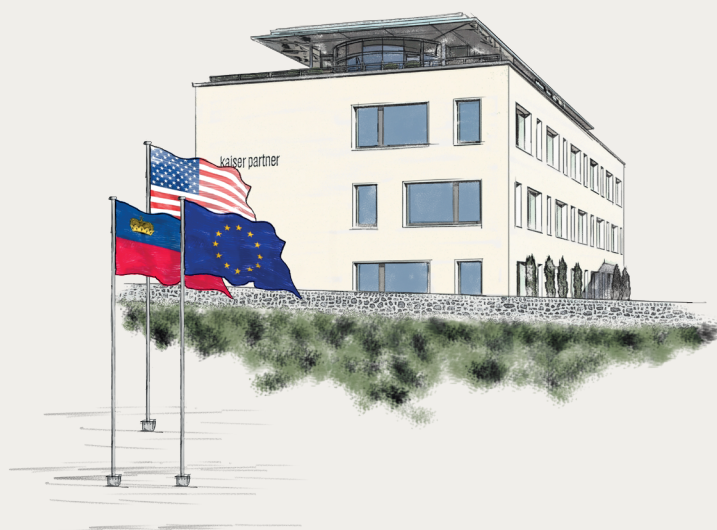


Kaiser Partner Privatbank AG



Annual Report 2017

kaiser.partner
Responsibility in Wealth

2017 key figures

(in CHF m, rounded)

31/12/2017

31/12/2016

Total income	17.4	16.9
Profit for the year	2.3	2.4
Results from ordinary activities	2.5	2.7
Equity before appropriation of profit	47.3	47.0
Total assets	463.0	584.2
Assets under management	2'674.2	2'504.3
Employees (FTE)	37.2	32.6

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More client funds, higher operating income and investment

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

2017 was another good business year for Kaiser Partner Privatbank AG. On the operational side, client assets under management went up 7% year-on-year to CHF 2.7 billion, while operating income was 3% higher. Despite considerable investment in IT and rising compliance requirements, Privatbank kept profit up at almost the prior-year level.

Our business model is based on proximity to the customer and on providing services in line with the philosophy of Responsible Investing, according to which we invest our clients' assets sustainably and responsibly. The strength of worldwide financial markets prompted many of our customers to shift their portfolios away from nominal towards real assets. The performance we secured for client portfolios kept pace with the best in practically all areas.

Kaiser Partner Privatbank AG focuses on sustainability, stability and security. This is reflected in a tier 1 core capital ratio of 21.9%, underlining the bank's very solid capital base.

Building on this foundation, Privatbank has once again reported a sustainable and pleasing result. The values we communicate, our integrated wealth management model, our avoidance of retrocessions and our commitment to tax compliance, privacy and responsible investing clearly exert an enduring appeal. Kaiser Partner Privatbank AG's performance has received outside recognition as well: World Finance once again named the company as the "Best Private Bank in Liechtenstein".

The Privatbank's growth has been boosted further by the acquisition, announced in December, of Bank Vontobel (Liechtenstein) AG. This increased Kaiser Partner Privatbank AG's assets under management to around CHF 4 billion. At the same time, we agreed a cooperation deal with Bank Vontobel Schweiz that will help reinforce our institutional banking business in Liechtenstein.

Market Review 2017

Political situation in Europe relaxes

Markets were in a euphoric state at the start of 2017 in expectation of the economic stimuli promised by the freshly elected Trump administration in the USA. But it took a long while until the first fiscal support became a reality. Interestingly, the new tax program in the United States shored up and enlivened markets towards the end of the year.

Concerns about a sharp rise in support for populist movements around the world, and especially in Europe, turned out to be exaggerated. Populist parties proved incapable of breaking through in the Netherlands, Germany or France. This calmed the markets, particularly after the French elections in the middle of the year.

The political seismograph in the USA continued to show quakes, but the situation in Europe became calmer, giving succor to the European stock markets and the euro. The common currency, supported by good economic data and the prospect of a reduction in monetary policy measures in Europe, stabilized. By contrast, the US dollar weakened against all the other major currencies; interest rate increases in the USA had already been priced in.

