

Annual Report 2010





At a glance

CHF 1 000	2010	2009	Change	
Profit and loss account				
Net interest income	4 507	3 929	+ 578	+ 15%
Net fee and commission income	48 637	50 621	-1 984	-4%
Net trading income	-407	2 049	-2 456	-120%
Other income	1 914	4 511	-2 597	-58%
Total operating income	54 651	61 110	-6 459	-11%
Total operating expenses	-51 764	-162 076	+110 312	-68%
Group net profit	1 528	-95 065	+96 593	-102%
Balance sheet				
Total assets	578 457	718 182	-139 725	-19%
Total liabilities	283 617	385 452	-101 835	-26%
Total shareholders' equity	294 840	332 730	-37 890	-11%
Ratios				
Undiluted earnings per share (in CHF)	0.15	-9.09	+9.24	-102%
Diluted earnings per share (in CHF)	0.15	-9.09	+9.24	-102%
Equity per share (in CHF)	28.08	31.69	-3.61	-11%
Cash distribution / dividend per share (in CHF)	4.00 ¹⁾	4.00	-	-
Return on equity	0.5%	-24.1%	-	+24.6%
Distribution / dividend yield ²⁾	12.4%	11.5%	-	+0.9%
Cost / Income Ratio ³⁾	91.4%	85.2%	-	+6.2%
Self-financing ratio	51.0%	46.3%	-	+4.7%
Total client assets (in CHF m) ⁴⁾	4 102	4 854	-752	-15%
Net new money inflow (outflow)	-526	-320	-206	+64%
Number of staff (full-time equivalent) at cutoff date	96.5	103.0	-6.5	-6%
Annual average number of staff (full-time equivalent)	98.6	99.7	-1.1	-1%
Share price of Bellevue registered shares (in CHF)	32.30	34.90	-2.60	-7%
Market capitalization (in CHF m)	339	366	-27	-7%
Year high	32.30	44.80	-13	-28%
Year low	29.85	33.35	-4	-10%

Initial listing on the former New Market of SIX: 10.11.1999

Listing switched on the main board of SIX: 3.1.2003

¹⁾ Proposal of the Board of Directors to the Annual General Meeting

²⁾ Calculated from share price as at 31.12.

³⁾ Defined as: Business expenses (excluding depreciation and movement in provisions) / Total income (excluding income from the sale of participations, income from financial investments and other financial assets at fair value and any other non-recurring items)

⁴⁾ After deduction of double counts

Performance 2000–2010
Bellevue Group AG* versus SPI
(adjusted)

— Bellevue Group AG
— Swiss Performance Index



* was swissfirst AG until Dec. 15, 2006

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Letter to Shareholders



Dear Shareholders

The profits of Swiss companies listed on the SIX Swiss Exchange were up in 2010, by around 15% on the previous year. Nevertheless, the levels of the Exchange's two main indices marked time at best. The SMI (blue chip index) was down 2% and the SPI (overall market index) up 3%. In the light of this generally disappointing stagnation, it hardly comes as a surprise that the annual total volume traded on the SIX Swiss Exchange for 2010 increased by just 3% on the previous year. We should note that, in 2009, traded volume had fallen by more than 40%, a major collapse directly caused by the financial crisis. Bellevue Group continued to concentrate on its asset management, brokerage and corporate finance businesses during financial year 2010, and was again severely affected by this persistent caution on the part of equity investors.

As market conditions remained difficult, Bank am Bellevue maintained its position overall and achieved an attractive operating performance. Nevertheless, it was impossible to prevent a further slight fall of 8% in brokerage and corporate finance commission, the Bank's main earners. Its business activity makes a more positive impression when reviewed in terms of quality. Bank am Bellevue was able to play an important role as lead and co-manager on the Swiss capital market despite the fact that there were only a few public offerings of companies or secondary placements of shares. One noteworthy example was the IPO of Peach Property Group. In conventional brokerage business with institutional clients, the Bank maintained its existing strong position, supported not least by much more intensive marketing activities.

After the strategic reorientation and expansion of its product range, Bellevue Asset Management had set itself the following priorities for 2010: to implement its existing and newly developed investment strategies successfully; to develop new market segments; and to focus on client acquisition. One reason for this choice was that its historically successful business in conventional products for a traditional clientele was prone to constant erosion on a difficult market, for example in the health care sector. On the other hand, its new investment products got off the ground with over CHF 200 million of new customer funds. This was supported by a universally firm, and sometimes outstanding, investment performance, and accompanied by an increased share of recurrent service fee income pursued by the new business model. As in the previous year, the company was able to achieve a near-balanced operating result.

In the Group accounts for 2010, the balance sheet total fell by 19% to CHF 578 million (previous year: CHF 718 million). The main causes of this lie on the liabilities side. Extremely low interest rates reduced the amounts due to customers by CHF 118 million. On the other hand, the dividend payment for financial year 2009, combined with only minimal profit in financial year 2010, reduced retained earnings by CHF 39 million. On the assets side, these two major position changes are primarily reflected in two aspects: the fall in total cash and amounts due from banks, by CHF 108 million, and the reduction in financial investments, by CHF 29 million.

In the consolidated income statement, net fee and commission income, the main progress indicator of Bellevue Group's operating performance, declined by 4% on the previous year, to CHF 49 million. In the previous year, operating expenses had reached a very high level of CHF 162 million, due to amortisation and value adjustments of goodwill and other intangibles. This figure, in turn, dropped back sharply, to CHF 52 million. However, personnel and other operating expenses, both normally dominant items of operating expenditure, stood exactly at last year's level, totalling CHF 49 million. There is, therefore, a modest Group net profit for financial year 2010 of CHF 1.5 million, following the previous year's recorded loss of CHF 95 million. Although Group net profit is only marginal at best, at the forthcoming annual general meeting the Board of Directors will propose a distribution of CHF 4.00 per registered share, a figure unaltered since last year. While the dividend one year ago was paid out of balance sheet profit, this year's cash distribution will be drawn from general reserves. This will represent a repayment of reserves from capital contributions. Under the relevant Swiss Federal Tax Act, amended as of 1 January 2011, this can take place without deduction of Swiss federal withholding tax. By maintaining our cash distribution at the same level, we stand by our philosophy of repaying to shareholders equity that we no longer need for business purposes. As matters now stand, this condition is fulfilled: Bellevue Group's further development, in a changed market environment, will require less equity. Even after paying the cash distribution now proposed, we shall retain group finance at a level which seems responsible from the liquidity viewpoint, and which comfortably complies with the regulatory requirements.

Continued difficult market conditions not only formed the background to our operating result – they have, moreover, led to far-reaching changes of the business parameters for practically all banks and other financial service providers. And these upheavals are far from over. In this light, entrepreneurial virtues such as strategic focus and cautious management therefore gain in importance. We had already begun to improve employee efficiency in previous years. Thus, in financial year 2010, we have succeeded in reducing the number of our employees by 6% (full-time equivalent). Nevertheless, we remain convinced that we can profit from the additional business opportunities now presenting themselves. Today, therefore, Bellevue Group appears well positioned to grow further in its business fields. With this in mind, we continue to rely on our teams of highly competent employees, often with many years of experience. Their strong commitment merits acknowledgement from the Board of Directors. At this point, my special thanks also go to all our customers and to you, our valued shareholders, for your trust, your support and your loyalty to Bellevue Group. We are pleased to continue on our entrepreneurial path with you.



Walter Knabenhans
Chairman of the Board of Directors

Information relating to corporate governance

Bellevue Group is committed to responsible, value-oriented corporate management and control. It understands good corporate governance as a key success factor and indispensable prerequisite of achieving strategic corporate goals and creating lasting value for shareholders and all other stakeholders. Key elements of our corporate governance policy are: a clearly defined, well-balanced distribution of competencies between the Board of Directors and the Group Executive Board, the protection and promotion of shareholder's interests and a transparent information policy.

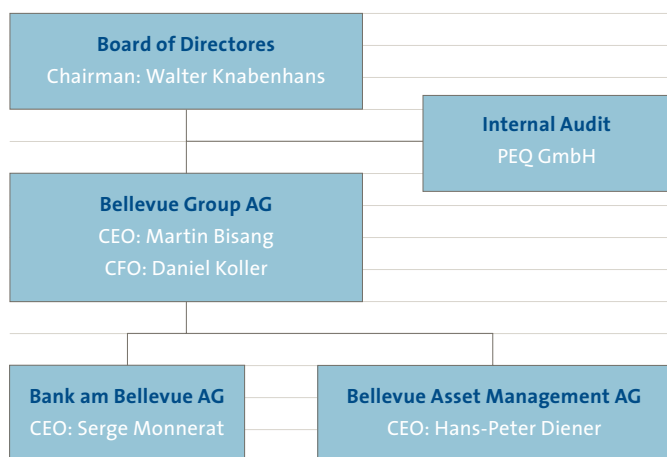
Legal and regulations

Bellevue Group is governed by Swiss law, specifically the laws on banking, shareholding and the stock market, and the regulations of the Swiss stock exchange (the SIX Swiss Exchange).

On 29 October 2008, the SIX Swiss Exchange published its revised Directive on Information relating to Corporate Governance, which entered into force on 1 July 2009. The following information meets the requirements of this Directive, taking account of the SIX's commentary, last updated on 20 September 2007. Where the information required in the Directive is disclosed in the notes to the financial statements, please see the corresponding note.

Group structure and shareholders

Corporate structure as of January 1, 2011



Scope of consolidation

The companies consolidated by Bellevue Group are listed, together with information regarding their domicile and share capital and the interest held by the Group, in the notes to the consolidated financial.

Major shareholders

Based on the notifications received and published by Bellevue Group AG (including management transactions), each of the following parties owns more than 3% of voting rights:

Shareholder or beneficial owner	31.12.10		31.12.09	
	Voting rights held	Number of shares held	Voting rights held	Number of shares held
Martin Bisang, Küssnacht	20.46%	2 148 209	19.71%	2 070 000
Jürg Schächli, Rapperswil-Jona	9.19%	965 175	8.71%	914 875
Hans-Jörg Graf, Wollerau	8.57%	900 000	8.57%	900 000
Dieter Albrecht, Erlenbach	6.37%	669 000	6.37%	669 000
Daniel Schlatter, Herrliberg	4.97%	521 760	4.96%	521 260

Based on the notifications received and published by Bellevue Group AG (including management transactions), each of the following parties owns more than 3% of voting rights:

http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

Cross-shareholdings

There are no cross shareholdings between Bellevue Group AG or its subsidiaries and other corporations.

Capital structure

Capital

The company's share capital amounts to CHF 1 050 000, consisting of 10 500 000 fully paid-in registered shares with a par value of CHF 0.10 each. The registered shares (Valor 2 848 210) are listed on the SIX Swiss Exchange.

Bellevue Group AG does not have any participation certificates or non-voting equity certificates outstanding nor has it issued any convertible bonds or bonds with warrants.

Capital changes

On 25 July 2008 Bellevue Group AG gave notice of a repurchase of a maximum of 500 000 of its own, registered shares for the purpose of capital reduction. The trade for this purpose took place on the second line on 4 August 2008. On 27 November 2009 Bellevue Group AG gave notice that it was extending the repurchase until 29 July 2011. As of 31 December 2010, the Group had repurchased a total of 30 000 registered shares.

Information on the composition of capital and the changes of the past two years and on conditional and authorized capital is given in the statement of shareholder's equity and in note 4.7 on page 38. For information on earlier periods, please refer to the relevant annual reports.

Board of directors

The Board of Directors of Bellevue Group AG consists of the following persons:

	Member of Board Committee ¹⁾	First elected	Elected until
Chairman			
Walter Knabenhans, CH ²⁾	CC ³⁾	2006	2011
Vice Chairman			
Daniel Schlatter, CH	CC, AC	2006	2011
Member			
Dr. Thomas von Planta, CH ²⁾	CC, AC ³⁾	2007	2011
Daniel H. Sigg, CH ²⁾	AC	2007	2011

¹⁾ Further information on the committees is given below under "Internal organization"

²⁾ Independent as per FINMA-RS 08/24: yes

³⁾ Chairman

CC: Chairman Committee

AC: Audit Committee

The Directors do not exercise any executive functions within Bellevue Group; previous executive responsibilities are disclosed below.

Walter Knabenhans, born 1950

- Degree in civil engineering, ETH Zurich, degree in economics, University of Zurich (lic. oec. publ.)
- Currently an independent financial and investment advisor
- With Julius Bär Group until 2006, in various functions, last serving as President of the Group Executive Board and CEO
- Mandates:
 - Vice Chairman of the Takeover Commission
 - Member of the Board of Directors of Finnova AG

Daniel Schlatter, born 1960

- Degree in law, University of Zurich (lic. iur.), attorney at law
- With Bellevue Group since 1993, in various executive functions, since 2005 Vice Chairman of the Board of Directors
- Previously engaged as an attorney at Baker & McKenzie
- Mandates:
 - Member of the Board of Directors of Metalor Technologies International SA

Dr. Thomas von Planta, born 1961

- Degree in law, University of Basel, University of Geneva (Dr. iur.), attorney at law
- Since 2006 owner of CorFinAd AG, Corporate Finance Advisory (M&A transactions and capital market financing)
- 2002–2006 Bank Vontobel, Head of Corporate Finance, member of the extended Executive Board
- 1992–2002 Goldman Sachs, ultimately in London, Equity Capital Markets Group & Investment Banking Division

Daniel H. Sigg, born 1956

- Degree in law, University of Zurich (Dr. iur.)
- Since 2006 DHS International Advisors, LLC, Principal (advisor on financial issues)
- 2000–2005 TimesSquare Capital Management Inc., President
- 1997–1999 UBS, Global Head of Institutional Asset Management, Senior Managing Director
- Mandates:
 - Member of the Board of Directors of VP Bank

Election procedures

The Chairman of the Board of Directors and all other members of the Board are elected individually by the general meeting of shareholders. The Board of Directors constitutes itself except for the position of Chairman. The members of the Board of Directors are elected to a term of one year and may be re-elected.

Internal organization

The Board of Directors appoints a Vice Chairman from its own members. The Board of Directors appoints a secretary who need not be a member of the Board of Directors. The Board of Directors meets as often as necessary to perform its duties but at least four times a year. The meetings usually last half a day. Four meetings were convened during the year under review. The Board of Directors constitutes a quorum when an absolute majority of its members is present. Board resolutions and elections are decided in accordance with the internal rules and regulations by an absolute majority of the votes cast. In the event of a tie vote, the Chairman has the casting vote. Decisions by way of circular letter need to be passed by a majority of all members of the Board of Directors. The Board of Directors can delegate some of its duties to committees. The standing committees are as follows: Chairman Committee (CC) and Audit Committee (AC).

Chairman Committee (CC)

The CC comprises a chairman and at least two other members of the Board of Directors. The Chairman of the Board of Directors is the Chairman of the CC. The CC exercises the functions of the Board of Directors and its committees between meetings. The CC is also responsible for authorizing certain risk limits. The CEO and/or CFO as well as other people attend the meetings of the CC upon request. Three meetings were held during the year under review.

