



SAANENLAND, WHERE BANKING MATTERS. SINCE 1874.

ANNUAL REPORT 2017 – OUR BANK

AT A GLANCE

	2017 CHF	Prior year CHF	Change +/- in %
Balance sheet total	1,283,763,459	1,259,030,951	2.0%
Client loans (after offsetting against value adjustment)	1,074,812,795	1,037,196,140	3.6%
Client funds	1,023,050,375	1,011,423,228	1.1%
Capital and disclosed reserves after appropriation of profit	90,439,984	85,185,201	6.2%
Gross income	18,538,637	17,078,261	8.6%
Gross profit	8,561,201	7,570,829	13.1%
Operating result	6,620,888	6,292,732	5.2%
Net income	2,427,507	2,301,189	5.5%
Cost income ratio	53.8%	55.7%	-3.4%
Tax value of an equity share in the Bank	2,750	2,650	3.8%
Proposed dividend	26.0%	23.0%	13.0%
Employees, converted to full-time positions	31.5	34.1	-7.6%
Apprentices and interns	4	4	0.0%

In order to facilitate reading, all personal designations are listed exclusively in the masculine form.

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



R|&BANQUIERS
Rahn & Bodmer Zürich



EQUILAS

EDITORIAL

DEAR SHAREHOLDERS

With the editorial in our Semi-Annual Report, we already offered the prospect that 2017 was set to be a very good year. In this Annual Report, we are now able to present to you figures and information on a successful financial year. This can be attributed to different factors:

- the great trust that we enjoy from you as our shareholders and clients
- the great commitment of our employees
- our targeted investments in areas such as private banking
- the overall economic environment, which played into our hands during the past financial year, etc.

Nevertheless, a good result such as this is by no means guaranteed in light of the still very challenging framework conditions we are faced with. I am convinced that the size of our Bank has contributed greatly to this success despite the fact that it has in the past been precisely this factor that some experts have used to forecast the disappearance of regional banks.

Upon closer analysis, it becomes apparent that the pleasing performance generated in the area of private banking and asset management is not only down to the strong capital markets, thus providing us with confirmation that we are on the right track here with the investments we have made and the strategy we have established. We are also aware that interest activities will remain our strongest pillar and we are likewise pleased about the positive trend in this area.

The growth seen in recent years and the upcoming challenges we face necessitate a healthy level of equity financing. For the first time in its history, our Bank can report eligible capital under banking law of in excess of CHF 100 million. Saanen Bank has always used a considerable portion of its generated earnings to strengthen its capital base. This tradition will also be continued this year. The good result will also allow the Board of Directors to propose to the annual general meeting that the dividend distribution be increased from 23% to 26%. The retention of earnings is also reflected in the share price and together with the dividend provides for a very attractive return on a security that is still by no means overvalued.



Saanen Bank is approaching the future well-prepared. We are aware of the major challenges that face us. It is still essential that we keep a cool head, adopt a forward-looking view and take action at the right time without taking on unpredictable risks in the process.

I am proud of the whole team, which is facing up to these challenges, and would like to thank the Executive Board, all of our managers and the entire workforce for their great dedication. On behalf of the Board of Directors and all of our employees, I would like to extend a special thanks to you, our shareholders and clients, for the trust that you have placed in us and the successful working relationship we enjoy with you.

Yours faithfully

Victor Steimle
Chairman of the Board of Directors

BALANCE SHEET AS PER 31 DECEMBER 2017

	CHF in 1,000	2017	Prior year	Change +/- in %
Assets				
Liquid assets		166,016	176,645	-6.0%
Receivables from banks		12,288	27,538	-55.4%
Receivables from clients		67,894	72,374	-6.2%
Receivables from mortgages		1,006,919	964,822	4.4%
Trading activities		0	0	0.0%
Positive replacement values of derivative financial instruments		3,209	1,749	83.5%
Financial investments		14,146	4,281	230.4%
Accrued income and prepaid expenses		126	93	35.5%
Participations		4,721	2,185	116.1%
Tangible fixed assets		6,530	6,404	2.0%
Intangible assets		0	0	0.0%
Other assets		1,914	2,941	-34.9%
Total assets		1,283,763	1,259,031	2.0%
Total subordinate receivables		928	0	100%
of which with conversion obligation and/or debt waiver		0	0	0.0%