Turning to Switzerland, the beginning of the year saw continued large-scale interventions by the Swiss National Bank (SNB); these were reined in after elections in France brought some calm, and have even become negative of late. As the euro became stronger, the Swiss franc depreciated accordingly. The SNB is sticking to its twin-track policy of negative interest rates and market interventions. Despite the strong appreciation of the euro, it continues to regard the Swiss franc as overvalued.

Central bank medicine with a long-term effect

Equity markets – not just in the United States – sped from one record to the next in 2017. The Dow Jones Industrial Average hit new all-time highs on 71 separate occasions. The Swiss market as a whole (SMI) only reached a new record high in 2018. Positive fundamentals include rising GDP, a continuation of relaxed monetary policy by the major central banks, and solid corporate profits.

According to the International Monetary Fund, this growth is broad-based around the world and is leading to higher employment. China has managed to keep its growth rates high. Contrary to some forecasts, 2017's strong growth did not push up inflation, and hourly wages remained stable. According to purchasing managers' indices, businesses are optimistic about the future. The orders situation is good.

On bond markets, interest rates bottomed out and in some cases managed a slight rise. Following three rate hikes by the Fed, the yield curve in the USA is less steep: long-term rates have increased less sharply than short-term. German government bonds only deliver positive rates from terms of five years or more, Swissies from ten. In general, interest rates remained low, and risk premiums continued to narrow.

Cryptocurrencies cause a stir

Led by Bitcoin, cryptocurrencies were a huge talking point in 2017. Massive price rises captured widespread public attention. As it became easier to carry out transactions, and people learnt more about their decentralized structure, enthusiasm for cryptocurrencies grew. But many questions remain, including uncertainty about tax status, money laundering issues etc. Whatever form they take, however, cryptocurrencies and the blockchain technology they use will undoubtedly help to shape the future.

Financial Results for 2017

Positive growth in client assets and net profit

Client assets under management rose from CHF 2,504 million to CHF 2,674 million during the year under review, an increase of CHF 170 million or 7%. This positive performance was based on net new money inflow of CHF 4 million and a positive market effect of CHF 165 million. The high asset management ratio of 30% underlines the appeal of our asset management expertise, which is based on a sustainable approach.

In a market environment that remains challenging, with negative interest rates, volatile financial markets and increasing regulatory pressure, Privatbank generated a profit for the year of CHF 2.3 million. This is 5% below the previous year's result.

Total income for the reporting period came to CHF 17.4 million, which is 3% up on the prior-year level. Income from interest activities went down CHF 0.2 million, or 5%, to CHF 3.6 million. Thanks to the increase in client assets, income from commission and service business improved by 6% to CHF 10.5 million. Income from financial transactions went up 15% to CHF 2.9 million on the back of healthy earnings from currency hedging transactions.

Investments in IT and personnel pushed operating expenses up by 5% year-on-year to CHF 13.8 million, while administrative expenses went up CHF 0.3 million and personnel costs CHF 0.4 million. At the end of 2017, Kaiser Partner Privatbank AG employed 39 people (37.2 FTE).

On December 31, 2017, Kaiser Partner Privatbank AG's total assets stood at CHF 463 million, which is CHF 121 million, or 21%, lower than a year previously. On the assets side, claims due from banks fell by CHF 138 million (-65%), and claims due from clients by CHF 5 million (-17%). On the liabilities side, meanwhile, due to clients fell by 23%, from CHF 506 million to CHF 390 million.

Solid equity base

As at December 31, 2017 equity capital was up 1% on the year at CHF 47.3 million. With a Tier 1 ratio of 22% before dividend distribution, Kaiser Partner Privatbank AG continues to be very solidly capitalized.

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. We benefit from a long-standing partnership with Kaiser Partner Financial Advisors AG in Zurich, which has been successfully looking after the taxed assets of US citizens 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. Our work with our partners takes place more and more through digital channels, which we continue to develop together.