Audit Committee (AC)

The AC examines whether all systems created to monitor compliance with legal and statutory provisions are appropriate and whether they are being applied properly. It reports to the Board of Directors and makes recommendations to the same. The AC also monitors and evaluates the integrity of the financial reports, internal controls, the effectiveness of the external auditor and the Internal Audit as well as risk management and compliance, taking into consideration the risk profile of Bellevue Group. It guides and monitors the activ-

ities of the Internal Audit, maintains Board level contact with the external auditors and monitors their performance and independence as well as their collaboration with the Internal Audit.

A majority of the members of the AC are independent. The AC meets for about half a day at least four times a year. Six meetings were held during the year under review.

Internal Audit

The company PEQ GmbH has been assigned the function of Internal Audit by the Board of Directors since the 2008 fiscal year. The Internal Audit helps the Board of Directors to exercise its statutory supervisory duties within Bellevue Group and it performs the audit functions assigned to it. It has an unlimited right of inspection within all Group companies and may inspect any and all business documents at any time. The Internal Audit coordinates its activities with the external auditors and reports directly to the Chairman of the Board of Directors.

accordance with the other regulations and instructions issued by the Board of Directors. It is responsible for ensuring compliance with legal and regulatory requirements as well as applicable industry standards.

Its responsibilities also include drawing up and application of an annual budget and defining annual targets for Bellevue Group. The Group Executive Board is responsible for issuing rules and regulations relating to the implementation of the risk policy, i.e. governing the basic aspects of risk responsibility, risk management and risk control. It reports to the Board of Directors and the AC about the existence, appropriateness and effectiveness of the internal controls and issues corresponding directives as necessary. It is responsible for issuing directives regarding compliance. Its competencies include granting loans in accordance with the powers of authorization defined in the internal rules and regulations as well as entering proprietary trading positions within the defined limits. The Group Executive Board can delegate the permissible limits to the competent business segments and departments within Bellevue Group.

Definition of powers of authorization

Board of Directors

The Board of Directors is responsible for the ultimate direction of the company and the supervision and oversight of Bellevue Group. It passes and periodically revises company strategy, issues directives and guidelines as necessary and determines Bellevue Group's organizational structure and risk policies. It also receives reports about the existence, appropriateness and effectiveness of the internal control system. It supervises and monitors persons entrusted with executive management duties. The Board of Directors is responsible for appointing and dismissing the CEO. It approves the appointment, promotion, and dismissal of Bellevue Group's senior management. Furthermore, it performs the duties assigned to it by law (Art. 716a CO). The delegation of powers between the Board of Directors, its committees, the CEO and the Group Executive Board is specified in Bellevue Group's regulations. The competencies of the Board of Directors include the purchase and disposal of shareholdings, the establishment of group subsidiaries and regional offices, securing loans, issuing bonds as well as granting credit above certain limits. Investment plans and other decisions having an impact on cash flows must likewise be approved by the Board of Directors above a certain threshold.

Group Executive Board

The Group Executive Board is Bellevue Group's executive body and reports to the Board of Directors. It is responsible for all Group issues that do not expressly fall within the remit of the Board of Directors of Bellevue Group AG or of a Group company according to legislation, the articles of association or the internal rules and regulations. It functions as a committee and all decisions have to be reached by the entire body. It is responsible, in particular, for developing a Group-wide business strategy for presentation to the Board of Directors, implementing the decisions reached by the Board of Directors within the Group, monitoring the execution of these decisions, and managing and supervising Bellevue Group's everyday operations, which must be effected within the scope of the financial plan, annual objectives, annual budget and risk policy and in

Information and control instruments relating to the Group Executive Board

The Board of Directors meets at least four times a year as specified in the internal rules and regulations. The ordinary meetings usually last half a day. The CEO and the CFO of Bellevue Group as well as the CEOs of Bank am Bellevue AG and Bellevue Asset Management AG attend these meetings. The Board of Directors receives monthly reports about the course of business and is periodically informed about risk exposure developments as well as the adherence to legal, regulatory and internal rules and regulations. Its control instruments include the semi-annual reporting requirements, the annual budget process and the internal and external audits.

During the meetings of the Board of Directors, every director can request other board members or the CEO to provide them with information about any matters relating to Bellevue Group. In the interim between meetings every Board member can request information about the course of business from the CEO and can also, upon approval by the Board Chairman, receive information about specific business transactions and inspect business documents.

Group Executive Board

The Group Executive Board comprised the following persons as at January 1, 2011:

Name	Function	Nationality
Martin Bisang	CEO	CH
Daniel Koller	CFO	CH
Serge Monnerat	CEO Bank am Bellevue AG ¹⁾	CH
Hans-Peter Diener	CEO Bellevue Asset Management AG	CH

¹⁾ Since March 30, 2010; until March 30 Jürg Schächli, see also annual report 2009, page 8

Additional information on the members of Group Executive Board:

Martin Bisang, born 1960

- Business and economics degree, University of Basel (lic. rer. pol.)
- MBA Harvard Business School, Boston
- Since 1993 with Bellevue Group
- Previously with BZ Group
- Mandates:
 - Member of the Board of Directors of Metalor Technologies International SA

Daniel Koller, born 1970

- Swiss Certified Accountant
- Since 2008 with Bellevue Group
- 2004–2007 with Valartis Group, Head of Controlling up to 2006, Head of Compliance up to 2007
- 1995–2004 Ernst & Young, auditing

Serge Monnerat, born 1969

- Business and economics degree, University of Zurich (nat. oec.)
- Since 2001 with Bellevue Group, Head Research Bank am
- Bellevue AG, since March 30, 2010 CEO of Bank am Bellevue AG
- Previously with BZ Group

Hans-Peter Diener, born 1955

- Degree in engineering, ETH Zurich
- MBA Harvard Business School, Boston
- Since 2007 with Bellevue Group
- 1995–2006 Walter Meier AG (previously WMH Walter Meier Holding AG)
- 1991–1995 Saurer Management AG
- 1984–1989 Jacobs Suchard
- Mandates:
 - Chairman of the Board of Directors of Newave Holding SA

In 2010 each director was awarded an additional 500 shares in Bellevue Group AG. The same allocation had already been made for the previous year.

The information on compensation, shareholdings and loans of the members of the Board of Directors is disclosed in the notes to the consolidated financial statements under sections 5.1 and 5.2 (page 40).

Group Executive Board

The Board of Directors is responsible for determining the compensation of the members of the Group Executive Board.

The compensation paid to the members of the Group Executive Board consists of a basic salary and a variable salary revised annually, as a one-off payment. The current bandwidth of basic salary is unchanged since last year, ranging from TCHF 200 to TCHF 300 (these and the following amounts include no social security contributions). For 2010, two members of the Group Executive Board received basic salary increases on the previous year of TCHF 12 and TCHF 40 p.a. respectively, depending on the going market rates for their positions.

In principle, variable salary for members of the Group Executive Board is based on a performance appraisal, supported by annually agreed targets and expectations. This takes account of position, experience, personal performance and the market environment. These factors are weighted at individual level. The variable salary of the members of the Group Executive Board also forms part of the total amount of variable salary, set at individual segment level and Group-wide (cf. “Additional explanations” below). For 2010, variable salary for members of the Group Executive Board ranges from CHF 0 to TCHF 215, or from 0% to 108% of basic salary. Compensation is paid in cash. In the case of variable salary greater than TCHF 70, however, half the amount in excess of TCHF 50 is only paid in July 2012, provided notice of termination of the employment has not been given at that time (vesting). Overall, TCHF 182 will be paid to members of the Group Executive Board, only in July 2012.

Compensation, shareholdings and loans

Board of Directors

The compensation paid to members of the Board of Directors comprises a basic fee, dependent on their function within this collegiate body. The directors may also be awarded shares, but they are not contractually entitled thereto; a decision whether to award shares will be made each year. Any shares awarded will be subject to a vesting period of generally four years. The Board of Directors determines the basic fee and any additional share allocation itself.

There was no change in the basic fee for 2010, the amount of which remains as follows (the amounts below do not include social security contributions):

- Chairman of the Board of Directors: TCHF 110
- Other members of the Board of Directors: TCHF 55
- Chair of Chairman/Audit Committees: TCHF 15 extra (per committee)
- Members of Chairman/Audit Committees: TCHF 10 extra (per committee)
- Member of a Board of Directors on behalf of Bellevue Group: usually an extra TCHF 10 (per mandate)
- Additional all-in expenses from TCHF 5 to TCHF 10

For the previous year, variable salary for members of the Group Executive Board ranged from CHF 0 to TCHF 100, or from 0% to 50% of basic salary. Payment was made in cash.

Up to and including 2008, the variable salary was used on a voluntary basis (elective right), in whole or in part, to buy shares in Bellevue Group AG. In that case, the shares are subject, as a rule, to a vesting period of four years.

The information on compensation, shareholdings and loans of the members of the Group Executive Board is disclosed in the notes to the consolidated financial statements under sections 5.1 and 5.2 (page 40).

Additional explanations

The remuneration of employees of Bellevue Group (except portfolio managers of the Asset Management segment – see below) also consists of a basic salary and a variable salary, revised annually, as a one-off payment (the following amounts include no social security contributions).

The total amount of variable salary will be determined at operating segment level from 2010. For this purpose, in each case, an adjusted segment result will be calculated, to take account of proportionate Group costs and interest on allocated capital. Conversely, amortisation of intangible fixed assets and tax expenses are eliminated. This adjusted result is allocated in a given mathematical ratio to the shareholders and the available pool for variable salary per segment. The total pool thus calculated for 2010 amounts to CHF 1.3 million (previous year: Group-wide 0).

For 2010, discretionary variable salary totalling CHF 1.1 million has already been approved for the Asset Management and Group segments, as part of the budgeting process, by the Board of Directors, and delimited continuously over the year. In the previous year, the amount of this discretionary variable salary was CHF 0.3 million.

The Board of Directors may increase the pool amount if this serves the interest of sustainable development of the business. It has availed itself of this power in 2010 and added CHF 2.0 million to the pool for the Bank am Bellevue segment and CHF 0.1 million for the Asset Management segment. Considerations of going market rates of remuneration and the situation of the competition played a significant role in this. A decisive factor are direct competitors in the Zurich financial centre in the fields of brokerage, corporate finance and asset management. In the previous year, the pool of variable salary for the Bank am Bellevue and Asset Management segments was also increased by a total of CHF 2.0 million.

In principle, the management of each segment determines individual variable salary. Account is taken of position, experience and personal performance. For client-related areas, elements with a direct bearing on income are also taken into account when calculating personal performance. To assess the personal performance of employees in the fields of processing and monitoring, on the other hand, account can never be taken of elements with a direct bearing on income. The Group CEO has the right of veto of decisions made on compensation for members of segment management.

Compensation for 2010 is paid in cash. In the case of variable salary greater than TCHF 70, however, half the amount in excess of TCHF 50 is only paid in July 2012, provided notice of termination of the employment has not been given at that time (vesting, similar to the procedure for members of the Group Executive Board). The total amount of variable salary with deferred payment for 2010 amounts to TCHF 1 008 (including members of the Group Executive Board). In the previous year, variable salary was paid in cash.

For portfolio managers in the Asset Management segment, there are contractual obligations to pay variable salary. The variable compensation of portfolio managers is governed by the success of the products under their management. The individual teams accordingly share in the net proceeds earned by the respective product. The compensation consists of a quantitative and a qualitative element. The qualitative element is mostly only applicable if the yield outperforms the relevant index of comparison or the comparable group. No compensation is paid on the seed capital invested in the products. For 2010, the portfolio managers were paid total variable salary amounting to CHF 2.2 million (previous year: CHF 1.7 million).

In principle, the relevant team leader proposes the levels of individual variable salary for the portfolio managers. This is then approved by the CEO of the Asset Management segment. Account is taken of position, experience and personal performance. For 2010, variable salary for portfolio managers is mostly paid in a combination of cash and shares in product under the manager's management; the balance is paid only in cash (previous year: cash only).

Participatory rights of shareholders

Voting rights restrictions and shareholder representation

Any person entered in the company's share register shall be deemed to be a shareholder of the company. Shareholders may attend the general meeting in person or be represented by proxy. There are no voting rights restrictions; each share entitles the holder to one vote.

Statutory quorums

The company has adopted no rules or regulations that deviate from Art. 704 of the Swiss Code of Obligations.

Notice convening the general meeting of shareholders

The notice convening the general meeting of shareholders shall be in conformity with applicable legal requirements.

Placing items on the agenda

The rules governing the placement of items on the agenda are in conformity with Art. 699 of the Swiss Code of Obligations.

Registration on the share register

The date by which shareholders must be registered in the share register in order to be eligible to participate in the general meeting and exercise their voting rights will be given by the Board of Directors in the invitation to the general meeting.

Change of control and defense measures

Mandatory public offer ("opting out")

Persons who purchase or acquire Bellevue Group AG shares are not required to issue a public offer as stipulated by Art. 22 of the Federal Act on Stock Exchanges and Securities Trading ("opting out").

Change of control clause

Members of the Board of Directors, executive Board members and employees of Bellevue Group are not contractually entitled to any severance payments.

Statutory auditor

Duration of mandate and term of office of Head auditor

The Group accounts and the consolidated financial statements of Bellevue Group AG and its subsidiaries are audited by Pricewaterhouse Coopers (PwC). The statutory auditor of Bellevue Group AG is elected for a one-year period at the general meeting of shareholders. PwC was elected for the first time for the 1999 fiscal year. The auditor in charge is Thomas Romer. He has exercised this function since the 2008 fiscal year. The holder of this office changes every seven years, in accordance with Swiss banking law. Thomas Romer has also served as statutory auditor since the 2008 fiscal year.

Fees paid to auditor

CHF 1 000	1.1.–31.12.10	1.1.–31.12.09
Auditing fees billed by PwC	370	425
Additional fees billed by PwC for audit-related services	29	125

The additional fees primarily concern services in connection with projects and audit-related services regarding international accounting as well as legal or regulatory issues. These services provided by the auditor are compatible with its auditing duties as external auditor.

Instruments for supervising and monitoring the auditors

The Board of Directors is responsible for the supervision and control of the statutory auditor and the Group auditor and it is supported in this function by the Audit Committee (AC). The AC receives and evaluates reports from representatives of the external auditors on a regular basis. It confers regularly with the Head Auditor about the effectiveness of the internal control systems taking into consideration Bellevue Group's risk profile. In addition, the AC reviews the scope of the auditing work, the quality of the work performed and the independence of the external auditors. The external auditors have direct access to the AC at all times.

Information policy

As a company listed on the stock exchange, Bellevue Group AG pursues a consistent and transparent information policy in relation to its shareholders, clients and employees as well as to the financial community and the general public. Its regular reporting activities and venues comprise the publication of the annual and semi-annual reports and letters to shareholders as well as a media conference on the annual results and the general meeting of shareholders. When important events occur, the above-mentioned stakeholders will be concurrently informed by way of press releases. Sources of information, the financial calendar and contact addresses are listed on page 72 of the annual report.



