

BELLEVUE GROUP

Annual Report 2006



# Annual Report 2006

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## Disclaimer:

This Annual Report is a translation of the original Annual Report written in German. In the event of any conflict in interpretation, the German language version takes precedence.



# Report of the Board of Directors

Dear Shareholders

The Bellevue Group is vastly different today than it was at the beginning of the 2006 fiscal year as a result of extensive restructuring activity.

The Investment Banking operations of Swissfirst Bank AG were transferred to Bank am Bellevue AG on January 1, 2006, for example, in order to take advantage of synergies. However, most of the restructuring last year was triggered by a smear campaign waged by the media, which professed to be merely focusing on the merger between Bellevue and the Swissfirst Group in the autumn of 2005. The new entity, which was still operating under the name Swissfirst, and several company managers were the target of a defamatory campaign throughout much of the second half of 2006. This was particularly the case with Thomas Matter, who consequently resigned from his position as CEO of Swissfirst Group effective August 28, 2006. The Board of Directors would like to express its appreciation of Thomas Matter's valuable services to the former Swissfirst. As the company's founder, he played a crucial role in its successful corporate development. Jürg Schächli, the CEO of Bank am Bellevue, served as the Group CEO ad interim until the end of 2006.

The various accusations and insinuations have proven to be largely unfounded in the meantime but last year the ensuing uncertainty was so great, especially among our clients and the employees in Private Banking, that the Board of Directors was compelled to take strategic action. Its immediate decision was to dispose of the Private Banking activities in the best interests of all stakeholders. The sale of the stake in Swissfirst Bank (Liechtenstein) AG marked the start of the disposal process. It was followed by the sale of Swissfirst Bank AG's Basel branch office to Adler Bank, a subsidiary of the Cantonal Bank of Lucerne, in a so-called asset deal on November 30, 2006. The final transaction was the sale of Swissfirst Bank AG, Zurich and its branch office in Zug and a representative office in Lucerne to CIC Lyonnaise de Banque effective January 1, 2007. CIC Lyonnaise was already active in Switzerland through Banque Pasche, Geneva.

The strategic reorientation of the company and various other measures were approved by shareholders at an extraordinary general meeting on December 15, 2006. This included the change of the company's name to Bellevue Group. It is now strategically focused on the business segments of Asset Management, Brokerage and Corporate Finance.

The above-mentioned organizational changes also had a significant effect on the consolidated financial statements for 2006. Total assets, for example, declined by 28% from CHF 1.785 billion to CHF 1.281 billion. This figure still includes the assets of Swissfirst Bank AG, however, since its effective date of divestment is January 1, 2007. Total Group assets excluding the assets pending disposal amounted to CHF 837 million, which is 53% less than in the prior year. This reduction in balance sheet

assets is in accord with the company's stated future focus on fee and commission-related activities.

The income statement for 2006 is not fully comparable with the 2005 income statement either, because the former Bellevue Group was consolidated for only the final quarter of the 2005 business year since the two companies did not merge until the autumn of 2005. Net fee and commission income, the main source of income for the new Bellevue Group, was very strong at CHF 107 million. Income from associated participating interests amounted to CHF 21 million and largely consists of the proceeds from the disposal of Swissfirst Bank (Liechtenstein) AG. Operating costs were largely in line with the budgeted figures but expenses incurred in defending the company against unfounded lawsuits added up to several million francs. Net profit from continuing business activities (Asset Management; Investment Banking) came to CHF 101 million, of which approximately CHF 40 million can be described as non-recurring. Total net profit rose to CHF 124 million. In view of the strong profits, the Board of Directors will propose a dividend of CHF 5.00 per registered share at the coming general meeting.

Considering the daunting challenges the company faced in 2006, we are well aware that last year's solid business results could not have been achieved without the steadfast loyalty of our clients and our employees. The Board of Directors expresses its deep appreciation for their trust and support.

2006 may be viewed by some as an "annus horribilis" yet it was also a year in which the company reembraced its intrinsic strengths, a year which will mark a successful turning point in the company's development. The positive feedback received from many clients provides further confirmation that the company is on the right track and also bolsters our confidence in the company's performance during the remainder of the 2007 business year.

In closing, we thank all shareholders for their trust and support and look forward to building a solid future for the company.

Walter Knabenhans  
Chairman of the Board of Directors

## At a glance

	2006*	2005	2004	2003	2002	2001
in CHF m						
Gross operating profit**	119.597	76.437	47.893	67.407	69.627	70.294
Net profit (excl. minorities)	101.068	59.719	38.368	34.839	52.063	53.404
Net fee and commission income	106.818	81.623	62.501	78.481	84.044	87.161
Net interest income	2.394	13.617	11.307	9.152	10.154	9.429
Net trading income	2.516	12.077	7.054	11.847	8.537	5.863
Operating expenses	31.353	41.666	36.003	35.103	35.416	32.752
Shareholders' equity (excl. minorities)	394.249	315.539	238.656	280.440	252.442	246.237
Number of employees (full-time equivalent)	84.5	164.8	112.8	103.4	98.6	89.7
Earnings per share on the aggregate par value (adjusted for the share split)	in CHF 9.59	5.69	3.84	3.49	5.11	5.24

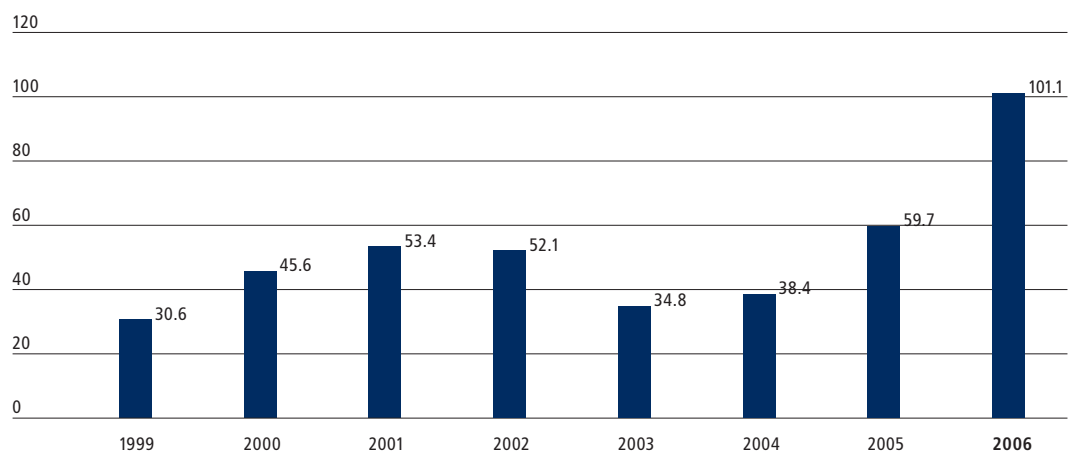
	2006*	2005	2004	2003	2002	2001
<b>Assets under management</b>						
in CHF m						
Private Banking	0	2,849	2,036	1,436	1,290	1,554
Asset Management	4,039	4,906	1,755	1,451	1,281	1,257
Investment Banking	2,732	3,085	1,039	1,540	1,481	1,129
Corporate Items	0	74	64	40	29	
<b>Total</b>	<b>6,771</b>	<b>10,914</b>	<b>4,894</b>	<b>4,467</b>	<b>4,081</b>	<b>3,940</b>

\* Excluding discontinued business activities.

\*\* Defined as total operating income less personnel, general and administrative expenses.

### Net profit 1999–2006

in CHF m



## Performance 2000–2006 Bellevue Group vs. SPI (adjusted)



## Bellevue shares

Initial listing on the former SWX New Market

10.11.1999

Listing switched to the main board of SWX

03.01.2003

in CHF

Issue price

33.25

Price at end 2005

80.00

2006 high (on May 8, 2006)

120.10

2006 low (on September 13, 2006)

66.80

Price at end 2006

78.00

## Capital ratios for Bellevue Group

		31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001
BIS tier 1 capital*	CHF m	133.0	93.8	195.9	280.6	246.5	237.8
BIS risk-weighted assets	CHF m	395.5	610.0	514.8	669.4	581.0	529.3
BIS tier 1 ratio	in %	33.6	15.4	38.1	41.9	42.4	44.9

\* After appropriation of profit.

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# Group

# Consolidated financial statements 2006

## Balance sheet

	Notes	31.12.2006	31.12.2005
CHF 1,000			
<b>Assets</b>			
Cash		112,316	317,267
Due from banks		245,927	485,687
Due from customers	1	32,494	371,940
Securities trading positions	2	19,920	80,287
Derivative financial instruments	18	2,516	43,371
Financial investments	3	186,340	196,223
Associated companies	4	0	1,383
Fixed assets	5	285	22,292
Intangible fixed assets	6	72,999	79,558
Goodwill	7	160,289	160,289
Prepaid expenses and accrued income		1,292	2,941
Current tax assets		459	18,450
Other assets	9	1,885	5,066
Available-for-sale assets	28	444,366	0
<b>Total assets</b>		<b>1,281,088</b>	<b>1,784,754</b>
<b>Liabilities</b>			
Due to banks		5,269	92,830
Due to customers		303,687	910,779
Derivative financial instruments and other trading liabilities	18	148,352	189,242
Debt issued	11	0	150,000
Deferred income		9,909	29,076
Other liabilities	10	21,836	43,619
Current tax liabilities		6,864	5,539
Deferred tax liabilities	12	14,795	18,939
Provisions	13	2,301	7,062
Available-for-sale liabilities	28	373,826	0
<b>Total liabilities</b>		<b>886,839</b>	<b>1,447,086</b>
Share capital	14	1,050	1,050
Treasury shares		3,609	1,351
Capital reserves		27,250	27,250
Retained earnings		362,340	285,888
<b>Equity attributable to the shareholders of Bellevue Group AG</b>		<b>394,249</b>	<b>315,539</b>
Minority interests		0	22,129
<b>Total equity</b>		<b>394,249</b>	<b>337,668</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,281,088</b>	<b>1,784,754</b>

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

# Profit and loss account

	Notes	2006	2005
CHF 1,000			
<b>Continuing business activities</b>			
<b>Net interest income</b>			
Interest and discount income		2,598	10,756
Dividend income		3,221	2,183
Interest expense		-3,425	-3,970
Subtotal: Net interest income		2,394	8,969
<b>Net fee and commission income</b>			
Commission income from lending activities		0	33
Commission income from securities and investment business	20	105,806	55,385
Commission income from other services		1,765	2,446
Commission expense		-753	-373
Subtotal: Net fee and commission income		106,818	57,491
<b>Net trading income</b>			
Securities trading		1,722	7,537
Foreign exchange trading		794	2,496
Subtotal: Net trading income		2,516	10,033
<b>Other ordinary income</b>			
Real estate income		0	112
Income from associated companies		20,710	0
Income from the sale of financial assets		17,351	8,744
Other ordinary expense		-11	-1,473
Other ordinary income		1,172	3,265
Subtotal: Other ordinary income		39,222	10,648
<b>Net operating income</b>		<b>150,950</b>	<b>87,141</b>
<b>Operating expenses</b>			
Personnel expenses	21	-19,841	-13,756
Other operating expenses	22	-11,512	-10,350
Depreciation and amortization of fixed assets	23	-320	-265
Depreciation and amortization of intangible fixed assets	23	-7,011	-2,131
Valuation adjustments, provisions and losses	13	-831	78
<b>Total operating expenses</b>		<b>-39,515</b>	<b>-26,424</b>
<b>Pretax profit of continuing business activities</b>		<b>111,435</b>	<b>60,717</b>
Tax expense	24	-10,367	-5,203
<b>Net profit of continuing business activities</b>		<b>101,068</b>	<b>55,514</b>
<b>Discontinued business activities</b>			
<b>Pretax profit of discontinued business activities</b>	28	<b>28,863</b>	<b>9,158</b>
Tax expense		-6,086	-838
<b>Net profit of discontinued business activities</b>		<b>22,777</b>	<b>8,320</b>
<b>Group net profit</b>		<b>123,845</b>	<b>63,834</b>
attributable to: – Shareholders of Bellevue Group AG		120,046	59,719
– Minority interests		3,799	4,115

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

	Notes	2006	2005
in CHF			
Earnings per share from continuing business activities	25	9.68	5.44
Earnings per share from discontinued business activities	25	1.86	0.58
Diluted earnings per share from continuing business activities	25	9.63	5.40
Diluted earnings per share from discontinued business activities	25	1.85	0.58