Outlook for 2018

Final spurt in economic recovery

Central banks are likely to reduce their support measures still further in 2018, while fiscal support programs will continue to provide grounds for optimism. The global synchronization of growth is a new and exciting feature. Momentum is very positive in the developed economies of Europe, North America and Japan, while emerging economies are also performing well. The global growth train is being pulled along by several different engines, so the prospect of one or other engine failing is not as frightening as it might have been.

Growth may be synchronous at the moment, but not all countries are as advanced in the cycle as others. The growth potential of some economies has already largely been exhausted, and further growth rate rises could cause overheating; in the USA, for example: despite a stable economic environment with low unemployment, the markets are still being stimulated – too much perhaps – by tax reforms and budget deals. Europe has potential left still because it has not advanced as far along the economic cycle.

The same is true of emerging markets, which may well benefit from a favorable environment in 2018. Positive internal factors for these countries include smaller budget deficits, lower foreign debt, and inflation rates that are under control. In terms of external factors, emerging economies are benefiting from greater foreign direct investment, increasing global trade and the weaker US dollar. Promising developments can be found closer to home, too: Switzerland is profiting from stronger economic growth in the Eurozone, while the weaker Swiss franc plays into the hands of the export-oriented Swiss economy.

A stable macroeconomic environment does not mean, however, that the capital markets are immune from uncertainty. Potential (geo)political developments – which often combine a low probability of actually occurring with high impact if they do happen – can quickly unsettle the markets. Markets were on edge in 2017 because of numerous political events (Dutch and French presidential elections, German Bundestag elections etc.), but as a result they were also prepared. A less busy political agenda in 2018 could mean less tension and, therefore, a greater potential for surprises. This goes for economic as well as political developments, of course. We believe the economic risks are slightly higher this year. Economic expansion, which is already cyclically well advanced, could lead to overheating. Inflation and interest rates could rise more sharply than markets expect, and thus choke off growth.

We already had a foretaste of this at the beginning of the year. Better-than-expected labor market data led to a relatively strong rise in inflation expectations and, therefore, interest rates. This led to a short, sharp correction in the stock markets. We don't yet believe this latest correction is a harbinger of the end of the economic upswing. Corporate revenues and profits are still growing too strongly for that. Falling share prices coupled with rising corporate profits resulted in, among other things, a return to much cheaper share valuations. We believe this will facilitate a healthy final spurt in this advanced stage of the economic upswing. During this phase, commodities will probably benefit more than interest rate-sensitive investments like bonds and real estate.

Acquisition of Bank Vontobel (Liechtenstein) AG

Following its positive performance in the 2017 financial year, Kaiser Partner Privatbank AG has strengthened its growth potential with the acquisition of Bank Vontobel (Liechtenstein) AG. Having received regulatory approval from the Liechtenstein Financial Market Authority (FMA), Kaiser Partner Privatbank AG, Vaduz, completed its takeover of Bank Vontobel (Liechtenstein) AG on February 22, 2018. With this step, Bank Vontobel (Liechtenstein) AG became a wholly-owned subsidiary of Kaiser Partner Privatbank. The legal merger of the two units will be completed in the first half of 2018.

The purchase of Bank Vontobel (Liechtenstein) AG represents an important step in Kaiser Partner Privatbank AG's development. As well as increasing the bank's assets under management significantly to nearly CHF 4 billion, the acquisition opens up a whole new area of business: banking for institutional customers (pension funds, public-sector bodies, etc.). Close cooperation with Bank Vontobel Schweiz on securities business and asset management will create opportunities in future for the bank and its clients.

No other subsequent events that would have had a significant influence on Privatbank's asset, financial or earnings position occurred between the balance sheet date and the printing of the annual report.

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 2018.