Financial statements 2010

Consolidated income statement

CHF 1 000	Note	1.1.–31.12.2010	1.1.–31.12.2009	Change	
Interest income		2 283	2 556	-273	-11%
Dividend income		2 386	1 408	+978	+69%
Interest expense		-162	-35	-127	+363%
Net interest income		4 507	3 929	+ 578	+15%
Fee and commission income		48 942	50 864	-1 922	-4%
Fee and commission expense		-305	-243	-62	+26%
Net fee and commission income	3.1	48 637	50 621	-1 984	-4%
Securities trading		-418	1 481	-1 899	-128%
Foreign exchange trading		11	568	-557	-98%
Net trading income		-407	2 049	-2 456	-120%
Income from financial assets		-	-203	+203	-100%
Income from other financial assets at fair value		1 054	4 135	-3 081	-75%
Other ordinary income		871	585	+286	+49%
Other ordinary expense		-11	-6	-5	+83%
Other income		1 914	4 511	-2 997	-58%
Total operating income		54 651	61 110	-6 459	-11%
Personnel expenses	3.2	-29 679	-28 358	-1 321	+5%
Other operating expenses	3.3	-19 305	-20 371	+1 066	-5%
Depreciation	3.4	-2 780	-39 283	+36 503	-93%
Valuation adjustments and provisions	3.5	-	-74 064	+74 064	-100%
Total operating expenses		-51 764	-162 076	+110 312	-68%
Profit before tax		2 887	-100 966	+100 966	-100%
Taxes	3.6	-1 359	5 901	-7 260	-123%
Group net profit		1 528	-95 065	+96 593	-102%
Basic earnings per share (in CHF)	3.7	0.15	-9.09	+9.24	-102%
Diluted earnings per share (in CHF)	3.7	0.15	-9.09	+9.24	-102%

The accompanying notes (see page 21 ff.) are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF 1 000	1.1.–31.12.2010	1.1.–31.12.2009	Change	
Group net profit in the income statement	1 528	-95 065	96 593	-102%
Gains/losses recognised directly in equity				
Currency translation adjustments	-388	-161	-227	+141%
Change in unrealized gains and losses on financial instruments	1 230	12 402	-11 172	-90%
Profits on financial instruments transferred to retained earnings	-102	-	-102	n/a
Total comprehensive income recognised in the income statement and in equity	2 268	-82 824	+85 092	-103%

The accompanying notes (see page 21 ff.) are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF 1 000	Note	31.12.2010	31.12.2009	Change	
Cash		126 998	327 321	-200 323	-61%
Due from banks	4.1	137 498	45 029	+92 469	+205%
Due from clients	4.1	18 178	26 321	-8 143	-31%
Trading portfolio assets	4.2	2 612	449	+2 163	+482%
Positive replacement values	4.2	12 987	15 797	-2 810	-18%
Other financial assets at fair value	4.2	96 084	90 827	+5 257	+6%
Accrued income and prepaid expenses		1 840	6 695	-4 855	-73%
Financial investments	4.3	61 490	90 019	-28 529	-32%
Associated companies		2 335	-	+2 335	+100%
Property and equipment	4.4	1 344	190	+1 154	+607%
Goodwill and intangible assets	4.5	108 970	111 490	-2 520	-2%
Current tax assets		5 171	886	+4 285	+484%
Deferred tax assets		695	820	-125	-15%
Other assets		2 255	2 338	-83	-4%
Total assets		578 457	718 182	-139 725	-19%
Due to banks		28 299	8 217	+20 082	+244%
Due to customers		217 247	335 531	-118 284	-35%
Negative replacement values	4.2	9 897	14 695	-4 798	-33%
Accrued expenses and deferred income		10 759	9 015	+1 744	+19%
Current tax liabilities		3 401	3 713	-312	-8%
Deferred tax liabilities		6 561	7 238	-677	-9%
Accrued expenses and deferred income	4.6	6 811	6 815	-4	-0%
Other liabilities		642	228	+414	+182%
Total liabilities		283 617	385 452	-101 835	-26%
Share capital	4.7	1 050	1 050	-	-
Capital reserves		27 250	27 250	-	-
Unrealized gains and losses on financial instruments		13 530	12 402	+1 128	+9%
Currency translation adjustments		-549	-161	-388	+241%
Retained earnings		254 756	293 561	-38 805	-13%
Treasury shares	4.8	-1 197	-1 372	+175	-13%
Total shareholders' equity		294 840	332 730	-37 890	-11%
Total liabilities and shareholders' equity		578 457	718 182	-139 725	-19%

The accompanying notes (see page 21 ff.) are an integral part of the consolidated financial statements.

Statement of shareholder's equity

CHF 1 000	2010	2009
Share capital		
On January 1	1 050	1 050
Change in share capital	–	–
On December 31	1 050	1 050
Capital reserves		
On January 1	27 250	27 250
Change during period under review	–	–
On December 31	27 250	27 250
Currency translation adjustments		
On January 1	–161	–69
Change during period under review	–388	–92
On December 31	–549	–161
Retained earnings		
On January 1	293 561	428 111
Group net profit	1 528	–95 065
Dividend	–41 880	–41 880
Income from the sale of own shares and derivatives	29	–25
Employee stock ownership plan	1 497	2 379
Other effects	21	41
On December 31	254 756	293 561
Change in value is recorded in the consolidated statement of comprehensive income		
On January 1	12 402	–
Change in unrealized gains	1 230	12 402
Reclassification of unrealized profit as per IFRS 9	–102	–
On December 31	13 530	12 402
Treasury shares		
On January 1	–1 372	–1 701
Purchases	–10 097	–12 835
Disposals	10 272	13 164
On December 31	–1 197	–1 372
Total		
On January 1	332 730	454 641
On December 31	294 840	332 730

The accompanying notes (see page 21 ff.) are an integral part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1 000	Note	2010	2009
Cash flow from operating activities			
Group profit		1 528	-95 065
Reconciliation to net cash flow from operating activities			
Non-cash positions in Group results and other adjustments:			
Depreciation of fixed assets	3.4	260	151
Amortisation of intangible assets	3.4	2 520	39 132
Value adjustments and provisions	4.6	-4	74 383
Tax expense / benefit		1 359	-5 901
Deferred tax expense / benefit		-629	-6 292
Change in fair value of financial assets		987	85 533
Other non-cash items		1 547	2 220
Net increase / decrease in operating assets			
Due from banks	4.1	-92 469	30 389
Due from clients	4.1	8 143	70 809
Trading positions and replacement values net	4.2	-4 151	-98 189
Associated companies		299	-
Accrued income, prepaid expenses and other assets		4 938	-2 964
Net increase / decrease in liabilities			
Due to banks		20 082	-65 113
Due to customers		-118 284	34 666
Accrued expenses, deferred income and other liabilities		2 158	-4 390
Taxes paid		-5 879	-451
Cash flow from operating activities		-177 595	58 918
Cash flow from investing activities			
Purchase of property and equipment	4.4	-1 414	-
Disposal of property and equipment	4.4	-	7
Purchase of associated companies		-2 634	-
Disposal of associated companies		-	-
Purchase of intangible assets		-	-
Disposal of intangible assets		-	-
Investments in financial assets measured at fair value (available for sale in previous year)		-	-10 151
Divestments of financial assets measured at fair value (available for sale in previous year)		-	23 494
Investment in other financial assets at fair value		-15 267	-65 222
Divestment of other financial assets at fair value		9 685	28 292
Reduction in cash and cash equivalents following disposal of subsidiaries/shareholdings		-	-
Net cash flow from investing activities		-9 630	-23 580

CHF 1 000	2010	2009
Cash flow from financing activities		
Dividends paid	-41 880	-41 880
Net movements in treasury shares and derivatives on own shares	175	504
Net cash flow from investing activities	-41 705	-41 376
Currency translation effects	-388	-92
Net increase / decrease in cash and cash equivalents	-229 318	-6 130
Cash and cash equivalents at the beginning of the year	387 313	393 443
Cash and cash equivalents at the end of the year	157 995	387 313
Cash and cash equivalents comprise:		
Cash	126 998	327 321
Immediately available repo-eligible securities	30 997	59 992
Total	157 995	387 313
Further information		
Cash received as interest	2 917	2 509
Cash paid as interest	162	35
Cash received as dividends on equities	2 386	1 408

The accompanying notes (see page 21 ff.) are an integral part of the consolidated financial statements.



Notes to the consolidated financial statement

I Accounting principles

1.1 Basis of interpretation

Bellevue Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the listing regulations of the Swiss Stock Exchange. Bellevue Group, as a banking group, is subject to consolidated supervision by the Financial Market Supervisory Authority.

The accounting standards applied are the same as in the consolidated financial statements dated December 31, 2009, with the exception of the changes explained in section 1.3.3.

1.2 Important accounting principles

1.2.1 Consolidation principles

Fully consolidated companies

The annual consolidated financial statements comprise the annual accounts of Bellevue Group AG and its subsidiaries. All companies are consolidated that are directly or indirectly controlled by Bellevue Group AG. Acquired subsidiaries are consolidated from the date when control is transferred to the Group, and deconsolidated from the date when control is relinquished.

Method of consolidation

The consolidation of capital is done according to the Anglo-Saxon purchase method. Under this method, the book value of the participation held by the parent company is offset against its share of the shareholders' equity of the subsidiary at the time of the acquisition. The effects of intercompany transactions are eliminated during the preparation of the consolidated financial statements.

1.2.2 General principles

Foreign currency translation

The Swiss franc (CHF), the currency of the country in which Bellevue Group AG is domiciled, serves as the functional currency.

Assets and liabilities denominated in foreign currencies at foreign group member companies are converted into Swiss francs using the applicable exchange rates for the balance sheet date. For the income and cash flow statements, year-average exchange rates are used. The differences resulting from consolidation are booked directly in retained earnings.

In the individual year-end accounts of group member companies transactions are booked in foreign currency at the respective daily exchange rates. Monetary assets are translated at the respective daily exchange rate and any gains or losses are recognized in the income statement. Monetary items carried on the balance sheet at historical cost in a foreign currency are translated at the historical exchange rate.

Segments

Bellevue Group is divided into two operating segments, "Bank am Bellevue" and "Asset Management". Positions that cannot be directly attributed to one of these two segments are booked under "Group". This also includes consolidating entries. This structure forms the basis for the primary segment reporting. Secondary segment reporting by geographic segment is not provided, since nearly all operations are located in Switzerland.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include liquid assets (cash, balances in postal checking and giro accounts, or sight deposits at the Swiss National Bank as well as clearing balances at recognized giro regional banks and clearing banks) as well as immediately available repurchase securities.

Accrual of income

Income received for services provided over a certain period of time is recognized pro rata over the period in which the services are provided. Such services include, for example, asset management and custody fees. Profit- and performance-based income is not recorded until all the relevant profit or performance criteria have been met. This type of income may be generated, for example, in the corporate finance or hedge fund businesses. Interest income is accrued as earned. Dividends are recognized when payment is received.

1.2.3 Financial instruments

Initial recognition

Purchases and disposals of financial assets are recognized in the balance sheet on the trade date. At the time of initial recognition, financial assets or financial liabilities are classified in the respective category according to criteria set forth in IFRS 9 and measured at the fair value of the consideration given or received, including directly attributable transaction costs. In the case of trading portfolio assets and other financial instruments carried at fair value, transaction costs are immediately recognized in the income statement, except for value changes of financial instruments, which are recorded in the comprehensive income.

Determination of fair value

After first recording, the fair value of financial instruments is ascertained from listed market prices or dealers' price listings, provided that the financial instrument is traded on an active market (Level 1). Whenever possible, the fair value of other financial instruments is determined using generally recognized valuation models (Level 2). These models are based on input parameters that can be observed on the market. For a residue of financial instruments, there are no available market listings or valuation models or methods based on market prices. For such instruments, in-house valuation methods or models are used (Level 3). In such cases, the fairness of the valuation is assured by clearly defined methods and processes and by independent checks.

Trading portfolio assets

Financial assets or financial liabilities held for trading purposes are measured at fair value in “trading portfolio assets” or “trading portfolio liabilities”. Gains and losses on sales and redemptions as well as changes in fair value are recognized in “net trading income”, interest and dividend income, however, in “net interest income”.

Investments at amortized cost

Another purpose of investment is to hold financial assets to earn contractual income from interest. Where the contractually agreed interest income consists only of interest and repayment of parts of the nominal value, the real interest method is used to account for the amortized costs of such investments.

An investment shown at amortized cost is classed as impaired if the whole amount contractually due is unlikely to be collected. Causes of such impairment may relate to counterparties or specific countries. If impairment has occurred, the book value is reduced to the collectable amount, and reflected in net income accordingly.

Interest is entered in the period in which it was incurred, using the real interest method, and shown under “net interest income”.

Other financial assets at fair value

Financial instruments that do not meet the above conditions (i.e. are not held in order to earn contractual interest income) are accounted for at fair value. The resulting income is shown under “other income” in the item “income from other financial assets at fair value”.

If the IFRS 9 criteria are met, a financial instrument can also be assigned to this category and accounted for as such at the time of first entry.

Investments at fair value, with changes in value shown through other comprehensive income

Investments in equity instruments are shown on the balance sheet at fair value. Changes in value are duly reflected in net income, except in cases where Bellevue Group has decided to show them at fair value, recording the change through comprehensive income.

Until 31.12.2009: available-for-sale financial assets

Available-for-sale financial assets are carried at fair value. Unrealized gains and losses on available-for-sale financial assets are recognized in shareholders's equity, less related deferred taxes, until the financial asset is sold or determined to be impaired. Equities and similar securities and rights are designated as impaired if the acquisition cost could no longer be recovered due to a significant or prolonged decline in fair value. A debt instrument is considered impaired if a deterioration of creditworthiness or other specific signs of difficulty are observable at the corresponding debtor.

As soon as an available-for-sale financial investment is determined to be impaired, the cumulative unrealized loss (equating to the difference between historical cost and current fair value less any previous write-down recognized in the income statement for this asset) already recognized in the shareholders' equity, is transferred to “other ordinary

income” in the income statement. Impairment reversals on debt instruments are recognized in “other ordinary income”, impairment reversals on equities in shareholders' equity.

On the disposal of a financial asset available-for-sale, the cumulative unrealized gain or loss already recognized in shareholders' equity is transferred to the item “other ordinary income” in the income statement. Gains or losses from a partial disposal are calculated using the average cost method.

Interest is accrued in the period incurred using the effective interest method and shown together with dividend income in the item “net interest income”.

Until 31.12.2009: held-to-maturity investments

Held-to-maturity investments are recorded in the balance sheet at amortized cost using the effective interest method. A held-to-maturity investment is classified as impaired when it is probable that the amount due under the contract terms cannot be collected in its entirety. Reasons for impairment can be counterparty- or country-specific in nature. In the event of impairment, the corresponding reduction of the carrying value to the recoverable amount will be expensed.

Interest is accrued in the period incurred using the effective interest method and shown together with dividend income in the item “net interest income”.

Lendings

Loans are reported in the balance sheet at amortized cost using the effective interest method less any specific allowances for credit risks. Bellevue Group only grants credit to selected counterparties and generally on a secured basis.

