

Annual Report 2018

Value
Creating

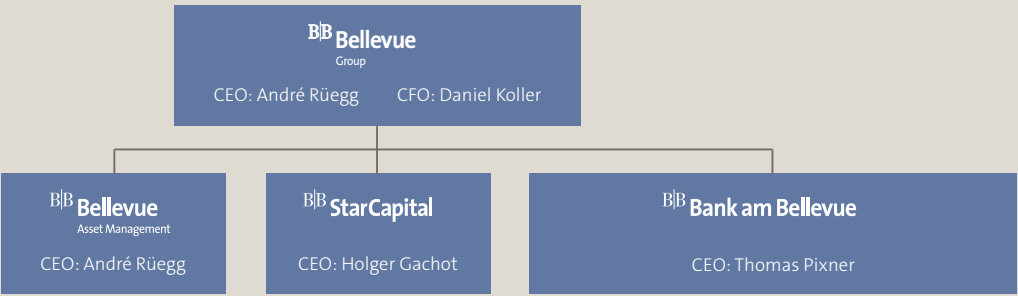
BB Bellevue
Group

Bellevue Group is an independent Swiss financial boutique listed on the SIX Swiss Exchange. Established in 1993, the company and its approximately 120 professionals are largely active in the areas of asset management and wealth management.

The Asset Management segment offers a select range of active equity strategies in fast-growing markets, the healthcare sector, and in other special themes such as owner-managed companies, as well as successful holistic investment strategies across all traditional asset classes.

Bank am Bellevue offers first-class wealth and investment advisory services with a special focus on entrepreneurial private clients. The Group's offering of investment-related solutions is rounded out by other services. These include the establishment, management, and consultation of Investment Offices, trading and custody services, and selected credit facilities for affluent private clients as well as institutional clients.

Legal entities



Segments & offering

ASSET MANAGEMENT	BANK AM BELLEVUE	
<p>Investment funds & institutional mandates</p> <div><div>Healthcare equity strategies Specialized equity strategies Absolute return strategies</div><div>Global equity strategies Global bond strategies Multi-asset solutions (discretionary and rule-based)</div></div>	<p>Wealth Management</p> <div>Investment advisory Wealth management Investment office services</div>	<p>Banking Services</p> <div>Trading execution Market making Custody services Selected credit facilities</div>

At a glance

CHF 1 000	1.1.–31.12.2018	1.1.–31.12.2017	Change	
Profit and loss account				
Net interest and dividend income	2 863	1 191	+1 672	+140%
Net fee and commission income	96 911	94 604	+2 307	+2%
Net trading income	–1 938	2 497	–4 435	–178%
Other income	4 970	1 997	+2 973	+149%
Total operating income	102 806	100 289	+2 517	+3%
Total operating expenses	79 061	72 685	+6 376	+9%
Group net profit	19 973	21 516	–1 543	–7%
Balance sheet				
Total assets	467 359	462 236	+5 123	+1%
Total liabilities	270 478	285 037	–14 559	–5%
Total shareholders' equity	196 881	177 199	+19 682	+11%
Ratios				
Earnings per share (in CHF)	1.49	1.60	–0.11	–7%
Undiluted earnings per share (in CHF)	1.49	1.60	–0.11	–7%
Diluted earnings per share (in CHF)	1.49	1.60	–0.11	–7%
Equity per share (in CHF)	14.63	13.16	+1.47	+11%
Cash distribution/dividend per share (in CHF)	1.10	1.10	+0.00	+0%
Return on equity	10.7%	12.8%	–	–2.1%
Distribution/dividend yield ²⁾	5.6%	4.5%	–	+1.1%
Cost/Income ratio ³⁾	74.8%	70.2%	–	+4.6%
Self-financing ratio	42.1%	38.3%	–	+3.8%
Assets in self-managed collective investment instruments (in CHF m)	8 882	9 931	–1 049	–11%
Assets with management mandate (in CHF m)	349	369	–20	–5%
Other assets under management (in CHF m)	1 578	1 745	–167	–10%
Total managed assets (in CHF m) ⁴⁾	10 809	12 045	–1 236	–10%
Number of staff (full-time equivalent) at cutoff date	111.6	92.6	+19.0	+21%
Annual average number of staff (full-time equivalent)	109.1	99.0	+10.1	+10%
Share price of Bellevue registered shares (in CHF) as per 31.12.	19.80	24.30	–4.50	–19%
Market capitalization (in CHF m)	267	327	–61	–19%
Year high ⁵⁾	25.95	24.85	+1.10	+4%
Year low ⁵⁾	18.40	14.82	+3.58	+24%

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

²⁾ Calculated from share price as at 31.12.

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

⁴⁾ Before deduction of double counts

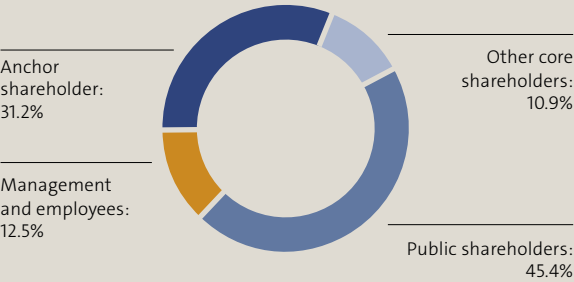
⁵⁾ End of day prices

DEVELOPMENT OPERATING PROFIT

(CHF mn)

2018		24.7
2017		29.3
2016		14.5
2015		24.6
2014		13.3

SHAREHOLDER STRUCTURE



Business model as a pure asset and wealth manager demonstrated its viability

Bellevue Group rode out the volatile markets of 2018 as an innovative financial boutique with a broad range of asset and wealth management products and services. The 7% decline in net profit for the period to CHF 20.0 mn reflects the contraction in assets under management caused in no small measure by last year's market turmoil and the revenue streams at Bank am Bellevue, which must still be scaled up after focusing its operations on the wealth management business. The Group is in a good position to profit immediately from a market recovery.

Temporary lull in growth of assets under management due to market turmoil

After reporting a steady increase in assets under management for several years, the growth trend was temporarily halted by the market's retreat during the fourth quarter of 2018. Assets under management hit an all-time high at mid-year before falling back about 15% to CHF 10.8 bn at year-end. The net inflow of new client assets in the first half was more than offset by the second-half outflows as investor behavior shifted.

Steady income streams

Net fee and commission income, the Group's single most important source of income, grew another 2% to CHF 96.9 mn in 2018. Recurring income rose no less than 18% to CHF 94.8 mn. It accounted for 97% of the total consolidated income of some CHF 98.1 mn and underscores the high quality of Bellevue Group's operating income.

Asset Management delivers record results

Thanks to its higher average level of assets under management until the final quarter of the year, Bellevue Asset Management achieved a record operating profit of CHF 36.9 mn. Investors showed strong interest in the time-tested equity strategies for the healthcare sector, some of which enjoyed another year of double-digit returns.

Continuation of shareholder-friendly dividend policy

The Board of Directors will propose a steady payout of CHF 1.10 per share at the pending general meeting of shareholders, which corresponds to an attractive dividend yield of more than 5%.

OPERATIONAL REVENUE

CHF 24.7 mn

(2018)

INCOME FROM RECURRING REVENUES

97%

(2017: 82%)

ASSETS UNDER MANAGEMENT

CHF 10.8 bn

(as at 2018/12/31)

BELLEVUES TOP-PERFORMER 2018

17.4%

(BB Adamant Medtech & Services in EUR)

DIVIDEND PER SHARE (PROPOSAL)

CHF 1.10

(thereof CHF 0.25 cash distribution)

SHAREHOLDERS' EQUITY 2018

CHF 197 mn

(2017: CHF 177 mn)

ANNUAL AVERAGE NUMBER OF STAFF (FTE)

111.6

(2017: 92.6)

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For our clients, shareholders

Creating Value



Oberursel: Markus Kaiser, Holger Gachot, Dr. Manfred Schlumberger (left image); Natalie Maisch, Johannes Alschwee (right image)



Zürich: Cyrill Zimmermann, Oliver Kubli

ders and team

Küsnacht: Christian Zenker, André Rüegg, Tanja Chicherio, Stefan Götte



Dear shareholders

For Bellevue Group, like for much of the financial industry, 2018 was a challenging year and ultimately one of the weakest years performance-wise since the global financial crisis. All major markets ended the year in negative territory and some even retreated by double-digits. After a constructive first half, despite the more visible signs of a slowing global economy, dark clouds gathered over the markets, especially during the final months of 2018, when selling pressure and investor uncertainty were exceptionally high. This global market turmoil could be traced to geopolitical and trade-related tensions, especially to the conflict between the US and China and the looming Brexit with its many unknowns. Market volatility and the increasingly risk-averse investment community had an impact on Bellevue Group during the final quarter.

Growth of assets under management prevented by market sell-off

Bellevue Group, an internationally active asset and wealth management boutique with innovative products and services, has nearly tripled its assets under management since 2013. Thanks to organic growth and selective acquisitions in Asset Management, assets under management hit a record at the mid-year mark of 2018. The subsequent market turmoil that came to a head in the fourth quarter lowered assets under management in the second half by about 15% to CHF 10.8 bn. In January of 2019, assets under

management already bounced back to CHF 11.8 bn. The significant corrections on global financial markets led to a negative performance impact of about CHF 1.3 bn in the second half on the one hand and clearly reduced investor appetite for risk on the other. Many investors adopted a risk-off stance and redeployed their investment assets, which is reflected in the net outflow of about CHF 600 mn in client money during the second half. That, in turn, negated the pleasing first-half inflow of new money (CHF 552 mn) and resulted in a net outflow for the year of CHF 49 mn. Bellevue Group's previous growth momentum was thus halted for the time being by the second-half market turmoil.

