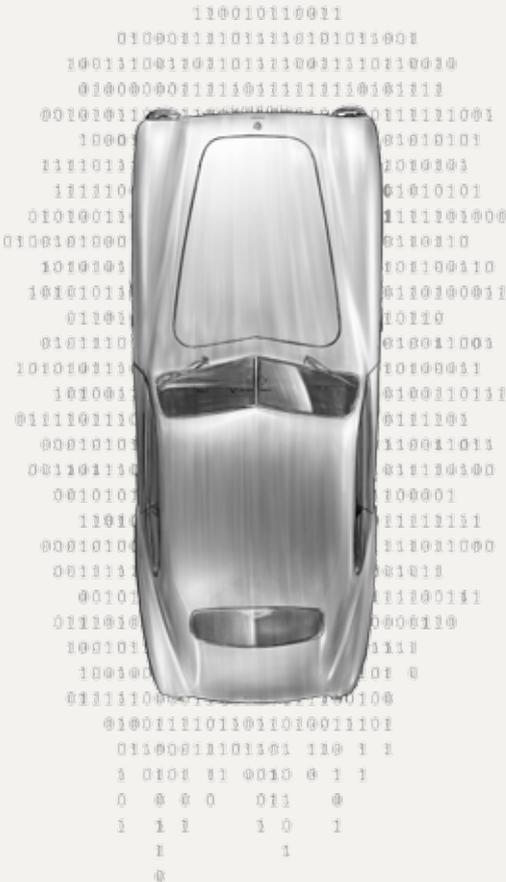


Kaiser Partner Privatbank AG



Annual Report 2013

Key figures 2013

(in CHF millions, rounded)

	12/31/2013	12/31/2012
Annual profit	2.1	2.4
Profit on ordinary activities	2.2	2.6
Equity base	51.5	51.8
Total assets	453.6	394.5
Assets under management	2,049.0	1,664.1
Employees	46	46

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Significant Growth, Solid Profit

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

Even though the operating environment remains challenging, Kaiser Partner Privatbank AG continues to grow, posting a massive 23% increase in net new client assets in 2013. This pleasing trend is rooted firmly in our value system and is the result of several years' clear focus on tax compliance and protecting privacy, a strategy that has borne fruit in our defined growth markets. Responsible Investing – our holistic, sustainable investment concept for asset management – lies at the heart of our success. Kaiser Partner Privatbank AG's profit remained solid in 2013, although it was 14% lower than in 2012 owing to our investments in focus markets and an increasingly tough competitive environment.

The rapid and fundamental change we are witnessing was clearly reflected in the performance of international financial markets, which also suffered under increasing regulatory pressure from the European Union, the United States, the OECD and other international organizations. Where the authorities have been neglectful in the past, they are now overcorrecting, leading to dramatic changes for financial institutions as well as to new restrictions and additional costs for clients.

In 2006 – even before the financial crisis – Kaiser Partner anticipated many of these developments and was quick to make the necessary strategic adaptations. The key pillars of our strategy are protecting privacy and securing the value of tax-compliant assets for the long term. We offer a free choice of products and platforms, and put clients' interests at the heart of our work. Our principles pay off over the long term for our clients and for ourselves.

Our main points of focus are:

- A holistic, sustainable asset management concept based on an ethical and responsible approach to wealth.
- Expertise that allows us to provide country-specific services and solutions for all asset management issues.
- An investment concept that ensures our clients' assets are managed according to the principles of Responsible Investing.
- A focus on priority markets such as the USA, the UK, Europe, Switzerland, Russia and Eastern Europe.
- Collaboration with globally respected partners such as Wellershoff & Partners Ltd. – allowing us to provide our clients with the best possible expertise in all the disciplines relevant to achieving an attractive, competitive performance.

Global Trends in 2013

Following the unusual phenomenon of 2012, whereby all asset classes produced a positive return over the year, 2013 was also notable for a remarkable trend: this time all asset classes, with one exception, delivered negative returns. The turnaround in interest rates finally seemed to materialize, with bond prices falling as rates began to rise sharply in spring 2013. Alternative investments, especially gold, suffered an even worse fate: with few concerns about inflation and with worries about a crisis in the Eurozone or the world's financial system receding, investor demand for gold as a hedge against inflation and crises fell away. This resulted in the biggest price drop since the mid-1980s. After twelve years of very positive returns, the gold rally came to an end, for the time being at least, in 2013.