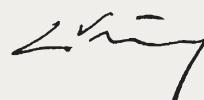
Vaduz, March 2018



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



Christian Reich
CEO
Kaiser Partner Privatbank AG



Christoph K  ng
Member of the Executive Committee of
Kaiser Partner Privatbank AG



Hermann Neus  ss
Member of the Executive Committee of
Kaiser Partner Privatbank AG

Balance Sheet of Kaiser Partner Privatbank AG

as at December 31, 2017 (in CHF 1'000)

Assets		
	31/12/2017	31/12/2016
Cash	62'768	60'944
Due from banks	74'058	211'839
<i>due on a daily basis</i>	39'808	44'719
<i>other claims</i>	34'250	167'119
Due from clients	24'049	28'804
<i>mortgage loans</i>	3'800	10'600
Debt securities and other fixed-income securities	257'553	261'528
<i>debt securities</i>	257'553	261'528
<i>public-sector issuers</i>	56'086	64'268
<i>other issuers</i>	201'467	197'260
Shares and other non-fixed-income securities	3	44
Shares in associated companies	0	0
Intangible assets	5'099	4'826
Fixed assets	29'472	5'116
Other assets	4'148	4'066
Accrued income and prepaid expenses	5'878	7'045
Total assets	463'029	584'211

Liabilities

	31/12/2017	31/12/2016
Due to banks	20'676	26'121
<i>due on a daily basis</i>	15'833	20'659
<i>other liabilities</i>	4'843	5'462
Due to clients	389'809	505'758
<i>other liabilities</i>	389'809	505'758
<i>due on a daily basis</i>	325'548	460'269
<i>with agreed maturity or period of notice</i>	64'261	45'490
Other liabilities	3'794	4'012
Accrued expenses and deferred income	1'159	975
Provisions	296	313
<i>provisions for taxes</i>	277	295
<i>other provisions</i>	18	18
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	689	301
Profit for the year	2'263	2'388
Total liabilities	463'029	584'211

Off-Balance Sheet Transactions

as at December 31, 2017 (in CHF 1'000)

Off-balance sheet Transactions

	31/12/2017	31/12/2016
Contingent liabilities	4'995	5'016
<i>of which liabilities from guarantees and indemnity agreements and from assets pledged as collateral security</i>	4'995	5'016
Derivative financial instruments		
<i>contract volume</i>	327'813	285'490
<i>positive replacement values</i>	2'783	2'675
<i>negative replacement values</i>	3'218	3'547
Fiduciary transactions	24'715	83'143
<i>fiduciary deposits with other banks</i>	24'715	83'143

Appropriation of Retained Earnings

(in CHF 1'000)

The Board of Directors will propose to the General Meeting that the retained earnings as of December 31, 2017, be appropriated as follows:

Appropriation of retained earnings		
	31/12/2017	31/12/2016
Profit for the year	2'263	2'388
Profit brought forward	689	301
Retained earnings	2'952	2'689
Distribution of retained earnings		
<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
Profit brought forward	952	689

Income Statement

From January 1 to December 31, 2017 (in CHF 1'000)

Income statement		
	2017	2016
Income from interest activities		
Interest income	7'022	7'620
<i>of which from fixed-income securities</i>	5'112	5'866
Interest expenses	-3'413	-3'821
Subtotal income from interest activities	3'608	3'798
Current income from securities		
Shares and other non-fixed-income securities	0	80
Shares in associated companies	0	0
Subtotal income from securities	0	80
Income from commission and service fee activities		
Income from commission and service fee activities	11'245	10'728
<i>credit-related commissions and fees</i>	27	16
<i>commissions from securities and investment transactions</i>	10'754	9'779
<i>other commissions and fee income</i>	464	933
Commission and fee expenses	-724	-826
Subtotal income from commission and service fee activities	10'521	9'902
Income from financial transactions		
<i>of which from trading business</i>	2'890	2'522
	2'851	2'480
Subtotal income from financial transactions	2'890	2'522
Other ordinary income		
Other ordinary income	399	557
Subtotal other ordinary income	399	557
Gross income	17'418	16'859
Operating expenses		
Personnel expenses	-5'941	-5'558
<i>wages and salaries</i>	-4'460	-4'128
<i>social benefits and pension scheme contributions</i>	-910	-856
<i>of which pension scheme contributions</i>	-688	-628
<i>other personnel expenses</i>	-570	-575
Administrative expenses	-7'905	-7'643
Subtotal operating expenses	-13'846	-13'201
Depreciation on intangible assets and fixed assets	-982	-956
Other ordinary expenses	-74	-42
Value adjustments on claims, provisions for contingent liabilities and credit risks	0	0
Results from ordinary activities	2'516	2'660
Income taxes	-253	-272
Profit for the year	2'263	2'388