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

## Statement of shareholders' equity

	Share capital	Treasury shares	Capital reserves	Retained earnings	Minority interests	Total Shareholders' equity
CHF 1,000						
<b>At 31.12.2004</b>	<b>5,000</b>	<b>-98,899</b>	<b>0</b>	<b>332,555</b>	<b>23,044</b>	<b>261,700</b>
Change in treasury shares		100,250		-75,552		24,698
Other changes				-217		-217
Change in unrealized gains and losses (IAS 39)				9,959		9,959
Change in unrealized gains and losses reclassified to the income statement (IAS 39)				10,830		10,830
Capital increase	50		27,250			27,300
Capital reduction (AGM 17.5.2005)	-4,000					-4,000
Dividend 2004				-49,962		-49,962
Change in minority interests due to divestments				-1,311	-4,871	-6,182
Change in minority interests				-133	-159	-292
Profit for the year 2005				59,719	4,115	63,834
<b>At 31.12.2005</b>	<b>1,050</b>	<b>1,351</b>	<b>27,250</b>	<b>285,888</b>	<b>22,129</b>	<b>337,668</b>
Change in treasury shares		2,258		-9,372		-7,114
Other changes				-222		-222
Change in unrealized gains and losses (IAS 39)				3,877		3,877
Change in unrealized gains and losses reclassified to the income statement (IAS 39)				-17,400		-17,400
Dividend 2005				-21,000		-21,000
Change in minority interests due to divestments				523	-25,928	-25,405
Profit for the year 2006				120,046	3,799	123,845
<b>At 31.12.2006</b>	<b>1,050</b>	<b>3,609</b>	<b>27,250</b>	<b>362,340</b>	<b>0</b>	<b>394,249</b>

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

# Cash flow statement

	2006	2005
CHF 1,000		
<b>Cash flow from operating activities</b>		
Interest income (excluding financial investments)	25,694	21,066
Fee and commission income	136,834	91,670
Interest expense	-12,251	-10,151
Fee and commission expense	-9,230	-7,397
Personnel and general expense	-66,549	-44,947
Other income	42,891	1,498
Subtotal	117,389	51,739
<b>Change in assets and liabilities relating to operating activities</b>		
Receivables and assets	192,072	-278,642
Trading positions	55,091	82,599
Liabilities	-451,578	431,228
Other	-148,994	71,572
<b>Cash flow from operating activities before tax</b>	<b>-236,020</b>	<b>358,496</b>
Tax expense	-18,641	-11,217
<b>Cash flow from operating activities after tax</b>	<b>-254,661</b>	<b>347,279</b>
<b>Cash flow from investing activities</b>		
Purchase of financial assets	-53,038	-106,249
Purchase of fixed assets	-870	-1,436
Proceeds from the disposal of financial assets	77,960	81,438
Disposal of fixed assets	12,579	1
Interest income from financial investments and associated companies	1,474	1,144
Dividends received from financial investments and associated companies	3,223	2,481
Acquisition of subsidiaries and associated companies	0	-276,110
Addition of cash and cash equivalents following acquisition of subsidiaries/shareholdings	0	43,222
Disposal of subsidiaries and associated companies	54,144	1,328
Reduction in cash and cash equivalents following disposal of subsidiaries/shareholdings	-5,693	-1
<b>Net cash flow from investing activities</b>	<b>89,779</b>	<b>-254,182</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-21,000	-49,962
Change in treasury shares	-5,798	46,505
Capital reduction through a reduction in par value	0	-4,000
Capital increase	0	27,300
Debt issue	0	150,000
<b>Cash flow from financing activities</b>	<b>-26,798</b>	<b>169,843</b>
<b>Balance</b>	<b>-191,680</b>	<b>262,940</b>
Cash and cash equivalents, end of prior-year reporting period	317,267	54,327
Cash flow from operating activities after tax	-254,661	347,279
Net cash flow from investing activities	89,779	-254,182
Cash flow from financing activities	-26,798	169,843
<b>Cash and cash equivalents, end of reporting period</b>	<b>125,587</b>	<b>317,267</b>

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

Cash and cash equivalents comprise cash (cash on hand, postal check account deposits and deposits at central banks) as well as repo-eligible debt securities (maturing < 3 months) accepted by central banks as eligible collateral.

The composition of cash and cash equivalents was as follows:

	2006	2005
CHF 1,000		
Continuing business activities	112,316	232,325
Discontinued business activities	13,271	84,942
<b>Total</b>	<b>125,587</b>	<b>317,267</b>

The accompanying notes on page 13 to 42 are an integral part of the consolidated financial statements.

# Notes to the 2006 consolidated financial statements

## Consolidation and valuation principles

### Accounting policies

Swissfirst AG, Zug, was renamed Bellevue Group AG on December 15, 2006 and its headquarters were transferred to Küsnacht. It is the listed holding company of Bellevue Group (formerly Swissfirst Group), a financial services corporation. The consolidated financial statements of Bellevue Group were prepared in compliance with the International Financial Reporting Standards (IFRS) on the basis of the historical cost convention. The exceptions are trading positions, derivative financial instruments and securities available for sale, which are carried at fair value. Consolidation is based on the individual audited accounts of the Group companies, prepared in compliance with uniform accounting principles.

In preparing the accounts, management is required to make estimates and assumptions that influence the reported assets, liabilities, contingent liabilities and contingent assets at the balance sheet date, as well as the expenses and income for the reporting period. The actual results may differ from these estimates.

The following balance sheet items are particularly exposed to estimates and assumptions.

- Goodwill impairment test. Refer to Note 7 for further information.
- The calculation of liabilities or claims in connection with employee pension plans. Refer to Note 16 for further information.

### Principles of consolidation

#### Scope of consolidation and consolidation method

The consolidated financial statements comprise the financial statements of the holding company Bellevue Group AG and the financial statements of the Group subsidiaries, which are presented as a single economic entity. All Group companies in which the Group directly or indirectly owns a majority of the voting rights or over which it in some other way exercises control are fully consolidated. Acquired subsidiaries are consolidated from the date on which effective control is transferred to the Group.

The principal Group companies are listed in Note 27 and on page 42 along with details on the scope of consolidation.

Equity and net profit attributable to minority interests is recognized in shareholders' equity in the consolidated balance sheet and reported in the consolidated income statement as minority interests in net profit. The consolidated financial statements are prepared according to uniform accounting principles. Intra-Group transactions are eliminated in the consolidated financial statements.

### Unconsolidated interests

Associated companies in which Bellevue Group AG owns between 20% and 50% of voting rights and/or over which it exercises a significant influence are accounted for using the equity method and reported under associated companies.

### Foreign currency translation

The individual Group companies present their annual accounts in local currencies, which corresponds to their "functional currency". Transactions in foreign currency are translated into Swiss francs at the applicable exchange rates on the corresponding transaction dates. Financial assets and liabilities denominated in foreign currencies are translated into Swiss francs at the respective exchange rates on the balance sheet date. Exchange-rate gains and losses are recognized in the income statement under the item "Foreign currency trading". Non-monetary items in foreign currencies carried at acquisition or production cost are translated at historical exchange rates.

The consolidated financial statements are presented in Swiss francs. The Swiss franc is the functional currency of the Holding company. For consolidation purposes, the following principles apply when translating the financial statements prepared in foreign currency by foreign subsidiaries into Swiss francs: balance sheet items are translated at the applicable exchange rates on the balance sheet date and the income statement items at the average annual exchange rates. Any exchange-rate gains resulting from consolidation are reported as currency translation differences earnings reserves.

### Consolidation period

The consolidation period for all associated companies is the calendar year, except for companies or shareholdings that were sold during the year.

### Accounting and valuation principles

#### Recognition of business transactions

All completed transactions are recorded and valued. In compliance with IAS 39, all financial instruments are assigned to one of the following four categories:

- Receivables and loans
- Financial instruments which must be held to maturity
- Financial assets and liabilities carried at fair value in the income statement
- Financial assets available for sale

In the consolidated financial statements, all transactions are recorded on the closing date (closing date basis).

Income from services is recorded at the time the services were rendered, i.e. upon completion of a transaction, or throughout the time the corresponding services were rendered.

**Due from banks and clients**

Amounts due from banks are stated at fair value at the time of initial recognition, which normally corresponds to the nominal value. Amounts due from clients are initially stated at fair value, which, in the case of originated loans or advances, normally corresponds to the principal amount.

Impaired claims, i.e. claims for which there are indications that the counterparty will be unable to fulfill its future obligations (doubtful receivables), are re-valued on an individual basis and specific valuation adjustments are made for the impaired amounts. The valuation adjustment is calculated based on the difference between the carrying value of the claim and the prospective recoverable value, taking into consideration the net proceeds from the liquidation of any collateral. Specific valuation adjustments are set off against the respective receivables in the balance sheet.

Loans are deemed impaired when the contractual payments of principal and/or interest are in arrears for more than 90 days. Loans are deemed non-performing when the collection of interest due is so doubtful that an accrual of such interest is no longer meaningful.

Increases in or reversals of impairment losses are recognized in the income statement. As a rule, related positions are removed from the accounts when a legal authority confirms the conclusion of the liquidation process.

**Securities lending and borrowing transactions**

Own securities that have been lent continue to be reported as a trading position or financial investment as long as the risks and rewards arising from the ownership of the securities have not been relinquished. Borrowed securities are not carried in the balance sheet as long as the risks and rewards arising from the ownership of the securities is retained by the lender. Income from securities lending operations is reported in net fee and commission income.

**Trading positions**

All trading positions are stated at fair value. Realized and unrealized gains and losses are stated in the results from trading activities.

**Financial investments**

This item comprises securities purchased with a long-term investment objective.

**Held-to-maturity financial investments**

Fixed interest securities classified as held-to-maturity are measured at amortized cost using the effective interest rate method. They are considered impaired when there are indications that the full amount due in accordance with contractually agreed terms cannot be collected. In the event of impairment, a corresponding reduction in carrying value to the recoverable amount will be expensed.

**Available-for-sale financial investments**

All financial investments classified as "available for sale" are stated at fair value. Unrealized gains and losses are reported in equity until the financial investment is sold or its value is deemed to be impaired. A significant deterioration in creditworthiness, a breach of contract, a heightened probability of bankruptcy or other indications of difficulties experienced by the corresponding issuer of the securities held are grounds for impairment.

An impairment may also be recorded if the price is significantly lower than the acquisition cost for a prolonged period of time.

Upon disposal of these financial assets or in the event of impairment, the cumulative gains or losses carried in equity up to this time will be taken to the profit and loss account.

Interest and dividend income from financial assets is credited to interest income. Gains and losses on the sale of financial assets are recognized in the results from the disposal of financial assets.

**Fair value**

Financial instruments traded in an active market are carried at market prices. For all other financial instruments relevant valuation models, for example the Black-Scholes model for options, are used to determine fair value.

**Treasury shares**

The Bellevue Group AG shares held by the Group are reported at cost in shareholders' equity as treasury shares. Gains and losses on the sale of treasury shares are respectively credited to or debited from earnings reserves. Derivatives physically settled by delivery of own shares are carried under shareholders' equity under earnings reserves.

**Fixed assets**

Tangible fixed assets comprise property, furniture, fixtures and fittings, IT and telecommunications equipment, and art objects. Valuation is based on acquisition cost less necessary depreciation. Fixed assets are depreciated on a straight-line basis over their estimated useful life as follows:

Real Estate (value of buildings)	20 years
Furnishings, fixtures and fittings	5 years
IT (hardware) and telecommunications equipment	3 years
Art objects	3 years

Fixed assets are tested for impairment on every balance sheet date if events or changes in circumstances indicate that the carrying value no longer corresponds to the economic benefits. If the carrying value exceeds the recoverable projected benefits, an impairment loss will be recognized.

### Intangible assets

This position comprises the client base, the company brand and other intangible assets (software, software licenses). Goodwill is reported as a separate balance sheet item. The client base includes intangible assets in the form of long-term customer relationships originating from acquisitions. The client base is amortized on a straight-line basis over an estimated useful life of ten to fifteen years, while the brand is amortized using the same method over five years. Software and software licenses are amortized on a straight-line basis over three years. All intangible assets are tested for impairment annually to ensure that their carrying value corresponds to their economic benefits. Where necessary a valuation adjustment is performed in the profit and loss account in addition to the depreciation.

### Goodwill

Goodwill is the amount paid by the Group in excess of fair value for the interest acquired in the net assets of a subsidiary or associated company. Goodwill is not amortized. Instead it is allocated to the corresponding cash-generating operating units, which are tested for impairment annually. If the carrying value exceeds the recoverable value, an adjustment is performed in the profit and loss account.

### Debt securities issued

Debt securities issued are carried at amortized cost using the effective interest rate method.

### Provisions

Provisions are made if the Group has, as a result of a past event, a current liability on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. The formation and release of provisions is performed in the profit and loss account through the item "Valuation adjustments, provisions and losses".

### Derivative financial instruments

Derivative financial instruments are initially recognized at acquisition cost in the balance sheet and then subsequently stated at fair value. Fair value is calculated based on quoted market prices, discounted cash flow models and valuation models for options. If the computed fair value is positive, the derivative instrument will be carried on the asset side of the balance sheet and if negative on the liability side.