The fact that many investors were nevertheless satisfied with their earnings in 2013 is due to the one asset class that was able to produce positive returns last year: equities. Driven by an enormous expansion in central bank money supply, equity markets increasingly turned a blind eye to risk and ended up with the biggest annual gains since 1997. Back then, as now, investors believed in a new world order in which equity markets would be the least risky, alternative-free investment. The current equity boom could still last a while, leading to a bubble on the stock markets if central banks don't mop up excess liquidity quickly enough. It is currently impossible to say whether such a bubble will form or not. But long-term investors should not throw out the basic principles of solid diversification just because they have experienced some disappointing investment returns over the last year. A pattern such as the one seen in 2013 will undoubtedly remain an exception. And following recent share price rises, it is now even more difficult to say which asset classes will generate positive returns in future.

There were fewer surprises on the fiscal policy front in 2013. As was to be expected, the EU, the USA and other countries and international organizations kept up the pressure to increase transparency. The Financial Action Task Force (FATF), for example, recommended tightening anti-money laundering rules still further. This step would eat into yet another aspect of personal privacy by making some cash payments almost impossible. Above a certain amount, such payments would have to be made via a bank or not at all. A change to the law along these lines is scheduled for discussion by Switzerland's parliament in 2014; this would focus on a maximum threshold of CHF 100,000 for unrestricted cash payments. It would be a regulatory impossibility, however, to force banks to get involved in all such financial transactions. The measures taken in Cyprus show that private assets belonging to families could also be put at risk: assets sitting in banks are easier for a government to access – whether for the purpose of transparency and information exchange or, for example, to pull in newly introduced special taxes. This is more likely in a world where over-indebted states are losing their top credit ratings and facing increasingly complex financial requirements.

Against this background, the Principality of Liechtenstein has positioned itself as a stable and reliable partner in a world of change. Standard & Poor's has once again awarded Liechtenstein the top AAA rating with a stable outlook, and it is one of the few countries in the whole world that has no government debt. Liechtenstein also has very large reserves as measured against the national budget. All this, allied to a political system that focuses on the long term, makes Liechtenstein a transparent and predictable partner within a rapidly changing environment. This applies not just to the country as a whole, but most definitely to the Liechtenstein banking system too: during the financial crisis, the system clearly proved its stability and robustness. No Liechtenstein bank fell into difficulty as a result of the financial crisis – and not a single bank had to ask for government assistance. These are compelling arguments for families, companies and individuals seeking a stable financial center that offers good advice and a liberal underlying philosophy.

By contrast, liberal values and financial success are attracting much criticism in other places. Even in traditionally liberal, business-friendly countries, these basic attitudes are now being held up for debate – in general social discourse, but also in specific situations such as referendums and political decrees. The growing pressure on liberal achievements is coming from many different sides, including from the recently elected Pope, who holds capitalism responsible for excluding large parts of the world's population from prosperity. Can this really be true? The recently deceased economic historian Angus Maddison showed that China has enjoyed a tenfold increase in prosperity over the last 40 years precisely the period during which China increasingly moved toward a market economy and private ownership. Karl Homann, an expert in business ethics, concludes from this that competition is more social than sharing is. If competition is to function socially, however, economic and social progress must be based on solid values. Kaiser Partner, as a family-run company, is committed to such values. Ultimately we believe that this is the only way family wealth can be built up over generations and secured for the long term.

Financial Results for 2013

Client assets under management at Kaiser Partner Privatbank AG grew very healthily during the year under review, increasing by a net CHF 385 million to CHF 2,049 million. This very pleasing 23% rise breaks down into a net inflow of new money of CHF 384 million on the one hand, and market effects of CHF 1 million on the other. The asset management ratio of 37% underlines clients' appreciation of our asset management capabilities, which are based on a sustainable approach.

In 2013, Kaiser Partner Privatbank AG generated annual profit of CHF 2.08 million in a market that remains challenging, not least because of changing operating conditions and intense competition. Though still at a solid level, annual profit was CHF 0.33 million lower than in 2012.

Total assets went up 15% from CHF 394 million to CHF 454 million during the year under review. On the liabilities side, client deposits increased from CHF 338 million to CHF 378 million – a consequence of the significant inflow of new money. On the assets side, fixed-income securities rose 66% from CHF 129 million to CHF 214 million.

Equity capital as at December 31, 2013, remained virtually unchanged at CHF 51.5 million. With a Tier 1 capital ratio of 29% before dividends, Kaiser Partner Privatbank AG continues to be extremely well capitalized.