Cash Flow Statement

From January 1 to December 31, 2017 (in CHF 1'000)

Cash flow statement

	2017		2016	
	Source of funds	Use of funds	Source of funds	Use of funds
Cash flow from operating results (internal financing)				
Profit for the year	2'263		2'388	
Depreciation on fixed assets	982		956	
Value adjustments and provisions		17	58	
Accrued income and prepaid expenses	1'167		23	
Accrued expenses and deferred income	183		68	
Dividend previous year		2'000		2'000
Net cash flow from operating results (internal financing)	2'578		1'493	
Cash flow from equity capital transactions				
Net cash flow from equity capital transactions		0		0
Cash flow from investment activities				
Shares and other non-fixed-interest securities	4'016		18'792	
Fixed assets		24'700		3'119
Intangible assets		910		676
Equity interests				
Net cash flow from investment activities		21'594	14'997	
Cash flow from banking business				
Short-term banking business (≤ 1 year)				
Due to banks		5'445	6'629	
Due to clients		115'949	77'908	
Other liabilities		218		169
Due from banks	137'781			93'951
Due from clients	4'755		1'111	
Other assets		82		98
Liquidity				
Cash		1'825		7'920
Net cash flow from banking business	19'016			16'490

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, 2017, Kaiser Partner Privatbank AG had 39 (FTE 37.2) employees (previous year 34, FTE 32.6).

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 Privatbank AG 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 Privatbank AG 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:

	31/12/2017	31/12/2016
USD	0.9737	1.017500
EUR	1.170533	1.072750
GBP	1.316783	1.255849

Cash, Receivables, Liabilities due to Banks and to Clients and Securitised 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 recoverable 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 written down on a straight-line basis over their estimated useful life (three to thirteen years) based on operational criteria. Real estate is written down over 50 years. 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 an unscheduled write-down is made.

An impairment test is applied to tangible assets at each balance sheet date. If there is evidence of impairment, the recoverable amount is calculated. If the book value exceeds the recoverable amount, 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.
- creating 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 to 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 Privatbank AG's legal department and, if necessary on a case by case basis, external legal advisors are brought in 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 its 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 Use of 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 management of the balance sheet structure. 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

Kaiser Partner Privatbank AG 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. However, an employee dividend based on Kaiser Partner Privatbank AG'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		3'800	20'249	0	24'049
Total loans	31/12/2017	3'800	20'249	0	24'049
	31/12/2016	10'600	13'204	5'000	28'804
Off-balance sheet transactions					
Contingent liabilities		0	4'995	0	4'995
Total Off-balance sheet transactions	31/12/2017	0	4'995	0	4'995
	31/12/2016	0	5'016	0	5'016
Doubtful receivables					
		Gross debt	Estimated proceeds from sale of collateral	Net debt	Individual value adjustments
	31/12/2017	0	0	0	0
	31/12/2016	0	0	0	0

Securities and precious metals (fixed assets)

	Book value		Acquisition value		Market value	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Debt securities						
of which valued using the accrual method	257'553	261'528	260'756	267'216	262'485	267'468
of which valued at lower of cost or market value	3	44	3	44	3	57
Total	257'556	261'572	260'759	267'260	262'488	267'525
of which eligible at central banks	77'914	110'108	80'431	111'092	79'179	112'081