### Hedge accounting

The Group may apply hedge accounting if the criteria specified in IAS 39 qualifying hedge accounting treatment are met. Each hedge transaction is reviewed upon completion to determine whether it is to hedge the value of a balance sheet item (fair value hedge) or the future cash flow of a balance sheet item or a future transaction (cash flow hedge). The changes in the market value of derivatives that qualify as fair value hedges are stated in the profit and loss account in the same position as the corresponding change in market value of the hedged risk in the balance sheet position. If the hedging instrument no longer meets these

criteria, the adjustment in the carrying value of an interest-bearing position is recognized in the profit and loss account on a straight-line basis over the remaining duration of the instrument. Changes in the market value of derivatives that are booked as cash flow hedges are stated in shareholders' equity. If a future financial transaction or an obligation results in a balance sheet item that does not constitute a financial instrument, the gains or losses previously stated in shareholders' equity will be derecognized and set off against the acquisition cost of this balance sheet item.

If the hedged cash flow or the obligation leads to the recognition of a financial asset or the direct recognition in the profit and loss account, the cumulative gains and losses of the hedging instrument stated in shareholders' equity will be stated in the profit and loss account in the same period as the hedged transaction. The Group made no use of hedge accounting as per IAS 39 during the year under review or in the previous year.

### Pension plans

In addition to the legally prescribed social insurance benefits, the Group maintains two employee pension plans (three in the previous reporting year) based on the principle of defined contribution. The pension plans are legally independent foundations for which the Group is not liable. The necessary benefits prescribed by Swiss law are determined in accordance with national guidelines; these deviate from IAS 19 in that they include the contributions made up to the balance sheet date and the resulting earned interest but not the expected future increases in wages, salaries and pension benefits. Under IAS 19, this pension plan must be disclosed as defined benefit plans, although it is a defined contribution plan under applicable local law.

The Group insures its staff through a collective foundation and an insurance company, which provide benefits upon retirement or in the event of death or disability or after the conclusion of employment with the Company. The contributions to be paid by the employees and the respective Group company are based on the employees' anticipated retirement date. The pension benefits are based on the contributions paid by the insured and the Group (defined contribution plan). The pension assets are independently managed by the collective foundation and the insurance company. The Group has not assumed any obligations to make additional funds available in the event that the foundation or the insurance company is unable to provide the specified range of benefits.

For accounting purposes in accordance with IAS 19, pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are made by actuaries on a periodic basis. The pension expense entered in the profit and loss account corresponds to the actuarially determined expense less employee contributions.

Actuarial gains and losses that exceed both 10% of the present value of the plan obligations and 10% of the fair value of plan assets are systematically amortized over the remaining service lives of employees participating in the plan.

#### Taxes and deferred taxes

Income taxes are based on the tax legislation of each sovereign authority vested with power of taxation and are recognized as an expense in the profit and loss account for the period in which the corresponding income is reported.

Receivables or liabilities related to current income taxes are reported separately in the balance sheet in the items "current tax assets" or "current tax liabilities".

Tax effects arising from temporary differences between the stated value of assets and liabilities in the Group balance sheet and their corresponding tax value are respectively reported as "deferred tax assets" and "deferred tax liabilities". They are calculated at the tax rates expected to apply in the accounting period in which the asset will be realized or the liability will be settled. Changes in the deferred tax liabilities are reported as tax expense in the profit and loss account.

#### Changes to accounting principles

The changes decided by the International Accounting Standards Board (IASB) which became compulsory on January 1, 2006 have been adopted by Bellevue Group AG. The most important consequences are described below:

IAS 19 (amendment), employee benefits. Actuarial gains and losses can now also be recognized under equity. Bellevue Group AG did not make use of this option. The amendment also requires entities to give additional disclosures.

IAS 39 and IFRS 4 (amendment), financial guarantee contracts. Financial guarantees are now included in the amended IAS 39 instead of IFRS 4. This amendment did not have a material impact on the consolidated financial statements.

The amendments or interpretations listed below did not have a material impact on shareholders' equity or the Group's profit and cash flow.

- IAS 21 (amendment), Net investments in foreign companies
- IAS 39 (amendment), Cash flow hedges of forecast intragroup transactions
- IAS 39 (amendment), Financial instruments: recognition and measurement
- IFRS 6, Exploration for and evaluation of mineral resources
- IFRS 1 (amendment), First-time application of International Financial Reporting Standards and IFRS 6 (amendment), Exploration for and evaluation of mineral resources
- IFRIC 4, Determining whether an arrangement contains a lease

- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental funds
- IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and electronic equipment

The possibility of earlier application of other standards and interpretations introduced as of January 1, 2007 was not used. These are:

- IFRS 7, Financial instruments: disclosures (applies as of January 1, 2007)
- IFRS 8, Segment reporting (applies as of January 1, 2009)
- IFRIC 8, Scope of IFRS 2 (applies as of May 1, 2006)
- IFRIC 9, Reassessment of embedded derivatives (applies as of June 1, 2006)
- IFRIC 10, Interim financial reporting and impairment (applies as of November 1, 2006)
- IFRIC 11, IFRS 2 – Group and treasury share transactions (applies as of March 1, 2007)
- IFRIC 12, Service concession arrangements (applies as of January 1, 2009)

Some of the new standards and interpretations applicable as of this date will have an impact on the consolidated financial statements. A project team is currently analyzing the effects on the Group accounts.

#### Approval by the Board of Directors

The Board of Directors of Bellevue Group AG approved these consolidated financial statements on March 22, 2007.

# Risk management

## 1. General information

The information below applies to the situation prior to the restructuring of the Group.

Through the sale of the interest in Swissfirst Bank (Liechtenstein) AG, Vaduz, effective November 8, 2006, and the sale of Swissfirst Bank AG, Zurich, effective January 1, 2007, the Group anticipates credit and interest-rate risk to recede as the credit business is not a core business activity pursued by the remaining Group companies. The withdrawal from the Private Banking business will also lead to a reduction in compliance risks.

Risk management is based on the risk policy formulated by the Board of Directors, which is reviewed periodically.

Independent risk control bodies are charged with monitoring risks at the individual operating units and at 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. The non-banking companies are included within this reporting system. Risk reports are prepared for the individual companies as well as at Group level.

## 2. Credit risks

Credit risk is the risk of loss resulting from all forms of credit exposure in the event of counterparty default.

Credit risks in dealings with individual clients are primarily assumed on a collateralized basis. Credit risks are limited by means of an approval procedure commensurate with the various management levels as well as by authorization limits, the application of appropriate lending margins and the periodic reevaluation of long-term loans. Exception reports are available to facilitate the monitoring of compliance with authorized limits and lending margins.

In dealings with professional clients (banks/brokers/institutionals), credit risks are assumed only with counterparties with high credit standings.

Adherence to guidelines on concentration of risk is monitored by an independent risk control body. New counterparties in the securities and foreign exchange trading departments must be evaluated and approved by the executive boards.

## 3. Market risks

Market risks arise from the constantly changing prices in equity, bond and money markets. Market risks are relevant in various areas, especially in trading portfolios, financial investments and with regard to the balance sheet structure.

### 3.1. Trading portfolios

Securities trading for own account is largely limited to equities and related derivatives and certificates. All positions in trading portfolios are carried at fair value. Wherever possible, closing prices paid on financial markets are automatically retrieved and used for valuation purposes. OTC derivatives for which there are no prices directly observable on the exchanges are valued using appropriate valuation models. The adequacy of the valuation of these positions is assured through independent controls. The positions are monitored directly by the Executive Board and/or independent risk control bodies. Average holdings (12 end-month values), including the corresponding derivatives, amounted to CHF 23.7 million (previous year: CHF 17.4 million).

Foreign exchange positions result mainly from client transactions. Significant currency positions are of a business nature and are therefore the exclusive domain of the Executive Board or the Board of Directors of the company in question. There is no trading in commodities or goods. The table on page 19 gives a breakdown of the balance sheet by currency and an overview of the gross foreign currency position.

### 3.2 Financial investments

The composition of the financial investments is defined and monitored by the respective Executive Boards or the Group Executive Board.

### 3.3. Balance sheet structure

In balance sheet management, differences between the interest rate profiles and underlying currencies of positions on the asset and liability side of the balance sheet and of off-balance-sheet positions give rise to interest rate and currency risks. The interest and currency risks of the 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.
- There is no active trading in foreign currency 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, tables with interest rate profiles, etc.). Assuming a parallel change in interest rates of 1%, the measured change in market value of the equity capital at the Group's banking institutes on the respective measurement dates in 2006 was consistently below 2% of the eligible equity of the respective bank. 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.

### 4. Liquidity risks

Liquidity risk refers to the possibility that Bellevue Group or its corporate entities will not have sufficient liquidity to meet their liabilities.

Daily liquidity management at individual Group companies is performed by the responsible departments. Independent risk control bodies ensure compliance with the liquidity requirements stipulated by banking law. The Group companies constantly endeavor to maintain a significantly higher amount of liquidity than is legally stipulated.

The management of liquidity at Group level is performed by the Group Executive Board in consultation with those responsible for liquidity management at the individual Group companies.

The table on page 20 shows the maturities of the assets and liabilities and the net position in the time frames specified.

### 5. Operational risks

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. Internal procedures, processes and systems are continually analyzed and improved.

The IT systems of the Group companies are continually upgraded.

### 6. Legal risks and compliance

The terms "legal risks" and "compliance" refer to those risks arising from legal and regulatory aspects inherent to the business environment, in particular liability and default risks as well as regulatory risks.

Risks associated with transactions are minimized by requiring standardized master agreements and individual transaction confirmations. The monitoring of risks in connection with the acceptance of client assets and due diligence obligations at the individual Group companies has been delegated to the corresponding compliance offices and specially trained employees. When appropriate, external attorneys will be consulted to limit legal risks.

## Balance sheet by currency

	CHF	EUR	USD	Other	Total
<b>31.12.2006</b>					
CHF 1,000					
<b>Assets</b>					
Cash	112,316	0	0	0	112,316
Due from banks	241,417	735	3,404	371	245,927
Due from customers	32,494	0	0	0	32,494
Securities trading positions	17,591	2,329	0	0	19,920
Derivative financial instruments	2,516	0	0	0	2,516
Financial investments	182,024	0	4,316	0	186,340
Interests in associated companies	0	0	0	0	0
Fixed assets	285	0	0	0	285
Intangible fixed assets	72,999	0	0	0	72,999
Goodwill	160,289	0	0	0	160,289
Prepaid expenses and accrued income	1,292	0	0	0	1,292
Current tax assets	459	0	0	0	459
Other assets	1,885	0	0	0	1,885
Available-for-sale assets	306,574	23,843	66,938	47,011	444,366
<b>Total assets</b>	<b>1,132,141</b>	<b>26,907</b>	<b>74,658</b>	<b>47,382</b>	<b>1,281,088</b>
<b>Claims from spot and forward forex transactions and from currency options</b>		<b>57,895</b>	<b>32,084</b>	<b>46,166</b>	
<b>Total assets</b>		<b>84,802</b>	<b>106,742</b>	<b>93,548</b>	
<b>Liabilities</b>					
Due to banks	5,269	0	0	0	5,269
Due to customers	301,355	1,157	1,175	0	303,687
Derivative financial instruments and other trading liabilities	148,352	0	0	0	148,352
Debt securities issued	0	0	0	0	0
Accrued expenses and deferred income	9,909	0	0	0	9,909
Other liabilities	21,836	0	0	0	21,836
Current tax liabilities	6,864	0	0	0	6,864
Deferred tax liabilities	14,795	0	0	0	14,795
Provisions	2,301	0	0	0	2,301
Available-for-sale liabilities	213,953	52,692	85,373	21,808	373,826
Shareholders' equity including minority interests	394,249	0	0	0	394,249
<b>Total liabilities</b>	<b>1,118,883</b>	<b>53,849</b>	<b>86,548</b>	<b>21,808</b>	<b>1,281,088</b>
<b>Liabilities from spot and forward forex transactions and from currency options</b>		<b>30,336</b>	<b>14,302</b>	<b>70,618</b>	
<b>Total liabilities</b>		<b>84,185</b>	<b>100,850</b>	<b>92,426</b>	
<b>Net position per currency</b>		<b>617</b>	<b>5,892</b>	<b>1,122</b>	<b>7,631</b>
<b>Gross currency position 31.12.2006</b>					<b>7,631</b>