Securities lending and borrowing

Securities received within the scope of securities borrowing agreements and securities delivered within the scope of securities lending agreements are recognized on or removed from the balance sheet only if control over the contractual rights that comprise these securities has been transferred. In the case of securities lending agreements, cash collateral received is recorded in the balance sheet as “cash collateral from securities lending agreements”. In the case of securities borrowing agreements, cash collateral provided is recorded in the balance sheet as “cash collateral for securities borrowing agreements”.

Securities lent or delivered as collateral which the counterparty has an unlimited right to sell or pledge are reported in the balance sheet item “securities lent or delivered as collateral”.

Fees and interest from securities lending and borrowing are accrued in interest income or interest expense in the period in which they are incurred.

I Accounting principles

Derivative financial instruments

Derivative financial instruments are stated at fair value and presented in the balance sheet as positive and negative replacement values. No offsetting of positive and negative replacement values is done on the basis of netting agreements. Realized and unrealized gains and losses are recognized in "net trading income".

Hedge accounting

Bellevue Group may apply hedge accounting if the criteria specified in IAS 39 are met. At the time a hedge transaction is made, it is determined whether it is a hedge of the fair value of a balance sheet item or an unrecognized firm commitment (fair value hedge) or a hedge of the cash flows from a balance sheet item or a highly probable future transaction (cash flow hedge).

In a fair value hedge, the change in fair value of the hedging instrument is reported in the income statement.

1.2.4 Other principles

Own shares and derivatives on own shares

Bellevue Group AG shares held by Bellevue Group are designated as treasury shares and are deducted from shareholders' equity at weighted average cost. Changes in fair value are not recognized. The difference between the sales proceeds of treasury shares and the corresponding acquisition cost is recorded in retained earnings.

Derivatives on own shares that must be settled in cash or that offer a choice of settlement method are treated as derivative financial instruments.

Stock ownership plans

Employees of Bellevue Group who receive a bonus may under certain circumstances have the right or obligation to use a part of their bonus received in cash for the purchase of discounted shares in Bellevue Group AG, which are subject to a holding period. The additional expense incurred for Bellevue Group is recorded under "personnel expenses" for the duration of the holding period and the change is recorded in retained earnings.

In the case of employees who leave Bellevue Group before the end of the holding period, the Group has the right, but not the obligation, to repurchase shares purchased in this manner at the original cost.

Property and equipment

Property and equipment include leasehold improvements, information technology and telecommunications equipment, and other fixed assets. The acquisition or production costs of property and equipment are capitalized if Bellevue Group is likely to derive future economic benefits from them and the costs can be both identified and reliably determined. Property and equipment are depreciated on a straight-line basis over their estimated useful life as follows:

Leasehold improvements	max. 5 years
Information technology and communications equipment	max. 3 years
Other fixed assets	max. 5 years

Property and equipment are reviewed for impairment if events or circumstances indicate that the carrying amount may be impaired. If the carrying amount exceeds the realizable amount, an impairment loss is charged. Any reversals of impairments at a later date will be recognized in the income statement.

Goodwill and other intangible assets

Goodwill corresponds to the difference between the purchase price paid for an enterprise acquired by Bellevue Group and its interest in the fair value of the identifiable assets, liabilities and contingent liabilities of this enterprise at the time of acquisition. Goodwill is capitalized in the balance sheet and tested for impairment annually, or more frequently if events or changed circumstances indicate possible impairment. To this end, Bellevue Group compares the book value of the cash generating unit to which the goodwill is allocated with its value in use. If the book value of the cash generating unit exceeds its value in use, an impairment of the goodwill is recognized.

Other intangible assets include client relationships and brands acquired during business combination as well as software. Such intangible assets are capitalized if their fair value can be reliably determined. They are depreciated on a straight-line basis over their useful life of not more than 3 years (software), 10 to 15 years (client relationships) or 5 years (brands). Other intangible assets are reviewed for impairment if events or circumstances indicate that the carrying amount may be impaired. If the carrying amount exceeds the realizable amount, an impairment loss is charged. Any reversals of impairments at later date will be recognized in the income statement. At present, there are no other intangible assets with an indefinite useful life capitalized in Bellevue Group's balance sheet.

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws of the individual countries and recognized as expense in the period in which the related profits are made. Receivables or liabilities related to current income taxes are reported in the balance sheet in the items "current tax assets" or "current tax liabilities".

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their corresponding tax values are recognized as "deferred tax assets" and "deferred tax liabilities" respectively. Deferred tax assets arising from temporary differences and from tax loss carryforwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled. Tax receivables and tax liabilities are offset against each other when they refer to the same taxable entity, fall under the same jurisdiction, and an enforceable right to offset exists.

Current and deferred taxes are credited or charged directly to shareholders' equity if the taxes are related to items that are credited or charged directly to shareholders' equity in the same or a different period.

Provisions

A provision is recognized if Bellevue Group has, as a result of a past event, a current liability at the balance sheet date that will probably lead to an outflow of funds and whose amount can be reliably estimated. If an outflow of funds is unlikely to occur, or the amount of the liability cannot be reliably estimated, a contingent liability is shown. If there is, as a result of a past event, a possible liability as of the balance sheet date whose existence depends on future developments that are not fully under Bellevue Group's control, a contingent liability is likewise shown. The recognition and reversal of provisions are recorded in the item "value adjustments and provisions". Excepted from this rule is the change in actuarial pension provisions in accordance with the Swiss Occupational Pension Act (BVG), which are accounted for under "personnel expenses".

Pension funds

Bellevue Group maintains in Switzerland a defined-contribution pension plan. The pension fund is set up in accordance with Swiss defined-contribution regulations, but does not meet all of the criteria of a defined contribution-plan as defined by IAS 19. For this reason, this plan is treated as a defined-benefit plan.

Pension obligations are met exclusively with pension fund assets held by a pension foundation legally separated from and independent of Bellevue Group. It is managed by a Board of Trustees, consisting in equal parts of representatives of management and employees. The organization, operational management and financing of the pension fund are conducted in accordance with legal regulations, the foundation's charter, and applicable pension fund regulations. Employees and pensioners, or their survivors, receive legally determined benefits upon leaving the company, during retirement, at death, and in the event of invalidity. These benefits are financed by employee and employer contributions.

In the case of the defined-benefit pension plan treated in accordance with IAS 19, pension expenses and pension obligations are valued according to the projected unit credit method. The corresponding calculations are conducted annually by qualified actuaries.

The pension expense for the defined-benefit pension plan shown in the profit and loss account corresponds to the actuarially determined expense less employee contributions. The sum of these costs is accounted for in "personnel expense".

Actuarial gains and losses, once they exceed 10% of the greater of the calculated present value of pension plan obligations and pension plan assets at fair value, are written to the income statement on a straight-line basis over the expected average service time of employees covered by the plan.

A surplus, if any, is capitalized only if it is actually available to Bellevue Group in the form of future contribution refunds or reductions.

Assets under management and net inflows / outflows of new money

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority concerning accounting standards for financial institutions (FINMA-RS 08/2). Assets under management comprise all assets of private, corporate and institutional clients, excluding borrowings, managed or held for investment purposes, as well as assets in self-managed collec-

tive investment instruments of Bellevue Group. This basically includes all liabilities with respect to customers, fixed-term and fiduciary deposits, and all valued assets. Assets deposited with third parties are included if they are managed by a group company.

Assets that are counted in several categories of assets under management to be disclosed are shown under double counts. These primarily include shares in self-managed collective investment instruments in client portfolios.

Net inflows or outflows of assets under management in the course of a specific period consist of new client acquisitions, client departures, as well as inflows and outflows of assets from existing clients. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management", i.e. before the elimination of double counts. Securities- and currency-related changes in market value, interest and dividends, fee charges, paid interest loans, as well as loans raised or repaid do not represent inflows or outflows.

1.2.5 Estimates, assumptions and the exercising of discretion by management

In applying the accounting principles, management must make estimates, assumptions and discretionary decisions that influence the level of reported assets and liabilities, expense and income, as well as the disclosure of contingent assets and liabilities. Bellevue Group is convinced that in all material respects these consolidated financial statements provide a true and accurate view of its financial position, its results of operations and its cash flows. Management reviews its estimates and assumptions on a continual basis and adjusts them according to new findings and conditions. This can, amongst other things, have a material impact on the consolidated financial statements in the following areas:

Income taxes

Bellevue Group AG and its subsidiaries are liable for income tax in most countries. The current tax assets and current tax liabilities reported as of the balance sheet date as well as the resulting current tax expense for the period under review are based partly on estimates and assumptions and may therefore differ from the amounts determined in the future by the tax authorities.

Provisions

A provision is recorded if, as the result of a past event, Bellevue Group has a current liability as of the balance sheet date that will probably lead to an outflow of funds and if the amount of the liability can be reliably estimated. When determining whether a provision should be recorded and whether the amount is appropriate, best possible estimates and assumptions as of the balance sheet date are applied. These estimates and assumptions may be adjusted at a later date if necessary according to new findings and conditions.

I Accounting principles

Determining the fair value of financial instruments

If financial instruments are not traded on an active market, their value is determined by the use of generally accepted valuation models. Even though the input parameters for these financial instruments can be determined from market observations, the valuation model will always provide an estimate or an approximation of a value which cannot be determined with certainty.

Pension plan

Management sets the actuarial assumptions and determines whether a pension plan surplus can be capitalized as an economic benefit for Bellevue Group.

Review of goodwill with a view to devaluation

For the methods used, please see the note in the annexe to the consolidated financial statements, details on the consolidated balance sheet, item 4.5 “goodwill and other intangible assets” on page 36.

1.3.2 Standards and interpretations that have not yet been implemented

“The following new and amended standards and interpretations have to be applied for the financial year commencing after January 1, 2010, or later. Bellevue Group is not availing itself of the possibility of early application of these innovations:”

- IAS 24 (amended, effective January 1, 2011) – Related party transactions
- IAS 32 (amended, effective February 1, 2010) – Financial instruments: Presentation
- IFRIC 14 (amended, effective January, 1 2011) – Prepayments of a minimum funding requirement
- IFRIC 19 (effective July 1, 2010) – Extinguishing financial liabilities with equity instruments

Bellevue Group is currently analysing the implications of the listed standards and interpretations.

1.3 Changes in accounting principles and presentation

1.3.1 Implemented standards and interpretations

The following new or revised standards and interpretations were applied for the first time in fiscal year 2010:

- IFRS 1 (amended, effective July 1, 2009) – First time adoption of IFRS
- IFRS 2 (amended, effective January, 2010) – Share based payments
- IFRS 3 (revised, effective July 1, 2009) – Business combinations and IAS 27 (revised) – Consolidated and separate financial statements
- IAS 39 (amended, effective July 1, 2009) – Financial instruments, “eligible hedged items”
- IFRIC 17 (effective July 1, 2009) – Distributions of non-cash to owners
- IFRIC 18 (effective July 1, 2009) – Transfers of assets from customers

The entry into force of the standards and interpretations listed above have no impact on Bellevue Group’s net profit or shareholders’ equity.

In financial year 2010 Bellevue Group is applying the following new standard:

- IFRS 9 (effective January 1, 2013) – Financial instruments

This early use entailed reclassifying unrealized income on financial instruments as retained earnings, as of January 1, 2010. The corresponding financial instrument was also reclassified, as of January 1, 2010, from the investments item “available for sale” to “other financial assets at fair value reflected in net income”. The nature of this instrument necessitates the reclassification. IFRS 9 does not require adjustment of the previous year’s figures.

1.3.3 Other changes

In the first half of 2010, Bellevue Group acquired a 10% participating interest in a foreign broker. This involves holding one seat on its Board of Directors. The participating interest is shown under the item “associated company” and valued by the equity method.

2 Risk management and risk control

2.1 Risk evaluation and risk policy

Risk management is based on the evaluation of risks by the Board of Directors and its ensuing risk policy, which is reviewed periodically. Independent risk control bodies are tasked with monitoring risks at the individual operating unit level and at the Group level.

The Group Executive Board is informed on a regular basis about the assets, financial position, liquidity and earnings of the Group and all related risks by means of financial and risk reporting procedures commensurate with each particular level of management. Risk reports are prepared at the individual operating unit level as well as at the Group level.

2.2 Credit risk

Credit risk concerns the risk of losses should a counterparty fail to honor its contractual obligations. In the case of Bellevue Group, credit risk comprises:

- Default risks from Lombard lending
- Default risk within the scope of business transactions associated with credit risks, for example OTC derivative transactions, money market transactions, and securities lending and borrowing.
- Default risks from bonds (issuance risk)
- Default risks in transaction processing

Bellevue Group's credit lending activities are very limited in scope and credit is granted generally on a secured basis (marketable securities). Credit risks are limited by means of approval procedures commensurate with the various management levels as well as by authorization limits, the enforcement of appropriate lending margins and the periodic reevaluation of long-term loans. Authorized limits and lending margins are monitored on a daily basis using appropriate instruments and reports.

In dealings with professional counterparties (banks, brokers and institutional clients) and when investing in bonds, credit risks are assumed only with counterparties that have high (investment grade) credit standings.

Adherence to guidelines on concentration of risk at the Group level is monitored by an independent risk control body. New counterparties in securities and forex trading transactions must first be approved by the competent executive boards. The maximum risk of credit default is reported in the corresponding values carried in or off the balance sheet. For further information on items that entail credit risks, please refer to the notes to the consolidated financial statements, sections 4.1 and 4.2 (page 32).

2.3 Market risk

Market risks arise through fluctuations in market pricing of interest rates, exchange rates and equities as well as the corresponding volatilities. Market risk management entails the identification, measurement, control and regulation of market risk exposure. This exposure primarily pertains to trading portfolio assets, other financial assets at fair value, financial investments and the balance sheet structure.

Market risks are monitored by independent offices on a daily basis. Risk reports are prepared at the individual operating unit level as well as at the Group level. Market risks are minimized through constant monitoring of risk. Derivative financial instruments are solely used for economic hedging purposes.

Trading portfolios

Securities trading for own account is basically limited to stocks and stock options. All positions in trading portfolios are carried at fair value. Wherever possible, market prices are automatically retrieved and used for valuation purposes. OTC options for which there are no prices directly observable on the exchanges are valued using appropriate valuation models. The adequacy of the carrying value of these positions is assured through independent controls. The positions are monitored directly by the executive board and / or independent risk control staff. Average trading portfolio assets (twelve end-month values), including the corresponding derivatives, amounted to CHF 2.4 million (previous year: CHF 7.8 million). Every change in prices is recognized in full in Group profit or equity. A 10% change in fair value with respect to the year-end value would correspond to a +/- CHF 0.045 million change in profit (previous year: CHF 0.2 million). Securities trading is conducted primarily through SIX / Virt-X.

Foreign exchange positions result mainly from client transactions. The Group does not engage in commodities trading. A presentation of the balance sheet by currency is given in section 6.1, "Balance sheet by currency," in the notes to the consolidated financial statements on page 41. The net positions are given below:

CHF 1 000	CHF	EUR	USD	Other
Net position on 31.12.10		7 748	1 862	121
10% change in fair value	+/-973			
Net position on 31.12.09		25 268	4 528	76
10% change in fair value	+/-2 987			

Other financial assets at fair value

This position consists exclusively of units held in a collective investment instrument whose assets are selectively invested by Bellevue Group within the scope of its seed financing strategy. A 10% change in fair value with respect to the year-end value would correspond to a CHF 9.1 million change in equity (previous year: CHF 4.6 million).