	CHF in 1,000	2017	Prior year	Change +/- in %
Liabilities				
Liabilities to banks		800	3	26566.7%
Liabilities to clients (client deposits)		1,016,588	1,003,968	1.3%
Negative replacement values of derivative financial instruments		2,339	3,675	-36.4%
Medium-term notes		6,462	7,455	-13.3%
Bonds and mortgage-backed loans		145,100	138,100	5.1%
Accrued expenses and deferred income		3,571	2,380	50.0%
Other liabilities		383	486	-21.2%
Provisions		17,456	17,226	1.3%
Reserves for general banking risks		39,360	36,020	9.3%
Share capital		2,400	2,400	0.0%
Statutory capital reserves		0	0	0.0%
of which reserves from tax-exempt capital contributions		0	0	0.0%
Statutory retained earnings		8,829	8,723	1.2%
Voluntary retained earnings		38,584	36,935	4.5%
Own equity capital (short position)		-550	-656	-16.2%
Profit carried forward		13	13	0.0%
Profit		2,428	2,301	5.5%
Total liabilities		1,283,763	1,259,031	2.0%

	CHF in 1,000	2017	Prior year	Change +/- in %
Off-balance-sheet transactions				
Contingent liabilities		8,294	7,469	11.0%
Irrevocable commitments		28,937	31,014	-6.7%
Call commitments and additional payment obligations		865	865	0.0%

INCOME STATEMENT 2017

	CHF in 1,000	2017	Prior year	Change +/- in %
Income from interest activities				
Interest and discount income		18,355	17,924	2.4%
Interest and dividend income from trading activities		0	0	0.0%
Interest and dividend income from financial investments		176	138	27.5%
Interest expenses		-3,935	-4,481	-12.2%
Gross profit from interest activities		14,596	13,582	7.5%
Changes in value adjustments related to default risk and losses incurred in interest activities		-245	162	-251.2%
Subtotal for net income from interest activities		14,351	13,745	4.4%
Income from commission business and services				
Commission income on securities and investment transactions		1,550	1,436	7.9%
Commission income on lending activities		38	23	65.2%
Commission income on other services		1,050	1,031	1.8%
Commission expenses		-180	-196	-8.2%
Subtotal for income from commission business and services		2,458	2,294	7.1%
Income from trading activities and fair-value option		1,079	1,009	6.8%
Other ordinary income				
Income from the sale of financial investments		14	-92	-115.2%
Income from participations		248	176	40.9%
Income from real estate		119	97	22.7%
Other ordinary income		29	120	-75.8%
Other ordinary expenses		-5	-109	-95.4%
Subtotal for other ordinary income		405	192	110.9%
Operating expenses				
Personnel expenses		-5,129	-4,753	7.9%
Other general and administrative expenses		-4,848	-4,755	2.0%
Subtotal for operating expenses		-9,977	-9,508	4.9%
Value adjustments on participations and depreciation of tangible fixed assets and intangible assets		-1,142	-955	19.6%
Changes in provisions and other value adjustments and losses		-553	-484	14.3%
Business profit/loss		6,621	6,293	5.2%
Extraordinary income		691	297	132.7%
Extraordinary expenses		0	0	0.0%
Changes in reserves for general banking risks		-3,340	-2,863	16.7%
Taxes		-1,544	-1,426	8.3%
Profit		2,428	2,301	5.5%
Appropriation of profit				
Profit		2,428	2,301	5.5%
Profit carried forward		13	13	0.0%
Net profit		2,441	2,315	5.4%
Proposal for the appropriation of profit				
Allocation to general statutory retained earnings		-100	-100	0.0%
Allocation to voluntary retained earnings		-1,706	-1,649	3.5%
Distribution on share capital		-624	-552	13.0%
Profit carried forward (new)		11	13	-15.4%

SIX SHAREHOLDER QUESTIONS FROM THE SHAREHOLDERS' PERSPECTIVE

INTERVIEW WITH JÜRIG VON ALLMEN | CHIEF EXECUTIVE OFFICER

WHAT DOES THE EXECUTIVE BOARD BELIEVE TO BE THE GREATEST CHALLENGES FACING THE BANK OVER THE COMING YEARS?

Thanks to the positive market conditions and the strong relationship we enjoy with our owners (shareholders) and clients, we are very confident about the future of our Bank. Nevertheless, we need to develop further. Over the coming years, the following issues will certainly represent challenges for us:

- *Digitalisation and changing client behaviour*
- *The recruitment of new employees due to several upcoming retirements*
- *The implementation of new laws and regulations*
- *Interest change risks – should interest rates not rise once more in the medium term*
- *The successful management of our clients' assets – even if the performance of the equity markets isn't so strong*

“Changing client behaviour and digitalisation are having a major impact on our Bank.”

HOW CAN SAANEN BANK KEEP PACE WITH LARGE COMPETITORS IN THE AREA OF DIGITALISATION?