BELLEVUE'S TOP-PERFORMANCE 2018

17.4%

(BB Adamant Medtech & Services, in EUR)

Market environment in late 2018 narrowed our outperformance

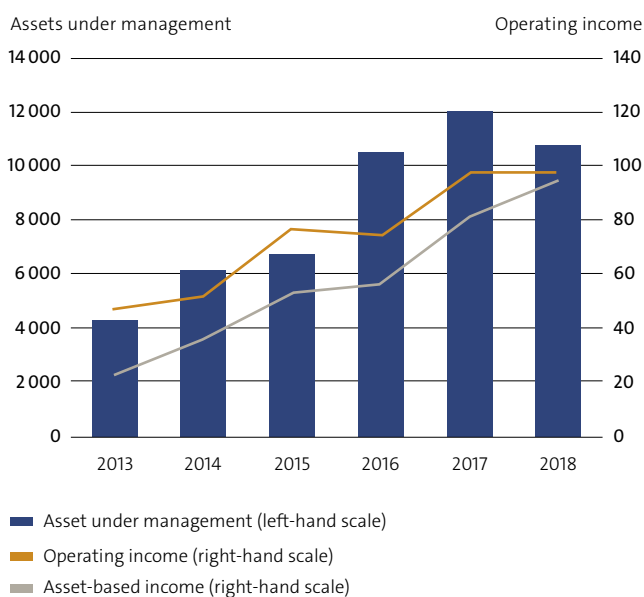
The stark contrast between the two half-year periods is also reflected in the performance of our investment vehicles over the year. As an active asset and wealth manager, Bellevue Group was able to take advantage of the constructive market environment in the first half and about 70% of its stock-market strategies even delivered an excess performance but only a handful of its strategies were able to sustain their successful performance throughout the second half of 2018. Most of the positive performers were in the healthcare space, led by the BB Adamant Medtech & Services funds, which gained 17.4% (in EUR) and 15.9% (in CHF), the newly launched BB Adamant Digital Health Fund (+15.3% in USD), the BB Healthcare Trust (+4.9% in GBP), and the BB Adamant Global Healthcare Fund (+0.4% in CHF). Bellevue's flagship product BB Biotech AG outperformed its benchmark by 3.4%, but still ended 2018 with a negative performance of 5.1% (in CHF). After finding a floor at the end of 2018, a strong recovery set in at the start of 2019.

Stability and high quality of revenues leads to steadier operating performance

As in the preceding years, Bellevue Group continued to improve the quality of its earnings power during the past year despite the obvious challenges. Net fee and commission revenues, the Group's most important source of revenues, rose by 2%-plus to CHF 96.9 mn. Meanwhile recurring, asset-based revenues sprang 18% higher to CHF

OPERATING INCOME

(CHF mn)



Source: Bellevue Group, as at December 31, 2018



André Rüegg
Chief Executive Officer

Thomas von Planta
Chairman of the Board
of Directors

BELLEVUE GROUP NET PROFIT 2018

CHF 20 mn

94.8 mn and now accounts for 97% (previous year: 82%) of total operating revenues, which attests to the high quality of the Group's earnings power.

Total operating revenues for Bellevue Group in 2018 amounted to CHF 98.1 mn, just under the level achieved in the previous year, despite the significant decline in performance fees for the period. Asset Management continues to generate almost all of the income, although Wealth Management did make a larger contribution of CHF 5.7 mn to the revenues in 2018. On the expense side, start-up investments at Wealth Management led to a nearly 6% increase in total operating expenses to CHF 73.4 mn while personnel expenses were roughly unchanged. This resulted in an operating profit – for the first time as a pure asset and wealth manager – of CHF 24.7 mn, a decline of 16% from the previous year. The cost/income ratio rose to 75%, which is within the medium-term targeted range of 70-75%. Bellevue Group's consolidated net profit declined by nearly 7% to CHF 20.0 mn. At the end of 2018, 119 people were employed at Bellevue.

Asset Management the central pillar

Bellevue Asset Management remained the Group's central pillar in 2018 thanks to its extensive investment expertise. Average assets under management were higher year-on-year until the fourth quarter of 2018 and this growth fueled the renewed 10% increase in the segment's operating revenues to a record high CHF 92.5 mn. At the same time, a 14% increase in the headcount and higher research costs under MIFID II led to an increase in total operating expenses to CHF 55.6 mn. Operating profit thus rose 5% to CHF 36.9 mn. Assets under management declined to just un-

der CHF 9 bn at year-end because of the market sell-off. The various product lines showed differing trends. Domestic and foreign investors continued to display considerable interest in our promising healthcare equity strategies, which attracted a total of CHF 700 mn in new client money. The three innovative investment products

«Investors continued to display interest in our promising healthcare equity strategies.»

launched in 2018 had a good start: the BB Adamant Digital Health Fund, focused on fast growing healthcare firms with a tech touch, BB Pureos Bioventures – a venture capital company investing in innovative research-stage biotech companies – and the BB Adamant Sustainable Healthcare Fund attracted aggregate assets of about CHF 190 mn. Regional equity and bond strategies and multi-asset strategies were less appealing given the market environment and experienced an overall net outflow of CHF 726 mn. An additional factor for the outflows was the succession plan executed at StarCapital, which induced some investors to reassess their engagements.

Slow progress in Wealth Management

The Wealth Management team of Bellevue Group acquired CHF 290 mn in new client money from entrepreneurial private clients with its innovative and bespoke services while Bank am Bellevue lost CHF 309 mn in assets

CHF 1.10

(Proposal)

under low-margin advisory mandates. In its first full year of operations the Wealth Management unit made some progress but did not match our expectations. At year-end the bank was entrusted with client assets of CHF 1.8 bn. This was also the first full year without any revenues from the discontinued Brokerage and Corporate Finance activities, so the bank's income base was and will remain considerably lower for the indefinite future. The likewise significant reduction in the bank's personnel expenses was unable to offset all of the reduction on the income side. This segment's operating loss of CHF 8.2 mn fell short of our expectations. Obviously the situation at the bank and the Wealth Management units must improve significantly and corrective action will be taken.

Continuation of shareholder-friendly dividend policy

The Group's solid equity base allows it to maintain a stable, shareholder-friendly dividend policy. The Board of Directors will propose a steady payout at the Annual General Meeting consisting of a dividend of CHF 0.85 per share plus a cash distribution from capital contribution reserves of CHF 0.25 per share. With a CET 1 ratio of 15.9% (2017: 16.6%), the Group's eligible capital and reserves will remain well above the minimum regulatory capital requirements even after the proposed dividend payout.

The value of Bellevue Group's interest in SIX Group was increased by CHF 22.7 mn to CHF 43.8 mn (incl. deferred taxes) following the divestment of SIX Payment Services. This upward adjustment in value was recognized as other comprehensive income in equity.

«The Group's operating leverage will allow it to benefit quickly from improving market conditions.»

Changes in the Board of Directors

As already announced in the media release of January 30, 2019, the currently serving director Veit de Maddalena will be proposed as new board chairman at the Annual General Meeting on March 19, 2019. He will be the successor to Thomas von Planta, who has decided not to stand for re-election. Mirjam Staub-Bisang is also not standing for re-election. Katrin Wehr-Seiter and Urs Schenker will be proposed as new members of the Board of Directors. The currently serving directors Veit de Maddalena, Daniel Sigg and Rupert Hengster will be standing for re-election at the AGM and Katrin Wehr-Seiter and Urs Schenker will be standing for election as new members of the board.

Thomas von Planta
Chairman of the Board
of Directors



Outlook

Bellevue Group performed well last year as a pure asset and wealth manager with broad and innovative investment expertise in the face of the challenging market environment. The Group's operating leverage will allow it to benefit quickly from improving market conditions.

In Asset Management we will continue to pursue our "grow with the products and innovate" strategy. Our sweeping investment skills and capabilities enable us to achieve excess returns for our clients in a constructive market environment. We aim to introduce further product innovations to give our clients new ways and means of investing in global growth opportunities and trends. We are confident that these new products will also attract considerable investor interest in a normalized market environment.

Management attention is currently focused on strengthening the Wealth Management business and significantly improving the bank's operating performance. An acceleration of business activity and the broadening of the asset base and the income streams are vital in this regard. We are deliberating our next moves, which could be either internal measures or selective acquisitions. We stand by our

stated goal of addressing the needs of entrepreneurial private clients through active investment strategies.

Our employees constitute the solid and promising foundation upon which Bellevue Group will continue to thrive. The trust and loyalty of our shareholders and clients strengthen our resolve as we actively shape the future of our Group. On behalf of the Board of Directors and the Executive Board, we thank all stakeholders for their support and their commitment to Bellevue Group. We look forward to our fruitful collaboration going forward.



Thomas von Planta
Chairman of the Board
of Directors



André Rüegg
Chief Executive Officer

«We share our success with our clients and shareholders»

André Rüegg, CEO Bellevue Group, speaks about the entrepreneurial spirit that the Group is known for and how Bellevue employees live it every day.

Mr. Rüegg, Bellevue Group has evolved into a pure asset and wealth manager over the past few years. This field is already crowded with many other domestic and international players. How can Bellevue successfully position and profile itself in this market?

Competition in the asset and wealth management markets is indeed very intense. Bellevue Asset Management's successful development over the years is proof, however, that our selective and innovative investment strategies appeal to national and international investors. Our extensive investment expertise is sustained by the respected and talented investment professionals we have recruited and retained by virtue of our entrepreneurial corporate culture.

The expression "corporate culture" has become a widely used catchword. What are the distinguishing aspects of Bellevue Group's corporate culture?

An entrepreneurial corporate culture rests on the notion that entrepreneurship should guide the daily business and the actions of every employee. At Bellevue we create an environment of empowerment to make this a reality: Simple and efficient management structures improve the utilization of resources and ensure straightforward decision-making channels. We delegate responsibility and embrace constructive collaboration. As an employer, we give management and staff long-term perspectives to ensure the long-term viability of their actions, in stark contrast to a short-term quarterly mindset. Of course, Bellevue Group's small size is helpful in encouraging our staff to embrace our culture of entrepreneurialism. This kind of culture cannot be scaled up indefinitely, so size and growth per se is not the goal. Instead, we focus on the quality of the work we do and the enjoyment it brings us and on the success we achieve through our work, which we share with our clients and shareholders.

Can you go into more detail here? How do you maintain an entrepreneurial mindset at Bellevue?

A key piece of the puzzle is offering employees a stake in the company in both good times and bad. Our objective is to create value and share that value. All of our employees have a stake in our company or its products, or both. So every day when they get to work they are motivated to earn money for the company or make astute investment decisions on behalf of the company. It follows from this that our variable pay plans are based on the profits that

we share with our shareholders. Moreover, about half of this profit-based pay is in the form of company shares and/or investments in our own products. Just like many of our clients, Bellevue's investment experts are invested in the very products they manage and they are just as exposed to the performance of those products. "We eat our own cooking", which not everyone can claim in our industry. Direct participation in the financial success of the company is a good way of ensuring sound decisions and retaining our talented employees. At the same time, these compensation plans increase the credibility of Bellevue and its employees because we share the same interests as our shareholders and clients.

«Our extensive investment expertise is sustained by the respected and talented investment professionals we have recruited and retained by virtue of our entrepreneurial corporate culture.»

Entrepreneurial employees are what any employer wants. How does Bellevue Group recruit and retain employees with this mindset?

Recruitment is a critical part of the process of course. But it is difficult to systematize. In many cases we can contact potential candidates through our own employees' professional networks. They help to spread awareness of the special Bellevue spirit. During the recruitment process we endeavor to identify the applicants who don't just talk the talk when it comes to an entrepreneurial mindset. We want professionals who are eager to excel, who are willing to shoulder some of the risks inherent in our business and share in our financial success, or non-success as the case may be. This has proven to be an attractive set-up that enables us to attract entrepreneurial experts to Bellevue Group – over the long term for high continuity.