Statement of fixed assets

	Reporting year							
	Cost	Accu- mulated deprecia- tion	Book value 31/12/2016	Invest- ments	Disposals	Reclassi- fications	Write-ups	Deprecia- tion
Securities and precious metals (fixed assets)			261'528	97'433	-101'408	0	0	0
Total intangible assets	8'066	-3'239	4'826	910	0	0	0	-637
Tangible assets	3'100	0	3'100	0	0	0	0	0
Real Estate (bank building)	24'700	0	0	24'700	0	0	0	0
Fixed assets	6'299	-4'283	2'016	0	0	0	0	-345
Total Fixed assets	34'099	-4'283	5'116	24'700	0	0	0	-345

	31/12/2017	31/12/2016
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

	31/12/2017	31/12/2016
Book value of pledged or assigned (transferred as collateral) assets	11,820	7,161
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 31/12/2016	Specific use	Recoveries, overdue interest, exchange differences	New provisions charged to income statement	New provisions charged to income statement	As at 31/12/2017
Value adjustments for loan default risks						
<i>specific value adjustments</i>	0	0	0	0	0	0
Other provisions	18	0	0	0	0	18
Provisions for tax and deferred tax	295	-265	0	248	0	277
Total value adjustments and provisions	313	-265	0	248	0	296
<i>less value adjustments</i>	0	0	0	0	0	0
Total provisions according to balance sheet	313	-265	0	248	0	296
Provisions for general banking risks	500	0	0	0	0	500

Company capital

	31/12/2017			31/12/2016		
	Total par value	Number of shares	Capital ranking for dividends	Total par value	Number of shares	Capital ranking for dividends
Company capital						
Share capital	10'000	10'000	10'000	10'000	10'000	10'000
Total capital	10'000	10'000	10'000	10'000	10'000	10'000

Significant shareholders

	31/12/2017		31/12/2016	
	Nominal	Share in %	Nominal	Share in %
With voting rights				
KBB Stiftung, Vaduz	10'000	100.00		
Kaiser Partner Holding Anstalt, Vaduz (100% owned by Kaiser Beteiligungen Anstalt)			10'000	100.00

Statement of shareholders' equity

Shareholders' equity at beginning of business year

Share capital paid in	10'000
Legal reserves	2'000
Other reserves	31'843
Provisions for general banking risks	500
Retained earnings	2'689
Total shareholders' equity at the beginning of the business year (before appropriation of profit)	47'032
– Dividend paid out of prior year's profit	2'000
+ Profit for the year	2'263
Total shareholders' equity at the end of the business year (before appropriation of profit)	47'295
<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>Retained earnings</i>	<i>2'952</i>

Maturity structure of assets, liabilities and provisions

		Due							
		Sight deposits	Callable	within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	immobi-lized	Total
Assets									
Cash		62'768							62'768
Due from banks		63'055		9'250	1'753				74'058
Due from clients		2'655	274	5'727	7'932	7'460			24'049
<i>Mortgage loans</i>						3'800			3'800
Other assets		1'131		36'758	60'343	169'349		34'572	302'153
Total assets	31/12/2017	129'609	274	51'735	70'028	176'810	0	34'572	463'029
31/12/2016		178'263	302	98'895	104'265	190'540	2'005	9'942	584'211
Liabilities and provisions									
Due to banks		15'833		198	4'645				20'676
Due to clients		367'925		18'735	3'149				389'809
<i>Other liabilities</i>		367'925		18'735	3'149				389'809
Provisions (excl. provisions for general banking risks)		0			296				296
Other liabilities		1'725		1'147	1'289	792			4'952
Total liabilities	31/12/2017	385'483	0	20'081	9'378	792	0	0	415'734
31/12/2016		502'923	0	24'222	8'072	1'962	0	0	537'179

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

	31/12/2017	31/12/2016
Due from associated companies (included in "Due from clients")	0	5'000
Due from significant shareholders (included in "Due from clients")	0	10'600
Due to associated companies (included in "Due to clients")	0	12'945
Due to significant shareholders (included in "Due to clients")	880	1'784
Loans to members of the bank's governing bodies	0	0

Transactions (e.g. securities transactions, payment transactions, loans and returns on deposits) with affiliated parties are carried out on the same terms as used for third parties. Kaiser Partner Privatbank AG also remunerates companies within the Kaiser Partner Group for consultancy and other services. The total amount of this remuneration came to CHF 1.25 million in 2017 (2016: CHF 1.41 million).

