



SAANENLAND, WHERE BANKING MATTERS. SINCE 1874.

ANNUAL REPORT 2016 - OUR BANK

AT A GLANCE

	2016 CHF	Prior year CHF	Change +/- in %
Balance sheet total	1,259,030,951	1,239,573,426	+1.6%
Client loans	1,054,797,031	1,013,059,354	+4.1%
Client funds	1,011,423,228	1,006,542,615	+0.5%
Capital and disclosed reserves after appropriation of profit	85,185,201	80,212,023	+6.2%
Gross income	17,078,261	16,050,504	+6.4%
Gross profit	7,570,829	6,961,319	+8.8%
Operating result	6,292,732	6,893,271	-8.7%
Net income	2,301,189	2,274,725	+1.2%
Cost income ratio	55.7%	56.6%	-1.6%
Tax value of an equity share in the Bank	2,650	2,550	+3.9%
Proposed dividend	23%	22%	+4.5%
Employees, converted to full-time positions (excluding apprentices)	34.1	36.6	-7.0%
Apprentices and interns	4	5	-20.0%

AUDIT

Auditors in conformity with the Swiss Code of Obligations
PricewaterhouseCoopers Ltd, Bern

Auditors in conformity with federal banking law
PricewaterhouseCoopers Ltd, Bern

Internal audit
Aunexis Ltd, Bern

SERVICE PARTNERS

Partners of Saanen Bank

Entris
Banking


swisscom

R&BANQUIERS
Rahn & Bodmer Zürich

EQUILAS

EDITORIAL

DEAR SHAREHOLDERS

Saanen Bank is able to look back at another successful financial year. In turbulent times with difficult operating conditions, this should not be taken for granted. I personally am looking back at 10 intensive years of involvement in the Board of Directors of Saanen Bank. At our next annual general meeting on 7 April 2017, I will be stepping down as Chairman of the Board of Directors. I would like to thank everyone for the trust they have placed in me.

A first glance at the figures for 2016 shows that we achieved an encouraging increase in income. In the spring of 2016, we were one of the last banks to cut our savings interest rate once again, which had a positive effect on interest income. Thanks to a healthy growth in client lending and securities account volumes, the overall annual result was very good. Steadily rising costs, in particular on the IT side, were a negative development, although we were easily able to absorb these on account of the positive income development.

When I reflect upon my first Board of Directors meetings 10 years ago, I am conscious of the massive changes that the banking sector has undergone over the past decade. With many new laws and regulations, the complexity and responsibility have increased substantially – for us as members of the Board of Directors as well. For me, however, it is a source of great satisfaction to see that notwithstanding these obstacles, a strong regional bank is able to seize opportunities and generate added value for shareholders, clients and the entire region. This can only be achieved, of course, thanks to the fact that the population and the region identify so closely with “their” Bank. I take this opportunity to express my thanks for this extensive trust.

For the coming years, we are expecting operating conditions to remain challenging. Saanen Bank is very well placed to operate successfully in this difficult environment. In a network with other regional banks, we are able to use synergies actively, in particular in the IT field. I am proud that we will be able to approach the



coming challenges together with a strong and competent team. I would like to thank the Executive Management, management staff and all employees for their tremendous commitment and dedication.

On behalf of the Board of Directors, the Executive Management and all the staff, I would like to thank you, our shareholders and clients, for your extensive trust, loyalty and support. We are here for you, and will do all we can to continue performing high-quality work and being your reliable and knowledgeable banking partner in Saanenland also in the coming year.

Yours faithfully

Peter Kübli
Chairman of the Board of Directors

BALANCE SHEET AS PER 31 DECEMBER 2016

Assets	CHF in 1,000	2016	Prior year
Liquid assets		176,645	131,186
Receivables from banks		27,538	93,995
Receivables from clients		88,691	75,887
Receivables from mortgages		966,106	937,172
Total client loans		1,054,797	1,013,059
Value adjustments for default risks (short position)		-17,601	-17,173
Securities and precious metals trading positions		0	0
Positive replacement values of derivative financial instruments		1,749	74
Financial investments		4,281	6,415
Accrued income and prepaid expenses		93	303
Participations		2,185	1,133
Tangible fixed assets		6,404	7,042
Intangible assets		0	0
Other assets		2,941	3,539
Total assets		1,259,031	1,239,573