A man in a dark suit and red tie stands in front of a large window. The window looks out onto a cityscape with a body of water and hills in the background. The man is holding a black leather bag. The text "12.5% Shares held by employees" is overlaid on the image.

12.5%
Shares held by employees

André Rüegg
Chief Executive Officer

BB Adamant Healthcare:
Hanns Frohnmeier, Zahide Donat,
Dr. Cyrill Zimmermann, Remo Krauer,
Samuel Stursberg



«We eat our own cooking» – what exactly do we mean by that? For one, the investment products we create are intended to benefit our clients first and foremost. We are also directly invested in the very same products, be it as portfolio managers or Bellevue Group executives. Even our pension fund assets are invested in our own investment vehicles. That's because we strongly believe every investment decision should be made with a high level of confidence and a firm commitment. «Eating our own cooking» is also an important element of the best risk management system in the market.

Conviction *high*



Bellevue Asset Management
Germany: Alexander Brühl,
Alexander Gerstadt, Gökay
Safak

Asset Management – stronger earnings power despite the difficult market environment

The Asset Management segment, which consists of Bellevue Asset Management AG and StarCapital AG, looks back on a solid, moderately positive year, notwithstanding the adverse effects of the market turbulence and volatility over the course of the year. During the first six months of 2018 most indicators were pointing up but the second half of 2018, due to the deep market correction, especially during the fourth quarter, had a highly negative impact on assets under management across almost the entire asset class spectrum. Assets under management amounted to about CHF 9 bn at the end of 2018, which is 10.5% less than a year earlier. This contraction broadly matches the general declines on stock markets over the same period. Asset Management's solid business model and basic earnings power, which has been strengthened over the years, surmounted these difficulties in relatively good form. That is reflected in the nearly 5% year-on-year increase in segment operating profit to a new record high of CHF 36.9 mn despite the adverse market environment.

After years of steady growth in the underlying business – both organic and acquisition-driven – this positive trend was not sustained in 2018 due to the turbulence on global financial markets. Obviously, the asset base is not immune to the general stock market environment. Our methodical diversification of the products and services we offer in liquid investment categories managed to deflect some of the consequences of the corrections that pulled almost every asset class lower, from pure stock and pure bond strategies to multi-asset strategies.

Against this backdrop, a top priority was ensuring the stability of our time-tested business model while systematically enhancing it in various ways, quantitative as well as qualitative. Organizational structures were strengthened in all core areas of portfolio management, research, sales, distribution, and operations by hiring more specialists to keep us well-positioned to address the challenges that lie ahead. Such foresight has paid off in the past because selective recruitment of the appropriate talent has always, after a certain period, enhanced our subsequent growth rates. This action also underscores our intention to “grow with the products and innovate”. Another example here is our decision to establish a London office, which we have since expanded. This move has clearly strengthened our presence in this strategic key market and BB Healthcare Trust, our investment vehicle which has been listed on the London Stock Exchange since the end of 2016, attracted more inflows and will allow us to follow through on our growth plans. The admission of our flagship product BB Biotech AG to the SMIM® Index and the SPI® Index on September 24, 2018 marked another milestone for our company and created more opportunities for growth. Our innovation skills were also on display with the successful launch of important liquid investment vehicles (the BB Adamant Digital Health and the BB Adamant Sustainable Healthcare funds) and of a new private equity strategy (BB Pureos Bioventures).

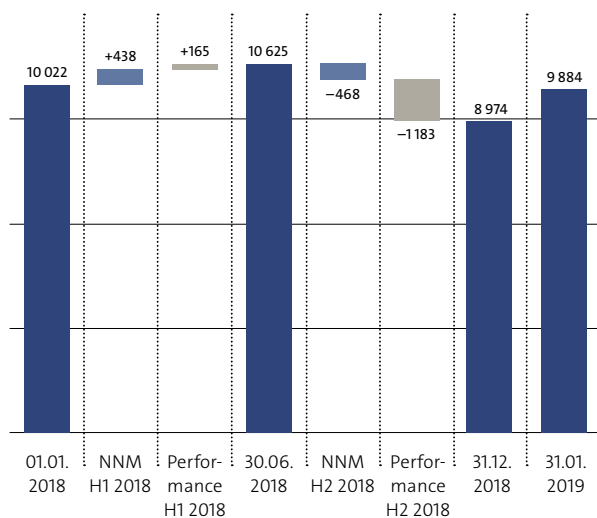
Last year was a particularly challenging year for management and staff at StarCapital. Besides the difficult market environment, especially for mixed and bond strategies, the long-planned succession process for company founder and widely respected senior investment officer Peter E. Huber was formally implemented at the end of the year. This passing of the baton and the various changes in fund management and sales this entailed had an impact on the underlying asset base and income flows. These were anticipated consequences and both management and staff are confident that the adjustments they have made will enable them to successfully navigate the opening chapter of the «post-Peter E. Huber» era. It will take a lot of hard work and some time before the historical earnings level is re-attained, however.

Solid, well diversified asset base, slight contraction

The significant threshold of CHF 10 bn in assets under management reached during the previous fiscal year was not maintained during the year under review. Assets under management declined by 10.5% to CHF 9.0 bn at the end of 2018, mainly due to the market correction in the fourth quarter. Approximately three-quarters of AuM were invested in Bellevue Asset Management products (CHF 6.9 bn) and one-quarter in StarCapital products (CHF 2.1 bn). Almost all of the approximately CHF 1.0 bn decline

DEVELOPMENT OF ASSETS UNDER MANAGEMENT 2018

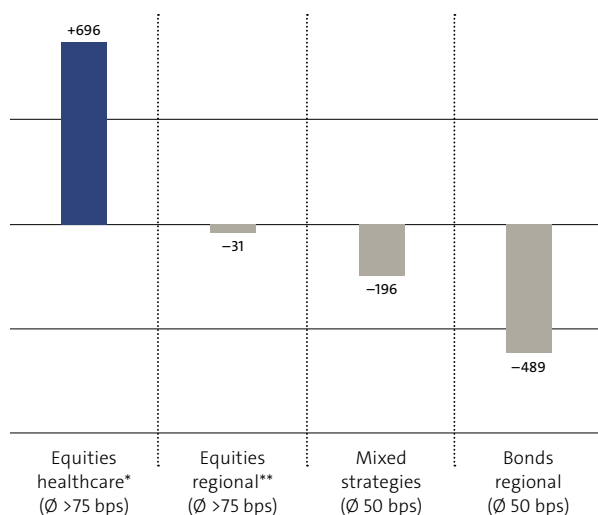
(CHF mn)



Source: Bellevue Asset Management, as at December 31, 2018

NET NEW MONEY FLOWS BY ASSET CLASS

(CHF mn)



* includes ventures strategies

** also includes institutional mandates

Source: Bellevue Group, as at December 31, 2018

in AuM is attributable to negative market-related performance effects (CHF -1.0 bn). The impact of net new money was minimal at CHF -30 mn.

Looking at new money flows and momentum over the year, the picture for the two half-year periods is mixed. In the first half, net new money amounted to CHF 438 mn, buoyed by the fairly stable market environment, whereas the second half led to the complete reversal of the first-half inflow, due to the heightened market volatility. Such contrasts were also evident between the various investment strategies. Unlike in the past, only the healthcare investment strategies showed positive net new money figures (+CHF 696 mn) during the period under review, while the regional equity and bond funds and mixed strategies (discretionary and quantitative multi-asset class strategies) experienced a net outflow of CHF 726 mn.

As a result of these developments, Asset Management was unable to achieve the long-term goal of 5-10% net new money growth during the past year. This clearly shows that the targeted level of organic net new money growth we aim to achieve with our business model is only realistic in a constructive market environment. Equally important is the fact that our methodical diversification strategy has proven to be a stabilizing factor, despite the occasionally negative compensatory effects.

Earnings power grows stronger and quality remains high

Despite the aforementioned, mostly market-related contraction in assets under management, the steady expansion in the asset base during preceding years fueled another year-on-year increase in segment earnings last year. Total revenue for fiscal 2018 rose by about 10% to

CHF 92.5 mn even though performance fees plunged to CHF 2.4 mn (previous year: CHF 8.4 mn). The sustained very high quality of earnings is also visible in the share of recurring revenue (management fees) as a percent of total revenue, which reached a historic high of over 99% in the past year (previous year: 93%).

Operating profit was also higher year-on-year, up almost 5% to CHF 36.9 mn. Operating expenses showed a disproportionate increase of about 13% to CHF 55.6 mn. Besides the larger workforce, this increase largely reflects the costs of CHF 2.2 mn associated with investment research activities, which are now charged to the segment's income statement. In connection with the new European Financial Instruments Directive MiFID II that entered into effect at the beginning of 2018, Bellevue Group decided to absorb these costs rather than pass them on to its clients directly or via product fees. As a result, the segment's cost/income ratio deteriorated slightly to 60.1% (previous year: 58.2%), which is still in line with management's long-term target of 60%.

INCREASE OPERATING INCOME ASSET MANAGEMENT 2018

+10%

(to CHF 92.5 mn)

Attractive product portfolio and proven innovation signal more growth potential ahead

2018 is likely to be viewed by many stock investors as one of the worst years ever. It certainly was for the Asset Management segment.

Five of its investment funds managed to end the year with a positive absolute performance in their respective base currency despite the very demanding market environment: The two BB Adamant Medtech & Services funds gained 17.4% (in EUR, Luxembourg fund) and 15.9% (in CHF, Swiss fund), the BB Adamant Digital Health Fund gained 15.3% (in USD) in its debut year, the BB Healthcare Trust showed a plus of 4.9% (in GBP) and the BB Adamant Global Healthcare Index (Swiss fund) delivered a slightly positive return of 0.4% (in CHF). All other investment strategies focused on the healthcare sector showed negative absolute returns ranging from -3% to -14%. Given their greater exposure to small and mid caps with a generally cyclical bias, the family of Entrepreneur funds was especially challenged by last year's market turmoil. Performance here was negative across the board, ranging from -15.7% (BB Entrepreneur Europe, in EUR) to -29% (BB Entrepreneur Europe Small, in EUR). The regional equity strategies managed by StarCapital (StarCapital Starpoint, StarCapital Priamos) and the BB African Opportunities Fund were not as weak but their absolute performance for the year was likewise negative. Even diversification across multiple asset classes did not offer investors much pro-

tection from last year's stormy markets. In a persisting challenging environment of very low or even negative interest rates with considerable volatility on the currency front, especially in emerging market currencies, it proved virtually impossible to achieve positive investment returns. Nevertheless, StarCapital's two bond-only strategies, Argos and Bond Value, managed to close a most difficult year with negative returns of less than 4%. Not surprisingly, our various mixed and multi-asset class strategies, whether discretionary, research-driven or rules-based, also struggled with the volatile market trends. Here performance for the year ranged from -2.8% (BB Global Macro, in EUR) to -10.9% (StarCapital Huber Strategy), depending on the given risk profile.