## Liquidity risk

31.12.2006	On sight	Callable	Within 3 months	Within 3 to 12 months	Within 1 to 5 years	After 5 years	Total
CHF 1,000							
<b>Assets</b>							
Cash	112,316						112,316
Due from banks	185,927	60,000					245,927
Due from customers	3,146	29,348					32,494
Securities trading positions	19,920						19,920
Derivative financial instruments	2,516						2,516
Financial investments	163,738	1,482		10,008	5,112	6,000	186,340
Associated companies							0
Fixed assets						285	285
Intangible fixed assets						72,999	72,999
Goodwill						160,289	160,289
Prepaid expenses and accrued income	1,292						1,292
Current tax assets	459						459
Other assets	1,885						1,885
Available-for-sale assets	254,138	110,512	33,937	24,019	21,720	40	444,366
<b>Total assets</b>	<b>745,337</b>	<b>201,342</b>	<b>33,937</b>	<b>34,027</b>	<b>26,832</b>	<b>239,613</b>	<b>1,281,088</b>
<b>Liabilities</b>							
Due to banks	5,269						5,269
Due to customers	303,687						303,687
Derivative financial instruments and other trading liabilities	148,352						148,352
Debt securities issued							0
Accrued expenses and deferred income	9,909						9,909
Other liabilities	21,836						21,836
Current tax liabilities	6,864						6,864
Deferred tax liabilities			300	891	4,709	8,895	14,795
Provisions						2,301	2,301
Available-for-sale liabilities	250,312	8,102	24,821		84,742	5,849	373,826
<b>Total liabilities</b>	<b>746,229</b>	<b>8,102</b>	<b>25,121</b>	<b>891</b>	<b>89,451</b>	<b>17,045</b>	<b>886,839</b>
<b>Net position 31.12.2006</b>	<b>-892</b>	<b>193,240</b>	<b>8,816</b>	<b>33,136</b>	<b>-62,619</b>	<b>222,568</b>	<b>394,249</b>
<b>31.12.2005</b>							
CHF 1,000							
<b>Total assets</b>	<b>885,198</b>	<b>248,154</b>	<b>155,506</b>	<b>110,038</b>	<b>121,596</b>	<b>264,262</b>	<b>1,784,754</b>
<b>Total liabilities</b>	<b>892,650</b>	<b>126,453</b>	<b>77,535</b>	<b>97,333</b>	<b>238,374</b>	<b>14,741</b>	<b>1,447,086</b>
<b>Net position 31.12.2005</b>	<b>-7,452</b>	<b>121,701</b>	<b>77,971</b>	<b>12,705</b>	<b>-116,778</b>	<b>249,521</b>	<b>337,668</b>

## Information on the balance sheet

	31.12.2006	31.12.2005
<b>1. Due from customers</b>		
CHF 1,000		
Due from customers	32,494	367,646
Mortgages	0	12,837
Total gross	32,494	380,483
Impairments/provisions for doubtful debt	0	-8,543
<b>Total, net</b>	<b>32,494</b>	<b>371,940</b>
Claims due from customers, grouped according to type of collateral, are as follows:		
Mortgage collateral	0	17,467
Lombard and other collateral	29,271	342,626
Without collateral	3,223	11,847
	<b>32,494</b>	<b>371,940</b>

	31.12.2006	31.12.2005
<b>2. Securities trading portfolio</b>		
CHF 1,000		
Debt securities	802	1,250
of which: listed	802	1,250
unlisted	0	0
Equities	19,118	79,037
of which: listed	19,013	77,691
unlisted	105	1,346
<b>Total trading positions</b>	<b>19,920</b>	<b>80,287</b>
of which repo-eligible securities (previous year: securities eligible as collateral for central bank borrowings)	0	0

3. Financial investments	31.12.2006		31.12.2005	
	Book value	Market value	Book value	Market value
CHF 1,000				
<b>Financial investments – available for sale</b>				
Equities – at market value				
– listed	156,091	156,091	117,244	117,244
– unlisted	9,129	9,129	9,130	9,130
Debt securities – at market value				
– listed	0	0	31,995	31,995
– unlisted	0	0	0	0
<b>Total financial investments – available for sale</b>	<b>165,220</b>	<b>165,220</b>	<b>158,369</b>	<b>158,369</b>
<b>Financial investments – held to maturity</b>				
Debt securities				
– listed	21,120	21,822	37,854	38,271
– unlisted	0	0	0	0
<b>Total financial investments – held to maturity</b>	<b>21,120</b>	<b>21,822</b>	<b>37,854</b>	<b>38,271</b>
<b>Total financial investments</b>	<b>186,340</b>	<b>187,042</b>	<b>196,223</b>	<b>196,640</b>
of which repo-eligible securities (previous year: securities eligible as collateral for central bank borrowings)	15,026	14,963	24,860	25,189

4. Associated participations	31.12.2006	31.12.2005
CHF 1,000		
<b>Participations valued using the equity method</b>		
Balance sheet value at 31.12.2005/31.12.2004	1,383	1,383
Share of profit	536	0
Sale	-1,919	0
<b>Balance sheet value at 31.12.2006/31.12.2005</b>	<b>0</b>	<b>1,383</b>

In 2006 the interest (20%) in 2trade Group Holding AG, Zug, was sold.

5. Fixed assets CHF 1,000	Reporting year				Previous year
	Furniture and fittings	IT and telecommunication	Real estate	Total fixed assets	Total fixed assets
<b>At 1.1.2006/1.1.2005</b>					
Cost	9,013	10,114	26,370	45,497	37,828
Accumulated depreciation	-8,267	-9,696	-5,242	-23,205	-15,109
<b>Net book value at 1.1.2006/1.1.2005</b>	<b>746</b>	<b>418</b>	<b>21,128</b>	<b>22,292</b>	<b>22,719</b>
<b>Financial year 2006/2005</b>					
Net book value at 1.1.2006/1.1.2005	746	418	21,128	22,292	22,719
Net book value added as a result of first-time consolidation	0	0	0	0	254
Net book value subtracted as a result of deconsolidation	-125	0	-12,228	-12,353	0
Change attributable to discontinued business activities	-102	-54	-8,060	-8,216	0
Investments	241	0	0	241	724
Divestments	-104	0	0	-104	0
Depreciation for continuing business activities	-173	-91	-56	-320	-265
Depreciation for divested business activities	-287	-184	-784	-1,255	-1,140
<b>Net book value at 31.12.2006/31.12.2005</b>	<b>196</b>	<b>89</b>	<b>0</b>	<b>285</b>	<b>22,292</b>
<b>At 31.12.2006/31.12.2005</b>					
Cost	6,959	180	0	7,139	45,497
Accumulated depreciation	-6,763	-91	0	-6,854	-23,205
<b>Balance sheet value at 31.12.2006/31.12.2005</b>	<b>196</b>	<b>89</b>	<b>0</b>	<b>285</b>	<b>22,292</b>

6. Intangible fixed assets CHF 1,000	Reporting year				Previous year
	Client base	Brand	Other intangible fixed assets	Total intangible fixed assets	Total intangible fixed assets
<b>At 1.1.2006/1.1.2005</b>					
Cost	78,617	1,179	4,354	84,150	2,245
Accumulated depreciation	-1,517	-59	-3,016	-4,592	-1,710
<b>Net book value at 1.1.2006/1.1.2005</b>	<b>77,100</b>	<b>1,120</b>	<b>1,338</b>	<b>79,558</b>	<b>535</b>
<b>Financial year 2006/2005</b>					
Net book value at 1.1.2006/1.1.2005	77,100	1,120	1,338	79,558	535
Net book value added as a result of first-time consolidation	0	0	0	0	656
Net book value subtracted as a result of deconsolidation	0	0	-13	-13	0
Investments	0	0	629	629	80,509
Depreciation for continuing business activities	-6,066	-236	-709	-7,011	-2,131
Depreciation for divested business activities	0	0	-164	-164	-11
<b>Net book value at 31.12.2006/31.12.2005</b>	<b>71,034</b>	<b>884</b>	<b>1,081</b>	<b>72,999</b>	<b>79,558</b>
<b>At 31.12.2006/31.12.2005</b>					
Cost	78,617	1,179	2,739	82,535	84,150
Accumulated depreciation	-7,583	-295	-1,658	-9,536	-4,592
<b>Balance sheet value at 31.12.2006/31.12.2005</b>	<b>71,034</b>	<b>884</b>	<b>1,081</b>	<b>72,999</b>	<b>79,558</b>

	Notes	31.12.2006	31.12.2005
<b>7. Goodwill</b>			
CHF 1,000			
<b>Opening balance</b>		160,289	0
Additions	28	0	160,289
of which – Investment Banking (Bank am Bellevue AG)		0	97,375
– Asset Management (Swissfirst Asset Management AG, formerly Bellevue Asset Management AG)		0	62,914
Amortization		0	0
<b>Total Goodwill</b>		<b>160,289</b>	<b>160,289</b>
Costs relating to the acquisition of the Bellevue Group			276,110
– less fair value of net assets excl. intangibles			–51,106
– less fair value of customer base/brand (after deferred taxes)			–64,715
<b>Book value of the goodwill at the time of acquisition</b>			<b>160,289</b>

Annual impairment testing is performed on the existing goodwill positions for each cash generating unit (CGU), with the useful value determined for each CGU based on future discounted cash flows.

The one-year budgets are used as the basis here. A perpetual yield is used for subsequent years. The projections are based on empirical values and on management's assessment of the probable developments in the relevant markets. It is assumed that no major organizational change will occur in any of the business groups. A perpetual growth rate (inflation) of 1.0% is assumed. The capital asset pricing model produces an average cost of capital of 9.9% (previous year: 9.7%).

The tests performed on the balance sheet date confirmed the carrying value of all goodwill positions. In management's opinion, no potential changes to the assumptions made could produce a situation where the book values of the goodwill positions would exceed the recoverable projected benefits, barring extraordinary events.

	31.12.2006		31.12.2005	
	Amount/book value of claim	of which used	Amount/book value of claim	of which used
<b>8. Assets not freely available</b>				
CHF 1,000				
Due from banks	0	0	46,566	26,424
Securities – financial assets	21,732	21,732	53,674	37,784
Other assets	800	800	0	0
<b>Total assets not freely available</b>	<b>22,532</b>	<b>22,532</b>	<b>100,240</b>	<b>64,208</b>
<b>Available-for-sale pledged assets</b>				
– due from banks	27,127	11,833		
– securities – financial assets	700	700		
<b>Total available-for-sale pledged assets</b>	<b>27,827</b>	<b>12,533</b>		

The pledge arrangements were made at market terms.

	31.12.2006	31.12.2005
<b>9. Other assets</b>		
CHF 1,000		
Withholding tax	1,056	3,960
Other assets	829	1,106
<b>Total other assets</b>	<b>1,885</b>	<b>5,066</b>

	31.12.2006	31.12.2005
<b>10. Other liabilities</b>		
CHF 1,000		
Withholding tax	18,233	816
Dividends	0	38,700
Other liabilities	3,603	4,103
<b>Total other liabilities</b>	<b>21,836</b>	<b>43,619</b>

The increase in withholding tax credits is attributable to the processing of share buyback programs.

	Interest rate in %	Currency	Maturity	Amount outstanding CHF 1,000	Total 31.12.2006 CHF 1,000	Total 31.12.2005 CHF 1,000
<b>11. Debt issued</b>						
<b>Swissfirst Bank AG</b>						
Year of issue: 2005	2,125	CHF	2008	150,000	0	150,000

The assets and liabilities of Swissfirst Bank AG are stated in the items "Available-for-sale assets/liabilities".

The debt securities included in this item amounted to TCHF 79,090 as of 31.12.2006.

	31.12.2006	31.12.2005
<b>12. Deferred tax liabilities</b>		
CHF 1,000		
Valuation adjustments and provisions*	1,203	4,144
Intangible assets	13,592	14,795
<b>Total deferred tax liabilities</b>	<b>14,795</b>	<b>18,939</b>

\* Arising from temporary discrepancies due to valuation differences between IFRS accounting and statutory accounting standards.

13. Valuation adjustments and provisions	Notes	Total at 31.12.2005	Specific usage	Change as a result of dis- continued busi- ness activities	Deletions as a result of de- consolidation	Reversals credited to P&L	New allocations charged to P&L	Total at 31.12.2006
CHF 1,000								
Valuation adjustments for credit risks		8,543	-500	-6,699	-1,498	-52	206	0
Actuarial BVG provisions	16	5,202	0	-2,901	0	-807	0	1,494
Other provisions		1,860	-470	-1,400	-1,300	-90	2,207	807
<b>Total valuation adjustments and provisions</b>		<b>15,605</b>	<b>-970</b>	<b>-11,000</b>	<b>-2,798</b>	<b>-949</b>	<b>2,413</b>	<b>2,301</b>
Valuation adjustments offset directly against accounts "due from customers"		-8,543						0
<b>Total valuation adjustments and provisions in the balance sheet</b>		<b>7,062</b>						<b>2,301</b>

### Pending legal proceedings

The Bellevue Group (formerly Swissfirst) is involved in legal proceedings brought by a shareholder in connection with the merger between Swissfirst and Bellevue. So far no lawsuit has been filed.

The new Bellevue Group makes provisions for ongoing or potential legal proceedings if its legal advisors believe there is more than a fifty-percent chance that Group companies will have to make payments or incur losses, and if it is possible to reliably estimate the amount in question.