Liabilities	CHF in 1,000	2016	Prior year
Liabilities to banks		3	3
Liabilities to clients (client deposits)		1,003,968	997,302
Negative replacement values of derivative financial instruments		3,675	3,559
Medium-term notes		7,455	9,241
Bonds and mortgage-backed loans		138,100	129,100
Accrued expenses and deferred income		2,380	1,778
Other liabilities		486	594
Provisions		17,226	17,255
Reserves for general banking risks		36,020	33,157
Share capital		2,400	2,400
Statutory capital reserves		0	0
of which reserves from tax-exempt capital contributions		0	0
Statutory retained earnings		8,723	8,617
Voluntary retained earnings		36,935	35,288
Own equity capital (short position)		-656	-1,010
Profit carried forward		13	14
Profit		2,301	2,275
Total liabilities		1,259,031	1,239,573

Off-balance-sheet transactions	CHF in 1,000	2016	Prior year
Contingent liabilities		7,469	7,668
Irrevocable commitments		31,014	21,939
Call commitments and additional payment obligations		865	769

INCOME STATEMENT 2016

Income from interest activities	CHF in 1,000	2016	Prior year
Interest and discount income		17,924	18,038
Interest and dividend income from trading activities		0	0
Interest and dividend income from financial investments		138	157
Interest expenses		-4,481	-5,637
Gross profit from interest activities		13,582	12,558
Changes in value adjustments related to default risk and losses incurred in interest activities		162	295
Subtotal for net income from interest activities		13,745	12,853
Income from commission business and services			
Commission income on securities and investment transactions		1,436	1,415
Commission income on lending activities		23	36
Commission income on other services		1,031	990
Commission expenses		-196	-181
Subtotal for income from commission business and services		2,294	2,260
Income from trading activities and fair-value option		1,009	918
Other ordinary income			
Income from the sale of financial investments		-92	-33
Income from participations		176	196
Income from real estate		97	155
Other ordinary income		120	77
Other ordinary expenses		-109	-81
Subtotal for other ordinary income		192	314
Operating expenses			
Personnel expenses		-4,753	-4,608
Other general and administrative expenses		-4,755	-4,481
Subtotal for operating expenses		-9,508	-9,089
Value adjustments on participations and depreciation of tangible fixed assets and intangible assets		-955	-889
Changes in provisions and other value adjustments and losses		-484	526
Business profit/loss		6,293	6,893
Extraordinary income		297	426
Extraordinary expenses		0	0
Changes in reserves for general banking risks		-2,863	-3,356
Taxes		-1,426	-1,688
Profit		2,301	2,275
Appropriation of profit			Prior year
Profit		2,301	2,275
Profit carried forward		14	14
Net profit		2,315	2,289
Proposal for the appropriation of profit			
Allocation to statutory retained earnings		-100	-100
Allocation to other reserves		-1,649	-1,647
Distribution on share capital		-552	-528
Profit carried forward (new)		14	14

SIX SHAREHOLDER QUESTIONS FROM THE SHAREHOLDERS' PERSPECTIVE

INTERVIEW WITH URS ZUMBRUNNEN | FIRST VICE-PRESIDENT AND HEAD OF CREDITS

HOW DOES THE HEAD OF FINANCING ASSESS THE CREDIT RISKS OF SAANEN BANK?

*Over 83% of our Bank's balance sheet total is invested in lending to clients. The great majority of this lending is secured. For example, around 92% of this lending is secured by real estate mortgages, around 6% by other collateral such as securities. Only the remaining part constitutes lending to corporate clients without special collateral. In addition, when providing real estate lending, we have strict guidelines governing lending limits for various real estate categories. A crucial factor for the lending side of the business, however, is the borrower. After all, the word *credit* derives from the word *credere*, which means trust. The goal of every loan, of course, is that the client pays the interest throughout the term of the loan, and repays the loan in the end. The lending business inevitably also entails risks, though. We strive to keep these risks low by means of our cautious lending policy. As a consequence, we assess the credit capacity (the ability to repay the loan) and the creditworthiness (the determination to repay the loan) very cautiously and at regular intervals.*

"It is certainly one of our strengths that we know the local market here in Saanenland very well."

WHAT INTEREST RATE DOES SAANEN BANK APPLY WHEN CALCULATING THE ABILITY OF CLIENTS TO SERVICE THEIR LOANS?

In order to ascertain the sustainability of our lending operations, we continue to apply a high imputed interest rate of currently 5%, which in historical terms must be deemed an entirely reasonable approach. This also corresponds to the standard approach that is expected by the Swiss National Bank (SNB) and the Financial Market Supervisory Authority (FINMA). This has proven to be a reasonable strategy, and means our clients also have the capacity to absorb significantly higher market interest rates. It also gives our clients assurance that a sudden hike in interest rates will not leave them financially exposed. In our view, this is an integral part of our cautious lending policy

HOW DOES SAANEN BANK FINANCE LUXURY PROPERTIES AND SECOND HOMES?