Gross profit was up slightly on the prior year at CHF 14.9 million. Lower interest rate margins on assets led to a 13% fall in profits from interest business to CHF 2.6 million. Commission and service fee income, by contrast, went up 2% to CHF 9.7 million. Income from financial business improved by 31% to CHF 2.4 million.

Business expenses were marginally higher than in 2012 at CHF 11.8 million. Personnel expenses fell slightly, while non-staff costs went up 3%. At the end of 2013 Kaiser Partner Privatbank AG had 46 employees (41.70 FTEs).

Solutions for US Clients

Our group company Kaiser Partner Financial Advisors, based in Zollikon near Zurich, is registered with the US Securities and Exchange Commission, putting us in a position to offer solutions to all manner of asset management issues to US citizens with taxed assets in Switzerland and Liechtenstein. There was once again lively demand for this service during the year under review. For example, we have worked closely, and successfully, with Coutts (Schweiz) AG to offer its US clients a new platform at Kaiser Partner. Kaiser Partner's US clients include both those who live in the USA as well as US citizens resident in Switzerland. Many of them have found it increasingly difficult in the current environment to obtain asset management services from European banks.

Kaiser Partner can offer attractive solutions in this area too. Acting as a custodian bank we have also expanded our business with external asset managers, particularly those qualifying under the Dodd-Frank exceptions and those who are themselves SEC-registered and who manage taxed US assets within the statutory rules.

Solutions for External Asset Managers and Funds

We continued to expand our offering as a custodian bank for external asset managers in 2013. The relevant desk performed very successfully and its services, closely linked to our trading departments, were well received by the market. Our modular approach isn't focused on our own products but brings together client-focused solutions with the help of internal and external specialists. Our private bank is also increasingly sought-after as a custodian bank for investment funds. In this time of ever-changing regulation, Liechtenstein funds are attracting lively interest.

Family Office Services

Another main focus of Kaiser Partner's operation in Zollikon, Switzerland, is the provision of sophisticated Family Office services for wealthy families. This service brings together a wide range of expertise. There is an increasing need for assets to be managed and monitored across borders or even globally, which requires proven expertise in tax, legal and regulatory matters. We are also finding that investments need to be in tune with the very personal preferences and values of wealth owners, as well as being guided by the factors driving global change. As a result, asset managers need to be able to cope with greater complexity while offering a much more personal advisory service. Over the years, Kaiser Partner has continued to hone its skills in this form of tailor-made asset management.

Owing to the inherent complexity involved, Kaiser Partner brings in external experts and international custodian banks as each situation demands. Whatever the specifics, however, the main principle remains the same: to preserve and increase family wealth across the generations.

Expert Knowledge

Kaiser Partner has reinforced its established asset management skills by adding new expertise. Since 2011, for example, we have been in a strategic alliance with Wellershoff & Partners Ltd., appointing Klaus Wellershoff, former Chief Economist at UBS, as Kaiser Partner's Chief Economic Advisor. Klaus Wellershoff's experience and knowledge of macroeconomics is helping us formulate investment strategies more precisely and identify risks earlier. Sustainable Asset Management and Responsible Investing would be impossible without first-class macroeconomic expertise.

For Kaiser Partner, as a signatory of the UN Sustainability Charter, Responsible Investing means that investments have to be selected according to the principle of sustainability. "Environment, Society, Governance" (ESG) are becoming increasingly important themes in this regard. We have observed a similar trend in the fixed-income sector, which saw increasing demand from major institutional investors during the year under review. In both cases the aim is also, of course, to exploit earnings potential effectively. Alternative investments came more into focus; precious metals, especially gold, were also a popular choice for diversification strategies.

Serval AG, a wholly owned subsidiary of Kaiser Partner Privatbank AG, provides tax regime directories for the main markets – the USA, the UK, Switzerland, Liechtenstein, Germany and Austria. This allows us to provide clients with an integrated cross-border service that would usually only be available to them onshore. Serval also monitors and analyzes investment strategies at various custodian banks and is in a position, for example, to monitor the careful separation of capital and income for "UK-resident non domiciled" clients.

Outlook for 2014

Our private bank's focus remains the same: protecting and growing assets for wealthy individuals and families. At Kaiser Partner, these clients benefit from a free choice of products and platforms, thus removing any conflicts of interest. When advising clients or managing their assets, we focus on their plans and make these the basis of their personal strategy.

In terms of the overall economic outlook, 2014 looks like being a less difficult year than 2013, though there are still various hazards and risks to consider. The scene remains generally very complex, with personal financial concerns subject to the influence of many different economic factors and sometimes unpredictable political interference. Faced with this world of change we see our core competence as developing and implementing appropriate client strategies that take account of all the opportunities and risks.