Thanks to their diversity and complementarity, Bellevue Asset Management and StarCapital's product ranges covering various regions (e.g. Europe and Africa), sectors (healthcare), themes (Entrepreneurs) and investment goals (Global Macro) and styles (value strategies, discretionary multi-asset funds, quantitative strategies) as well as fixed-income strategies have stood the test of time. The continuity and the positioning of its attractive product offering that has been carefully established over the years bode well for solid growth over a long-term horizon. Besides offering access to attractive structural growth opportunities and niche strategies, the high levels of expertise and continuity within our investment teams and their stellar long-term track records have proven to be dis-

BB Biotech turns 25: Five questions for Dr. Daniel Koller, Head of the Investment Team

Dr. Koller, the investment vehicle BB Biotech was launched 25 years ago. How did that come to pass?

25 years ago there weren't any collective investment schemes in Switzerland or any other European country that offered access to the emerging, very dynamic biotechnology sector in the USA. Investment experts recognized the potential of this young industry and they established BB Biotech as a way and means of investing in US biotech companies.

Do you still know what stocks were in the portfolio back then?

There were only a handful of biotech companies listed on the stock market – names like Amgen, Vertex, Biogen and Genentech. A mere seven stocks were in our portfolio at the beginning and the three biggest positions accounted for more than three-quarters of total investments. In comparison, there were 34 stocks in BB Biotech's portfolio at the end of 2018.

Looking back, what companies generated the most positive surprises?

Vertex Pharmaceuticals is a good example here. It was the first company to launch a novel medication for treating hepatitis, a direct-acting antiviral, but its drug was soon squeezed out of the market by rivals. That didn't stop Vertex, though, which went on to develop several cystic fibrosis drugs all the way to approval. Now we're expecting Vertex to receive approval in 2019 for a triple combination therapy that could help cystic fibrosis patients achieve a status comparable to that of healthy subjects. Examples of other biotech companies that have set standards are Incyte with Jakafi for the treatment of myelofibrosis and Celgene with Revlimid for the treatment of multiple myeloma.

What were the biggest disappointments?

Antimicrobial drug development has certainly been a disappointment. We made investments in companies researching new antibiotics given the high unmet medical need in this area. The outcome was sobering, especially since many of the pipeline candidates failed to convince in clinical practice because they lacked true innovation and did not stand out much from existing older generations of antibiotics.

Where do we stand today?

Biotech has matured into a major industry with billions of dollars in sales and steady double-digit growth rates. 2018 was a record year for drug developers with 59 new drug approvals in the US alone, more than in any other year – and more than half of those new drugs came from biotech labs.

*«Considerable attention
will be devoted to
the ongoing evaluation,
adjustment and refinement
of our products and services
to defend and strengthen
our competitiveness
in the market.»*

tinctive advantages in today's very competitive asset management business. Our constant quest for performance excellence and our product development efforts, especially with regard to innovative new investment concepts, also help to keep our competitive edge honed. We expect the MARS Asset Management team acquired by StarCapital last year to deliver tangible results in developing quantitative, rules-based investment strategies.

Time-tested strategy reaffirmed – “Grow with the products and innovate”

Regardless of the latest market gyrations, we are confident that our proven process of corporate development and the current strategic positioning of the Asset Management segment will continue to produce attractive

Attractive product innovation demonstrated with new funds and private equity solutions

Bellevue further strengthened its core expertise as a healthcare investor by way of various product innovations. Given its obvious benefits, digital technology is now transforming the world of healthcare and creating further growth momentum in a sector that already ranks among the fastest growing sectors in the economy, buoyed by structural growth trends such as demographic aging and the spread of lifestyle diseases. With the launch of the Luxembourg-based BB Adamant Digital Health Fund, Bellevue is addressing an investment opportunity with substantial growth potential thanks to its crucial role in delivering the efficiency gains and cost-savings that are greatly needed in healthcare systems around the world.

Demand for sustainable investment vehicles has clearly grown in recent years. Bellevue again demonstrated its pioneering spirit by launching the BB Adamant Sustainable Healthcare Fund. This fund invests in sustainability leaders with innovative business models in the healthcare industry. Sustainability, an internationally active ESG specialist, supports the fund's management team in its analysis and evaluation of corporate sustainability. The fund was pleased to receive the Austrian Ecolabel.

In the private equity space, Bellevue invests in young research-stage biotech companies pursuing innovative treatments in Switzerland and other countries through BB Pureos Bioventures. Bellevue has invested in more than 80 privately-held healthcare companies through such investment products since 1995. This new investment vehicle will invest in companies that are developing next-generation biologics for indications with high unmet medical need. Bellevue has established a team of experienced risk capital managers and biotech entrepreneurs for BB Pureos Bioventures, and they are supported by a standing expert advisory board.

growth opportunities going forward. Recent acquisitions have strengthened and broadened our asset base and diversified its structure in terms of targeted markets.

We are now working on consolidating and leveraging our expertise and maintaining our high levels of quality. Considerable attention will be devoted to the ongoing evaluation, adjustment and refinement of our products and services to defend and strengthen our competitiveness in the market. Convincing product innovations and investment ideas will be just as important as product range management because, judging by recent industry developments, growing with products that the investment community demands will be vital. Our longer-term growth will hinge on increasing our penetration of the demanding segment of institutional investors within our domestic

and foreign markets. Besides performance quality and other considerations, the size of an individual investment strategy will be a key factor for success.

Our primary strategic focus remains on organic growth, utilizing the available in-house capacity. But we will also be keeping an eye on other possibilities and opportunities for growth. Bellevue has proven itself to be an engaging employer that attracts a constant flow of new talent and Bellevue Asset Management has established a solid track record in integrating acquisitions, be it an investment team or a company. Strategic options for further business growth – organic and acquisition-led – are therefore intact.

StarCapital views the future with unbridled optimism after changes in organizational structure and management

A change in fund management was the dominant theme for 2018 for the asset manager based in Oberursel, near Germany's financial capital Frankfurt. Experts were recruited for several new positions and the company is well positioned to meet future challenges. Management's primary objectives in 2019 are broadening the company's footprint in the wholesale German-speaking markets and strengthening its positioning as an independent expert asset manager.

2018 was a mixed year overall due to the outflow of assets under management and the increasingly challenging market environment. Furthermore, after 18 long years at the helm during which he clearly left his mark on the company and its culture, Peter E. Huber stepped down at the end of the year. During the course of 2018, he gradually relinquished his management responsibilities for several StarCapital investment funds and handed over overall responsibility for the company's portfolio management operations to Dr. Manfred Schlumberger. Last year StarCapital strengthened its presence in rules-based multi-asset strategies with the integration of a 3-man team from Mars Asset Management. StarCapital's STARS product line stands for Systematic, Trend, Allocation and Risk management strategies that are primarily implemented through ETF investments, whereas the MARS absolute return approach is based on multi-asset strategies with scalable risk levels.

In addition to that expansion, Florian Mende joined the company as head of Wholesale Sales at the end of the year. StarCapital also recruited other specialists for portfolio management, wholesale sales and other positions. Having filled critical positions with well-qualified professionals while retaining long-standing valuable employees with experience, StarCapital is well-positioned to defend and expand its market positions.

BB Adamant Healthcare:
Christina Wirz



As specialists, we are aware of even the smallest of details. We know what we do and why. Our constant focus on quality compels us to excel right from the start – every day, in every way. For example, we have amassed incomparable expertise in healthcare themes over the past 25 years. There are 20 healthcare investment experts on our team to sustain our successful track record. Our equity research has set industry standards. And our Wealth Management unit is guided by our general credo of seeking maximum alignment with our clients' interests.

expertise
High level of



Bank am Bellevue: Christian
Zenker, Thomas Pixner

Bank am Bellevue – challenging repositioning in the face of market headwinds

Following the sweeping restructuring and strategic realignment of Bank am Bellevue in 2017, transforming it from a broker and specialized investment bank to a wealth manager and investment advisory specialist, 2018 was a year of persistent organization development towards the given goals. The bank's core leadership already laid the foundations for the expansion of its wealth management operations in 2017. Attention during the past year centered on selective action to strengthen the team and develop the new business model's full potential. The next stage of the bank's strategic repositioning proved to be challenging in the face of a demanding market environment, as evident in its operating results for 2018.

The initial process of setting up the wealth management operations was completed in 2017 and the new products and services offered were subsequently refined during the reporting period to meet the needs of our demanding clientele even better. New clients in the targeted core business of wealth management and active investment advisory services led to an inflow of CHF 290 mn in new money but that could not offset the continuing erosion of assets under management associated with the discontinuation of the old business model. Due to the loss of these lower-margin client assets in the amount of CHF 309 mn, the resulting net change in assets under management for the segment was a negative CHF 19 mn. Growth in assets under management, which amounted to CHF 1.8 bn at year-end, was also stymied by the negative market trend during the second half of the year.

Positive developments but growth momentum still insufficient

The strategic realignment of the business model has, however, resulted in a tangible and sustained improvement in earnings quality. Income from wealth management fees is growing as is income from the execution of investment ideas for the targeted client base (fees and commissions from active investment advisory services) but the growth momentum here is still too low to offset the corresponding business investments.

Market rout an additional strain on the bank's operating results

The adverse market developments in 2018, especially towards the end of the year, did not provide any support for the repositioned Bank am Bellevue's new activities. A key element of growth, trading activity with external private as well as institutional clients ("execution only"), was very subdued as many investors stayed on the sidelines. The same applied to performance fees from the wealth management business, which fell well short of the prior-year

level due to the negative market trend. These circumstances were compounded by the negative contribution from the bank's trading on own account and treasury positions.

The annual financial statements did not include any income from the discontinued Brokerage and Corporate Finance activities for the first time in 2018 and the revised business model was not yet able to offset the absence of this income, which totaled some CHF 7.7 mn in 2017. As a result, the bank's income for the year of CHF 5.7 mn (2017: CHF 14.2 mn) was at a much lower level year-on-year and will remain so until the transition phase is over. There was a significant reduction in total operating expenses of 19% to CHF 13.6 mn but that was not enough to offset the de-

«Attention will focus on enhancing Bank am Bellevue's appeal to new clients by optimizing its business profile and its reputation as an attractive house of ideas.»

cline in income. Consequently, the segment reported an operating loss of CHF 8.2 mn, which missed our target and does not match our ambitions for the Bank.