It is certainly one of our strengths that we know the local market here in Saanenland very well. This means we are able to assess the properties that are being financed from an objective perspective. We provide lending for luxury properties – which as a rule also include second homes – on a very conservative basis, generally only up to 50% of the market value.

DOES SAANEN BANK ALSO GRANT MORTGAGES TO NON-DOMESTIC CLIENTS?

Yes, of course, and we are also confident that this does not involve higher credit risks for us. On the one hand, non-domestic clients are almost all very wealthy individuals who have very good credit capacity. On the other, this frequently relates to second homes or luxury properties for which we have stipulated lower lending ratios in our credit policy, and which of course also have to be approved by the FINMA.

DOES SAANEN BANK ALSO HAVE SUFFICIENT PROVISIONS TO ABSORB NON-PERFORMING LOANS?

In comparison to other banks, we have very high risk provisions. This has also been attested by the auditors. In overall terms, the risk-bearing net asset value of the Bank is well over CHF 100 million; we are therefore very well capitalised and excellently prepared for the future.

HOW HIGH ARE THE INTEREST RATE CHANGE RISKS FOR SAANEN BANK?

Fixed-rate mortgages, for example, entail interest change risks, as the Bank is unable to adjust the interest that is payable on such mortgages upwards if interest rates rise.

Over the past 5 to 10 years, we have advised our clients against entering into long maturities of, for example, 10 years for fixed-rate mortgages. For this reason, we have a below-average interest rate change risk, on a sector comparison. Our clients benefit from this twice over: shorter maturities mean they pay lower interest rates, and they can extend expiring fixed-rate mortgages again at very attractive terms and conditions. In addition, as a bank, we also have the opportunity to protect ourselves against higher interest rates using special financial instruments, comparable to insurance policies. We did this again this year, as many clients today wish to benefit from low market interest rates and are keen to take out long-term fixed-interest mortgages.



“In overall terms, the risk-bearing net asset value of the Bank is well over CHF 100 million; we are therefore very well capitalised and excellently prepared for the future.”

THE PEOPLE BEHIND THE BANK

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT



BOARD OF DIRECTORS

Ueli Haldi-von Siebenthal
Agriculturalist
Feutersoey

Peter Weissen
Constr. Eng. HTL
Lauenen

Michael Teuscher
Government Official
Saanen

Marianne Kropf
Certified Pharmacist
Gstaad

Peter Kübli
Engineer HTL
Gstaad
Chairman

Victor Steimle*
Business Adm. FH
Saanen
Vice-Chairman

Daniel Matti
lic. oec. HSG
Schönried

None of the members of the Board of Directors exercised or exercises executive functions at SB Saanen Bank Ltd. None of the members of the Board of Directors has any substantial business relationships with SB Saanen Bank Ltd.

All members of the Board of Directors meet the criteria for independence as per FINMA Circular 2008/24, margin numbers 20 to 24.

* AC delegate on the Board of Directors.





EXECUTIVE MANAGEMENT AND BUSINESS UNIT MANAGER

Urs Zumbrunnen
Deputy CEO
Corporate Clients
Credit

Dominique Huwiler
Vice Executive Officer
Private Banking

Simon Graa
Vice Executive Officer
Private Banking
Provisions

Jürg von Allmen
CEO

Beat Jaggi
Business Unit manager
Authorised representative
Compliance
Logistics

Adrian Friedli
Business Unit manager
Authorised representative
Retail Banking
Branches

Bernd Makasy
Business Unit manager
Authorised representative
Finance and
Accounting



View from the Bortvorschess

IN FOCUS

PRIVATE BANKING BUSINESS



THE PRIVATE BANKING TEAM

Ueli Burri | Simon Graa | Daniel Perreten | Yves Staub | Andrey Chernov | Dominique Huwiler | Jean-François Linder

One office, one team, one goal: we offer our clients exceptional advisory services.

Management of your assets requires permanent monitoring and adjustments in accordance with current developments on international financial markets. We devote the necessary time to this, drawing on our expertise and many years of experience to provide you with a comprehensive service. With a history spanning more than 140 years, Saanen Bank has structured its private banking operations to ensure sufficient scope to respond to the individual needs of our clients.

Our strengths are our independence and neutrality – we focus on individual advice and not on the sale of products. We offer customised solutions. This is not merely lip service, but a living tradition. The size of our company means we get to know our clients in person. We effortlessly combine regional roots and a global outlook. The experienced Private Banking team offers top services to our client base, which encompasses a wide variety of nationalities.