Our main markets remain Switzerland, Liechtenstein, Germany, Austria, the UK, the USA, Russia, Eastern Europe and the CIS states. We offer flexible, tax-compliant services and solutions from a single source. To ensure standards are kept high, we work with proven experts in banking, as well as in other areas, such as legal and tax consultancy, family offices, real estate and others. This allows us to complement our own skills in the most effective way and place client-focused, prompt and innovative solutions at the heart of our service.

We would like to thank our clients and business partners for their loyalty and trust over the last financial year. And a special thanks to our employees who have done so much to earn our clients' confidence throughout this eventful year. 2014 will once again bring new and exciting developments, and we look forward to accompanying you along the way.

Vaduz, April 2014



Fritz Kaiser

Chairman of the Board of Directors of
Kaiser Partner Privatbank AG



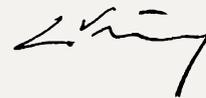
Dr. Ariel Sergio Goekmen

CEO of Kaiser Partner Privatbank AG



Christian Reich

Member 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, 2013 (in CHF thousands)

Assets	12/31/2013	12/31/2012
Cash	41,102	42,727
Due from banks	130,626	176,564
<i>due on a daily basis</i>	43,685	39,437
<i>other claims</i>	86,941	137,128
Due from clients	48,786	32,165
<i>mortgage loans</i>	13,600	14,600
Debt securities and other fixed-income securities	214,151	128,956
<i>Debt securities</i>	214,151	128,956
<i>public-sector issuers</i>	16,155	17,643
<i>other issuers</i>	197,996	111,312
Shares and other non-fixed-interest securities	6	0
Shares in associated companies	500	500
Intangible assets	101	124
Fixed assets	3,092	3,463
Other assets	4,830	4,096
Accrued income and prepaid expenses	10,425	5,889
Total assets	453,620	394,484

Liabilities

	12/31/2013	12/31/2012
Due to banks	18,259	154
<i>due on a daily basis</i>	8,507	154
<i>other liabilities</i>	9,752	0
Due to clients	378,090	338,019
<i>other liabilities</i>	378,090	338,019
<i>due on a daily basis</i>	295,486	262,402
<i>with agreed maturity or period of notice</i>	82,605	75,618
Other liabilities	4,777	3,755
Accrued expenses and deferred income	592	454
Provisions	416	292
<i>provisions for taxes</i>	416	292
Provisions for general banking risks	500	500
Subscribed capital	10,000	10,000
Retained earnings	38,843	38,843
<i>legal reserves</i>	2,000	2,000
<i>other reserves</i>	36,843	36,843
Profit brought forward	67	58
Profit for the year	2,075	2,409
Total liabilities	453,620	394,484

Off-Balance Sheet Transactions

as of December 31, 2013 (in CHF thousands)

Off-balance sheet transactions

	12/31/2013	12/31/2012
Contingent liabilities	3,201	6,463
<i>of which liabilities from guarantees and indemnity agreements and from assets pledged as collateral security</i>	3,201	6,463
Derivative financial instruments		
<i>contract volume</i>	291,672	187,774
<i>positive replacement values</i>	3,827	2,272
<i>negative replacement values</i>	4,253	3,385
Fiduciary transactions	68,758	57,388
<i>fiduciary deposits with other banks</i>	68,758	57,388

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, 2013, be appropriated as follows:

Appropriation of balance sheet profit		
	12/31/2013	12/31/2012
Profit for the year	2,075	2,409
Profit brought forward	67	58
Balance sheet profit	2,142	2,467
Transfer from other reserves	5,000	0
Total distributable	7,142	2,467
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>	7,000	2,400
Profit brought forward	142	67

Income Statement

from January 1 to December 31, 2013 (in CHF thousands)