Challenging repositioning calls for further adjustments

The dedicated team at Bank am Bellevue is ardently working on expanding the business and the client base in the new core areas of investment advisory services and wealth management step by step. We recognize that the current situation must be improved significantly, and that corrective action must be taken to create a bright and promising future for Bank am Bellevue.

Besides the ongoing review and adjustment of the business model and all cost structures, action will be taken to increase income-relevant growth momentum – organic and inorganic. Attention will focus on enhancing Bank am Bellevue's appeal to new clients by optimizing its business profile and its reputation as an attractive «house of ideas».

Leveraging our heritage as an equity specialist and idea generator

Efforts here will center on Bank am Bellevue's origins as a "stock investment powerhouse". This heritage is still a defining aspect of our corporate DNA. We went to great lengths to fortify and expand our existing capabilities as an equity specialist. For example, we continued to build on the long-standing success of our Swiss equity mandates with dynamic risk management in 2018.

We will also leverage the bank's longstanding expertise as a trusted and innovative investment advisor. Our aim is to help our clients find the appropriate trades and solutions to achieve their specific investment objectives, be it as a portfolio advisor or within the scope of investment office services for high net worth individuals.

Outlook

The required organization change has basically been completed and the existing and newly recruited specialists will support future growth. Acquisitive action to supplement the targeted organic growth is conceivable. The bank will also welcome qualified professionals who appreciate a high degree of autonomy, short decision-making pathways and decentralized organization structures and would like to be a part of our growth strategy.

Finally, mention is made of Bank am Bellevue's interest in SIX Group. Its carrying value was increased by CHF 22.7 mn to CHF 43.8 mn (incl. deferred taxes) following the divestment of SIX Payment Services. This upward revaluation was recognized directly in equity as other comprehensive income, without any impact on the income statement. Management assumes that the SIX Group's announced special dividend will have a positive impact on the income statement in 2019.

House of ideas: «Swiss Equity Hedged» portfolio

The Swiss stock market has been the focal interest of Bank am Bellevue's investment expertise ever since it was founded in 1993. In view of the small size of their domestic market, the enduring strength of Swiss franc and structurally high wage costs, many Swiss companies have become "hidden champions" – rugged and hardy companies, not too large in many cases, that have stood the test of time and grown to a global scale with distinct products and services.

We have offered "Swiss Equity Hedged" portfolios since 2012. Under this strategy we build relatively concentrated portfolios consisting of 20 to 25 interesting, attractively valued stocks. Derivative overlays are also applied as a means of dynamically adjusting asset allocation in response to broader market sell-offs. This entails the use of quantitative valuation models that support the highly experienced management team's stock-picking decisions and general market research.

The success of the strategy, which is available through a management mandate or as a fund vehicle for qualified investors, speaks for itself: we have beaten the Swiss Market Index since 2012 with an excess performance of 2.6% p.a.

	2012	2013	2014	2015	2016	2017	2018	p.a.
Portfolio	24.2%	29.4%	6.2%	7.5%	6.4%	15.0%	-2.7%	12.3%
Benchmark	17.7%	24.6%	13.0%	2.7%	-1.4%	19.9%	-8.6%	9.7%
Outperformance	6.5%	4.8%	-6.8%	4.8%	7.8%	-4.9%	5.9%	2.6%



BB Biotech: Dr. Daniel Koller,
Maria-Grazia Iten-Alderuccio,
Dr. Christian Koch, Dr. Maurizio
Bernasconi, Dr. Silvia Siegfried-Schanz

Effective risk management has become even more important in today's times of rock-bottom interest rates and volatile markets. Risks must be identified as early as possible and assessed as accurately as possible. We continuously test the robustness of every investment case through our rigorous and methodical risk management process, using sophisticated analytical tools in a highly disciplined manner. Intelligent risk management is an integral part of our investment process – monitored and performed by an independent team of specialists.

Risk management



StarCapital: Andreas Bichler,
Damian Krzizok

StarCapital: Jens Kummer,
Adam Choragwicki, Norbert Keimling



We screen investment opportunities that offer above-average return potential well off the beaten tracks – whether for a specialized or a holistic strategy. No matter the approach, we embrace active asset management unconstrained by benchmark limitations. Our selective and diversified portfolio offering creates the tangible value added that investors seek. Our many years of specialist investment experience coupled with our proven investment expertise enable us to combine high active shares with a moderate level of turnover.

constraints *No benchmark*



BB Biotech: Dr. Christian Koch,
Dr. Maurizio Bernasconi

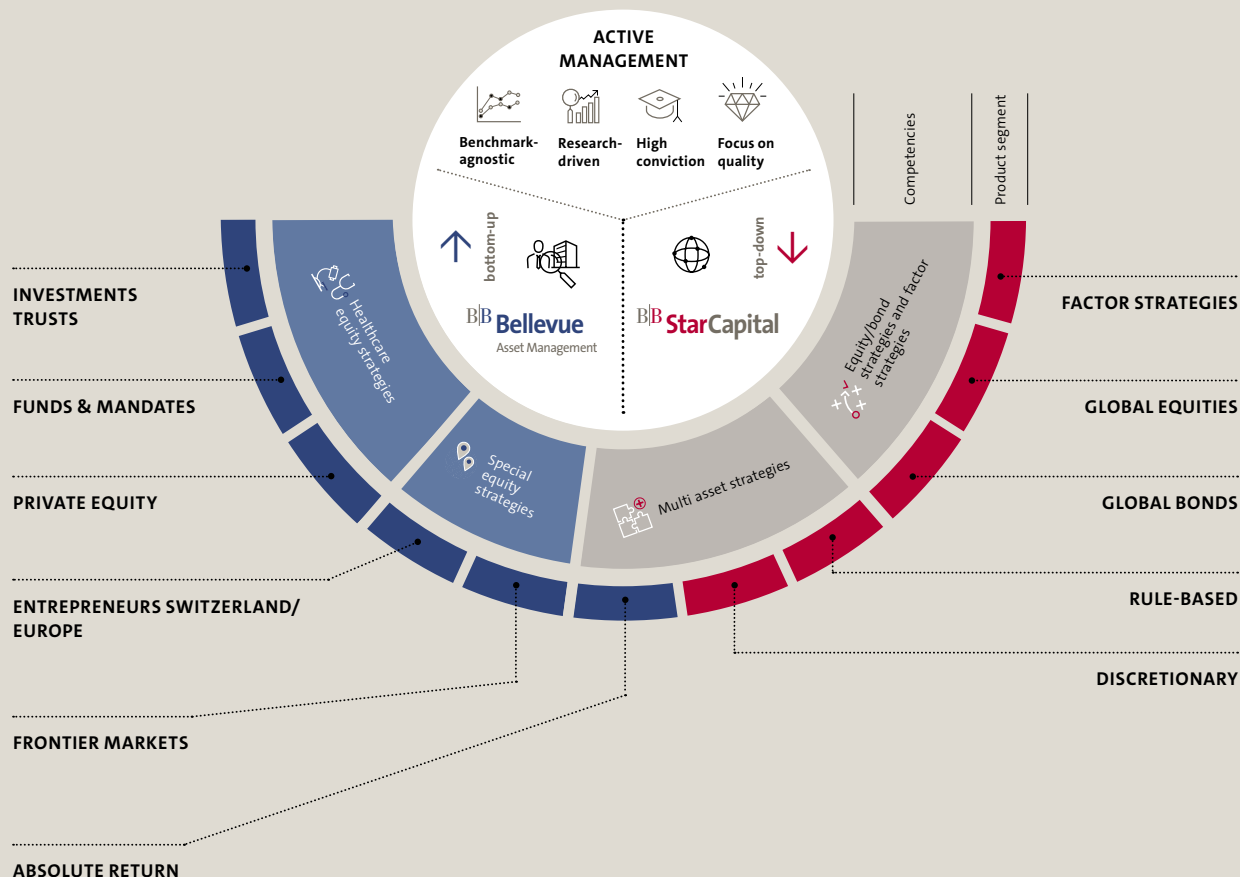
Asset Management – the best of both worlds

Bellevue Asset Management

- Fundamental research-driven investment approach
- Stock picking
- Focus on attractive specialty themes

StarCapital

- Internal capital-market-guided research
- Decidedly anticyclical strategy
- Competencies in all asset classes



Equity strategies in healthcare



Investing in companies active in the healthcare sector has been our strong suit for the past 25 years. We have three expert teams with strong credentials and can offer highly specialized and even bespoke investment solutions that meet a broad range of client needs.

- Bellevue was a trailblazer in offering investment vehicles for the global biotechnology sector. Its investment company BB Biotech AG has an excellent 25-year track record and pays out an attractive 5% p.a. BB Biotech shares are listed on the stock exchanges in Zurich, Frankfurt and Milan.
- BB Healthcare Trust is a sister investment company that was listed on the London Stock Exchange in 2016, strengthening the Group's standing in the important UK market.
- The expert teams at Bellevue-Adamant offer a wide range of investment strategies for various healthcare sub-sectors (biotech, medtech & services, generics, Asia Pacific/Emerging Markets) as well as mixed strategies. Bellevue's core expertise was complemented by two product innovations: The trend towards digitalization in the healthcare sector is now covered by the BB Adamant Digital Health and the sustainability aspect is consistently taken into account with the BB Adamant Sustainable Healthcare.
- The experienced ventures team covers private-equity opportunities within the healthcare sector. BB Pureos Bioventures launched in 2018 and is giving professional investors efficient access to a diversified portfolio of young companies developing highly innovative next-generation biologics.

Products

Investment trusts

BB Biotech
BB Healthcare Trust

Investment funds

BB Adamant

Private Equity

BB Biotech Ventures

Customized solutions

Institutional mandates

ASSETS UNDER MANAGEMENT

CHF 5.7 bn

INVESTMENT TEAMS

22 experts

Locations

Küsnacht
Zurich
New York
London
Curaçao

Specialized equity strategies



Our specialized equity strategies are well established in various niches well off the beaten tracks. These include family- or entrepreneur-owned companies in Europe and African companies with long-term growth potential.

- Bellevue was one of the first to offer an entrepreneur investment fund with a special focus on Switzerland and Europe. The entrepreneur team has a more than 10-year track record and has received numerous awards for its highly competitive performance.
- Government reforms and infrastructure investment will sustain the Africa's structural growth for years to come. Bellevue's experienced Africa team is highly familiar with the continent's cultural, economic and political norms and structures. The African Opportunities Fund offers interested investors from all sections of the investment community simple and liquid access to a diversified portfolio of promising stocks, predominately from North Africa and the Sub-Sahara region.
- These specialized equity strategies are structured in flexible formats as Luxembourg UCITS and Swiss investment funds and can also be packaged as a tailor-made mandate for institutional investors.
- A liquid, market-neutral strategy focussing on European equities, which in stress phases behaves as uncorrelated as possible to the equity and interest rate markets, is planned.