At the end of 2017, Kaiser Partner Holding AG transferred its 100% stake in Kaiser Partner Privatbank AG to the KBB Foundation. At the same time, Kaiser Partner Privatbank AG bought the bank building that it uses at Herrengasse 23, Vaduz, from Kaiser Partner Immobilienanstalt at the market price of CHF 24.7 million. In this context, Kaiser Partner Holding Anstalt paid back a loan of CHF 5.8 million in December, which had been extended to it by Kaiser Partner Privatbank AG.

Balance sheet by currency

	Currency				Total
	CHF	USD	EUR	Other	
Assets					
Cash	62'088	95	518	67	62'768
Due from banks	10'132	42'755	4'588	16'583	74'058
Due from clients	8'992	12'058	2'945	54	24'049
<i>Mortgage loans</i>	<i>3'800</i>				<i>3'800</i>
Shares and other non-interest-bearing securities	1	2			3
Debt securities and other fixed-income securities	25'205	137'090	76'119	19'139	257'553
Shares in associated companies	0				0
Intangible assets	5'099				5'099
Fixed assets	29'452		20		29'472
Other assets	4'148				4'148
Accrued expenses and deferred income	1'184	1'439	2'442	813	5'878
Total On-balance sheet assets	146'302	193'439	86'632	36'657	463'029
Delivery claims from foreign exchange spot, forward and option transactions	54'604	123'850	119'874	14'084	312'413
Total assets	200'906	317'289	206'506	50'741	775'441
Liabilities					
Due to banks	727	14'026	561	5'362	20'676
Due to clients	65'533	169'959	122'132	32'185	389'809
Other liabilities	3'732	12	50	0	3'794
Accrued expenses and deferred income	1'013	119	22	5	1'159
Provisions	277				277
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	689				689
Profit for the year	2'263				2'263
Total on-balance-sheet liabilities	118'595	184'117	122'765	37'552	463'029
Delivery commitments from foreign exchange spot, forward and option transactions	79'413	133'653	84'815	14'088	311'969
Total liabilities	198'008	317'769	207'580	51'640	774'997
Net position per currency	2'898	-480	-1'075	-900	

Other assets and other liabilities

	31/12/2017	31/12/2016
Balance sheet items		
Positive replacement values	2'783	2'675
Compensation account	639	915
Input tax	118	78
Accounts receivable	608	398
Settlement accounts	0	0
Total other assets	4'148	4'066
Negative replacement values	3'218	3'547
Compensation account	0	0
Accounts payable	482	343
Settlement accounts	94	123
Total other liabilities	3'794	4'012

Notes on Off-Balance Sheet Transactions

(in CHF 1'000)

Breakdown of contingent liabilities

	31/12/2017	31/12/2016
Credit guarantees	4'995	5'016
Total	4'995	5'016

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		2'783	2'579	312'413			
Currency swaps							
Interest rate instruments							
Interest rate swaps						639	15'400
Total before netting agreements	31/12/2017	2'783	2'579	312'413	0	639	15'400
	31/12/2016	2'675	2'631	263'290	0	915	22'200
		Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Total after netting agreements	31/12/2017			2'783			3'218
	31/12/2016			2'675			3'547

Fiduciary transactions

		Currencies, translated into CHF					Total in CHF 1'000
		CHF	USD	GBP	EUR	Other	
Fiduciary deposits with other banks		0	22'193	597	0	1'926	24'715
Total	31/12/2017	0	22'193	597	0	1'926	24'715
	31/12/2016	0	80'891	0	0	2'252	83'143

Client assets under management

	31/12/2017 in CHF m	31/12/2016 in CHF m
Type of client assets		
Discretionary assets	799	711
Other client assets	1'875	1'793
Total client assets (incl. double counts)	2'674	2'504
of which double counts	36	13
Net new money inflow/outflow	4	225

Notes on the Income Statement

(in CHF 1'000)