14. Share capital	Number of shares	Share capital CHF 1,000
<b>Shares issued at 31.12.2005</b>	<b>10,500,000</b>	<b>1,050</b>
Par value reduction	0	0
Capital increase	0	0
<b>Shares issued at 31.12.2006</b>	<b>10,500,000</b>	<b>1,050</b>
<b>Treasury shares at 31.12.2004</b>	<b>601,888</b>	<b>602</b>
<b>Treasury shares at 31.12.2004, adjusted for the split, par value reduction and capital increase</b>	<b>1,203,776</b>	<b>120</b>
corresponding to	12.04 %	12.04 %
Sale of treasury shares	-4,814,755	-481
Purchase of own shares	3,589,255	359
<b>Treasury shares at 31.12.2005</b>	<b>-21,724</b>	<b>-2</b>
corresponding to	-0.22 %	-0.22 %
Sale of treasury shares	-2,881,221	-288
Purchase of own shares	2,856,618	286
<b>Treasury shares at 31.12.2006</b>	<b>-46,327</b>	<b>-5</b>
corresponding to	-0.44 %	-0.44 %

All transactions involving own shares were completed at market prices.

The share price of treasury shares as at December 31, 2005 was CHF 78.00 per share (31.12.2005: CHF 80.00).

The extraordinary general meeting on December 15, 2006 voted to convert all bearer shares into registered shares. Conditional capital of CHF 100,000 and authorized capital of CHF 100,000 was also created.

## 15. Related party transactions/Major shareholders

Related party transactions CHF 1,000	2006			2005		
	Key management personnel*	Associated participations	Other related parties**	Key management personnel*	Associated participations	Other related parties**
Due from customers	9,325			19,132	873	4,560
of which 2 members of the Group Executive Board (previous year: 5)	9,325			19,132		
Interest income	216	24	88	118	36	119
Due to customers	53,340			28,609	245	
Interest expense	219					
Fee and commission income	1,098	96				
Compensation						
Paid to members of the Board of Directors of Bellevue Group AG:						
– Remuneration (cash) CHF 1,000	279			67		
– Number of shares (gratuitous)				820		
– Number of shares (at discount)***	105,000					
of which to the member with the highest remuneration						
– Remuneration (cash) CHF 1,000				19		
– Number of shares (gratuitous)				228		
– Number of shares (at discount)	105,000					
Paid to members of the Group Executive Board:						
– Gross remuneration (without shares) CHF 1,000	807			2,025		
– Number of shares				8,621		

\* Board of Directors and senior executive management.

\*\* Incl. family members.

\*\*\* The discount granted corresponds to the equivalent amount of CHF 1,522,500.

Transactions with related parties also occur in the normal course of business.

These transactions are executed at customary market terms. Receivables are covered by the customary bank guarantees (custody accounts). No contractual severance packages have been agreed with any member of the Board of Directors. No severance benefits were paid to any directors who stepped down last year.

The following parties owned more than 5% of the issued share capital of Bellevue Group AG, Küsnacht:

Major shareholders in %	% of capital and votes 31.12.2006	% of capital and votes 31.12.2005
Martin Bisang, Küsnacht**	13.0	N/a
Hans-Jörg Graf, Wollerau**	6.4	N/a
Jürg Schächli, Rapperswil-Jona**	6.0	N/a
Thomas Matter, Zug**	5.3	17.1
Bellevue Holding AG, Küsnacht*	< 5	44.7
Rumen Hranov, Zollikon**	< 5	< 10

\* The following persons also owned an indirect interest of more than 5% but less than 10% in Bellevue Group AG through Bellevue Holding AG, Küsnacht, as of 31.12.2005: Martin Bisang and H.J. Graf.

\*\* In accordance with the disclosure requirements of the Ordinance on Stock Markets and Securities Trading (BEHV).

## 16. Employee benefit plans

Actuarial calculation of employee pension obligations

	31.12.2006	31.12.2005
<b>1. Balance sheet</b>		
CHF 1,000		
Fair value of plan assets	30,177	37,374
Defined benefit obligation	-29,938	-39,462
Funding surplus/shortfall	239	-2,088
Unrecognized actuarial gains/losses	-4,634	-3,114
<b>Pension liabilities in the balance sheet</b>	<b>-4,395</b>	<b>-5,202</b>
Change as a result of discontinued business activities	-2,901	0
<b>Continuing pension liabilities at year-end</b>	<b>-1,494</b>	<b>-5,202</b>
Experience adjustments on plan liabilities	4.97 %	-0.75 %
Experience adjustments on plan assets	3.26 %	9.13 %

	31.12.2006	31.12.2005
<b>2. Income statement</b>		
CHF 1,000		
Service cost	-2,927	-2,060
Interest cost	-1,381	-896
Expected net return on plan assets	1,494	816
Actuarial gains/losses	953	0
Past service cost	0	0
Net pension cost for the period	-1,861	-2,140
Employees' contributions	687	860
<b>Expense recognized in the income statement</b>	<b>-1,174</b>	<b>-1,280</b>
<b>of which discontinued business activities</b>	<b>-691</b>	<b>-619</b>

	Notes	31.12.2006	31.12.2005
<b>3. Movements in the net assets or liabilities</b>			
CHF 1,000			
<b>Pension liabilities in the balance sheet at the beginning of the year</b>	13	<b>-5,202</b>	<b>-5,365</b>
Prepaid pension costs:			
Expense recognized in the income statement		-1,174	-1,280
Employer's contributions		1,981	1,443
Total prepaid pension costs		807	163
<b>Pension liabilities in the balance sheet at the end of the year</b>		<b>-4,395</b>	<b>-5,202</b>
Change as a result of discontinued business activities		-2,901	0
<b>Continuing pension liabilities at year-end</b>	13	<b>-1,494</b>	<b>-5,202</b>

	2006	2005
<b>4. Change in gross pension liabilities and plan assets</b>		
CHF 1,000		
<b>Change in gross pension liabilities</b>		
At January 1	-39,462	-23,527
Additions due to first-time consolidation	0	-13,956
Actuarial pension cost	-2,927	-2,060
Interest cost	-1,381	-896
Pension payments and portable benefits paid	12,343	1,274
Actuarial gain/losses	1,489	-297
<b>At December 31</b>	<b>-29,938</b>	<b>-39,462</b>
<b>Change in pension assets</b>		
At January 1	37,374	20,762
Additions due to first-time consolidation	0	11,356
Expected return on plan assets	1,494	816
Employees' contributions	687	860
Employer's contributions	1,981	1,443
Pension payments and portable benefits paid	-12,343	-1,274
Actuarial gain/losses	984	3,411
<b>At December 31</b>	<b>30,177</b>	<b>37,374</b>
<b>Actual return on plan assets</b>	<b>2,478</b>	<b>4,227</b>

	2006	2005
<b>Investment categories</b>		
CHF 1,000		
- Equities	8,473	9,567
- Bonds	16,556	17,415
- Real estate	1,370	2,256
- Other	3,778	8,136

	2006	2005
<b>Expected return by investment category</b>		
in %		
- Equities	7	7
- Bonds	3	3
- Real estate	5	5
- Other	3	3

#### Comment on the actuarial calculation of pension obligations

Bellevue Group maintains two employee benefit plans that are legally set up as defined contribution plans but, in accordance with IAS 19, they are disclosed as defined benefit plans. Although underfunded according to IFRS, these plans are not underfunded according to Swiss law. The last actuarial calculation was performed on December 31, 2006. The actuarial assumptions are based on the general local economic conditions.

<b>5. Actuarial assumptions</b>	2006	2005
in %		
Discount rate (technical interest rate)	3.5	3.5
Expected net return on plan assets	4.0	4.0
Expected future salary increases	2.5	2.5
Expected future pension increases	0.5	0.5

The expected ordinary pension fund contributions for 2007 amount to CHF 1.7 million.

<b>17. Fair value of financial instruments</b>	31.12.2006			31.12.2005		
	Book value	Fair value	Deviation	Book value	Fair value	Deviation
CHF 1,000						
<b>Financial assets</b>						
Cash	112,316	112,316	0	317,267	317,267	0
Due from banks	245,927	245,927	0	485,687	485,687	0
Due from customers	32,494	32,494	0	371,940	372,862	922
Securities trading portfolio	19,920	19,920	0	80,287	80,287	0
Derivative financial instruments	2,516	2,516	0	43,371	43,371	0
Financial investments	186,340	187,042	702	196,223	196,640	417
Available-for-sale financial assets	418,930	418,970	40			
	<b>1,018,443</b>	<b>1,019,185</b>	<b>742</b>	<b>1,494,775</b>	<b>1,496,114</b>	<b>1,339</b>
<b>Financial liabilities</b>						
Due to banks	5,269	5,269	0	92,830	92,830	0
Due to customers	303,687	303,687	0	910,779	910,585	194
Derivative financial instruments and other trading liabilities	148,352	148,352	0	189,242	189,242	0
Debt issued	–	–	0	150,000	152,354	–2,354
Available-for-sale financial liabilities	350,487	349,933	554			
	<b>807,795</b>	<b>807,241</b>	<b>554</b>	<b>1,342,851</b>	<b>1,345,011</b>	<b>–2,160</b>
<b>Difference between Fair value/Book value</b>			<b>1,296</b>			<b>–821</b>

The table shows the fair values of financial instruments based on the valuation methods and assumptions explained below:

#### Short-term financial instruments

Financial instruments with a term to maturity or refinancing profile of one year or less are generally classed as short-term instruments. Depending on their maturity, these include the balance sheet items accounts due to/from banks/customers, debt instruments issued and cash. For short-term financial instruments, it is assumed that the book value corresponds to the fair value.

#### Long-term financial instruments

These include accounts due to/from banks/customers, debt instruments issued with a term to maturity or refinancing profile of more than one year. The fair value of long-term financial instruments is determined using the present value method.

### Securities trading portfolios, financial investments and derivative financial instruments

The fair value of these financial instruments is generally the same as their market value. If no market value is available, the fair value is determined using recognized valuation models.

	Fair value assets	Fair value liabilities	Contract volume
<b>18. Derivative financial instruments and other trading liabilities</b>			
CHF 1,000			
<b>Interest instruments</b>			
<b>Total interest instruments 31.12.2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total interest instruments 31.12.2005	0	310	20,000
<b>Foreign exchange</b>			
<b>Total foreign exchange 31.12.2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total foreign exchange 31.12.2005	2,502	2,386	276,343
<b>Equities</b>			
– Options (OTC)	2,516	148,352	188,965
<b>Total equities 31.12.2006</b>	<b>2,516</b>	<b>148,352</b>	<b>188,965</b>
Total equities 31.12.2005	40,869	154,153	1,708,810
<b>Hedging instruments</b>			
<b>Total hedging instruments 31.12.2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total hedging instruments 31.12.2005	0	0	0
<b>Total derivative financial instruments 31.12.2006</b>	<b>2,516</b>	<b>148,352</b>	<b>188,965</b>
Total derivative financial instruments 31.12.2005	43,371	156,849	2,005,153
<b>Other trading liabilities 31.12.2006</b>		<b>0</b>	
Other trading liabilities 31.12.2005		32,393	
<b>Total derivative financial instruments and other trading liabilities 31.12.2006</b>	<b>2,516</b>	<b>148,352</b>	
Total derivative financial instruments and other trading liabilities 31.12.2005	43,371	189,242	

#### Foreign exchange:

The reported foreign exchange derivatives mainly concern client transactions.

#### Equities:

The fair value of the liabilities mainly pertain to covered written OTC call options. Moreover, end-to-end client transactions and own holdings of warrants are reported here.

#### Other trading liabilities:

Other trading liabilities are exclusively certificates issued on own account.

<b>19. Irrevocable commitments, contingent liabilities and fiduciary transactions</b>	Due within 3 months	Due within 3 to 12 months	Due between 1 and 5 years	Due after 5 years	Total 31.12.2006	Total 31.12.2005
CHF 1,000						
<b>Irrevocable commitments</b>						
Rental and leasing commitments	449	1,312	6,746	3,200	11,707	13,908
Deposit collateral					3,160	0
					<b>14,867</b>	<b>13,908</b>
<i>of which irrevocable commitments available for sale</i>					2,307	
<b>Contingent liabilities</b>						
Credit guarantees					4,726	1,129
Performance guarantees					0	5,998
					<b>4,726</b>	<b>7,127</b>
<i>of which contingent liabilities available for sale</i>					702	
<b>Fiduciary transactions</b>						
Fiduciary deposits					359,812	713,055
Fiduciary loans					1,831	47,408
					<b>361,643</b>	<b>760,463</b>
<i>of which fiduciary loans available for sale</i>					361,643	

Fiduciary transactions include investments and loans which the banks of the Bellevue Group make or grant in their own name but solely for the account and risk of the client, on the basis of a written mandate.

In order to reduce the risk of loss for clients, fiduciary business is conducted only with counterparties that have at least a Single A rating from qualified rating agencies. Exposure per counterparty is limited through a means of limits authorized by the Board of Directors.