Products

European equities

BB Entrepreneur funds

Frontier markets

BB African Opportunities

Customized solutions

Institutional mandates

ASSETS UNDER MANAGEMENT

CHF 650 mn

INVESTMENT TEAMS

7 experts

Location

Küsnacht

Multi-asset strategies



The multi-asset solutions offer security and stability during every phase of the market. These range from absolute return and holistic asset management solutions to rules-based strategies that let investors profit from the underlying trends of various asset classes while maintaining an optimal risk profile.

- The BB Global Macro Fund, an all-weather strategy with an absolute return approach, is Bellevue's answer to the persisting low interest-rate environment – and it has been honored with stress test and other awards. This fund is distinguished by a benchmark-agnostic, global multi-asset approach with a reasonable degree of leverage and the possibility of taking short positions.
- StarCapital pursues a quantitative, experience-driven investment strategy with a strong anti-cyclical bias. Its long-standing, in-house capital market research capabilities are an important element of its investment process. The experienced team offers intermediary and institutional clients time-tested, holistic asset management products and services with different risk profiles. Various strategies have received multiple awards for outstanding performance.
- In its «Stars» product group, StarCapital offers a range of multi-asset fund portfolios that are guided by rules-based trend following models. Inexpensive trend following models based on listed ETFs enable the dynamic replication of developments on financial markets.

Products

Absolute return

BB Global Macro

Asset-managing

StarCapital Winbonds Plus

StarCapital Huber Strategy 1

StarCapital Allocator

Rule-based

Stars Defensive/Flexible/Offensive
MARS 10

ASSETS UNDER MANAGEMENT

CHF 1.4 bn

INVESTMENT TEAMS

8 experts

Locations

Küsnacht

Oberursel near Frankfurt

Global equity/bond strategies and factor strategies



Our global equity and bond strategies are backed by decades of investment experience and StarCapital's internal capital market research capabilities. Undervalued securities are systematically identified and selected with an anti-cyclical bias. Smart beta ETFs are factor strategies that combine active investment strategies with the passive characteristics of index funds.

- The global equity and bond strategies are distinguished by a flexible, anti-cyclical and unconstrained management style.
- A steady focus on value is manifested in an above-average performance, generated by anticyclical investments in undervalued value stocks from attractive countries worldwide taking into consideration the risk/reward profiles.
- StarCapital is a pioneer in the management of unconstrained strategies that deliver excess returns compared to traditional asset management approaches.
- The rules-based factor strategies offer systematic exposure to equities with specific attributes such as value, momentum, quality or low volatility and have received multiple awards as excellent fund innovation.
- This investment team has a long and very successful track record.

Products

Equities

StarCapital Starpoint

StarCapital Priamos

Bonds

StarCapital Argos

StarCapital Bondvalue

Factor strategies

Stars Multi-Faktor

Customized solutions

Discretionary mandates

ASSETS UNDER MANAGEMENT

CHF 1.2 bn

INVESTMENT TEAMS

6 experts

Location

Oberursel near Frankfurt

BB Entrepreneur strategies:
Michel Keusch, Alain Zosso,
Birgitte Olsen, Laurent Picard



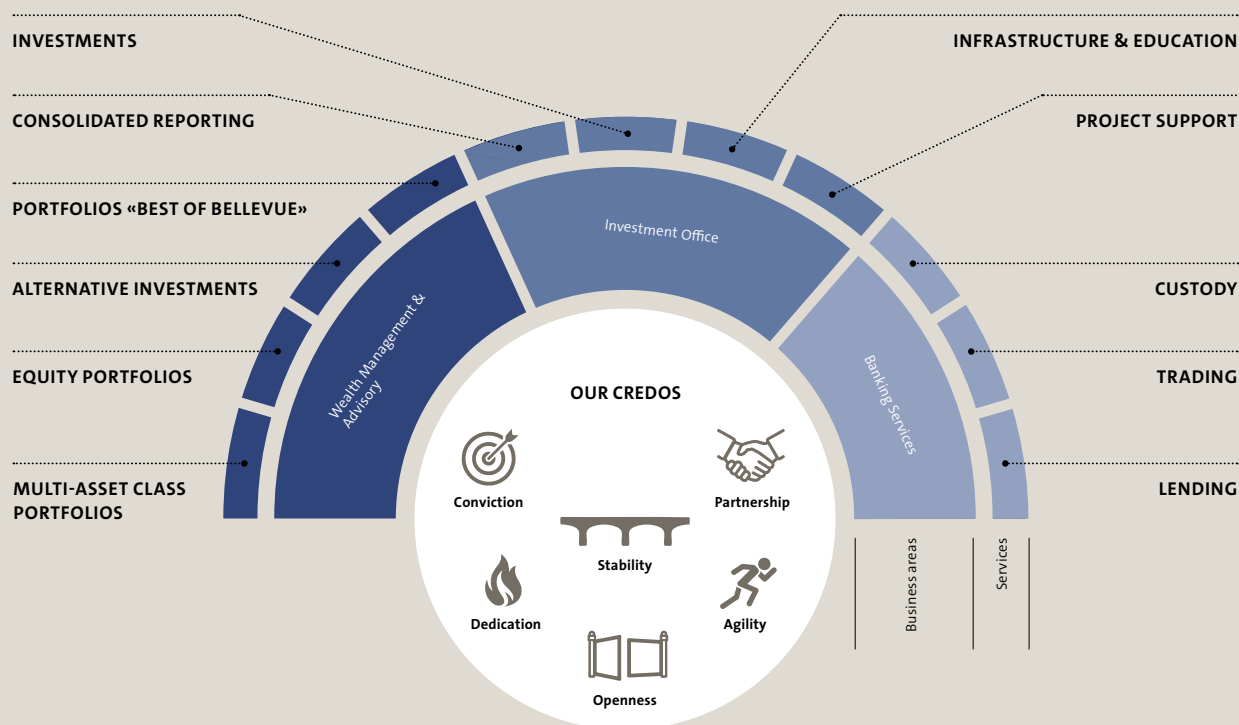
Bellevue Group, an independent financial group headquartered near Zurich in Küsnacht, is listed on the Swiss stock exchange. It has offices in Frankfurt, Oberursel, London, New York and Curaçao. Short decision-making channels, a lean organization and a high degree of autonomy and freedom are the distinguishing features of our corporate culture. This is reflected in our flexible, purposeful and pragmatic approach to making decisions, in line with our credo of “Creating value” for our clients, shareholders and employees.

independence *Entrepreneurial*



Bank am Bellevue: Fabian Coray,
Thomas Blum

Bank am Bellevue – partner for entrepreneurial wealth



Our credos



IN A TURBULENT WORLD FULL OF UNCERTAINTY, WE ARE CHARACTERIZED BY STABILITY – BOTH IN TERMS OF OUR CLIENT RELATIONSHIPS AND OUR ORGANIZATION.



WE HAVE THE COURAGE TO EXPRESS OUR CONVICTIONS AND TO ACT ACCORDINGLY. IN A BROADER SENSE, OUR ACTIONS ARE GUIDED BY THE VIEW THAT OUR CLIENTS ARE SEEKING TOP-RATE INVESTMENT PERFORMANCE AND IT IS OUR JOB TO DELIVER IT.



A STRONG WORK ETHIC AND DEDICATION ARE OF PARAMOUNT IMPORTANCE TO US. WE DON'T MEASURE OURSELVES AGAINST MEDIOCRITY; WE WANT TO BE OUR CLIENTS' PARTNER OF CHOICE.



WE MASTER A SET OF CORE SKILLS IN-HOUSE AND WORK WITH BUSINESS PARTNERS OUTSIDE OF BELLEVUE GROUP. THESE PARTNERS ARE OFTEN HIGHLY SPECIALIZED BOUTIQUES THAT ARE AMONG THE BEST IN THEIR FIELD.



THE FACT THAT WE ARE A BOUTIQUE AND NOT CHAINED TO AN INTERNAL FINANCIAL PRODUCT ORGANIZATION MAKES US HIGHLY AGILE IN IDENTIFYING OPPORTUNITIES THAT ARE PERFECTLY SUITED TO THE NEEDS OF OUR CLIENTS.



PARTNERSHIP IS BASED ON A COMPREHENSIVE UNDERSTANDING OF NEEDS. COLLABORATION IN A SPIRIT OF PARTNERSHIP MUST BE SHAPED BY TRANSPARENCY AND AN EQUAL CONSIDERATION OF THE INTERESTS OF THE PARTNERS.

Asset management & investment advisory services

Bank am Bellevue offers its clients an extensive offering that meets a variety of needs. A team of specialists provides idea-based investment advisory services and manages a broad range of multi-asset class as well as focused portfolios.

- Multi-asset class portfolios: Returns and risk profiles are determined by asset allocation, which in turn is based on an economic cycle model. Internal and external specialists are responsible for managing specific sections of these portfolios.
- Equity portfolios: Stock selection is based on proprietary quantitative top-down models and a qualitative assessment of investment candidates. Upon request, portfolios can be hedged in accordance with our general assessment of the markets.
- Alternative investments: This is a needs-oriented offering for professional investors. These solutions cover several asset categories, especially alternative sources of return, private equity at various stages of business development and private debt.
- Best of Bellevue portfolios: These offer clients exclusive access to Bellevue Asset Management's core competencies.

Investment office

Bank am Bellevue offers supportive services and sparring solutions as an investment office provider. These services go well beyond actual wealth management.

- Consolidated reporting: We offer our clients daily updates of their entire financial assets in order to better understand and assess developments in real time.
- Asset structuring: We help our clients manage their entire financial wealth by assuming responsibility for investment processes, providing expert know-how, and by acting as a sparring partner for strategic and tactical investment decisions. Our work as an investment office is based on a jointly formulated strategic roadmap and constant dialog.
- Expansion of infrastructure and competencies: We provide appraisals, conduct beauty contests, and negotiate prices to find the best possible solution for our clients.
- Project support: We help clients manage special projects.

Bank platform

Clients of Bank am Bellevue appreciate the very high level of confidentiality that a small trading boutique can offer. We act as an external asset manager in cooperation with various account-keeping banks and also offer clients in-house custody accounts and securities trading services.

- Securities account services: Our clients can hold their liquid assets at the custodian bank of choice, or use Bellevue's boutique solution.
- Trading services: Discrete, direct market access, overseen by a small trading team with more than 25 years of experience. Our clients receive personal services tailored to their needs.
- Client loans: As part of our wealth management franchise, we offer clients the possibility to obtain flexible lines of credit (primarily Lombard loans, secured by pledged assets).