Income from trading operations

	2017	2016
Income from trading operations		
Precious metals	0	0
Foreign exchange, foreign notes and coins	2'851	2'480
Total trading income	2'851	2'480

Breakdown of personnel expenses

	2017	2016
Personnel expenses		
Wages and salaries ¹⁾	4'460	4'128
Social benefits and pension scheme contributions	910	856
<i>of which pension scheme contributions</i>	<i>688</i>	<i>628</i>
Other personnel expenses ²⁾	570	575
Total personnel expenses	5'941	5'558
Payments to members of the Board of Directors	19	0
Payments to members of the Executive Board	595	486

¹⁾ This includes accrued vacation credits.

²⁾ "Other personnel expenses" includes CHF 0.688 million (2016: CHF 0.633 million) of expenses for services provided to the bank by Kaiser Group companies, less CHF 0.201 million of earnings (2016: 0.200 million) from services provided by the bank to these companies.

Breakdown of administrative expenses

	2017	2016
Administrative expenses		
Occupancy expenses	1'454	1'432
Expenses for IT, machinery, furniture, vehicles and other equipment	3'810	3'545
Other administrative expenses	2'641	2'666
Total administrative expenses	7'905	7'643

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

(in CHF 1'000)

Statement of eligible capital

	31/12/2017	31/12/2016
Core capital (prior to adjustment)	45'032	44'644
of which minority interests		
of which "innovative" instruments		
– 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	-5'099	-4'826
= Eligible core capital (adjusted core capital)	39'933	39'818
+ Upper supplementary capital		
+ Lower supplementary capital		
+ Additional capital		
– Other deductions from supplementary capital, additional capital and total capital		
= Eligible capital	39'933	39'818

Statement of required capital

	Method used	31/12/2017 Equity requirement
Credit Risk	Standard approach	11,921
Of which price risk relating to equities in the bank book		
Non-counterparty-related risks		64
Market risk	Standard approach	100
of which on interest rate instruments (general and specific market risk)		
of which on equities		
of which on foreign exchange and precious metals		100
of which on commodities		
of which for settlement and delivery risks		
Operational risk	Basic indicator approach	2,494
Additional capital		
Total minimum capital		14,579
Capital conservation buffer		4,556
Total regulatory required capital		19,135
Ratio of eligible/required capital:		2.09
Equity ratios		
Hard core capital ratio		21.9%
Core capital ratio		21.9%

Further details can be found on our website www.kaiserpартner.bank

To the General Meeting of
Kaiser Partner Privatbank AG, Vaduz

Zurich, 6 April 2018

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 to 12 and pages 14 to 29), and the accompanying annual report (pages 4 to 9) of Kaiser Partner Privatbank AG for the year ended 31 December 2017.



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)



p.p. Tamara Wolf
Bachelor of Science FHO

Board of Directors, Executive Board, Investment Partners, Execu- tives and Auditors

as at Februar 1, 2018

Board of Directors	Fritz Kaiser, FL Vaduz (Chairman) Otmar Hasler, FL Gamprin-Bendern (Member) Philip Marcovici, Hong Kong (Member)
Executive Board	Christian Reich, CH Speicher / AR (CEO) Christoph Küng, CH Erlenbach / ZH (Member) Hermann Neusüss, FL Triesenberg (Member)
Vice Directors	Nicolas Jegou, CH Cham / ZG Daniela Tschirky, CH Wangs / SG Damien Wyss, CH Näfels / GL Adrian Schneider, CH Chur / GR Georg Mauser, FL Schaanwald Marcel Spalinger, CH Schindellegi / SZ
Authorized Signatories	Reinhard Matt, FL Schaan Rainer Nachbauer, AT Hohenems My Linh Dao, AT Mäder Martin Wiethüchter, CH Uttwil / TG Thomas Knöpfel, FL Triesen Andrea Rüb, AT Bregenz
Internal Audit	Grant Thornton Bankrevision AG, CH Zürich / ZH
Statutory Auditors	Ernst & Young AG, CH Zürich / ZH
Memberships	Liechtenstein Bankers Association Swiss Bankers Association

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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