Hedge Accounting

Bellevue Group uses derivatives as a partial hedge for investments under the heading "Other financial assets at fair value". These are fair value hedges, which mainly take the forms of index futures, index options and forward transactions in foreign currencies.

CHF 1 000	2010	2009
Fair Value Hedges		
Profits or losses on hedge instruments	-3 326	-2 858
Profits or losses on hedged transactions which can be allocated to hedged risk	4 049	3 413
Net profit corresponding to ineffective portion of fair value hedges	723	555

2 Risk management and risk control

Financial investments

The composition of the financial investments is defined and monitored by the respective executive boards or by the Group executive board. A 10% change in market value, in relation to the end-of-year figure, would result in a change of equity of CHF 1.6 million (previous year: CHF 1.6 million) for the financial assets calculated at fair value.

Positive change in value in the amount of CHF 1.5 million relating to financial investments were not recognized in the income statement for the period under review (previous year: value adjustments recognized in the income statement CHF 15 Mio.).

Balance sheet structure

Interest rate and foreign exchange risks arise in balance sheet management through differing interest and currency risks of positions carried in and off the balance sheet. The interest and currency risks of Bellevue Group are low due to the following reasons:

- Bellevue Group is not active in the traditional lending and deposit business.
- Long-term loans at fixed rates are granted only in exceptional cases.
- Bellevue Group does not actively trade foreign exchange for own account.
- Foreign-currency loans with a fixed term are usually refinanced with matching maturities.

The interest rate risks are measured and monitored using various methods (sensitivity of equity capital, interest rate gap analysis, etc.). Assuming a parallel change in interest rates of 1% at the Group level, the measured change in fair value of equity capital on the respective measurement dates in 2008 was consistently less than under 2% (previous year: under 2%) of eligible consolidated equity. Interest rate and currency risks are monitored and measured by independent risk control bodies. No derivative financial instruments are used to control interest rate risks.

2.4 Liquidity risk and refinancing

Overall responsibility for managing liquidity and financing risks lies with the CFO of Bellevue Group. Financing risk refers to the risk of Bellevue Group or one of its operating units being unable to finance its current or anticipated obligations on an ongoing basis at acceptable prices. Liquidity risk refers to the risk of Bellevue Group or one of its operating units being unable to finance its payment obligations when due. Whereas financing risks relate to the ability to finance business operations at all times, liquidity risks primarily concern the ability to ensure sufficient liquidity at any point in time.

Bellevue Group manages its liquidity and financing risks on an integrated basis at the consolidated level. Daily liquidity management at individual Group companies is performed by the responsible departments. Financing capacity is assured through suitable diversification of the financing sources and the provision of collateral, thus reducing liquidity risks. Liquidity, especially at Bank am Bellevue but also at other operating units, is monitored on a daily basis and is well above the regulatory requirements as specified by internal rules and regulations.

The maturity structure of assets and liabilities is shown in section 6.2 of the notes to the consolidated financial statements on page 45.

2.5 Operational risk

Operational risks can arise, for example, from the inadequacy or failure of internal processes, procedures and systems, from inadequate business management or as a result of external events.

Operational risks are limited by means of internal regulations and directives pertaining to organizational structures and controls. The corresponding internal procedures, processes and systems are continually analyzed and adjusted when necessary.

The IT systems used by the business segments are continually upgraded.

Legal and compliance risks

Legal and compliance risks refer to risks related to legal and regulatory issues, primarily liability and default risks as well as regulatory risks.

These risks are minimized when processing orders by requiring standardized master agreements and individual agreements. Risks related to the acceptance of client assets and adherence to due diligence obligations are monitored at the respective operating unit level. When appropriate, external attorneys will be consulted to limit legal risks.

2.6 Capital

The capital base serves primarily as a means of covering inherent business risks. Active management of the volume and structure of capital is therefore of key importance. Capital adequacy is monitored and controlled according to the regulations and ratios defined by the Basel Committee on Banking Supervision in particular, as well as other criteria. Compliance with the statutory capital adequacy requirements prescribed by Switzerland and the Swiss Financial Market Supervisory Authority (FINMA) is mandatory. Capital adequacy requirements specified by external bodies were met without exception in the year under review as in previous years.

Capital management

Capital management is aimed primarily at complying with the regulatory minimum capital requirements and maintaining a solid capital structure so as to secure the company's financial strength and creditworthiness in dealings with business partners and clients. Other goals are supporting the company's growth and creating added value for shareholders.

Capital management takes into consideration the economic environment and the risk profile of all business activities. Various control options are available to maintain the appropriate capital structure or to adapt it in line with changing requirements, such as a flexible dividend payout policy, the repayment of capital or raising various forms of capital (tier 1 to tier 3). During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

Regulatory requirements

As a result of the FINMA's recognition of the fair value option described in section V of the FINMA circular 08 / 34 (adjustment of tier 1 capital), unrealized gains and losses arising from the application of the fair value option under IFRS are included in the calculation of tier 1 capital.

The scope of consolidation used for the calculation of capital in the year under review, as in the previous year, was the same as the scope of consolidation used for accounting purposes. Please refer to section 9, "Major subsidiaries," of the notes to the consolidated financial statements on page 54 for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of funds or equity capital within Bellevue Group.

CHF 1 000	31.12.10	31.12.09
Eligible capital	131 005	167 059
Eligible capital		
Credit risk	20 343	20 281
Non-counterparty related risks	672	95
Market risk	1 400	3 381
Operational risk ¹⁾	10 077	19 432
Total regulatory capital according to Swiss regulations (FINMA)	32 492	43 189
¹⁾ Using the Basic Indicator Approach		
Ratios		
Tier 1 capital ratio (minimum requirement: 4%)	48.2%	56.5%
Ratio of eligible / regulatory capital according to Swiss regulations (FINMA, minimum requirement: 100%)	403.2%	386.8%

3 Details on the consolidated income statement

3.1 Net fee and commission income

CHF 1 000	1.1.–31.12.2010	1.1.–31.12.2009
Brokerage and Corporate Finance	27 686	29 905
Asset Management – management fees	17 890	16 828
Asset Management – performance fees	838	1 078
Other commission income	2 528	3 053
Fee and commission expense	–305	–243
Net fee and commission income	48 637	50 621

3.2 Personnel expenses

Salaries and bonuses	24 814	22 893
Pension cost	2 440	2 644
Other social benefits	1 953	1 952
Other personnel expenses	472	869
Total Personnel expenses	29 679	28 358

3.3 Other operating expenses

Premises	2 179	2 174
IT, telecommunications and other equipment	4 820	5 334
Travel and representation, PR, advertising	4 097	4 166
Consulting and audit fees	5 473	5 791
Other operating expenses	2 736	2 906
Total Other operating expenses	19 305	20 371

3.4 Depreciation

Depreciation of property and equipment	260	152
Depreciation of intangible fixed assets	2 520	39 131
Total Depreciation	2 780	39 283

3.5 Valuation adjustments and provisions

Value adjustment Goodwill (Impairment)	–	69 289
Additions of other provisions	–	4 775
Total Valuation adjustments and provisions	–	74 064

3.6 Taxes

CHF 1 000	1.1.–31.12.2010	1.1.–31.12.2009
Current income taxes	2 181	3 091
Deferred income taxes	–822	–8 992
Total Taxes	1 359	–5 901
Pre-tax result	2 887	–100 966
Expected rate of income tax	21%	21%
Expected income tax	606	–21 203
Reasons for higher/lower admounts:		
Different tax on portions of the result taxable abroad	–283	–375
Non-deductible expenses	1 035	15 677
Total income taxes	1 359	–5 901
Expense related to share-based compensation	301	771
Intangible assets	3 396	3 873
Actuarial BVG provisions	–218	–218
Unrealised profits on financial instruments	2 970	2 700
Other provisions	112	112
Total deferred tax liabilities	6 561	7 238
Tax loss carry-forward	695	820
Total deferred tax assets	695	820

3.7 Earnings per share

Group net profit	1 528	–95 065
Weighted average number of issued registered shares	10 500 000	10 500 000
Less weighted average number of treasury shares	–32 635	–41 804
Weighted average number of shares outstanding (undiluted)	10 467 365	10 458 196
Dilution effect	–	–
Weighted average number of shares outstanding (diluted)	10 467 365	10 458 196
Undiluted earnings per share (in CHF)	0.15	–9.09
Diluted earnings per share (in CHF)	0.15	–9.09

4 Details on the consolidated balance sheet

4.1 Due from banks and clients

CHF 1 000	31.12.2010	31.12.2009
Due from banks	137 498	45 029
of which from securitites transaction processing	110 273	19 201
Allowances for credit risks	–	–
Total	137 498	45 029
Due from banks, by type of collateral		
Unsecured	137 498	45 029
Total	137 498	45 029
Due from clients	18 178	26 321
of which private clients	8 881	6 255
of which corporate clients	9 297	20 066
Allowances for credit risks	–	–
Total	18 178	26 321
Due from clients, by type of collateral		
Other collateral ¹⁾	17 314	25 137
Unsecured	864	1 184
Total	18 178	26 321

¹⁾ Securities only

4.2 Financial instruments at fair value through profit and loss

Trading portfolio assets

Equity instruments

Listed	2 612	449
Total	2 612	449

Total portfolio assets

of which repo-eligible	–	–
of which lent or delivered as collateral	–	–

Trading portfolio liabilities

Equity instruments	–	–
Total	–	–

Open derivative instruments

CHF 1 000	Positive replacement value	Negative replacement value	Contract volume
Foreign currency as at 31.12.2009			
Forward contracts ²⁾ (OTC)	1 102	–	29 111
of which hedge purpose	1 102	–	29 111
Equity investments as at 31.12.2009			
Futures ¹⁾	–	–	24 727
of which hedge purpose	–	–	24 727
Options (OTC) ²⁾	14 695	14 695	207 098
of which hedge purpose	–	–	–
Options (exchange traded) ¹⁾	–	–	–
of which hedge purpose	–	–	–
Foreign currency as at 31.12.2010			
Forward contracts ²⁾ (OTC)	2 848	–	45 401
of which hedge purpose	2 848	–	45 401
Equity investments as at 31.12.2010			
Futures ¹⁾	–	–	26 119
of which hedge purpose	–	–	26 119
Options (OTC) ²⁾	9 897	9 897	253 691
of which hedge purpose	–	–	–
Options (exchange traded) ¹⁾	242	–	5 571
of which hedge purpose	226	–	5 417

¹⁾ Level 1: listed on an active market

²⁾ Level 2: valued on the basis of models with observable input factors

CHF 1 000	31.12.2010	31.12.2009
Other financial assets at fair value through profit and loss		
Investment funds subject to luxembourg law	65 750	59 690
Other investment funds	30 334	31 137
Total other financial assets at fair value through profit and loss	96 084	90 827

4 Details on the consolidated balance sheet

4.3 Financial investments

CHF 1 000	31.12.2010	31.12.2009
Valued at amortized cost		
Debt instruments	44 990	73 983
of which listed	44 990	73 983
Total financial investments ("held-to-maturity")	44 990	73 983
Valued at fair value ¹⁾		
Equity instruments	16 500	16 036
of which unlisted	16 500	16 036
Total financial investments	16 500	16 036
Total financial investments	61 490	90 019
of which repo-eligible securities	30 997	59 992

¹⁾ Change in value is recorded in the consolidated statement of comprehensive income

In the year under review, financial investments amounting to CHF 1.5 million were revalued without affecting net income. This took account of CHF 0.27 million of deferred taxes.

Transition from IAS 39 to IFRS 9

CHF 1 000	01.01.2010	31.12.2009
Category according to IAS 39:		
Valued at amortized cost "held-to-maturity"		73 983
Category according to IFRS 9:		
Valued at amortized cost	73 983	
Category according to IAS 39:		
Valued at fair value "available for sale"		16 036
Category according to IFRS 9		
Valued at fair value ¹⁾	15 000	
"Other financial assets" balance sheet item ²⁾	1 036	

¹⁾ Change in value is recorded in the consolidated statement of comprehensive income

²⁾ Change in value is recorded in the consolidated income statement

4.4 Property and equipment

CHF 1 000	Furniture and fittings	IT equipment	Total
Acquisition cost			
Balance as of 01.01.09	6 751	340	7 091
Additions	–	–	–
Disposals	–1 848	–7	–1 855
Balance as of 31.12.09	4 903	333	5 236
Additions	1 110	304	1 414
Disposals	–23	–	–23
Balance as of 31.12.10	5 990	637	6 627
Kumulierte Abschreibungen			
Balance as of 01.01.09	–6 587	–156	–6 743
Additions	–113	–38	–151
Disposals	1 848	–	1 848
Balance as of 31.12.09	–4 852	–194	–5 046
Additions	–154	–106	–260
Disposals	23	–	23
Balance as of 31.12.10	–4 983	–300	–5 283
Net carrying values 31.12.09	51	139	190
Net carrying values 31.12.10	1 007	337	1 344
Additional information on property and equipment			
Fire insurance value of property and equipment as of 31.12.09	4 500	4 000	8 500
Fire insurance value of property and equipment as of 31.12.10	4 500	4 000	8 500

4 Details on the consolidated balance sheet

4.5 Goodwill and other intangible assets

CHF 1 000	Bank am Bellevue	Asset Management	Total
Goodwill			
Acquisition cost			
Balance as of 01.01.09	97 374	62 915	160 289
Additions	–	–	–
Disposals	–	–	–
Balance as of 31.12.09	97 374	62 915	160 289
Additions	–	–	–
Disposals	–	–	–
Balance as of 31.12.10	97 374	62 915	160 289
Accumulated valuation adjustments			
Balance as of 01.01.09	–	–	–
Additions	–36 374	–32 915	–69 289
Disposals	–	–	–
Balance as of 31.12.09	–36 374	–32 915	–69 289
Additions	–	–	–
Disposals	–	–	–
Balance as of 31.12.10	–36 374	–32 915	–69 289
Net carrying values 31.12.09	61 000	30 000	91 000
Net carrying values 31.12.10	61 000	30 000	91 000

The reported goodwill for the two segments “Bank am Bellevue” and “Asset Management” stems from the acquisition of the Bank am Bellevue AG and Bellevue Asset Management by Bellevue Group AG (then: swissfirst AG) in 2005. Possible goodwill impairments are assessed by determining the recoverable amount for the individual cash-generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets) within these segments and comparing that amount with the carrying value of the respective unit.

A proprietary model based on the discounted cash flow method is used to calculate the recoverable amount. The projected free cash flows for the respective cash-generating units are estimated based on five-year financial plans. The business plans of the respective segments serve as the basis for these estimates of projected free cash flows. These cash flows are discounted to present value and the current discount rate used in these calculations is 9.9% (previous year: 10.6%) and growth rate applied 1.0% (previous year 1.0%).