Changing client behaviour and digitalisation are having a major impact on our Bank. We want and need to invest further here in order to meet the expectations of our clients with cutting-edge and modern services. With respect to these high-cost issues, Saanen Bank is not in a position to be a first mover, but we want to convince our clients with reliable and simple services. We already view ourselves as a modern bank with attractive digital services that our clients can use from all over the world. Further innovations will follow over the coming years.

WHY DOES EMPLOYEE RECRUITMENT REPRESENT A MAJOR CHALLENGE?

Our Bank exhibits a normal level of staff turnover and on average has very long-standing employees, which is one of our strengths. In the next 10 years, more than 10 people will retire. This is a quarter of our workforce. As the personnel market for experienced bank employees in our region is small, this will prove a challenge. However, for natives of Saanen who are missing their home and committed, qualified specialists, our need also represents an opportunity. I think that Saanen Bank is a very attractive employer that offers good development prospects.

WHICH NEW REGULATIONS AND LAWS WILL THE BANK BE FACED WITH?

Although FINMA has offered the prospect of various regulatory concessions for us regional banks, the work involved here will still be great. In particular, the management of foreign clients is very challenging. Here, we cannot and do not want to make any mistakes. The calculation and reporting of equity capital and liquidity is also becoming ever more complicated and time-consuming, to give two further examples. The good thing about these issues is that they are continuing to contribute to the security of the banking centre and of the individual banks.

WHAT DO RISING INTEREST RATES MEAN FOR SAANEN BANK?

In Switzerland, we have now been living with low interest rates for almost ten years – and for around three years, we have had ultra-low or even negative interest rates. Even though we currently anticipate that interest rates will remain at a low level, the time is approaching when we will see a normalisation and probably a rise in interest rates once more. With our active interest rate management, we calculate our interest rate risks on a monthly basis with various stress scenarios. We are currently not exposed to any major interest rate risks, as we already deploy interest rate hedging instruments. And should the interest rate risks increase further or we revise our interest rate expectations, we are ready to utilise further situation-based interest rate hedging instruments.

WHAT WILL IT MEAN FOR THE BANK IF THE EQUITY MARKETS DO NOT PERFORM AS STRONGLY?

2017 was an exceptional and very positive year for the securities business and thus also for asset management. It is conceivable that more difficult times could also follow once more. What is important is that our portfolio management is primarily geared towards protecting our clients' assets and thus that it is able to immediately scrutinise the prevailing situation during difficult periods and react in a timely manner. The mechanisms required to this end have been installed – even though our hope is that the stock markets will continue to perform very positively for a long time to come: we are also well-equipped for more difficult times.



“2017 was an exceptional and very positive year for the securities business and thus also for asset management.”

THE PEOPLE BEHIND THE BANK

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT



BOARD OF DIRECTORS

Ueli Haldi-von Siebenthal
Agriculturalist
Feutersoey

Peter Weissen
Construction Engineer HTL
Lauenen

Michael Teuscher*
Government Official
Saanen

Marianne Kropf
Pharmacist FPH
Gstaad

Victor Steimle
Business Administrator FH
Saanen
Chairman

Daniel Matti*
lic. oec. HSG
Schönried
Vice-Chairman

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.

* Members of the Audit Committee (chairman: Daniel Matti)





EXECUTIVE MANAGEMENT AND BUSINESS UNIT MANAGEMENT

Urs Zumbrunnen
Deputy Chief Executive Officer
Corporate Clients
Credit

Dominique Huwiler
Vice Executive Officer
Private Banking

Simon Graa
Vice Executive Officer
Private Banking
Provisions

Jürg von Allmen
Chief Executive Officer

Adrian Friedli
Business Unit manager
Authorised representative
Retail Banking
Branches

Bernd Makasy
Business Unit manager
Authorised representative
Finance
Personnel and Services



Outlook from the Allmendwald

IN FOCUS

CORPORATE CLIENTS/CREDIT AREA



THE TEAM CORPORATE CLIENTS/CREDIT

Urs Zumbrunnen | Erika Habegger | Ruedi Hauswirth | Simon Rösti | Bernhard Baumann | Belinda König

The lending business – the core business of SB Saanen Bank Ltd.

More than 83% of our balance sheet total is invested in loans to our clients and this business area thus represents an important pillar of our Bank. It is important to us that money from our region is reinvested in the region and thus provides active support to the economic cycle of Saanenland.

During client consultations, we put our heart and soul into discussing our clients' financial needs in detail. Following a careful analysis, we then implement the best solution for the client in question. In the Credit Management area, the necessary work is performed quickly and carefully, with the department taking great pride in the fact that, wherever possible, we relieve our clients of administrative tasks, thus contributing to the rapid and convenient implementation of any wish.