Income statement		
	2013	2012
Results from interest activities		
Interest income	6,146	5,310
<i>of which from fixed-income securities</i>	4,694	3,229
Interest expenses	-3,538	-2,306
Subtotal income from interest activities	2,608	3,004
Current results from securities		
Equities and other non-fixed-interest securities	0	0
Shares in associated companies	55	290
Subtotal income from securities	55	290
Results from commission and service fee activities		
Results from commission and service fee activities	11,118	10,431
<i>credit-related commissions and fees</i>	27	23
<i>commissions from securities and investment transactions</i>	9,390	8,492
<i>other commissions and fee income</i>	1,701	1,915
Commission and fee expenses	-1,378	-894
Subtotal income from commission and service fee activities	9,739	9,537
Results from financial transactions		
	2,358	1,794
<i>of which from trading business</i>	2,389	1,920
Subtotal income from financial transactions	2,358	1,794
Other ordinary income		
Other ordinary income	132	54
Subtotal other ordinary income	132	54
Operating expenses		
Personnel expenses	-5,644	-5,692
<i>wages and salaries</i>	-4,596	-4,650
<i>social benefits and pension scheme contributions</i>	-881	-859
<i>of which pension scheme contributions</i>	-734	-714
<i>other personnel expenses</i>	-166	-183
Administrative expenses	-6,163	-5,999
Subtotal operating expenses	-11,806	-11,691
Depreciation on intangible assets and fixed assets	-394	-303
Other ordinary expenses	-375	-28
Value adjustments on claims, provisions for contingent liabilities and credit risks	-85	-55
Results from ordinary activities	2,232	2,602
Extraordinary income	0	0
Subtotal extraordinary profit	0	0
Income taxes	-157	-193
Profit for the year	2,075	2,409

Cash Flow Statement

from January 1 to December 31, 2013 (in CHF thousands)

Cash flow statement

	2013		2012	
	Source of funds	Use of funds	Source of funds	Use of funds
Cash flow from operating results (internal financing)				
Profit for the year	2,075		2,409	
Depreciation on fixed assets	394		303	
Value adjustments and provisions	124		141	
Accrued income and prepaid expenses		4,536		895
Accrued expenses and deferred income	138			107
Dividend previous year		2,400		2,300
Total cash flow from operating results (internal financing)		4,205		449
Cash flow from equity capital transactions				
Declared and paid tax on old reserves at the expense of other reserves		0		794
Total cash flow from equity capital transactions		0		794
Cash flow from investment activities				
Shares and other non-fixed-interest securities		85,201		21,368
Other fixed assets		0		119
Total cash flow from investment activities		85,201		21,487
Cash flow from banking business				
Short-term banking business (≤ 1 year)				
Due to banks	18,105		154	
Due to clients	40,071			155,584
Other liabilities	1,022		1,174	
Due from banks	45,938		111,543	
Due from clients		16,621		12,194
Other assets		734		1,512
Liquidity				
Cash	1,625		79,148	
Total cash flow from banking business	89,406		22,729	

Notes on Business Activities

The activities of Kaiser Partner Privatbank AG are focused on private banking for a sophisticated international clientele, mainly from the USA, the UK, Switzerland, Eastern Europe and Russia. Its subsidiary, Serval AG, provides services in securities accounting, controlling activities, and performance and risk analysis.

Personnel

As of December 31, 2013, Kaiser Partner Privatbank Group had 49 employees (prior year 49) of which 46 (prior year 46) were employed by Kaiser Partner Privatbank AG.

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 earning components are securities management (including investment funds) and the arrangement of fiduciary investments.

Lending

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

Accounting and Valuation Principles

Bases

Accounting, valuation and reporting principles are in compliance 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.

Waiver of Consolidation

Kaiser Partner Privatbank AG, Vaduz, holds a majority interest in Serval AG. This interest is not significant and with regard to presenting a true and fair view of the net assets, financial position and earnings situation of Kaiser Partner Privatbank Group is of secondary importance within the meaning of article 1104 (1) PGR. For this reason, Serval AG has not been included in the scope of consolidation and there is no obligation to produce a consolidated financial statement.

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 posted as of the date of completion.

Foreign Currencies

Receivables and obligations in foreign currencies are valued at the average rate of exchange 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:

	12/31/2013	12/31/2012
USD	0.88655	0.91305
EUR	1.22455	1.20725
GBP	1.46485	1.48405

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

Cash, receivables, liabilities due to banks and to clients and securitized debt are reported at nominal values. Allowances have been established for identifiable risks in consideration of the principle of caution.

Doubtful receivables, 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 at the latest when the contractually stipulated repayments of principal and/or interest payments 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, in consideration 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. The 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".

Shares in Associated Companies

The majority interest in Serval AG, reported in this balance sheet item, is valued at acquisition cost minus the necessary value adjustments.

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 principle of caution. Value adjustments are offset directly against the corresponding asset items. Provisions for taxes include accruals for taxes based on the result of the year review.

Provisions for General Banking Risks

Provisions for general banking risks are precautionary reserves established to cover latent risks in the operating activities of the Bank.

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 on 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. The replacement values for client transactions, on the other hand, are reported only for OTC contracts and stock exchange-traded products and if the margins are insufficient. Contract volumes and replacement values are reflected under “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 the risk management system of Kaiser Partner Privatbank AG. The risk policy forms an integral component of the general business policy.