## Information on the profit and loss account

	2006	2005
<b>20. Commission income from securities and investment business</b>		
CHF 1,000		
Commission income from brokerage services and investment banking activities	63,653	36,094
Performance fees from asset management activities	16,902	5,480
Management fees from asset management activities	20,696	11,650
Miscellaneous commission income	4,555	2,161
<b>Total commission income from securities and investment business</b>	<b>105,806</b>	<b>55,385</b>

The performance fees are only booked when they effectively become due. The miscellaneous commissions mainly relate to income from the fiduciary and coupon collection business.

	2006	2005
<b>21. Personnel expenses</b>		
CHF 1,000		
Salary and bonus payments	17,703	11,865
Contribution to employee benefit plans	483	661
Other social security contributions	1,108	1,112
Other personnel expenses	547	118
<b>Total personnel expenses</b>	<b>19,841</b>	<b>13,756</b>

The Group employed a workforce of 109.6 full-time equivalents on December 31, 2006 (previous year: 164.8 FTEs).

	2006	2005
<b>22. Operating expenses</b>		
CHF 1,000		
Premises	1,901	1,058
Telecommunications and IT	2,075	2,783
General administrative and business expenses	7,536	6,509
<b>Total operating expenses</b>	<b>11,512</b>	<b>10,350</b>

<b>23. Depreciation</b>	Notes	2006	2005
CHF 1,000			
Fixed assets	5	320	265
Intangible fixed assets	6	7,011	2,131
<b>Total depreciation</b>		<b>7,331</b>	<b>2,396</b>

<b>24. Taxes</b>	2006	2005
CHF 1,000		
Current taxes	11,869	5,461
Deferred taxes	-1,502	-258
<b>Total taxes</b>	<b>10,367</b>	<b>5,203</b>
Tax rate on pretax Group profit	20.00%	20.00%
Tax difference arising from different local tax rates	-6.32%	7.89%
<b>Total taxes (effective tax rate)</b>	<b>13.68%</b>	<b>27.89%</b>

The change in the effective tax rate is attributable to shifting segment profits and the respective varying tax rates.

25. Earnings per share	2006	2005
<b>Continuing business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	100,694	53,964
Weighted average number of outstanding shares	10,401,871	9,927,568
<b>Earnings per share (in CHF)</b>	<b>9.68</b>	<b>5.44</b>
<b>Discontinued business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	19,352	5,755
Weighted average number of outstanding shares	10,401,871	9,927,568
<b>Earnings per share (in CHF)</b>	<b>1.86</b>	<b>0.58</b>
<b>Continuing business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	100,694	53,964
Weighted average number of outstanding shares	10,401,871	9,927,568
+ Adjustment for outstanding share options	49,131	61,444
Adjusted weighted average number of outstanding shares	10,451,002	9,989,012
<b>Fully diluted earnings per share (in CHF)</b>	<b>9.63</b>	<b>5.40</b>
<b>Discontinued business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	19,352	5,755
Weighted average number of outstanding shares	10,401,871	9,927,568
+ Adjustment for outstanding share options	49,131	61,444
Adjusted weighted average number of outstanding shares	10,451,002	9,989,012
<b>Fully diluted earnings per share (in CHF)</b>	<b>1.85</b>	<b>0.58</b>
<b>Continuing business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	100,694	53,964
Number of outstanding shares	10,500,000	10,500,000
<b>Nominal earnings per share (in CHF)</b>	<b>9.59</b>	<b>5.14</b>
<b>Discontinued business activities</b>		
Net profit attributable to shareholders of Bellevue Group AG (in CHF 1,000)	19,352	5,755
Number of outstanding shares	10,500,000	10,500,000
<b>Nominal earnings per share (in CHF)</b>	<b>1.84</b>	<b>0.55</b>

The average number of outstanding shares is adjusted for all potential dilution in the calculation of diluted earnings per share.

	Private Banking	Asset Management	Investment Banking	Corporate Items	Total
<b>26. Business segments</b>					
CHF 1,000					
<b>1.1.–31.12.2006</b>					
Net income from ordinary operating activities	68,112	38,894	71,443	38,362	216,811
Operating expenses	-31,983	-10,869	-16,908	-6,314	-66,074
Intercompany services, net	-4,182	425	187	3,570	0
<b>Gross operating profit</b>	<b>31,947</b>	<b>28,450</b>	<b>54,722</b>	<b>35,618</b>	<b>150,737</b>
Depreciation, valuation adjustments, provisions and losses	-3,084	-2,681	-4,674	0	-10,439
Taxes	-6,086	-1,079	-10,192	904	-16,453
Minority interests	-3,425	-374	0	0	-3,799
<b>Profit after taxes</b>	<b>19,352</b>	<b>24,316</b>	<b>39,856</b>	<b>36,522</b>	<b>120,046</b>
Total assets	444,366	13,571	396,242	426,909	1,281,088
Total liabilities	373,826	2,216	342,778	168,019	886,839
Total capital expenditure	116	11	743	0	870
<b>Assets under management</b>	<b>CHF m 2,237</b>	<b>4,039</b>	<b>2,732</b>	<b>0</b>	<b>9,008</b>

The entire Private Banking business segment constitutes the discontinued business activities.

	Private Banking	Asset Management	Investment Banking	Corporate Items	Total
CHF 1,000					
<b>1.1.–31.12.2005</b>					
Net income from ordinary operating activities	30,963	21,105	62,514	3,521	118,103
Operating expenses	-17,560	-6,580	-17,362	-164	-41,666
<b>Gross operating profit</b>	<b>13,403</b>	<b>14,525</b>	<b>45,152</b>	<b>3,357</b>	<b>76,437</b>
Depreciation, valuation adjustments, provisions and losses	-4,244	-214	-2,116	12	-6,562
Taxes	-838	-1,113	-2,772	-1,318	-6,041
Minority interests	-2,565	-1,545	-5	0	-4,115
<b>Profit after taxes</b>	<b>5,756</b>	<b>11,653</b>	<b>40,259</b>	<b>2,051</b>	<b>59,719</b>
Total assets	474,181	76,792	1,222,560	11,221	1,784,754
Total liabilities	424,804	107,517	896,093	18,672	1,447,086
Total capital expenditure	241	87,718	153,562	0	241,521
<b>Assets under management</b>	<b>CHF m 2,849</b>	<b>4,906</b>	<b>3,085</b>	<b>74</b>	<b>10,914</b>

The Group operates primarily in Switzerland. Since the geographic region in which assets are reported is relatively unimportant for the assessment of risks or profit opportunities, a breakdown of the business segments by region is not given.

The allocation to the individual segments is derived primarily from direct allocations. Items that cannot be directly apportioned to one particular segment will be allocated by means of secondary business management criteria (e.g. number of staff, total square meters of floor space required, etc.). Non-allocable items are stated under the Corporate Items segment.

## 27. Significant consolidated group companies

Listed companies included within the scope of consolidation:

Company	Registered office	Share capital CHF 1,000	Percent consolidated	
			direct in %	indirect in %
Bellevue Group AG	Küsnacht	1,050	100	–

Unlisted companies included within the scope of consolidation:

Company	Registered office	Share capital CHF 1,000	Shareholding	
			direct in %	indirect in %
Bank am Bellevue AG	Küsnacht	25,000	100	–
BAB Management NV	Curaçao	9	–	100
Swissfirst Bank AG (until 1.1.2007)	Zurich	21,600	100	–
Bellevue Asset Management AG	Küsnacht	1,750	100	–
Asset Management BAB NV	Curaçao	9	–	100
Swissfirst Derivatives AG	Zug	250	100	–
Bracher AG	Olten	100	100	–

On January 1, 2006, Bellevue Asset Management AG, Küsnacht, merged with Swissfirst Asset Management AG, Zug. The new entity has acted under the name Bellevue Asset Management AG since December 5, 2006. Bellevue Group AG sold its interest in Swissfirst Bank (Liechtenstein) AG, Vaduz, effective November 8, 2006. Swissfirst Services AG, Zurich, was sold as of December 31, 2006. These equity interests were consolidated for the last time on December 31, 2006. Swissfirst Bank AG was sold as of January 1, 2007.

## 28. Acquisitions and disposals

### Private Banking

Bellevue Group AG sold its interest in Swissfirst Bank (Liechtenstein) AG, Vaduz (incl. Swissfirst [Lie] Opportunities), effective November 8, 2006. This equity interest was consolidated for the last time on December 31, 2006.

The extraordinary general meeting on December 15, 2006 voted to withdraw from Private Banking and sell Swissfirst Bank AG, Zurich. It was sold effective January 1, 2007.

	2006	2005
CHF 1,000		
Net operating income	63,930	30,962
Operating expenses	-35,067	-21,804
<b>Pre-tax profit of discontinued business activities</b>	<b>28,863</b>	<b>9,158</b>
Taxes	-6,086	-838
<b>After-tax profit of discontinued business activities</b>	<b>22,777</b>	<b>8,320</b>
<b>Net cash flow from</b>		
– operating activities	-91,761	-181,659
– investment activities	-1,073	8,258
– financing activities	-8,825	196,505

### Corporate Items

Swissfirst Services AG, Zurich, was sold as of December 31, 2006. This equity interest was included in the scope of consolidation for the last time on December 31, 2006.

**Available-for-sale assets/liabilities**

Swissfirst Bank AG, Zurich, which was sold as of January 1, 2007, is stated under this item. The following assets/liabilities were included in the balance sheet as of December 31, 2006:

	2006
CHF 1,000	
Cash	13,271
Due from banks	207,267
Due from customers	149,715
Securities trading portfolio	18,250
Derivative financial instruments	15,314
Financial investments	15,113
Associated companies	0
Fixed assets	8,216
Intangible fixed assets	0
Goodwill	0
Prepaid expenses and accrued income	1,462
Current tax assets	15,177
Other assets	581
<b>Available-for-sale assets</b>	<b>444,366</b>
Due to banks	122,918
Due to customers	120,156
Derivative financial instruments and other trading liabilities	28,323
Debt issued	79,090
Deferred income	9,997
Other liabilities	4,050
Current tax liabilities	2,043
Deferred tax liabilities	2,948
Provisions	4,301
<b>Available-for-sale liabilities</b>	<b>373,826</b>

## 29. Employee stock ownership plan

### Bonus plan

Bellevue Group offered employees of the then Swissfirst Group a choice of drawing their bonus in the form of cash, shares or options on Swissfirst AG shares for the 2002 to 2004 business years. In the 2005 business year employees could only choose between cash and shares. The aggregate bonus expense is charged to the income statement regardless of how the bonuses are actually drawn. Any shares drawn are purchased on the market and any options drawn are taken into account in the derivatives trading position and stated at market prices. The options were European-style options with a three-year term. The shares drawn are blocked for three to four years. The options are not eligible for sale. In the 2006 business year bonus compensation was in cash only.

The following options were outstanding at the following terms on the balance sheet date:

Issue year	Expiry date	Exercise price in CHF	Exchange ratio (options/shares)	Number of options 31.12.2006	Number of options 31.12.2005
2003	25.2.2006	64.84	0.4716:1	0	4,459
2004	25.2.2007	58.95	0.4716:1	40,000	40,000

The change in the number of options outstanding during the year under review was as follows:

	2006	2005
Number of options, expressed in units of the underlying shares		
Number		
At January 1	94,275	71,467
Exercised	-9,455	-25,966
Annulled	0	-1,042
Adjustment of terms due to the split and par value reduction	0	49,816
<b>At December 31</b>	<b>84,820</b>	<b>94,275</b>

### Share participation plan

In 2006 (2005) some of the members of the Board of Directors and company employees were allowed to purchase Bellevue Group AG shares on preferential terms.

A total of 2,000 shares blocked until 2008, 15,000 shares blocked until 2009 and 105,000 blocked until 2010 were purchased (2005: 4,500 blocked until December 31, 2007 and 165,500 blocked until December 31, 2009). The difference between the fair value and the preferential price is recorded over the entire period of service (same as lock-up period) as compensation costs under personnel expenses. The fair value was determined based on the closing price on the date of allocation and ranged from CHF 75.00 to CHF 96.55 (2005: CHF 75.90 and CHF 90.00). The reported compensation costs amount to TCHF 2,206 (2005: TCHF 2,465). A total of TCHF 841 (2005: TCHF 70) was charged to personnel expenses in the year under review.

	31.12.2006	31.12.2005
<b>30. Client assets</b>		
CHF 1,000,000		
Assets in own-managed funds	–	45
Assets with management mandate	4,039	4,664
Other client assets	2,732	6,753
<b>Total client assets (including double counts)</b>	<b>6,771</b>	<b>11,462</b>
of which double counts	–	–548
<b>Total client assets (excluding double counts)</b>	<b>6,771</b>	<b>10,914</b>
Net inflow of new assets	65	203
<b>Change due to divestment*</b>	<b>–2,076</b>	<b>–517</b>
<b>Available-for-sale client assets**</b>	<b>–2,237</b>	<b>N/a</b>
(not included in the numbers above)		

\* Bellevue Group AG sold its 52.5% interest in Swissfirst Bank (Liechtenstein) AG, Vaduz, effective November 8, 2006.

