client assets under management

	12/31/2015 in CHF millions	12/31/2014 in CHF millions
Type of client assets		
Discretionary assets	653	764
Other client assets	1'505	1'632
Total client assets (including double counts)	2'158	2'396
of which double counts	32	53

Notes on the Income Statement

(in CHF thousands)

Results from financial transactions

	2015	2014
Results from financial transactions		
Precious metals	9	122
Foreign exchange, notes and coins	2'796	2'373
Total results from financial transactions	2'805	2'495

Breakdown of personnel expenses

	2015	2014
Personnel expenses		
Wages and salaries ¹⁾	4'284	5'129
Social benefits and pension scheme contributions	851	910
<i>of which pension scheme contributions</i>	658	759
Other personnel expenses	699	189
Total personnel expenses	5'834	6'228
Payments to the members of the Board of Directors	0	0
Payments to the members of the Executive Board	607	633

¹⁾ Including accrued vacation.

Breakdown of administrative expenses

	2015	2014
Administrative expenses		
Occupancy expenses	1'446	1'361
Expenses for IT, machinery, furniture, vehicles and other equipment	3'119	2'444
Other administrative expenses	2'757	3'064
Total administrative expenses	7'323	6'868

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

(in CHF thousands)

Statement of eligible capital

	12/31/2015	12/31/2014
Core capital (prior to adjustment)	44'544	43'984
of which minority interests		
of which "innovative" instruments		
– surplus of the 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	-4'748	-3'812
= eligible core capital (adjusted core capital)	39'796	40'172
+ upper supplementary capital		
+ lower supplementary capital		
+ additional capital		
– other deductions from supplementary capital, additional capital and total capital		
= Eligible capital	39'796	40'172

Statement of required capital

	Method used	Equity requirement
Credit risk	Standard approach	11'080
of which price risk regarding the equities in the bank book		
Non-counterparty-related risks		52
Market risk	Standard approach	30
of which on interest rate instruments (general and specific market risk)		
of which on equities		
of which on foreign exchange and precious metals		30
of which on commodities		
of which for settlement and delivery risks		
Operational risk	Basic indicator approach	2'301
Additional capital		
Total		13'463
Ratio of eligible/required capital:		2.96
Equity ratios		
Eligible (adjusted) core capital (incl. "innovative" instruments)		0.24
Eligible capital Tier 1		0.24

Further details can be found on our website www.kaiserpartner.com

Report of the Statutory Auditors

To the General Meeting of
Kaiser Partner Privatbank AG, Vaduz

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 10 to 12 and 14 to 29) and the annual report of Kaiser Partner Privatbank AG for the year ended December 31, 2015.

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

Our audit was conducted in accordance with auditing standards promulgated by the profession in Liechtenstein, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements and the 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.

In our opinion, the financial statements for the year ended December 31, 2015, give a true and fair view of the financial position and the results of operations 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.

The annual report is consistent with the financial statements.

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

Ernst & Young AG

Stefan Fuchs	Christina Geissmann
Certified Accountant	Certified Accountant (CH)
(Auditor in Charge)	

Zurich, 26. April 2016

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

as of February 1st, 2015

Board of Directors	Fritz Kaiser, FL Vaduz (Chairman) Dr. Elmar Wiederin, CH Schindellegi / SZ (Member) Otmar Hasler, FL Gamprin-Bendern (Member)
Executive Board	Christian Reich, CH Speicher / AR (Head) Christoph Küng, CH Erlenbach / ZH (Member)
Investment-Partners*	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)
Vice Directors	Silvan Brun, CH Bichwil / SG Nicolas Jego, CH Cham / ZG Hermann Neusüss, FL Triesenberg Daniela Tschirky, CH Pfäfers / SG Damien Wyss, Näfels / GL Alex Schnyder, CH Altstätten / SG
Authorized signatories	Stefan Lampert, AT Altbach Reinhard Matt, FL Schaan Rainer Nachbauer, AT Hohenems Michele Petriella, FL Vaduz Adrian Schneider, CH Chur / GR Stefan Schüpbach, CH St. Gallen / SG Lawrence Seikel, CH Buchs / SG
Internal Audit	Grant Thornton Bankrevision AG, CH Zurich / ZH
Statutory Auditors	Ernst & Young AG, CH Zurich / ZH
Member of	Liechtenstein Bankers Association Swiss Bankers Association

* Strategic partnership agreement with Wellershoff & Partners Ltd., Zurich,
for macroeconomic analyses 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.

Published by: Kaiser Partner Management Services Anstalt
Pflugstrasse 10/12, Postfach 1157
FL-9490 Vaduz, Liechtenstein

T: +423 236 57 57, F: +423 236 55 49
E: info@kaiserpartner.com

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Kaiser Partner

Pflugstrasse 10/12,
9490 Vaduz, Liechtenstein

Glärnischstrasse 18,
8002 Zurich, Switzerland

www.kaiserpartner.com