CHF 1 000	Client base	Brand	Other	Total
Other intangible assets				
Acquisition cost				
Balance as of 01.01.09	78 617	1 179	3 237	83 033
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of 31.12.09	78 617	1 179	3 237	83 033
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of 31.12.10	78 617	1 179	3 237	83 033
Accumulated valuation adjustments				
Balance as of 01.01.09	–19 715	–767	–2 929	–23 411
Additions	–38 412	–412	–308	–39 132
of which due to impairment	–32 343	–177	–	–32 520
Disposals	–	–	–	–
Balance as of 31.12.09	–58 127	–1 179	–3 237	–62 543
Additions	–2 520	–	–	–2 520
Disposals	–	–	–	–
Balance as of 31.12.10	–60 647	–1 179	–3 237	–65 063
Net carrying values 31.12.09	20 490	–	–	20 490
Net carrying values 31.12.10	17 970	–	–	17 970

The intangible assets for “Brand” and “Client base” stem from the acquisition of the Bank am Bellevue and Bellevue Asset Management by Bellevue Group (then: swissfirst AG) in 2005. These intangible assets are amortized over a period of 5 to 15 years and are likewise tested for impairment in the procedure described above under “Goodwill”.

The estimated future depreciation of other intangible assets appears as follows:

2011	2 520
2012	2 520
2013	2 520
2014	2 520
2015	2 520
2016 and after	5 370
Total	17 970

4 Details on the consolidated balance sheet

4.6 Value adjustments and provisions

CHF 1 000	Actuarial BVG provisions	Other	2010 Total	2009 Total
Balance at the beginning of the year	1 040	5 775	6 815	1 721
Utilization in conformity with intended purpose	–	–	–	–
New charge to profit and loss account	–	–	–	5 094
Write-backs credited to profit and loss account	–4	–	–4	–
Provisions as at the balance sheet date	1 036	5 775	6 811	6 815

Other provisions consist of provisions for business and process risks and other liabilities.

Bellevue Group is involved in litigation and is making provisions for current and impending proceedings if the competent sections think that payments or losses on the part of the Group companies are likelier to occur than not, and if their amount can be reliably estimated. The creation and release of BVG provisions are recorded directly in the item “Personnel expenses”.

4.7 Share capital / Conditional capital / Authorized capital

	Number of shares	Par value CHF 1 000
Share Capital (registered shares)		
Balance as of 01.01.09	10 500 000	1 050
Balance as of 31.12.09	10 500 000	1 050
Balance as of 31.12.10	10 500 000	1 050
Conditional capital		
Balance as of 01.01.09	1 000 000	100
Balance as of 31.12.09	1 000 000	100
Balance as of 31.12.10	1 000 000	100

The intended purpose of the conditional capital created at the general meeting of shareholders on December 15, 2006 is as follows:

- a sum of up to CHF 50 000 through the exercise of option rights granted to shareholders;
- a sum of up to CHF 50 000 through the exercise of option rights granted to employees and the member of the Board of Directors.

No such option rights had been granted as of the balance sheet date.

Authorized capital

Balance as of 01.01.09	–	–
Balance as of 31.12.09	–	–
Balance as of 31.12.10	–	–

4.8 Treasury shares

	Number	CHF 1 000
Own shares in trading portfolio of Bank am Bellevue		
Balance as of 01.01.2009	17 425	688
Purchases	202 555	7 683
Disposals	-198 493	-7 530
Balance as of 30.06.2009	21 487	841
Purchases	121 037	4 793
Disposals	-137 524	-5 459
Balance as of 31.12.2009	5 000	175
Purchases	182 739	6 669
Disposals	-185 831	-6 776
Balance as of 30.06.2010	1 908	68
Purchases	107 004	3 428
Disposals	-108 912	-3 496
Balance as of 31.12.2010	-	-

Treasury shares held by Bellevue Group AG		
Balance as of 01.01.2009	25 000	1 013
Purchases	5 000	184
Disposals	-	-
Balance as of 30.06.2009	30 000	1 197
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2009	30 000	1 197
Purchases	-	-
Disposals	-	-
Balance as of 30.06.2010	30 000	1 197
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2010	30 000	1 197

4.9 Assets pledged or assigned as collateral for own liabilities

CHF 1 000	31.12.2010		31.12.2009	
	Carring amount	Actual liability	Carring amount	Actual liability
Due from banks	55 784	-	11 048	-
Financial assets	35 994	-	51 981	-
Other assets	932	-	948	-
Total	92 710	-	63 977	-

5 Transactions with related parties

5.1 Compensation paid to members of the Board of Directors and Group Executive Board

CHF	Full-year	Full-year	Share-based	Social benefits	Total
	base salary	variable compensation	compensation		
Compensation paid to members of the Board of Directors					
Walter Knabenhans, Chairman	135 000	–	15 067	8 754	158 821
Daniel Schlatter, Vice Chairman	80 000	–	15 067	5 629	100 696
Thomas von Planta, Member	85 000	–	15 067	5 942	106 009
Daniel Sigg, Member	96 209	–	15 067	6 642	117 918
Total 01.01. – 31.12.2010	396 209	–	60 268	26 967	483 444
Walter Knabenhans, Chairman	135 000	–	14 650	6 994	156 644
Daniel Schlatter, Vice Chairman	80 000	–	–	–	80 000
Thomas von Planta, Member	75 000	–	14 650	4 181	93 831
Daniel Sigg, Member	70 000	–	14 650	–	84 650
Total 01.01. – 31.12.2009	360 000	–	43 950	11 175	415 125

No compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors in 2010 or 2009.

CHF	Full-year	Full-year	Share-based	Social benefits	Total
	base salary	variable compensation	compensation		
Compensation paid to members of the Exeutive Board					
Total 01.01. – 31.12.2010	1 004 000	332 500	–	289 291	1 625 791
of which highest total compensation paid to:	300 000	95 000	–	87 617	482 617
Hans-Peter Diener, CEO Bellevue Asset Management AG					
of which paid to: Martin Bisang, CEO Bellevue Group AG	264 000	–	–	74 210	338 210
Total 01.01. – 31.12.2009	1 004 000	154 000	–	283 103	1 441 103
of which highest total compensation paid to:	300 000	54 000	–	86 496	440 496
Hans-Peter Diener, CEO Bellevue Asset Management AG					
of which paid to: Martin Bisang, CEO Bellevue Group AG	252 000	–	–	69 798	321 798

No compensation was paid to parties related to members of the Group Executive Board in 2010 or 2009.

5.2 Share- and option-holdings of members of the Board of Directors

Number	31.12.2010		31.12.2009	
	Shares	Call-Options ¹⁾	Shares	Call-Options ¹⁾
Share- and option-holdings of members of the Board of Directors				
Walter Knabenhans, Chairman	167 500	–	167 000	–
Daniel Schlatter, Vice Chairman	521 760	–	521 260	–
Thomas von Planta, Member	6 500	–	6 000	–
Daniel Sigg, Member	1 500	–	1 000	–
Share- and option-holdings of members of the Group Executive Board				
Martin Bisang, CEO	2 148 209	–	2 070 000	–
Daniel Koller, CFO	4 400	20 000	4 400	20 000
Jürg Schächli, CEO Bank am Bellevue ²⁾	n/a	n/a	914 875	–
Serge Monnerat, CEO Bank am Bellevue ³⁾	95 639	0	n/a	n/a
Hans-Peter Diener, CEO Bellevue Asset Management AG	18 702	0	18 702	0

¹⁾ Number of shares in case of exercise, having regard to subscription ratio

²⁾ Member of the Group Executive Board until March 30, 2010

³⁾ Member of the Group Executive Board from March 30, 2010

5.3 Transactions with related companies and persons

Legal entities and natural persons are considered to be related parties if one party has the ability to control the other or exercise significant influence over its financial or operational decisions.

CHF 1 000	Key management personnel ¹⁾	Major shareholders ²⁾	Associated companies	Other related companies and persons ³⁾	Total
2010					
Due from clients	6 164	–	–	–	6 164
Due to clients	20 827	30 942	–	105	51 874
Interest income	150	1	–	–	151
Interest expense	–	–	–	–	–
Fee and commission income	65	453	503	1	1 022
2009					
Due from clients	3 389	–	–	–	3 389
Due to clients	21 954	69 706	–	208	91 868
Interest income	–	–	–	–	–
Interest expense	99	10	–	–	109
Fee and commission income	114	499	–	1	614

¹⁾ Key management personnel: Board of Directors and Group Executive Board (excluding major shareholders)

²⁾ Major shareholders: see Corporate Governance, section Group structure and shareholders, page 6

³⁾ Other closely related companies and persons: This includes all other natural persons and legal entities that have close personal, economic, legal or de facto ties with members of the Board of Directors or the Group Executive Board.

Loans to related parties are generally Lombard loans secured by pledged assets (securities portfolios).

The following conditions applied:

- Interest rate charged for secured loans: 2.00% (previous year: 2.00%), interest rate earned 0.00% (previous year: 0.00%)
- Commission rates: 0.205% (previous year: 0.205%)

The service provided for other related companies and persons were rendered at prevailing market terms and conditions.

5.4 Employee share purchase plan

Under certain circumstances employees are entitled or obligated to use a specified percentage of their cash bonus to purchase discounted shares of Bellevue Group AG. These shares are subject to a holding period of generally four years. The shares purchased by employees are taken either from the holdings of Bellevue Group or are purchased on the stock market specifically for this purpose. The market price is calculated as the volume-weighted average price of the preceding ten trading sessions. The difference between this market price and the employee discount price is recorded as compensation expense under personnel expenses over the period of employee service (corresponding to the holding period).

Number	Employees		Members of the Board of Directors and Group Executive Board	
	2010	2009	2010	2009
Holdings of restricted shares on January 1	334 898	284 473	141 602	131 334
Shares purchased with holding period	–	119 257	2 000	10 268
Shares for which the holding period has lapsed	–	–	–105 000	–
Shares of employees/members who have left the Group and transfers (reduction)	–5 986	–68 832	–	–
Holdings of restricted shares on December 31	328 912	334 898	38 602	141 602

CHF 1 000	Employees		Members of the Board of Directors and Group Executive Board	
	1.1. – 31.12.2010	1.1. – 31.12.2009	1.1. – 31.12.2010	1.1. – 31.12.2009
Expenses recognized under Personnel expenses for shares purchased at a discount	958	1 444	512	673
Market value of restricted shares on December 31	10 624	11 688	1 247	4 942
Average price of discounted shares at the time of purchase (in CHF)	n/a	37.43	38.04	36.99

6 Risk related to balance sheet positions

6.1 Balance sheet by currency

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2010					
Cash	126 978	–	–	20	126 998
Due from banks	123 571	7 086	6 510	331	137 498
Due from clients	15 369	–	2	2 807	18 178
Trading portfolio assets	2 612	–	–	–	2 612
Positive replacement values	8 688	2 644	1 655	–	12 987
Other financial assets at fair value	46 664	31 188	18 232	–	96 084
Accrued income and prepaid expenses	1 799	–	41	–	1 840
Financial investments	61 490	–	–	–	61 490
Associated companies	–	–	2 335	–	2 335
Property and equipment	1 341	–	3	–	1 344
Goodwill and other intangible assets	108 970	–	–	–	108 970
Current tax assets	5 143	–	28	–	5 171
Deferred tax assets	695	–	–	–	695
Other assets	2 192	–	63	–	2 255
Total on-balance-sheet assets	505 512	40 918	28 869	3 158	578 457
Delivery claims from spot and forward forex transactions and from forex options transactions	45 401	–	–	–	45 401
Total assets	550 913	40 918	28 869	3 158	623 858
Due to banks	27 747	–	527	25	28 299
Due to customers	207 380	6 650	409	2 808	217 247
Trading portfolio liabilities	–	–	–	–	–
Negative replacement values	8 672	1 154	71	–	9 897
Accrued expenses and deferred income	10 689	–	70	–	10 759
Current tax liabilities	3 161	–	71	169	3 401
Deferred tax liabilities	6 526	–	–	35	6 561
Value adjustments and provisions	6 811	–	–	–	6 811
Other liabilities	642	–	–	–	642
Total shareholders' equity	289 016	–	5 824	–	294 840
Total on-balance-sheet liabilities	560 644	7 804	6 972	3 037	578 457
Delivery claims from spot and forward forex transactions and from forex options transactions	–	25 366	20 035	–	45 401
Total liabilities and shareholders' equity	560 644	33 170	27 007	3 037	623 858
Net position per currency		7 748	1 862	121	

6 Risk related to balance sheet positions

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2009					
Cash	327 321	–	–	–	327 321
Due from banks	25 387	7 879	11 687	76	45 029
Due from clients	26 139	–	182	–	26 321
Trading portfolio assets	449	–	–	–	449
Positive replacement values	12 457	3 340	–	–	15 797
Other financial assets at fair value	61 798	25 025	4 004	–	90 827
Accrued income and prepaid expenses	6 629	–	66	–	6 695
Financial investments	90 019	–	–	–	90 019
Associated companies	–	–	–	–	–
Property and equipment	185	–	5	–	190
Goodwill and other intangible assets	111 490	–	–	–	111 490
Current tax assets	886	–	–	–	886
Deferred tax assets	820	–	–	–	820
Other assets	2 268	–	70	–	2 338
Total on-balance-sheet assets	665 848	36 244	16 014	76	718 182
Delivery claims from spot and forward forex transactions and from forex options transactions	–	–	–	–	–
Total assets	665 848	36 244	16 014	76	718 182
Due to banks	8 215	–	2	–	8 217
Due to customers	323 748	7 612	4 171	–	335 531
Trading portfolio liabilities	–	–	–	–	–
Negative replacement values	11 331	3 364	–	–	14 695
Accrued expenses and deferred income	8 868	–	147	–	9 015
Current tax liabilities	3 545	–	168	–	3 713
Deferred tax liabilities	7 238	–	–	–	7 238
Value adjustments and provisions	6 815	–	–	–	6 815
Other liabilities	228	–	–	–	228
Total shareholders' equity	325 732	–	6 998	–	332 730
Total on-balance-sheet liabilities	695 720	10 976	11 486	–	718 182
Delivery claims from spot and forward forex transactions and from forex options transactions	–	–	–	–	–
Total liabilities and shareholders' equity	695 720	10 976	11 486	–	718 182
Net position per currency		25 268	4 528	76	

6.2 Maturity structure of assets and liabilities

CHF 1 000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 4 years	Due after 5 years	Total
31.12.2010							
Assets							
Cash	126 998	–	–	–	–	–	126 998
Due from banks	137 498	–	–	–	–	–	137 498
Due from clients	18 178	–	–	–	–	–	18 178
Trading portfolio assets	2 612	–	–	–	–	–	2 612
Positive replacement values	12 987	–	–	–	–	–	12 987
Other financial assets at fair value	96 084	–	–	–	–	–	96 084
Accrued income and prepaid expenses	–	–	1 646	194	–	–	1 840
Financial investments	16 500	–	–	9 997	34 993	–	61 490
Associated companies	–	–	–	–	–	2 335	2 335
Property and equipment	–	–	85	253	1 006	–	1 344
Goodwill and other intangible assets	91 000	–	630	1 890	10 080	5 370	108 970
Current tax assets	–	–	–	5 171	–	–	5 171
Deferred tax assets	–	–	–	695	–	–	695
Other assets	–	–	1 211	63	981	–	2 255
Total assets	501 857	–	3 572	18 263	47 060	7 705	578 457
Liabilities							
Due to banks	28 299	–	–	–	–	–	28 299
Due to customers	217 247	–	–	–	–	–	217 247
Trading portfolio liabilities	–	–	–	–	–	–	–
Negative replacement values	9 897	–	–	–	–	–	9 897
Accrued expenses and deferred income	–	–	8 535	2 224	–	–	10 759
Current tax liabilities	3 401	–	–	–	–	–	3 401
Deferred tax liabilities	2 970	–	165	276	2 135	1 015	6 561
Value adjustments and provisions	5 775	–	–	1 036	–	–	6 811
Other liabilities	–	–	642	–	–	–	642
Total liabilities	267 589	–	9 342	3 536	2 135	1 015	283 617