\*\* Bellevue Group AG sold its 100% interest in Swissfirst Bank AG, Zurich, on January 3, 2007 (retroactive to January 1, 2007).

Client assets include all cash deposits and assets of clients available for investment with the exception of the pure "custody-only" assets. These custody-only assets include unissued shares of participation and investment companies, and the assets of certain institutional clients stemming from special transactions (e. g. share buybacks through a second line of trading).

The inflow/outflow of client assets includes all cash deposits and withdrawals as well as inward and outward deliveries of securities without compensation. Own interest credits and debits are not counted.

### 31. IFRS reporting/accounting regulations for banks under Swiss law

The most important differences between IFRS and the accounting regulations for banks under Swiss law are as follows:

#### Available-for-sale financial assets

Under IFRS, available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in shareholders' equity, less related deferred taxes, until the financial asset is sold, collected or otherwise disposed of, or its value is deemed to be impaired. As soon as an available-for-sale financial asset is deemed to be impaired, the cumulative unrealized loss previously carried in shareholders' equity will be recognized in the income statement for the reporting period as an impairment of available-for-sale financial assets. Under Swiss law, these kinds of financial assets are reported at acquisition cost or at market value if lower (lower of cost or market method). Write-downs to market value, any reversals of previously recognized impairment losses as well as disposal gains and losses are recognized in "Other ordinary income".

#### Extraordinary income

Under IFRS, almost all items of income and expense are allocated to ordinary operating activities. Extraordinary items are therefore rare. In accordance with Swiss law, income and expenses are classified as extraordinary if they are not recurring and/or not related to operational activities or are from different reporting periods.

### 32. Events after the balance sheet date

Swissfirst Bank AG was sold on January 3, 2007, effective January 1, 2007.

## Scope of consolidation as at December 31, 2006

Bellevue Group AG, Küsnacht	Bank am Bellevue, Küsnacht 100 %	BAB Management NV, Curaçao 100 %
	Bellevue Asset Management, Küsnacht* 100 %	Asset Management BAB NV, Curaçao 100 %
	Swissfirst Bank AG, Zurich** 100 %	
	Swissfirst Derivatives AG, Zug*** 100 %	
	Bracher AG, Olten*** 100 %	

\* Formerly Swissfirst Asset Management AG; change effective December 5, 2006.

\*\* Sold and deconsolidated as of January 1, 2007.

\*\*\* To be liquidated.

# Report of the Group auditors

Report of the Group auditors to the general meeting of  
**Bellevue Group AG, Küssnacht**

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes/pages 13 to 42) of Bellevue Group AG for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the consolidated financial statements.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements 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.

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

**PricewaterhouseCoopers AG**

Albert Schönenberger  
Auditor in Charge

Cornelia Herzog

Zurich, March 22, 2007

# Information on corporate governance

## 1. Group structure

The Group structure is illustrated on page 42 of the Annual Report. The shares of the holding company Bellevue Group AG, Küssnacht, are listed on the main board of the SWX Swiss Exchange under the security number 2 842 210 (ISIN: CH0028422100). The company's market capitalization amounted to CHF 819.0 million on December 29, 2006 (December 30, 2005: CHF 840.0 million). No other listed companies are included in the consolidated accounts. The other group companies are not listed (see also Note 27, page 37). There are no cross-shareholding arrangements.

Significant shareholders of Bellevue Group AG are listed in Note 15 (page 27) of the consolidated financial statements.

Bellevue Group AG is not party to, nor does it have any knowledge of, any significant shareholder pooling agreements.

Bellevue Group has not outsourced any significant management activities.

## 2. Capital structure

The share capital of Bellevue Group AG amounts to CHF 1.05 million (previous year CHF 1.05 million) and consists of 10,500,000 registered shares (previous year 10,500,000 bearer shares) with a par value of CHF 0.10 each. The extraordinary general meeting of December 15, 2006 voted to create authorized capital of CHF 100,000 (1 million registered shares) and conditional capital of CHF 100,000 (1 million registered shares). The authorized capital is intended to enhance the company's financial flexibility. Possible uses are to finance the acquisition of other companies or specific operations of other companies and equity interests as well as earnings-relevant capital spending plans. The authorized capital may also be used for employee stock ownership plans. The authorized capital may be utilized until December 15, 2008. The conditional capital can be used for the exercise of option rights granted to shareholders and employees. At the present time neither the conditional nor the authorized capital has been utilized.

There are no privileged or preferential share categories. There are no restrictions regarding registration in the company's share register except for the so-called "Treuhandvinkulierung" (restrictions for trustees and financial advisors). There are no limitations on the transferability of the shares nor are there any restrictions on voting rights. Only those persons or entities registered in the share ledger are deemed to be shareholders or beneficiaries in relations with the company. Purchasers of registered shares will, upon request, be entered in the company's share register as shareholders with voting rights when they expressly acknowledge that the shares were acquired in their own name and for their own account.

Bellevue Group AG has not issued any participation certificates or non-voting equity certificates.

The General Meeting is entitled to convert registered shares into bearer shares or bearer shares into registered shares at any time by amending the Articles of Association. Currently only registered shares have been issued.

The number of treasury shares is given in Note 4 (page 52) of the holding company's statutory financial statements.

During the past three reporting years there has been one reduction in share capital. In 2005 the nominal share capital was reduced from CHF 5.0 million to CHF 1.0 million before the conditional capital was exercised, which resulted in an increase in share capital to the current amount of CHF 1.05 million. The statement of change in shareholders' equity is on page 10 of the annual report.

Information on employee options issued by Bellevue Group AG can be found in Note 29 (page 40) of the consolidated financial statements. No new options were issued in the 2005 and 2006 reporting years.

There are no outstanding warrant bonds or convertible bonds.

## 3. Board of Directors

The Board of Directors comprised the following persons as at December 31, 2006:

- Walter Knabenhans, Chairman, Swiss citizen (board member since 2006)
  - Civil Engineering degree (ETH Zurich)
  - Economics degree, University of Zurich (lic. oec. publ.)
  - Julius Bär Group, until 2006, in various functions including President of the Group Executive Board and CEO
  - Currently an independent financial and investment consultant
- Daniel Schlatter, Vice Chairman, Swiss citizen (board member since 2006)
  - Legal degree, University of Zurich (lic. iur.)
  - Lawyer
  - With Bellevue Group since 1993; previously engaged as a lawyer with Baker & McKenzie, Zurich
- Hans-Jörg Graf, Swiss citizen (board member since 2006)
  - Business and economics degree, University of St. Gallen (lic. oec.)
  - With Bellevue Group since 1993; previously with various banks in various positions, last serving as a member of executive management at Bil GT

The directors do not sit on the boards of any other listed companies.

No member of the Board of Directors is engaged in any other significant activities or functions with the exception of Daniel Schlatter, who is on the Board of Directors of the following companies:

- Metalor Technologies International SA
- Metalor Dental Holding AG

There are also no significant conflicts of interest with the Company.

All directors are impartial and do not perform any executive functions within Bellevue Group AG with the exception of Daniel Schlatter.

Walter Knabenhans never served on the Executive Board of Bellevue Group AG nor of any Group subsidiary.

Hans-Jörg Graf was long ago, prior to the merger with the Swissfirst Group, a member of the Executive Board of Bank am Bellevue AG and of Bellevue Asset Management AG.

No member of the Board of Directors has a material business relationship with Bellevue Group, with the exception of an ordinary banking relationship with Bank am Bellevue AG.

Only persons who are shareholders of the Company are eligible to stand for election to the Board of Directors. Directors are elected for a term of one year and may be re-elected. There are no age limitations.

If the Board of Directors consists of more than one director, it shall constitute itself and elect a Chairman, a Vice Chairman and a Secretary. The Secretary need not be a member of the Board of Directors.

The Board of Directors meets at the invitation of the Chairman or when requested by one of its members. It shall meet at least twice a year. Thirteen meetings of the Board of Directors were convened in 2006.

Resolutions are passed by a majority of the votes cast. In the event of a tie vote, the Chairman will cast the deciding vote. No quorums are specified. Circular resolutions are permitted as long as no member requests oral deliberation.

The Board of Directors may take decisions on all matters that are not conferred upon another corporate body by law or by the Articles of Association. In particular, the Board of Directors is responsible for:

- the strategic direction and management of the Company; issuing guidelines and directives necessary for the conduct of business; as well as for defining the Company's organization;
- laying down the principles governing the accounting, financial controlling and financial planning activities, to the extent required for the management of the company;
- appointing and dismissing the persons entrusted with executive management and representation of the Company;

- supervision of the persons entrusted with executive management, in particular with respect to compliance with the law, the Articles of Association, and the organizational rules and directives;
- preparation of the annual report and organization of the General Meeting and ensuring execution of the resolutions approved by the General Meeting;
- informing judicial authorities in the event of excessive indebtedness;
- decisions regarding the subsequent payments for shares that are not fully paid up;
- decisions ascertaining capital increases and the corresponding amendments to the Articles of Association;
- appointing the persons authorized to represent the Company.

The Board of Directors is informed about the course of business on a regular basis, in particular through the following means:

- quarterly figures;
- budget comparisons;
- key figures on risk (credit risks, market risks and liquidity risks);
- notifications of concentrations of risk.

Two of the three members of Bellevue Group AG's Board of Directors also sit on the Board of Directors of Bank am Bellevue AG, to which the internal auditors directly report. KPMG act as internal auditors to Bank am Bellevue AG.

There were no Committees of the Board of Directors in the 2006 financial year.

#### 4. Group Executive Board

The Group Executive Board comprised the following persons as at January 1, 2007:

Martin Bisang, CEO (since 1.1.2007)

- Business and economics degree, University of Basel (lic. rer. pol.)
- Harvard Business School, Boston (MBA)
- With Bellevue Group since 1993; previously with BZ Group
- Mandates:

- Director at Metalor Technologies International SA
- Director at Metalor Dental Holding AG

Daniel Hefti, CFO (since joining the company on May 1, 2000)

- Business and economics degree, University of St. Gallen (lic. oec. HSG)
- Swiss Certified Accountant
- With PricewaterhouseCoopers until 2000

No member of the Group Executive Board has any other significant commitments.

There are no so-called management agreements.

All members of the Group Executive Board are Swiss citizens.

The Group Executive Board is responsible for the operational management of the company at Group level. The development of Group strategy as reported to the Board of Directors is discussed with the executive managers of the Group companies. Every two weeks there is a meeting between the Board of Directors and the executive management of the Group companies. The purpose of these meetings is to reconcile the medium-term planning and to determine short-term goals within the Group.

### 5. Remuneration, shareholdings, and loans

The Board of Directors decides on compensation, share ownership programs and loans granted to members of the Board of Directors and the Executive Board. In the case of executive management members, these decisions are based on the proposals made by the CEO.

The fixed compensation paid to every member of the Executive Board was CHF 237,000 p.a. The performance-related compensation depends on the individual performance of the board member in terms of their target attainment level and the extent to which the Group budget was achieved, but it is not determined arithmetically.

Bank am Bellevue AG is authorized within the scope of its normal business activities to grant loans to corporate bodies. Loans to corporate bodies are granted at standard market terms. As a rule, interest is based on LIBOR rates plus a risk-related margin. Currently the interest rate on loans granted to corporate bodies is 3 %.

The loans granted by Bank am Bellevue AG to corporate bodies are listed in Note 3.12 (page 13) of the Bank's financial statements. The loans granted by Swissfirst Bank AG to corporate bodies are listed in Note 3.13 (page 16) of its financial statements.

At December 31, 2006, the members of the Board of Directors held a total of 1,390,423 shares (prior year 18,404) of Bellevue Group AG and the members of the Group Executive Board held a total of 1,473,751 shares (prior year 2,076,076). No closely related parties to the Board of Directors or Group Executive Management owned any shares of Bellevue Group AG.

The members of the Board of Directors do not own any options on Bellevue Group shares.

The directors of Bellevue Group AG received the following remuneration for the 2006 financial year:

Walter Knabenhans	CHF 1,522,500
Daniel Schlatter	CHF 60,000
Hans-Jörg Graf	CHF 60,000

Walter Knabenhans received 105,000 Bellevue shares on preferential terms as remuneration. These shares are blocked for a four-year period. The CHF 1,522,500 represents the difference between the purchase price and the market value. In the consolidated annual accounts, this sum will be recognized in the income statement over the four-year period. No other director received remuneration in the form of shares.

Remuneration paid:

Martin Bisang	(resigned effective 15.12.2006)	CHF	120,000
Dr. Roland Oswald	(resigned effective 6.5.2006)	CHF	13,200
Hans E. Buck	(resigned effective 6.5.2006)	CHF	13,200
Karl Ludwig Göldner	(resigned effective 6.5.2006)	CHF	4,100
Hans Kaufmann	(resigned effective 6.5.2006)	CHF	4,100
Alex Wassmer	(resigned effective 6.5.2006)	CHF	4,100
<b>Total remuneration to BoD</b>		<b>CHF</b>	<b>1,801,200</b>

The highest remuneration paid to a director of Bellevue Group AG was CHF 120,000. None of the directors received any options.