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Information relating to corporate governance

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

Law and regulations

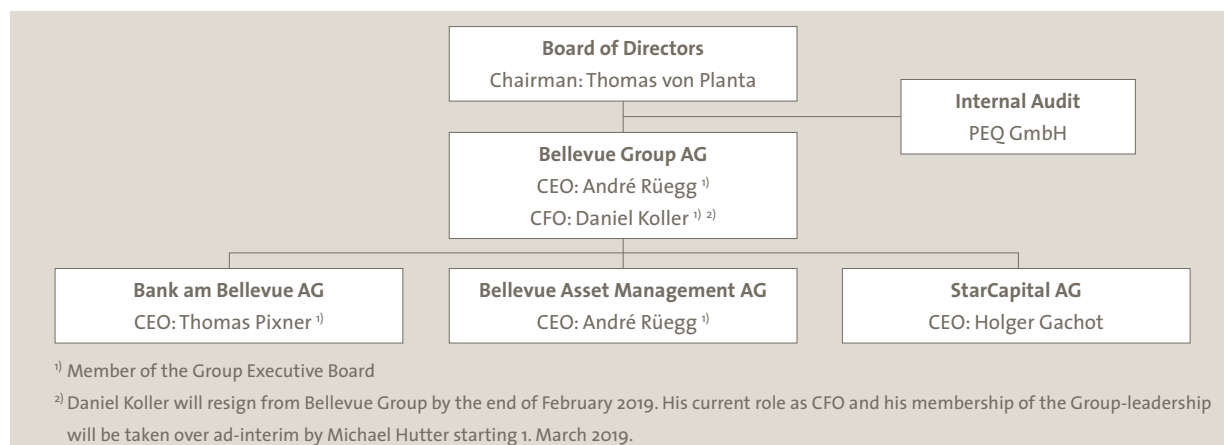
Bellevue Group is governed by Swiss law, specifically the laws on banking, shareholding and the stock market, and the regulations of the Swiss stock exchange (SIX Swiss Exchange).

The SIX Swiss Exchange AG issued a "Directive on Information relating to Corporate Governance", which entered into effect on 1 July 2002. The following information meets the requirements of this directive (in the current version of 1 May 2018) and takes account of the SIX commentary last updated on 10 April 2017. If information required by this directive is published in the Notes to the financial statements, a reference indicating the corresponding section of the notes is given.

This report also contains the necessary details pursuant to the Ordinance against Excessive Remunerations in Listed Companies Limited by Shares (VegüV).

Group structure and shareholders

Corporate structure as of 31 December 2018



Scope of consolidation

The companies consolidated by Bellevue Group are listed, together with information regarding their domicile and share capital and the interest held by the Group, in the notes to the consolidated financial statements, note 9 "Major subsidiaries" on page 107.

Major shareholders

Based on the notifications received and published by Bellevue Group AG, the following parties hold significant voting rights:

Shareholder or beneficial owner	Voting rights held	31.12.2018 Number of shares held	Voting rights held	31.12.2017 Number of shares held
Martin Bisang, Küsnacht	20.43%	2 750 000	20.43%	2 750 000
Jörg Bantleon, München (Deutschland)	10.35%	1 392 890	10.35%	1 392 890
Jürg and Manuela Schächli, Rapperswil-Jona	9.05%	1 217 799	9.05%	1 217 799

The shareholders Martin Bisang (Küsnacht), as well as Manuela and Jürg Schächli (Jona) signed a shareholder agreement on 25. October 2018. Martin Bisang will represent the Group and controls 29.48% of the voting rights by December 31st 2018.

Disclosure notifications are retrievable from the SIX Swiss Exchange website at:
<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

Cross-shareholdings

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

Capital structure

Capital

The company's share capital amounts to CHF 1346143, consisting of 13461428 fully paid-in registered shares with a par value of CHF 0.10 each. The registered shares (Valor 2848210) are listed on the SIX Swiss Exchange.

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

Conditional capital and authorized capital

Information on the Details of conditional and authorized capital is given in note 4.7 on page 84.

Capital changes

Information on the composition of capital and the changes of the past three years and on conditional and authorized capital is given in the statement of shareholder's equity on page 59 and in note 4.7 on page 84. For information on earlier periods, please refer to the relevant annual reports.

Restriction of the transferability and nominee registrations

The transfer restrictions and the rules regarding nominee registrations are based on Article 5 of the Articles of Association. Statutes: <http://www.bellevue.ch/de/investor-relations/corporate-governance/Statuten.pdf>

Board of Directors

The Board of Directors of Bellevue Group AG consists of the following persons as per 31 December 2018:

Name	Function	Nationality	Member of Board Committee ¹⁾	First elected	Elected until
Dr. Thomas von Planta ²⁾	Chairman	CH	CC	2007	2019
Dr. Daniel H. Sigg ²⁾	Member	CH	ARC ³⁾	2007	2019
Dr. Mirjam Staub-Bisang ²⁾	Member	CH	CC ³⁾	2015	2019
Dr. Rupert Hengster ²⁾	Member	AUT	ARC	2017	2019
Veit de Maddalena ²⁾	Member	CH	ARC	2018	2019

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

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

³⁾ Chairman

CC: Compensation Committee

ARC: Audit & Risk Committee

The Directors do not exercise any executive functions within Bellevue Group; previous executive responsibilities are disclosed below. None of the members within the administrative board of Bellevue Group had executive functions in 2018 concerning the Group or subsidiaries.

The directors Dr. Thomas von Planta and Dr. Mirjam Staub-Bisang have announced that they will not seek re-election at the next annual general meeting.

The current member of the board of directors, namely Veit de Maddalena, will be nominated as new President during the general assembly in March 2019. Katrin Wehr-Seiter and Urs Schenker will be nominated as new members for the board of directors.

Dr. Thomas von Planta, born 1961

- Degree in law, University of Basel, University of Geneva (Dr. iur.), attorney at law
- Since 2006 owner of CorFinAd AG, Corporate Finance Advisory (advisory for M&A transactions and capital market financings)
- 2002–2006 Vontobel Group, Head a.i. Investment Banking/Head of Corporate Finance, member of the extended Executive Board
- 1992–2002 Goldman Sachs, lastly in London, Equity Capital Markets Group & Investment Banking Division
- Mandates:
 - Member of the Board of Directors of Bâloise Holding AG, Basel

Dr. Daniel H. Sigg, born 1956

- Degree in law, University of Zurich (Dr. iur.)
- Since 2006 DHS International Advisors, LLC, Principal (advisor on financial issues)
- 2000–2005 TimesSquare Capital Management Inc., President
- 1997–1999 UBS, Global Head of Institutional Asset Management, Senior Managing Director
- 1990–1997 BEA Associates, CFO
- 1987–1990 Swiss American Securities Inc., Vice President, Head International Trading Department
- 1984–1987 Credit Suisse, Financial Analyst
- Mandates:
 - Member of the Board of Directors of Bellevue Funds (Lux) SICAV, Luxembourg
 - Chairman of Laguna Trustees Ltd., Jersey
 - Member of the Advisory Board of Metropolitan Partners Group, New York

Dr. Mirjam Staub-Bisang, born 1969

- Degree in law, University of Zurich (Dr. iur.), attorney at law
- Currently Managing Director BlackRock Asset Management Switzerland AG
- 2005–2018 CEO of Independent Capital Group AG
- 2004–2005 Commerzbank AG, Marketing Executive
- 2001–2003 Swiss Life Private Equity Partners AG, Principal and Investment Manager
- 2000–2001 Quadrant AG, Vice-President Corporate Development and Investor Relations
- 1997–1998 Merrill Lynch International, Financial Analyst Corporate Finance and M&A
- Mandates
 - Member of the Board of Directors of Independent Capital Group AG, Zurich
 - Member of the Foundation Council of the Profond Collective Foundation, Zurich
 - Member of the Board of Directors of INSEAD, Fontainebleau
 - Member of the Board of Directors of Palladio Real Estate AG, Zurich
 - Member of the Board of Directors of Löwenbräu-Kunst AG, Zurich

Dr. Rupert Hengster, born 1958

- Degree in law, University of Salzburg (Dr. iur.); Master in Management, University of Economics and Business of Vienna
- Managing Partner and founding member of Dr. Hengster, Loesch & Kollegen GmbH, Frankfurt
- 2010–2013 Edmond Rothschild Asset Management Germany, Spokesman of the Management
- 2004–2010 Sal. Oppenheim KAG Köln & Luxembourg, Executive Director and Spokesman of the Management
- 1998–2004 WestLB Asset Management KAG Düsseldorf, Executive Director and Spokesman of the Management

Veit de Maddalena, born 1967

- Lic. rer. pol. (economics) from the University of Bern and MSc / Masters in Finance from London Business School
- Since 2018 owner of Candor Board Services GmbH in Freienbach
- 2006–2017 Rothschild & Co Group, from 2016 as Executive Vice-Chairman Europe, previously member of Group Management Committee and Head of Wealth Management & Trust Division and CEO of Rothschild Bank AG in Zurich
- 1994–2005 Credit Suisse Group, last serving as CEO Credit Suisse Trust Group AG in Zurich, previously CEO Credit Suisse (Monaco) SAM and various positions as Client Relationship Manager in Switzerland and abroad
- Mandates
 - Chairman of Klosters Madrisa Bergbahnen AG

Election procedures

All members of the Board are elected individually by the general meeting of shareholders. The Board of Directors constitutes itself. The members of the Board of Directors are elected to a term of one year and may be re-elected. There is no restriction in the number of re-elections.

Statutory rules in relation to the number of permissible activities of the Board of Directors pursuant to Article 12(1)(1) VegüV.

Pursuant to Article 32 of the Articles of Association, the members of the Board of Directors may each execute a maximum of 20 activities, of which a maximum of 5 in listed companies. Excluded from this are activities in legal entities controlled by the company or which control the company. Also excluded from the restrictions are activities in foundations, charitable institutions and employee pension funds; however, these are restricted to a maximum of 10 such activities.

The term activity in the meaning of this provision describes the membership in the supreme managerial and administrative bodies of legal entities which are obliged to register themselves in the commercial register or in a corresponding foreign register. Several activities in legal entities which are under unitary control or under the control of the same beneficial owner are considered to be one activity.

Internal organization

The Board of Directors appoints a Vice Chairman from its own members. The Board of Directors appoints a secretary who need not be a member of the Board of Directors. The Board of Directors meets as often as necessary to perform its duties but at least once per quarter. The meetings usually last half a day. Five meetings were convened during the year under review. The Board of Directors constitutes a quorum when an absolute majority of its members is present. Board resolutions and elections are decided in accordance with the internal rules and regulations by an absolute majority of the votes cast. In the event of a tie vote, the Chairman has the casting vote. Decisions by way of circular letter need to be passed by majority of all members of the Board of Directors.