It pursues the following objectives:

- a balanced, primarily qualitative definition of risk-bearing capacity and risk trends
- developing a risk culture to promote risk-relevant control and effective and efficient reporting
- establishing a risk management system for Kaiser Partner Privatbank AG with clearly defined roles, responsibilities, rights and obligations
- ensuring a consistent risk management process, in particular to identify, measure/assess, control/limit and monitor all risks
- setting up a reporting system that enables the executive bodies of the Bank 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 in accordance with the Appendix to the Banking Ordinance, as well as the Bank's own bylaws, internal rules of procedure and standards.

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 the areas of strategic risks, credit risks, market risks, liquidity risks and operational (including legal) risks.

External legal advisors are used occasionally to 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 reviews the quality of counterparties periodically.

Interest Rate Risk

Interest rate risks are controlled through very conservative parameters with regard to 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 change of 100 basis points in the interest rate level would have on the cash value and income for the Bank.

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		13,600	35,186	0	48,786
Total loans	12/31/2013	13,600	35,186	0	48,786
	12/31/2012	14,600	17,565	0	32,165
Off-balance sheet transactions					
Contingent liabilities		0	3,201	0	3,201
Total off-balance sheet transactions	12/31/2013	0	3,201	0	3,201
	12/31/2012	0	6,463	0	6,463
Doubtful receivables					
		Gross debt	Estimated proceeds from the sale of collateral	Net debt	Individual value adjustments
	12/31/2013	389	149	240	240
	12/31/2012	352	197	155	155

Securities and precious metals (fixed assets)

	Book value		Acquisition value		Market value	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Debt securities						
of which valued using the accrual method	212,552	120,660	206,869	126,022	220,586	125,335
of which valued at lower of cost or market	1,606	8,296	1,640	8,460	1,606	8,296
Total	214,157	128,956	208,509	134,482	222,192	133,630
of which eligible at central banks	172,145	128,352	165,029	110,754	179,017	132,989

Shares in associated companies

		12/31/2013			12/31/2012		
Shares in associated companies							
Without market value		500			500		
Total shares in associated companies		500			500		
		12/31/2013			12/31/2012		
Name of company, domicile	Type of business	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	500	100.00	100.00	500	100.00	100.00

Statement of fixed assets

	Reporting year							
	Cost	Accu- mulated deprecia- tion	Book value 12/31/2012	Invest- ments	Disinvest- ments	Reclassifi- cations	Deprecia- tion	Book value 12/31/2013
Shares in associated companies								
Total shares in associ- ated companies	500	0	500	0	0	0	0	500
Intangible assets								
Total intangible assets (software)	2,109	-1,985	124	0	0	0	-23	101
Other fixed assets	13,702	-10,238	3,463	0	0	0	-371	3,092
Total fixed assets	13,702	-10,238	3,463	0	0	0	-371	3,092

	12/31/2013	12/31/2012
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 lendings and repurchase agreements

	12/31/2013	12/31/2012
Book value of pledged or assigned (transferred by way of security) assets	10,423	10,423
Actual liabilities	0	0
Security lendings 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 12/31/2012	Specific use	Recoveries, overdue interest, exchange differences	New provisions charged to P/L account	Write- backs credited to P/L account	As of 12/31/2013
Value adjustments for loan default risks						
<i>specific value adjustments</i>	155	0	0	85	0	240
Provisions for tax and deferred tax	292	-33	0	157	0	416
Total value adjustments and provisions	447	-33	0	242	0	656
<i>net of value adjustments</i>	-155	0	0	-85	0	-240
Total provisions according to the balance sheet	292	-33	0	157	0	416
Provisions for general banking risks	500	0	0	0	0	500

Company capital

	12/31/2013			12/31/2012		
	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

	12/31/2013		12/31/2012	
	Nominal	Share in %	Nominal	Share in %
With voting rights				
Kaiser Partner Holding Anstalt, Vaduz (whose owner is: Kaiser Beteiligungen Anstalt 100%)	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	36,843
Provisions for general banking risks	500
Balance sheet profit	2,467
Total shareholders' equity at the beginning of the business year (before distribution of balance sheet profit)	51,810
- dividend paid-out of the net profit of the prior year	2,400
- declared and paid tax on old reserves at the expense of other reserves	0
+ profit for the year	2,075
Total shareholders, equity at the end of the business year (before distribution of balance sheet profit)	51,485
<i>of which</i> subscribed capital paid-in	10,000
<i>legal reserves</i>	2,000
<i>other reserves</i>	36,843
<i>provisions for general banking risks</i>	500
<i>balance sheet profit</i>	2,142