6 Risk related to balance sheet positions

CHF 1 000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 4 years	Due after 5 years	Total
31.12.2009							
Assets							
Cash	327 321	–	–	–	–	–	327 321
Due from banks	45 029	–	–	–	–	–	45 029
Due from clients	26 321	–	–	–	–	–	26 321
Trading portfolio assets	449	–	–	–	–	–	449
Positive replacement values	15 797	–	–	–	–	–	15 797
Other financial assets at fair value	90 827	–	–	–	–	–	90 827
Accrued income and prepaid expenses	–	–	2 438	4 257	–	–	6 695
Financial investments	15 000	–	13	30 017	44 989	–	90 019
Associated companies	–	–	–	–	–	–	–
Property and equipment	–	–	11	31	148	–	190
Goodwill and other intangible assets	91 000	–	630	1 890	10 080	7 890	111 490
Current tax assets	–	–	–	886	–	–	886
Deferred tax assets	–	–	–	–	820	–	820
Other assets	1 390	–	–	20	928	–	2 338
Total assets	613 134	–	3 092	37 101	56 965	7 890	718 182
Liabilities							
Due to banks	8 217	–	–	–	–	–	8 217
Due to customers	335 531	–	–	–	–	–	335 531
Trading portfolio liabilities	–	–	–	–	–	–	–
Negative replacement values	14 695	–	–	–	–	–	14 695
Accrued expenses and deferred income	6 615	–	2 400	–	–	–	9 015
Current tax liabilities	3 713	–	–	–	–	–	3 713
Deferred tax liabilities	–	2 700	453	390	2 204	1 491	7 238
Value adjustments and provisions	5 775	–	–	1 040	–	–	6 815
Other liabilities	228	–	–	–	–	–	228
Total liabilities	374 774	2 700	2 853	1 430	2 204	1 491	385 452

6.3 Fair Value of financial instruments

CHF 1 000	31.12.2010			31.12.2009		
	Book value	Fair Value	Deviation	Book value	Fair Value	Deviation
Assets						
Cash	126 998	126 998	–	327 321	327 321	–
Due from banks	137 498	137 498	–	45 029	45 029	–
Due from clients	18 178	18 178	–	26 321	26 321	–
Subtotal receivables	282 674	282 674	–	398 671	398 671	–
Financial assets	44 990	46 728	1 738	73 983	76 379	2 396
Financial assets at amortized cost	327 664	329 402	1 738	472 654	475 050	2 396
Trading portfolio assets	2 612	2 612	–	449	449	–
Positive replacement values	12 987	12 987	–	15 797	15 797	–
Other financial assets at fair value	96 084	96 084	–	90 827	90 827	–
Subtotal other financial assets at fair value through profit and loss	111 683	111 683	–	107 073	107 073	–
Financial assets	16 500	16 500	–	16 036	16 036	–
Financial assets at fair value	128 163	128 163	–	123 109	123 109	–
Liabilities						
Due to banks	28 299	28 299	–	8 217	8 217	–
Due to customers	217 247	217 247	–	335 531	335 531	–
Financial liabilities at amortized cost	245 546	245 546	–	343 748	343 748	–
Trading portfolio liabilities	–	–	–	–	–	–
Negative replacement values	9 897	9 897	–	14 695	14 695	–
Financial liabilities at fair value	9 897	9 897	–	14 695	14 695	–

The fair values of financial instruments shown on the balance sheet were obtained by the following methods:

CHF 1 000

31.12.2010	Level 1	Level 2	Level 3	Total
Determination of fair value				
Trading portfolios	2 612	–	–	2 612
Derivative financial instruments	243	12 744	–	12 987
Financial assets at fair value	–	95 150	934	96 084
Financial investments available for disposal	–	16 500	–	16 500
Total assets at fair value	2 855	124 394	934	128 183

Trading portfolio liabilities	–	–	–	–
Derivative financial instruments	–	9 897	–	9 897
Financial investments available for disposal	–	–	–	–
Total liabilities	–	9 897	–	9 897

31.12.2009	Level 1	Level 2	Level 3	Total
Determination of fair value				
Trading portfolios	449	–	–	449
Derivative financial instruments	–	15 797	–	15 797
Financial assets at fair value	–	90 827	–	90 827
Financial investments available for disposal	–	15 000	1 036	16 036
Total assets at fair value	449	121 624	1 036	123 109

Trading portfolio liabilities	–	–	0	0
Derivative financial instruments	–	14 695	0	14 695
Financial investments available for disposal	–	–	0	0
Total liabilities	–	14 695	0	14 695

The fair values of listed securities and derivatives in the trading portfolios and financial investments are determined from market listings on an active market. **(Level 1)**

If no market listings are available, fair value is determined using valuation models or methods. The underlying assumptions are backed by observed market prices and other market listings. **(Level 2)**

For the remaining financial instruments, neither market listings nor valuation models or methods based on market prices are available. For these instruments, we use our own valuation models or methods. **(Level 3)**

No instruments were reclassified during the period under review. There were also no level 3 transactions.

7 Off-balance sheet and other information

7.1 Off-balance sheet

CHF 1 000	31.12.2010	31.12.2009
Contingent liabilities		
Credit guarantees	164	750
Other contingent liabilities	–	–
Total	164	750
Irrevocable commitments		
Rental commitments	4 951	6 964
Undrawn irrevocable credit facilities	258	276
of which payment obligation to “Einlagensicherung”	258	276
Total	5 209	7 240
Fiduciary transactions		
Fiduciary placements with third-party banks	25 248	45 200
Fiduciary credits	–	–
Total	25 248	45 200
Derivative financial instruments		
Positive replacement values	12 987	15 797
Negative replacement values	9 897	14 695
Contract volumes	336 199	260 936
Securities lending and pension transactions		
Book value of liabilities from cash deposits in securities lending and repurchase transactions	–	150
Book value of own holdings of securities lent in securities lending or provided as collateral in securities borrowing, and transferred in repurchase transactions	12 184	14 273
CHF million	31.12.2010	31.12.2009
Assets under management		
Assets with management mandate	2 467	2 479
Other assets under management	2 125	3 021
Total assets under management (including double counts)	4 592	5 500
of which double counts	–490	–646
Total assets under management (net)	4 102	4 854
Net inflow/outflow of new assets	–526	–320

7 Off-balance sheet and other information

7.2 Employee benefit plans

There are pension plans for most of the employees at Bellevue Group. The employee pension plans provide benefits in the event of death or disability and upon retirement or termination of employment. There were no unfunded liabilities due to employee pension plans as of the balance sheet date (previous year: none).

With regard to the employee pension plans in Switzerland, contributions are paid by the employer and the employees. Under IAS 19 Swiss pension plans are regarded as defined benefit plans because they have a guaranteed interest rate and a stipulated conversion rate. With regard to pension plans that include elements of a defined benefits plan, the present value of pension obligations is determined using actuarial calculations based on the projected unit credit method. These calculations performed by independent experts are based on the number of years of service and the projected insured salary at a specified age or when entitlement to insured benefits arises (death, invalidity, termination). The most recent actuarial calculation was conducted as of December 31, 2010.

If the net accumulated unrecognized actuarial gains and losses at the end of the previous-year reporting obligations (so-called "corridor" approach), the excess gains and losses will be written to the income statement over the remaining working lives of the employees participating in the plan. The expected period of service is currently 9.3 years.

CHF 1 000	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Consolidated balance sheet					
Fair Value of plan assets	35 966	32 301	23 602	27 702	30 177
Present value of pension obligations	-41 722	-38 103	-29 807	-28 438	-29 938
Funding surplus/shortfall	-5 756	-5 802	-6 205	-736	239
Unrecognized actuarial gains/losses	4 720	4 762	5 484	-286	-4 634
Net pension obligations	-1 036	-1 040	-721	-1 022	-4 395
Experience adjustments on plan assets	-0.12%	-2.13%	-14.49%	-0.64%	+3.26%
Experience adjustments on plan liabilities	-0.04%	+3.93%	-7.88%	-7.21%	+4.97%

CHF 1 000	1.1.-31.12.10	1.1.-31.12.09	1.1.-31.12.08
Consolidated income statement			
Service cost	-2 698	-2 644	-2 185
Interest cost	-1 334	-1 043	-995
Expected return on plan assets	1 486	992	1 163
Actuarial gains/losses recorded	-102	-269	-
Gains/losses on elimination of discontinued business activities	-	-	-
Pension expenditure for subsequent set-off	-124	-	-
Net pension cost for the period	-2 772	-2 964	-2 017
Employee contributions	333	320	300
Expense recognized in the income statement	-2 439	-2 644	-1 717

CHF 1 000	2010	2009	2008
Movement in net assets or liabilities			
Net pension obligations at January 1	-1 040	-721	-1 022
Pension costs paid in advance	-	-	-
Expense recognized in the income statement	-2 439	-2 644	-1 717
Employer contributions	2 443	2 325	2 018
Net pension obligations at December 31	-1 036	-1 040	-721

CHF 1 000	2010	2009	2008
Development of pension obligations			
At January 1	-38 103	-29 807	-28 438
Disposal of discontinued business segment	-	-	-
Service cost	-2 698	-2 644	-2 185
Interest cost	-1 334	-1 043	-995
Pension payments and portable benefits paid	4 824	2 918	7 938
Additions from admissions and voluntary contributions	-4 271	-6 715	-3 777
Profit allocation	-124	-	-
Actuarial gains/losses	-16	-812	-2 350
At December 31	-41 722	-38 103	-29 807
Development of plan assets			
At January 1	32 301	23 602	27 702
Disposal of discontinued business segment	-	-	-
Expected return on plan assets	1 486	992	1 163
Employee contributions	333	320	300
Employer contributions	2 443	2 325	2 018
Pension payments and portable benefits paid	-4 824	-2 918	7 938
Additions from admissions and voluntary contributions	4 271	6 715	3 777
Actuarial gains/losses	-44	1 265	-3 420
At December 31	35 966	32 301	23 602
Actual return on plan assets	1 442	2 259	-2 957
	31.12.2010	31.12.2009	31.12.2008
Allocation of plan assets			
Equities	43.4%	25.8%	15.3%
Bonds	38.7%	51.6%	52.8%
Real estate	0.0%	0.0%	0.0%
Other	17.9%	22.6%	31.9%
Actuarial assumptions			
Biometric assumption	BVG 2010	EVK 2000	EVK 2000
Discount rate	3.00%	3.50%	3.50%
Expected net return on plan assets	4.60%	4.20%	4.20%
Expected rate of salary increases	2.50%	2.50%	2.5%
Expected rate of pension increases	0.50%	0.50%	0.5%

The expected return on plan assets is based on the long-term historical performance of the individual asset classes and projections of future market performance.

Estimated contributions by the employer for the 2010 business year amount to CHF 2.5 million.

7 Off-balance sheet and other information

7.3 Major foreign exchange rates

The following exchange rates were used for the major currencies:

	2010		2009	
	Year-end rate	Average rate	Year-end rate	Average rate
EUR	1.24960	1.36970	1.48295	1.50950
USD	0.93405	1.03807	1.03535	1.08520

7.4 Events after the balance sheet date

No events have occurred since the balance sheet date of December 31, 2010 that would have a material impact on the 2010 consolidated financial statements.

7.5 Cash contribution

The Board of Directors will propose a cash contribution of CHF 4.00 per registered share at the general meeting of shareholders of Bellevue Group AG in March 21, 2011. This corresponds to a total payment of CHF 41.9 millions.¹⁾

¹⁾ Shares entitled to a dividend as of December 31, 2010, excluding own shares held directly by Bellevue Group AG.

7.6 Approval of the consolidated financial statements

The Audit Committee discussed and approved the consolidated accounts during its meeting on February 17, 2011, the Board of Directors during its meeting on February 25, 2011. They will be submitted for approval at the general meeting on March 21, 2011.

8 Segment reporting

CHF 1 000	Bank am Bellevue	Asset Management	Group	Total
1.1. – 31.12.2010				
Net interest income	3 394	– 712	1 825	4 507
Net fee and commission income	29 919	18 783	– 65	48 637
Net trading income	– 53	– 313	– 41	– 407
Other ordinary income	247	1 719	– 52	1 914
Services from /to other segments	– 96	648	– 552	–
Total operating income	33 411	20 125	1 115	54 651
Personnel expenses	– 13 614	– 13 705	– 2 360	– 29 679
Other operating expenses	– 9 796	– 6 906	– 2 603	– 19 305
Services from /to other segments	293	– 293	–	–
Depreciation	– 1 200	– 1 580	–	– 2 780
including on intangible fixed assets	– 1 200	– 1 320	–	– 2 520
Total operating expenses	– 24 317	– 22 484	– 4 963	– 51 764
Profit before tax	9 094	– 2 359	– 3 848	2 887
Taxes	– 1 957	32	566	– 1 359
Group net profit	7 137	– 2 327	– 3 282	1 528
Further information				
Segments assets ²⁾	344 115	110 590	123 752	578 457
Segments liabilities	239 319	36 544	7 754	283 617
Assets under management (CHF m) ¹⁾	2 450	2 142	–	4 592
Net new money (CHF m)	– 500	– 26	–	– 526
Capital expenditure	–	1 414	–	1 414
Number of staff (full-time equivalent) at cutoff date	42.1	50.4	4.0	96.5
Annual average number of staff (full-time equivalent)	43.6	51.0	4.0	98.6

¹⁾ Including double counts

²⁾ Incl. associated companies

In the year under review, for the first time, the Management Information has allocated the amortisation of intangible fixed assets to the individual segments rather than to the “Group”. This has entailed a consequent change in the segment reporting, where this amortisation is now imputed to the segments “Bank am Bellevue” or “Asset Management”, as applicable.

Segment “Bank am Bellevue”

The services provided by Bank am Bellevue comprise trading in Swiss equities, the issue of securities and corporate finance services. Almost all of its clients are institutional investors. Fees and commissions are therefore its main source of income. Other banking services are not provided, or only to a limited extent. Segment reporting groups such services together and presents them under “Bank am Bellevue”.

Segment “Asset Management”

Bellevue Asset Management is an independent, highly specialised asset management boutique focusing on management of equity portfolios for selected regional and sector strategies, and on institutional assets. Bellevue Asset Management has consistently outperformed the benchmark indices and has assets under management exceeding CHF 2 billion in health care products. This makes Bellevue Asset Management one of the world leaders in this specialised sector. Further core competences include management of investments in new markets, especially the regions of Africa, Eastern Europe, Russia and Asia, and in differentiated niche strategies focusing on Switzerland and Europa. Bellevue Asset Management’s investment philosophy focuses purely on active asset management, based on a bottom-up, research-driven approach to stock picking.