The directors did not receive any other remuneration.

The members of the Group Executive Board received the following gross remuneration (salaries plus bonuses before deduction of social insurance contributions and taxes) for services rendered in the 2006 business year:

Thomas Matter	(resigned effective 30.11.2006)	CHF	222,750
Daniel Hefti		CHF	587,000

No contractually agreed severance packages have been arranged with any employees of Bellevue Group. Remuneration of executive management and Board members is decided by the Board of Directors.

None of the members of the Board of Directors or executive management who resigned received a severance package.

Internal transactions involving management, the Group Executive Board and the Board of Directors are listed on page 27 (Note 15) of the Annual Report.

### 6. Rights of shareholders

The participatory rights of shareholders comply with the provisions of the Swiss Code of Obligations. Entitlement to vote at a General Meeting is based on proof of share ownership. Each share is entitled to one vote at the General Meeting. There are no shares with preferential voting rights. A shareholder can only be represented by proxy by another shareholder. According to the Articles of Association, the General Meeting conducts elections and passes resolutions by an absolute majority of votes cast by shareholders present or represented by proxy, unless the law or the Articles of Association stipulate a qualified majority. At

present, the Articles of Association do not stipulate a qualified majority in any instances other than those prescribed by law. General Meetings shall be called by the Board of Directors or the corporate bodies and persons designated by law at least twenty days prior to the date on which the Meeting is to be held. Invitations are published in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt). Items placed on the agenda are subject to the provisions of the law.

Buyers of registered shares will, upon request, be entered in the Company's share register as shareholders with voting rights when they expressly acknowledge that the shares were acquired in their own name and for their own account. If a buyer is unwilling to make such an acknowledgment, the Board of Directors may refuse the entry in the share register. After hearing the registered shareholder or nominee, the Board of Directors may cancel, with retroactive effect as of the date of registration, the registration of shareholders if the registration was effected based on false information. The respective shareholder or nominee must be informed immediately of the cancellation of the registration. The entry of shares, be it with right of ownership or right of usufruct, is always subject to approval by the Board of Directors.

#### **7. Dividend policy**

In the proposal to the General Meeting regarding the appropriation of profit for 2002, the first-time payment of a dividend was proposed and subsequently passed. The gross dividend amounted to CHF 0.50 per share (adjusted for the split). The gross dividend for the 2003 business year amounted to CHF 0.60 per share (adjusted for the split). For the 2004 business year a gross dividend of CHF 5.00 per share was paid plus – to mark the occasion of the Bank's 10-year anniversary – a reduction in nominal share capital of CHF 0.40 per share. A dividend of CHF 2.00 per share was paid for the 2005 business year. Bellevue Group AG intends to distribute profits to its shareholders on a continuous basis in the future.

#### **8. Change of control and defense measures**

The buyer or acquirer of shares of Bellevue Group AG is not required to issue a public offer as stipulated by Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading ("opting out" as per Art. 22 para. 2 SESTA).

In compliance with the provisions of Art. 29 SESTA, the Board of Directors will publish a notification if a public bid has been received. As prescribed by law, no significant legal transactions will be effected from the moment a public offer has been received.

The period of notice for all employees in Switzerland with 10 or more years of service is three months. Notice periods for employees with less than 10 years of service are shorter.

#### **9. Auditors**

The auditors of the companies belonging to Bellevue Group are appointed for a term of one year. All Group companies are audited by PricewaterhouseCoopers ("PwC"). PwC has been the Group auditor since 1999; it has audited individual Group companies since 1994.

The auditor in charge for Bellevue Group AG, Bellevue Asset Management AG and Bank am Bellevue AG is Albert Schönenberger. He has exercised this function since the 2005 business year.

Auditing fees paid to PwC in the 2006 business year amounted to a total of CHF 808,083. No other additional fees were paid.

Each year a detailed report is drawn up for Bank am Bellevue AG, Küssnacht in accordance with Swiss banking law and submitted to the Swiss Banking Commission. The Board of Directors is bound by law to review this report at its meetings.

The consolidated financial statements and the main findings of the audit are discussed with the Board of Directors in the presence of the external auditors on an annual basis. The meeting on the 2006 business year took place on March 22, 2007.

#### **10. Information policy**

Bellevue Group AG publishes quarterly figures on a quarterly basis in compliance with IFRS accounting standards. These can be accessed at the website [www.bellevue.ch](http://www.bellevue.ch). The quarterly reports (3) and the annual report are also available to all interested parties in printed form.

Bellevue Group complies with the ad-hoc disclosure rules of SWX.

Information and communications duties are performed primarily by the Investor Relations Office. All press releases can be downloaded from the Internet ([www.bellevue.ch](http://www.bellevue.ch)).

Contact addresses are listed on the final page of the Annual Report.

#### **11. Material events after the balance sheet date**

Swissfirst Bank AG was sold effective January 1, 2007.

# Holding

## Balance sheet at December 31

	2006	2005
in CHF		
<b>Assets</b>		
<b>Current assets</b>		
Due from banks	61,882,283	0
Due from customers	0	3,588,227
Securities	192,826,452	111,621,936
Prepaid expenses and accrued income	937,100	0
Other assets	1,068,157	267,515
<b>Total Current assets</b>	<b>256,713,992</b>	<b>115,477,678</b>
<b>Non-current assets</b>		
Due from banks	0	25,000,000
Participating interests	303,646,474	318,990,181
<b>Total Non-current assets</b>	<b>303,646,474</b>	<b>343,990,181</b>
<b>Total assets</b>	<b>560,360,466</b>	<b>459,467,859</b>
Due from Group companies	65,391,846	25,000,000
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
<b>Short-term liabilities</b>		
Due to banks	140,000,000	64,482,890
Accounts payable	209,453	0
Derivative financial instruments	0	6,275,000
Deferred income	8,469,791	487,149
Other liabilities	266,350	116,672
Valuation adjustments and provisions	0	6,095
	148,945,594	71,367,806
<b>Long-term liabilities</b>		
Due to banks	0	150,000,000
Derivative financial instruments	143,594,560	79,849,437
	143,594,560	229,849,437
<b>Total liabilities</b>	<b>292,540,154</b>	<b>301,217,243</b>
<b>Shareholders' equity</b>		
Share capital	1,050,000	1,050,000
Legal reserve		
– General reserves	66,226,933	66,226,933
Other reserves	4,000,000	2,000,000
Disposable profit		
– Retained earnings brought forward	65,973,765	77,400,716
– Profit for the year	130,569,614	11,572,967
<b>Total shareholders' equity</b>	<b>267,820,312</b>	<b>158,250,616</b>
<b>Total liabilities and shareholders' equity</b>	<b>560,360,466</b>	<b>459,467,859</b>
Due to Group companies	140,000,000	214,482,890

## Profit and loss account for the year ending December 31

	2006	2005
in CHF		
<b>Net interest income</b>		
Interest and dividend income	3,964,095	2,444,051
Interest expense	-3,763,896	-771,573
	200,199	1,672,478
<b>Net fee and commission income</b>		
Fee and commission income	100,764	623,727
Fee and commission expense	-800	-1,900
	99,964	621,827
<b>Net income from securities business</b>		
Income from securities	-2,084,578	1,376,155
<b>Other operating income</b>		
Net income from the sale of financial investments	12,522,021	30,900,605
Income from associated companies	132,686,087	14,525,000
Other ordinary income	160,282	0
	145,368,390	45,425,605
<b>Operating expenses</b>		
Personnel expenses	-8,186,589	-83,600
Other operating expenses	-4,677,772	-1,624,424
	-12,864,361	-1,708,024
<b>Gross operating profit</b>	<b>130,719,614</b>	<b>47,388,041</b>
Extraordinary income	0	-35,795,074
Taxes	-150,000	-20,000
<b>Profit for the year</b>	<b>130,569,614</b>	<b>11,572,967</b>

## Notes to the financial statements

Information required by Art. 663b/c of the Swiss Code of Obligations

	31.12.2006	31.12.2005
<b>1. Assets pledged to meet own obligations</b>		
in CHF		
Securities	39,521,775	107,399,714
Participating interests	303,646,474	318,990,181
<b>Total</b>	<b>343,168,249</b>	<b>426,389,895</b>

The assets are pledged in favor of Swissfirst Bank AG as collateral for a loan of CHF 140,000,000.

	31.12.2006	31.12.2005
<b>2. Significant subsidiaries and associated companies (percentage of nominal share capital)</b>		
in CHF		
<b>Company</b>		
100 % Bank am Bellevue, Küsnacht, of CHF 25,000,000 nom.	25,000,000	25,000,000
100 % Swissfirst Bank AG, Zurich, of CHF 21,600,000 nom.	21,600,000	21,600,000
100 % Bellevue Asset Management, Küsnacht, of CHF 1,750,000 nom.	1,750,000	1,500,000
100 % Swissfirst Asset Management AG, Zug, of CHF 250,000 nom.	0	250,000
100 % Swissfirst Derivatives AG, Zug, of CHF 250,000 nom.	250,000	250,000
100 % Swissfirst Services AG, Zurich, of CHF 200,000 nom.	0	200,000
52.5 % Swissfirst Bank (Liechtenstein) AG, Vaduz, of CHF 20,000,000 nom.	0	10,500,000

Swissfirst Bank (Liechtenstein) AG, Vaduz, was sold effective November 8, 2006.

Swissfirst Services AG, Zurich, was sold effective December 31, 2006.

On January 1, 2006, Bellevue Asset Management AG, Küsnacht, merged with Swissfirst Asset Management AG, Zug.

The new entity acted under the name Swissfirst Asset Management at the beginning of 2006 and has operated under the name Bellevue Asset Management since December 5, 2006.

Swissfirst Bank AG, Zurich, was sold effective January 1, 2007.

	31.12.2006	31.12.2005
<b>3. Employee benefit plans</b> in CHF		
Liabilities with employee pension plans	16,926	none

	Number	Price	CHF
<b>4. Treasury shares</b>			
<b>Bellevue Group AG (formerly Swissfirst AG):</b>			
At 1.1.2006 (0.00 % of total)	0	0	0
No transactions in 2006			
At 31.12.2006 (0.00 % of total)	0	0	0

	Number	Average price
<b>Transactions in subsidiaries</b>		
At 31.12.2005 (-0.21 % of total)	-21,724	80.00
Purchase	2,856,618	87.63
Sale	-2,881,221	84.87
At 31.12.2006 (-0.44 % of total)	-46,327	78.00

<b>5. Information on capital increases and reductions</b>	2006	2005
in CHF		
Creation of authorized capital in 2006	100,000	
Creation of conditional capital in 2006	100,000	
The authorized and conditional capital was created in accordance with the resolution approved by the extraordinary general meeting on December 15, 2006		
Capital reduction carried out in 2005		-3,950,000

<b>6. Information on major shareholders</b>	Participating interest in %	Numbers of shares
At 31.12.2006 the following major shareholders were known to Bellevue Group AG:		
Martin Bisang, Küsnacht*	13	1,365,000
Hans-Jörg Graf, Wollerau*	6	674,538
Jürg Schächli, Rapperswil-Jona*	6	630,000
Thomas Matter, Zug*	5	555,000

\* In accordance with the disclosure requirements of the Ordinance on Stock Markets and Securities Trading (BEHV).

No other information must be disclosed pursuant to Art. 663 b/c.

## Appropriation of profit

The Board of Directors proposes the following appropriation of profit:

	2006	2005
in CHF		
Profit carried over from the previous financial year	88,973,683	52,065,899
Dividend on eligible capital	-20,999,918	-49,962,000
Allocation to free reserves	-2,000,000	-2,000,000
Subtotal of earnings to be carried forward	65,973,765	103,899
Release of reserves for treasury shares	0	77,296,817
Profit carried forward to new financial year	65,973,765	77,400,716
Profit for the year	130,569,614	11,572,967
<b>Amount available for allocation</b>	<b>196,543,379</b>	<b>88,973,683</b>

	2006	
in CHF		
<b>Proposed allocation of retained earnings:</b>	<b>196,543,379</b>	
Dividend on eligible capital	-52,500,000	
Allocation to free reserves	-5,300,000	
<b>Profit carried forward to new financial year</b>	<b>138,743,379</b>	

# Report of the statutory auditors

Report of the statutory auditors to the general meeting of  
**Bellevue Group AG, Küsnacht**

As statutory auditors, we have audited the accounting records and the annual financial statements (balance sheet, income statement and notes) of Bellevue Group AG for the year ended December 31, 2006.

The financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, financial statements and the appropriation of available earnings proposed by the Board of Directors for the year comply with Swiss law and the company's Articles of Incorporation.

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

**PricewaterhouseCoopers AG**

Albert Schönenberger  
Auditors in Charge

Silvio Fischer

Zurich, 26 February 2006

# Addresses

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