Maturity structure of assets, liabilities and provisions

	Due							Total
	Sight deposits	Callable	within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	Immo-bilized	
Assets								
Cash	41,102							41,102
Due from banks	43,685		77,205	9,736				130,626
Due from clients	16,505	385	15,724	3,572	4,000	8,600		48,786
<i>mortgage loans</i>				1,000	4,000	8,600		13,600
Other assets	15,896		11,558	30,867	171,591		3,193	233,106
Total assets 12/31/2013	117,188	385	104,487	44,175	175,591	8,600	3,193	453,620
12/31/2012	96,309	404	102,682	86,978	94,925	9,600	3,587	394,484
Liabilities and provisions								
Due to banks	8,507			9,752				18,259
Due to clients	295,486		70,580	12,024				378,090
<i>other liabilities</i>	295,486		70,580	12,024				378,090
Provisions (without provisions for general banking risks)				416				416
Other liabilities	5,369							5,369
Total liabilities 12/31/2013	309,362	0	70,580	22,193	0	0	0	402,135
12/31/2012	266,765	0	73,575	2,335	0	0	0	342,674

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

	12/31/2013	12/31/2012
Due from associated companies (contained in "Due from clients")	165	190
Due from significant shareholders (contained in "Due from clients")	13,600	14,600
Due to associated companies (contained in "Due to clients")	12,175	12,160
Due to significant shareholders (contained in "Due to clients")	6,828	3,719
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 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 1.06 million in 2013 (2012: CHF 1.16 million).

Balance sheet by currency

	Currency				Total
	CHF	USD	EUR	Other	
Assets					
Cash	40,552	82	428	40	41,102
Due from banks	16,011	88,098	7,278	19,238	130,626
Due from clients	18,848	16,368	10,350	3,221	48,786
<i>mortgage loans</i>	13,600				13,600
Debt securities and other fixed-income securities	72,684	73,057	50,831	17,578	214,151
Shares and other non-fixed-interest securities		6			6
Shares in associated companies	500				500
Intangible assets	101				101
Fixed assets	3,092				3,092
Other assets	2,366	919	1,340	206	4,830
Accrued income and prepaid expenses	2,846	3,021	3,585	973	10,425
Total on-balance sheet assets	157,001	181,551	73,812	41,256	453,620
Delivery claims from spot, forward and option foreign exchange transactions	64,804	118,699	61,854	32,715	278,072
Total assets	221,805	300,250	135,666	73,971	731,692
Liabilities					
Due to banks	398	12,701	5,035	125	18,259
Due to clients	101,866	167,640	67,696	40,888	378,090
Other liabilities	2,311	920	1,340	206	4,777
Accrued expenses and deferred income	562	16	12	3	592
Provisions	416				416
Provisions for general banking risks	500				500
Subscribed capital	10,000				10,000
Retained earnings	38,843				38,843
Profit brought forward	67				67
Profit for the year	2,075				2,075
Total on-balance sheet liabilities	157,037	181,278	74,083	41,221	453,620
Delivery commitments from spot, forward and option foreign exchange transactions	64,526	118,617	61,816	32,737	277,696
Total liabilities	221,563	299,895	135,899	73,958	731,316
Net position per currency	241	355	-233	13	376

Other assets and other liabilities

	12/31/2013	12/31/2012
Balance sheet items		
Positive replacement values	3,827	2,272
Compensation account	426	1,114
Input tax	122	0
Accounts receivable	455	698
Settlement accounts	0	12
Total other assets	4,830	4,096
Negative replacement values	4,253	3,385
Compensation account	0	0
Creditors	491	296
Settlement accounts	33	74
Total other liabilities	4,777	3,755

Notes on Off-Balance Sheet Transactions

(in CHF thousands)

Breakdown of contingent liabilities

	12/31/2013	12/31/2012
Credit guarantees and similar instruments	3,201	6,463
Total	3,201	6,463

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	3,827	3,451	278,072				
Currency swaps	0	0	0				
Interest rate instruments							
Interest rate swaps				0	802	13,600	
Total before consideration of netting agreements							
	12/31/2013	3,827	3,451	278,072	0	802	13,600
	12/31/2012	2,272	2,103	173,174	0	1,282	14,600
		Positive replacement values (accumulated)			Negative replacement values (accumulated)		
Total after consideration of netting agreements							
	12/31/2013			3,827			4,253
	12/31/2012			2,272			3,385