“Group”

This segment is where the company’s participations are held and managed and the related strategic, management, coordination and financing issues and activities addressed.

CHF 1 000	Bank am Bellevue	Asset Management	Group	Total
1.1. – 31.12.2009				
Net interest income	3 767	85	77	3 929
Net fee and commission income	32 374	18 247	–	50 621
Net trading income	1 915	28	106	2 049
Other ordinary income	279	4 228	4	4 511
Total operating income	38 335	22 588	187	61 110
Personnel expenses	–13 012	–12 829	–2 517	–28 358
Other operating expenses	–9 749	–7 206	–3 416	–20 371
Depreciation	–309	–151	–38 823	–39 283
of which due to impairment	–	–	–32 520	–32 520
Valuation adjustments and provisions	–	–4 775	–69 289	–74 064
of which due to impairment	–	–	–69 289	–69 289
Total operating expenses	–23 070	–24 961	–114 045	–162 076
Profit before tax	15 265	–2 373	–113 858	–100 966
Taxes	–2 571	954	7 518	5 901
Group net profit	12 694	–1 419	–106 340	–95 065
Further information				
Segments assets	489 370	105 373	123 439	718 182
Segments liabilities	366 063	10 953	8 436	385 452
Assets under management (CHF m) ¹⁾	3 021	2 479	–	5 500
Net new money (CHF m)	–150	–170	–	–320
Capital expenditure	–	–	–	–
Number of staff (full-time equivalent) at cutoff date	46.0	52.0	5.0	103.0
Annual average number of staff (full-time equivalent)	46.4	49.3	4.0	99.7

¹⁾ Including double counts

9 Major subsidiaries

Company name	Domicile	Purpose	Currency	Share capital	31.12.2010		31.12.2009	
					Capital	Share of Voting rights	Capital	Share of Voting rights
Fully consolidated companies								
Bellevue Group AG	Kusnacht, Schweiz	Holding	CHF	1 050 000	Parent company		Parent company	
Bank am Bellevue AG	Kusnacht, Schweiz	Bank	CHF	25 000 000	100%	100%	100%	100%
BAB Management N.V.	Curaçao	Investment Advisor	USD	6 001	100%	100%	100%	100%
Bellevue Asset Management AG	Kusnacht, Schweiz	Asset Management	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset Management	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
Bellevue Capital N.V.	Curaçao	Investment Advisor	USD	1 000	100%	100%	100%	100%
BEK Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BW Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BB BIOTECH Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Steeple Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BRF Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
Companies fully consolidated for the first time								
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	100%	100%	n/a	n/a

The new company Bellevue (USA) Inc. was founded in the second quarter of 2010.

10 Statutory banking regulations

Bellevue Group is regulated by the Financial Market Supervisory Authority (FINMA). FINMA requires that Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP adheres to the basic provisions of the Federal Law on Banks and the bank accounting guidelines issued by FINMA.	equity in the balance sheet. Gains or losses resulting from treasury shares are not recorded in the income statement; instead they are directly set off against equity. Under Swiss GAAP, own shares not held for trading purposes are reported under Financial investments and corresponding reserves for treasury shares are declared. Gains and losses resulting from the sale of own shares are recorded in the income statement.
The main differences between IFRS and Swiss GAAP (true and fair view) are:	Under IFRS, goodwill is not amortized but it must be tested for impairment annually and a write-off made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment. Under IFRS, intangible assets with indefinite lives are not amortized but they are tested for impairment on an annual basis. Under Swiss GAAP, these intangible assets are amortized over the useful lives up to a maximum of five years and are also tested for impairment.
Under IFRS, realized gains and losses on financial assets that are valued at amortized cost and that are sold or repaid prior to final maturity are immediately recorded in the income statement. Under Swiss GAAP, such gains and losses are amortized to the stated maturity of the financial assets sold or repaid. In addition, changes in the fair value of financial investments available-for-sale are directly recognized in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with any changes in value recorded in the income statement.	Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported separately as discontinued operations. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less cost to sell. Under Swiss GAAP, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.
Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they stem from non-operating transactions or are non-recurring. Under IFRS, treasury shares are deducted from	



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Report of the statutory auditor
to the general meeting of
Bellevue Group AG
Küsnacht

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Bellevue Group AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of shareholders' equity, statement of cash flows and notes (pages 14 to 57), for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.


Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Thomas Romer
Audit expert
Auditor in charge



Daniela Rey
Audit expert

Zürich, 25 February 2011



Bellevue Group AG

Profit and loss account

CHF 1 000	1.1.–31.12.2010	1.1.–31.12.2009
Interest income	677	608
Dividend income	1 200	71
Interest expense	-4	-1
Net interest income	1 873	678
Commission income	-	975
Commission expense	-65	-
Net fee and commission income	-65	975
Securitized trading	-40	106
Net trading income	-40	106
Net income from financial assets	-133	-201
Dividend income from associated companies	12 000	60 000
Other ordinary income	8	5
Other ordinary expenses	-5	-
Other income	11 870	975
Total operating income	13 638	61 563
Personnel expenses	-1 907	-1 631
Other operating expenses	-2 505	-4 126
Total operating expense	-4 412	-5 757
Profit before tax	9 226	55 806
Taxes	-96	-96
Profit for the year	9 130	55 710

Balance sheet

CHF 1 000	31.12.2010	31.12.2009
Assets		
Current assets		
Due from group banks	31 719	160
Due from other banks	10 438	9 862
Total cash and cash equivalent	42 157	10 022
Due from group companies	33 709	99 500
Other receivables	–	16
Net receivables	33 709	99 516
Total prepaid expenses and accrued income	456	265
Total current assets	76 323	109 803
Non-current assets		
Financial investments	934	1 172
Participations	277 294	276 360
Treasury shares	969	1 047
Total non-current assets	279 197	278 579
Total assets	355 519	388 382
Due from group companies	65 428	99 660
Liabilities and shareholders' equity		
Liabilities		
Liabilities	53	372
Accrued expenses and deferred income	2 463	2 257
Total current liabilities	2 516	2 629
Total liabilities	2 516	2 629
Shareholders' equity		
Share capital	1 050	1 050
General reserves	24 347	66 227
Reserves for own shares	1 197	1 372
Reserve formed from capital contributions	41 880	–
Total statutory reserves	67 424	67 599
Total other reserves	18 591	18 416
Profit brought forward	256 808	242 978
Profit for the year	9 130	55 710
Total disposable profit	265 938	298 688
Total shareholders' equity	353 003	385 753
Total liabilities and shareholders' equity	355 519	388 382
Due to group companies	–	–

Notes to the financial statements

	Number	CHF 1 000
Own shares in trading portfolio of Bank am Bellevue		
Balance as of 01.01.09	17 425	688
Purchases	202 555	7 683
Disposals	-198 493	- 7 530
Balance as of 30.06.09	21 487	841
Purchases	121 037	4 793
Disposals	-137 524	- 5 459
Balance as of 31.12.09	5 000	175
Purchases	182 739	6 669
Disposals	-185 831	- 6 776
Balance as of 30.06.10	1 908	68
Purchases	107 004	3 428
Disposals	-108 912	- 3 496
Balance as of 31.12.10	-	-

Treasury shares of Bellevue Group AG		
Balance as of 01.01.09	25 000	1 013
Purchases	5 000	184
Disposals	-	-
Balance as of 30.06.09	30 000	1 197
Purchases	-	-
Disposals	-	-
Balance as of 31.12.09	30 000	1 197
Purchases	-	-
Disposals	-	-
Balance as of 30.06.10	-	-
Purchases	-	-
Disposals	-	-
Balance as of 31.12.10	30 000	1 197

Bellevue Group AG purchased non own shares through the share buyback program via a second line of trading during the year under review.

- In the first half of 2008, 25 000 shares at an average price of CHF 40.50

- In the first half of 2009, 5 000 shares at an average price of CHF 36.92

Reserves for own shares

Balance as of 31.12.09	1 372
Balance as of 31.12.10	1 197

In accordance with Art. 663b para. 1, item 10 CO, reserves for own shares are deducted from equity for all own shares held by Bellevue Group AG and its subsidiaries in the separate financial statements of Bellevue Group AG.

Company	Domicile	Purpose	Share capital/ Currency Nominal capital	31.12.2010		31.12.2009	
				Share of directly	Share of indirectly	Share of directly	Share of indirectly
Beteiligungen							
Bellevue Group AG	Kusnacht	Holding	CHF 1 050 000	Parent company		Parent company	
Bank am Bellevue AG	Kusnacht	Bank	CHF 25 000 000	100%	100%	100%	100%
BAB Management N.V.	Curaçao	Investment Advisor	USD 6 001	100%	100%	100%	100%
Bellevue Asset Management AG	Kusnacht	Asset management	CHF 1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset management	USD 6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD 100	100%	100%	100%	100%
Bellevue Capital N.V.	Curaçao	Investment Advisor	CHF 1 000	100%	100%	100%	100%
BEK Partners N.V.	Curaçao	Investment Advisor	CHF 1 000	100%	100%	100%	100%
BW Partners N.V.	Curaçao	Investment Advisor	CHF 1 000	100%	100%	100%	100%
BB Biotech Ventures G.P.	Guernsey	Investment Advisor	GBP 10 000	100%	100%	100%	100%
Bellevue Steeple Partners N.V.	Curaçao	Investment Advisor	CHF 1 000	100%	100%	100%	100%
BRF Partners N.V.	Curaçao	Investment Advisor	CHF 1 000	100%	100%	n.a.	n.a.
BJ Partners N.V.	Curaçao	Holding	CHF 1 000	100%	100%	n.a.	n.a.
Medhealth N.V.	Curaçao	Holding	CHF 1 000	100%	100%	n.a.	n.a.
Medsources N.V.	Curaçao	Holding	CHF 1 000	100%	100%	n.a.	n.a.
Medcare N.V.	Curaçao	Holding	CHF 1 000	100%	100%	n.a.	n.a.
Medgrowth N.V.	Curaçao	Holding	CHF 1 000	100%	100%	n.a.	n.a.
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD 10	100%	100%	n.a.	n.a.

Notes to the financial statements

CHF 1 000	No. of shares	Par Value
Share capital (registered shares)		
Balance as of 01.01.2009	10 500 000	1 050
Balance as of 31.12.2009	10 500 000	1 050
Balance as of 31.12.2010	10 500 000	1 050
Conditional capital		
Balance as of 01.01.2009	1 000 000	100
Balance as of 31.12.2009	1 000 000	100
Balance as of 31.12.2010	1 000 000	100

The intended purpose of the conditional created at the general meeting of shareholders on December 15, 2006 is as follows:

- up to a sum of CHF 50 000 through the exercise of option rights granted to shareholders;
- up to a sum of CHF 50 000 through the exercise of option rights granted to employees and members of the Board of Directors;

No such optional rights had been granted as of the balance sheet date.

Authorised capital		
Balance as of 01.01.2009	–	–
Balance as of 31.12.2009	–	–
Balance as of 31.12.2010	–	–

Information on major shareholders

Based on the notifications received and published by Bellevue Group AG (including management transactions), all parties owning more than 3% of voting rights are listed below:

Shareholder or beneficial owner	31.12.2010		31.12.2009	
	Voting rights held	Number of Shares	Voting rights held	Number of Shares
Martin Bisang, Kusnacht	20.46%	2 148 209	19.71%	2 070 000
Jürg Schächli, Rapperswil-Jona	9.19%	965 175	8.71%	914 875
Hans-Jörg Graf, Wollerau	8.57%	900 000	8.57%	900 000
Dieter Albrecht, Erlenbach	6.37%	669 000	6.37%	669 000
Daniel Schlatter, Herrliberg	4.97%	521 760	4.96%	521 260

Notes to the financial statements

CHF 1 000	31.12.2010	31.12.2009
Additional information		
Liabilities to pension funds	–	–
Total amount of guarantees and pledges in favor of third parties	–	–
Total amount of assets assigned or pledged as security for own liabilities including assets to which title has been reserved	–	–
Total amount of off-balance sheet lease liabilities	–	–
Fire insurance value of tangible fixed assets	850	850

Information on compensation, loans and shareholdings of members of the Board of Directors and the Group Executive Board pursuant to Art. 663bbis and Art. 663c of the Swiss Code of Obligations

This information is given in the notes to the consolidated financial statements of Bellevue Group AG, article 5 “Transactions with related parties”, beginning on page 37.

Dividend income from associated companies

Of the CHF 12 million in reported dividend income from associated companies, CHF 12 million stems from a dividend paid by Bank am Bellevue out of its disposable profit for the 2010 fiscal year. The corresponding resolution was passed at the general meeting of Bank am Bellevue shareholders on January 31, 2011 and the dividend was paid out on January 31, 2011. Therefore, this income can already be stated in the consolidated financial statements of Bellevue Group AG.

Risk evaluation process

Information about the risk evaluation process is given in the notes to the consolidated financial statements of Bellevue Group AG, article 2 “Risk management and risk control”, beginning on page 25.

Proposal to the annual General Meeting

CHF 1 000	31.12.2010	31.12.2009
The Board of Directors proposes to the annual General Meeting of shareholders on March 21, 2011 the following allocation of profit:		
Profit for the year	9 130	55 710
Balance brought forward from previous year	256 808	242 978
Total Profit	265 938	298 688
Cash distribution from capital contribution reserves on eligible capital ¹⁾	–	– 41 880
Allocation to other reserves ²⁾	–	–
Balance carried forward to new financial year	265 938	256 808
As of 31 December 2010, the Board of Directors undertook the following transfer posting within the statutory reserves:		
General reserves before transfer	66 227	66 227
Transfer to reserve formed from capital contributions	–41 880	–
General reserves	24 347	66 227
At the annual general meeting on 21 March 2011, the Board of Directors will propose the following cash distribution from the reserve formed from capital contributions:		
Reserve formed from capital contributions before transfer	–	–
Transfer from general reserves	41 880	–
Reserve formed from capital contributions	41 880	–
Cash distribution as a repayment from the reserve formed from contributions to authorised capital ¹⁾	–	–
Reserve formed from capital contributions after cash distribution³⁾	–	–

¹⁾ Shares including treasury shares held directly by Bellevue Group AG

²⁾ As general reserves have reached 50% of the share capital, no further allocation is being made.

³⁾ Bellevue Group AG has applied for a total of around CHF 64 million as “Reserve formed from capital contributions”. As the Annual Report went to print, this application was still pending before the Swiss Federal Tax Authority. The transfer of the balance will be posted as soon as final approval has been obtained. The definitive balance can be appropriated for cash distribution in future.

The cash distribution of CHF 4.00 per registered share of CHF 0.10 will be paid on approval of the application, without deduction of federal withholding tax.



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Report of the statutory auditor
to the general meeting of
Bellevue Group AG
Küsnacht

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Bellevue Group AG, which comprise the income statement, balance sheet and notes (pages 62 to 69), for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Romer
Audit expert
Auditor in charge



Daniela Rey
Audit expert

Zürich, 25 February 2011

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