What you can expect from us:

ASSET MANAGEMENT

Do you lack the expertise or the time to constantly deal with your capital investments? Starting at a minimum of CHF 100,000.00 in assets, we provide optimum support with a customised mandate. We focus on your personal objectives, preferences and your financial risk appetite.

Would you like to implement your investment strategy yourself and be advised and supported competently at all times in the process? We will provide investment recommendations that match your investment profile. We will support you in any necessary rebalancing of your portfolio or in managing maturities, and be available for advisory services, if required. However, you will make all investment decisions yourself and thus retain the greatest degree of flexibility.

INVESTMENT ADVICE

Do you require foreign currencies for your business or private activities? We trade efficiently in all major currencies. Forward exchange transactions enable you to hedge your future expenses and income in your domestic currency. In addition, we trade precious metals on your behalf in precious metal accounts, either in physical form or in listed funds that invest in physical precious metals.

FOREIGN EXCHANGE AND PRECIOUS METAL TRADING

In the absence of investment alternatives due to low interest rates, it is becoming increasingly important to make the most of available tax optimisation opportunities. For this reason, you should start making contributions to your voluntary pension scheme (pillar 3a) as early as possible. In addition to the conventional account, the PRIVOR pension solution also offers a flexible securities solution that opens up additional earnings potential. With the collective foundation REVOR Sammelstiftung, we have offered companies a secure, reliable and flexible pension fund solution for company owners and employees since 1985. The local support and advice we provide relating to pensioning provisioning and retirement are highly valued by our clients.

PENSION PROVISIONING

As central bank policies have pushed saver interest rates to zero, savers and investors are finding themselves faced with an investment crisis. First of all: there are no simple investment concepts. This is why we analyse the unique situation of each individual client. We are convinced that central banks will continue to pursue a loose monetary policy. Interest rates will therefore remain low for a longer period of time. The low costs of financing mean investments are attractive for companies. Pressure to invest is set to increase due to large cash positions held by many investors. This is why there is a lot of evidence of rising equity prices. In the present environment, we advise investors to buy solid, high-dividend equities, enabling you to generate steady returns over the long term. As the global economy picks up again, we also recommend buying equities in cyclical Swiss companies that have strong positions in their particular sectors.

We are looking forward to getting to know you in person.

Your Private Banking team



Market analysis

THE PEOPLE BEHIND THE BANK

YOU CAN COUNT ON US



THE CORPORATE CLIENTS / CREDIT TEAM

Bernhard Baumann | Debora Walker | Erika Habegger | Simon Rösti | Ruedi Hauswirth | Urs Zumbrunnen



THE GSTAAD BRANCH TEAM

Adrian Friedli | Ursula van den Elshout | Theres Baumgartner | Marc Abegglen



THE SAANEN COUNTER TEAM

Dora Moser | Ursula Baumer | Salome von Siebenthal | Martina Perreten | Brigitte Brand



THE SCHÖNRIED BRANCH TEAM

Sibylle Fahrer | Madeleine Zahler

THE GSTEIG AND LAUENEN BRANCHES

Kathrin Hauswirth | Elisabeth Brand



THE APPRENTICES

Noémie Schwizgebel | Jana von Grünigen | Belinda König | Kimberly Reichenbach



TEAM BASIC FORMALITIES TEAM

Brigitte Brand | Christine Tschanz | Michael Grünenwald | Martina Perreten | Salome von Siebenthal | Ingrid Reichenbach

THE PEOPLE BEHIND THE BANK

YOU CAN COUNT ON US



THE DISPATCH TEAM

Linda Teuscher | Willi Zwahlen

THE MARKETING TEAM

Katrin Haldi | Corinna Müller



THE PAYMENT TRANSACTIONS AND REAL ESTATE TEAM

Beat Zwahlen | Rolf Schmid | Ariane Jungi | Heinz Bula

OUR MANAGEMENT STAFF AT A GLANCE (excluding executive management)

Ursula Baumer	Head Counters / Branches	Authorised representative
Bernhard Baumann	Client Adviser Corporate Clients / Credit	Authorised representative
Adrian Friedli	Head Retail Banking / Branches	Authorised representative
Beat Jaggi	Head Logistics / Compliance	Authorised representative
Jean-François Linder	Client Adviser Private Banking	Authorised representative
Bernd Makasy	Head Finance and Accounting	Authorised representative
Simon Rösti	Head Credit Management	Authorised representative
Rolf Schmid	Head Payment Transactions	Authorised representative
Yves Staub	Client Adviser Private Banking	Authorised representative
Marc Abegglen	Client Adviser Gstaad	Officer (as of 01.01.2017)
Theres Baumgartner	Head Counter Gstaad	Officer
Corinna Müller	Head Marketing	Officer

IMPRINT

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