With our services, we are convinced that we create the foundation for a high level of client satisfaction and long-term, successful working relationships. Thanks to our many years of experience and local knowledge, we are able to generate added value for our clients. All decisions are made locally and it is also here that responsibility for these decisions is then borne.

Each and every day, our actions are shaped by the word *credit*, which is derived from the Latin *credere* and means *believe*. Our objective when issuing loans is to ensure that our clients can pay the interest during the loan's term and ultimately also pay back the credit granted. The lending business inevitably also entails risks. We want to keep these low with our lending policy, but also want to offer solutions wherever possible. As the performance of our Bank shows, we have so far been very successful in implementing a balanced lending policy.

If you have a financing requirement or also simply wish for your current financing to be assessed by a second party, do not hesitate to get in contact with us. We look forward to hearing from you!

Our business philosophy and our services in keywords:

Since 1874, the welfare of local businesses has been an issue close to our hearts – and since the very beginning, our core competency has been meeting the diverse financial requirements of our clients with individually customised solutions.

With our REVOR pension fund solution, we have pension fund assets of local companies. The funds can be used on a one-to-one basis for financing within the region and thus remain in Saanenland.

Our credit advisers are happy to assist you with your financing queries at any time. The administration quickly and reliably takes care of the required work in the background.

Are you interested in a financing solution with a fixed duration of between two and ten years for which the interest rate is defined at the outset and remains the same through the entire term? If so, we can offer you a fixed-rate mortgage. Would you prefer a loan of unlimited duration, a variable interest rate and the option to pay back your outstanding debt following a three-month notice period? If so, we can offer you our variable-rate mortgage. Finally, we can also offer you the money market mortgage. This model has a duration of three years. The interest rate is derived from the money market and is adjusted every three months in line with the current three-month Libor.

Do you dream of building your own home? To turn your dream into reality, you can use our building loan to finance a new building or a conversion.

Depending on the situation, you can already convert part of the building loan into a mortgage during the building phase (partial consolidation). Once the building work is complete, the rest of the building loan is converted into a mortgage.

You want to improve your liquidity reserve? You can use our Lombard loan to do just that. The Lombard loan primarily serves as a liquidity reserve. This provides you with the opportunity to utilise especially interesting market situations on the stock exchange.

Loan collateral is provided in the form of securities that are pledged or assigned to the Bank in advance. The loan normally takes the form of an overdraft facility.

Our Bank can provide a bank guarantee or a surety on your behalf in favour of a third party. This provides major benefits if two contracting parties do not know one another.

Our Bank offers the following products:

- Securing of builder obligations
- Advance payment and performance guarantees
- Performance bonds
- Credit guarantees
- Rental guarantees
- Payment guarantees

YOUR RELIABLE PARTNER FOR SMES

FUNDS FROM AND IN THE REGION

QUICK AND RELIABLE

MORTGAGES

BUILDING LOAN

LOMBARD LOAN

BANK GUARANTEES/SURETIES

THE PEOPLE BEHIND THE BANK

YOU CAN COUNT ON US



THE GSTAAD BRANCH TEAM

Marc Abegglen | Salome von Siebenthal | Ursula van den Elshout | Adrian Friedli



THE SAANEN RETAIL BANKING TEAM

Ursula Baumer | Dora Moser | Christine Tschanz | Brigitte Brand | Martina Perreten



THE PRIVATE BANKING TEAM

Daniel Perreten | Jean-François Linder | Yves Staub | Simon Graa | Kimberly Reichenbach | Andrey Chernov | Dominique Huwiler



THE SCHÖNRIED BRANCH TEAM

Sibylle Fahrer | Madeleine Zahler

THE GSTEIG AND LAUENEN BRANCHES

Kathrin Hauswirth | Elisabeth Brand



THE APPRENTICES AND TRAINEES

Noémie Schwizgebel | Leandro Frei | Jana von Grünigen | Manuel Waldmann



THE DISPATCH AND BASIC FORMALITIES TEAM

Wilhelm Zwahlen | Linda Teuscher | Michael Grünenwald | Ingrid Reichenbach

THE PEOPLE BEHIND THE BANK

YOU CAN COUNT ON US



THE MARKETING TEAM

Corinna Müller | Silvia Nolan



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
Jean-François Linder	Client Adviser Private Banking	Authorised representative
Bernd Makasy	Head Finance, Personnel and Services	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
Andrey Chernov	Head Financial Administration	Officer (as of 1 January 2018)
Corinna Müller	Head Marketing	Officer

IMPRINT

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