Fiduciary transactions

	Currencies translated into CHF					Total in CHF thousands	
	CHF	USD	GBP	EUR	Other		
Fiduciary deposits with other banks	2,106	65,968	684	0	0	68,758	
Total							
	12/31/2013	2,106	65,968	684	0	0	68,758
	12/31/2012	3,106	53,589	693	0	0	57,388

Assets under management

	12/31/2013 in CHF millions	12/31/2012 in CHF millions
Type of client assets		
Discretionary assets	761	729
Other client assets	1,288	935
Total client assets (including double counts)	2,049	1,664
of which double counts	61	48

Notes on the Income Statement

(in CHF thousands)

Results from financial transactions

	2013	2012
Results from financial transactions		
Precious metals	116	31
Foreign exchange, notes and coins	2,273	1,889
Total results from financial transactions	2,389	1,920

Breakdown of personnel expenses

	2013	2012
Personnel expenses		
Wages and salaries ¹⁾	4,596	4,650
Social benefits and pension scheme contributions	881	859
<i>of which pension scheme contributions</i>	734	714
Other personnel expenses	166	183
Total personnel expenses	5,644	5,692
Payments to the members of the Board of Directors	33	100
Payments to the members of the Executive Board	638	586

¹⁾ Including accrued vacation.

Breakdown of administrative expenses

	2013	2012
Administrative expenses		
Occupancy expenses	1,369	1,370
Expenses for IT, machinery, furniture, vehicles and other equipment	2,234	2,149
Other administrative expenses	2,560	2,480
Total administrative expenses	6,163	5,999

Disclosure in Accordance with Article 27 of the CAO

(in CHF thousands)

Statement of eligible capital

	12/31/2013	12/31/2012
Core capital (prior to adjustment)	48,910	48,900
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	-101	-124
= eligible core capital (adjusted core capital)	48,809	48,776
+ upper supplementary capital		
+ lower supplementary capital		
+ additional capital		
– other deductions from supplementary capital, additional capital and total capital		
= Eligible capital	48,809	48,776

Statement of required capital

	Method used	Equity requirement
Credit risk	Standard approach	10,217
of which price risk regarding the equities in the bank book		
Non-counterparty-related risks		247
Market risk	De minimis approach	623
of which on interest rate instruments (general and specific market risk)		
of which on equities		
of which on foreign exchange and precious metals		623
of which on commodities		
of which for settlement and delivery risks		
Operational risk	Basic indicator approach	2,208
Additional capital		
Total		13,295
Ratio of eligible/required capital:		3.67
Equity ratios		
Eligible (adjusted) core capital (incl. "innovative" instruments)		0.30
Eligible capital Tier 1		0.29

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 30 of the financial report) and the annual report ("Financial results for 2013"; page 6) of Kaiser Partner Privatbank AG for the year ended December 31, 2013.

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, 2013, 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

Patrick Schwaller	Christoph Weidmann
Certified Accountant	Certified Accountant
(Auditor in Charge)	

Zurich, April 24, 2014

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

as of April 1, 2014

Board of Directors	Fritz Kaiser, FL Vaduz (Chairman) Dr. Stephan Ochsner, FL Vaduz (Member) Dr. Elmar Wiederin, CH Schindellegi / SZ (Member) Otmar Hasler, FL Gamprin-Bendern (Member)
Executive Board	Dr. Ariel Sergio Goekmen, CH Zurich / ZH (Chairman) Christian Reich, CH St. Gallen / SG (Member) 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 Semen Davydov, CH St. Gallen / SG Nicolas Jego, CH Oberwil bei Zug / ZG Cathrin Kratzla, CH Tscherlach / SG Hermann Neusüss, FL Triesenberg Mads Petersen, CH St. Gallen / SG Susanne Streule, CH Bauma / ZH Daniela Tschirky, CH Pfäfers / SG Damien Wyss, CH Herrliberg / ZH Alex Schnyder, CH Altstätten / SG
Procura Holders	Stefan Lampert, AT Alttach Reinhard Matt, FL Schaan Roman Pfranger, CH Landquart / GR Lawrence Seikel, CH Balgach / SG Adrian Schneider, CH Chur / GR
Internal Audit	Bankenrevisions- und Treuhand AG, CH Zurich / ZH
Statutory Auditors	Ernst & Young AG, CH Zurich / ZH
Members of	Liechtensteinischer Bankenverband Schweizerische Bankiervereinigung

* 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 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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