The Board of Directors can delegate some of its duties to committees. The standing committees are as follows: Compensation Committee (CC) and Audit & Risk Committee (ARC).

Compensation Committee (CC)

The CC assists the Board of Directors in the definition and implementation of the compensation principles. It is the applicant in regards of the compensation policy for the Board of Directors and the Executive Board. Furthermore, it is responsible for the employment conditions “for senior executives and for the shares and profit sharing plans. It takes position on all compensation related affairs, which are situated in the decision making authority of the Board of Directors. The Compensation Committee meets as often as business requires, at least every six months. The meetings last 45 minutes on average. Three meetings were held during the year under review.

Audit & Risk Committee (ARC)

The ARC examines whether all systems created to monitor compliance with legal and statutory provisions are appropriate and whether they are being applied properly. It reports to the Board of Directors and makes recommendations to the same.

The ARC also monitors and evaluates the integrity of the financial reports, internal controls, the effectiveness of the external auditor and the Internal Audit as well as risk management and compliance, taking into consideration the risk profile of Bellevue Group. It guides and monitors the activities of the Internal Audit, maintains Board level contact with the external auditors and monitors their performance and independence as well as their collaboration with the Internal Audit.

All members of the ARC are independent. The ARC meets for about half a day at least once per quarter. Four meetings were held during the year under review.

Internal Audit

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

Definition of powers of authorization

Board of Directors

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

Group Executive Board

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

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

Information and control instruments relating to the Group Executive Board

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

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

Group Executive Board

The Group Executive Board comprised the following persons as at 31 December 2018:

Name	Function	Nationality
André Rüegg	CEO Bellevue Group CEO Bellevue Asset Management	CH
Daniel Koller ¹⁾	CFO	CH
Thomas Pixner	CEO Bank am Bellevue	CH

On 26 February 2018 the Board of Directors elected Thomas Pixner as the new CEO of Bank am Bellevue AG with effect from 1 March 2018. With his new role he also became a member of the Executive Board as of 1 March 2018. Before the ad-interim role as CEO was performed by André Rüegg.

¹⁾ Daniel Koller will resign from Bellevue Group by the end of February 2019. His current role as CFO and his membership of the Group-leadership will be taken over ad-interim by Michael Hutter starting 1. March 2019.

Additional information on the members of the Group Executive Board:

André Rüegg, born 1968

- Business and economics degree, University of Zurich
- Since 2009 with Bellevue Group, Head Sales & Marketing, since 1 January 2012 CEO Bellevue Asset Management AG, since 1 January 2017 in addition CEO Bellevue Group AG and between 22 February 2017 and 28 February 2018 in addition CEO Bank am Bellevue AG ad interim
- 1995–2009 with Julius Bär, Group Member of the Executive Committee Asset Management
- 1993–1995 Arthur Andersen & Co.
- Mandates:
 - Chairman of the Board of Directors, Bellevue Funds (Lux) SICAV

Daniel Koller, born 1970

- Swiss Certified Accountant
- Since 2008 CFO of Bellevue Group
- 2004–2007 with Valartis Group, Head of Controlling & Compliance
- 1995–2004 Ernst & Young, Auditing

Thomas Pixner, born 1962

- Business economist KLZ
- Since 2018 CEO and Member of the Executive Board at Bank am Bellevue AG
- 2007–2018 Member of the Executive Committee, Head Private Clients and Head Investments at Rothschild Bank, Zurich
- 2002–2007 Head Private Banking at VP Bank Vaduz
- 1997–2002 Head Private Banking of northern Graubunden at UBS AG, Chur
- 1992–1997 Various functions at Credit Suisse, Chur, among others Head Private Banking

Statutory rules in relation to the number of permissible activities of the Executive Board pursuant to Article 12(1)(1) VegüV.

Pursuant to Article 32 of the Articles of Association, subject to prior approval of the Board of Directors or the Compensation and Nomination Committee, the members of the Executive Board may each execute a maximum of 10 activities, of which a maximum of 2 in listed companies. Excluded from this are activities in legal entities controlled by the company or which control the company. Also excluded from the restrictions are activities in foundations, charitable institutions and employee pension funds; however, these are restricted to a maximum of 10 such activities.

The term activity in the meaning of this provision describes the membership in the supreme managerial and administrative bodies of legal entities which are obliged to register themselves in the commercial register or in a corresponding foreign register. Several activities in legal entities which are under unitary control or under the control of the same beneficial owner are considered to be one activity.

Compensations, shareholdings and loans

Information on compensation, shareholdings and loans can be found in the Compensation Report from page 42.

Participatory rights of shareholders

Voting rights restrictions and shareholder representation

Any person entered in the company's share register shall be deemed to be a shareholder of the company. Shareholders may attend the general meeting in person or be represented by proxy.

There are no voting rights restrictions: each share entitles the holder to one vote.

Statutory quorums

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

Notice convening the general meeting of shareholders

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

Placing items on the agenda

Shareholders who represent at least two per cent of the share capital may request an item to be added to the agenda. The agenda must be sent in writing at least 50 days before the meeting, including a list of agenda items to be discussed and the shareholder's motions to be voted on. No resolutions may be adopted regarding motions on agenda items which have not been properly announced. This does not include motions for convening an Extraordinary General Meeting, for the performance of a special audit and for the election of an auditor at the request of a shareholder. Prior notice is not required for the submission of motions in relation to the agenda items or for deliberations not resulting in the adoption of resolutions.

Registration on the share register

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

Change of control and defense measures

Mandatory public offer ("opting out")

Persons who purchase or acquire Bellevue Group AG shares are not required to issue a public offer as stipulated by Art. 125 FMIA ("opting out").

Change of control clause

Members of the Board of Directors, executive Board members and employees of Bellevue Group are not contractually entitled to any severance payments. Employment contracts of Bellevue Group employees may be terminated within a maximum period of six months.

Statutory auditor

Duration of mandate and term of office of Lead auditor

The Group accounts and the consolidated financial statements of Bellevue Group AG and its subsidiaries are audited by PricewaterhouseCoopers (PwC). The statutory auditor of Bellevue Group AG is elected for a one-year period at the general meeting of shareholders. PwC was elected for the first time for the 1999 fiscal year. The auditor in charge is Rolf Birrer. He has exercised this function since the 2015 fiscal year. The holder of this office changes every seven years. Rolf Birrer serves as the regulatory lead auditor since 2015.

Fees paid to auditor

CHF 1000	1.1.–31.12.2018	1.1.–31.12.2017
Auditing fees billed by PwC	548	500
Additional fees billed by PwC for audit-related services	3	7

Instruments for supervising and monitoring the auditors

The Board of Directors is responsible for the supervision and control of the statutory auditor and the group auditor and it is supported in this function by the Audit & Risk Committee (ARC). The ARC receives and evaluates reports from representatives of the external auditors on a regular basis. It confers regularly with the head auditor about the effectiveness of the internal control systems taking into consideration Bellevue Group's risk profile. In addition, the ARC reviews the scope of the auditing work, the quality of the work performed and the independence of the external auditors. The external auditors have direct access to the ARC at all times. The external auditors usually attend meetings of the Audit & Risk Committee (ARC) twice a year. The external auditors attended meetings of the ARC in February, June and December of the reporting year. The internal auditors attend meetings of the ARC once or twice a year. In the reporting year, the internal auditors attended meetings of the ARC in June and December.

Information policy

As a company listed on the stock exchange, Bellevue Group AG pursues a consistent and transparent information policy in relation to its shareholders, clients and employees as well as to the financial community and the general public. Its regular reporting activities and venues comprise the publication of the annual and semi-annual reports and letters to shareholders as well as a media conference on the annual results and the general meeting of shareholders. When important events occur, the above-mentioned stakeholders will be concurrently informed by way of press releases. Contact addresses are listed on page 128 of the annual report.

Information to shareholders

19.03.2019: Annual General Meeting

Additional information regarding Bellevue Group AG for ad hoc publicity can be found at the following websites:

General information for investors

www.bellevue.ch/en/investor-relations/

News Center

www.bellevue.ch/en/investor-relations/newscenter/

Newsletter

www.bellevue.ch/en/investor-relations/newsletter/

1 General compensation principles

1.1 Principles

This compensation report refers to the 2018 reporting year. It provides information on the compensation system and discloses the compensation paid to the Board of Directors and Executive Board in 2018. The content and scope of the compensation report is based on articles 13–17 of the Ordinance Against Excessive Remunerations in Listed Companies Limited by Shares (VegÜV), articles 663c (3) of the Swiss Code of Obligations (OR), the Directive Corporate Governance (DCG) of the SIX Swiss Exchange, and the Swiss code of Best Practice as well as the FINMA circular 2010/1.

The Articles of Association regulate compensation in articles 26–31. The Articles of Association can be downloaded at the following link:

<http://www.bellevue.ch/de/investor-relations/corporate-governance/Statuten.pdf>

The compensation at Bellevue Group AG has been deliberately designed to:

- be for the Board of Directors and the Executive Board, for all managers and employees, transparent, understandable, fair and reasonable;
- take into account and balance the responsibility, quality of work and workload of the respective function;
- aim at a reasonable balance between the various compensation components, so that the risk of the individual are not wrongly or negatively affected by short-term criteria;
- be functional to a large extent by individual objectives, by the results of the business units and the overall result of Bellevue Group;
- be competitive and proportionate in comparison to companies in the same market and economic sector.

The Board of Directors is responsible for the control of general questions regarding the compensation and the compensation-model. For this work the Board of Directors are supported by the Compensation Committee.

1.2 Fixed compensation components

The decision-making basis is prepared by the Compensation Committee. It reviews the compensation concepts for marketability and suitability and implements adjustments on behalf of the Board of Directors and, as far as members of the Board of directors and the Executive Board are concerned, in accordance with the final decisions of the annual approval at the Annual General Meeting.

The fixed compensation components are primarily defined on the basis of the following factors:

- i) the scope and tasks of a given function as well as the qualifications required to execute it, and
- ii) the experience and performance of the person occupying this function.

The fixed compensation components are reviewed annually on the basis of the above factors and adjusted according to the development of the market and the company's financial strength. Additional sources are included for the review of the marketability and appropriateness. The analysis therefore includes the compensation reports of other publicly listed Swiss companies that are comparable with Bellevue Group in size and manner of services. The publications of various interest groups and media articles are also included in the assessment. The weighting takes the general compensation principles listed in section 1.1 into account, with discretion.

1.3 Variable compensation components

The variable compensation of the Board of Directors and the Executive Board are fixed during February of the following year by the Compensation Committee based on key figures of the financial statements of the previous reporting year as well as on individual goal achievement. At the Annual General Meeting the Board of Directors submits the proposed variable compensation for approval.

2 Compensation of the Board of Directors and the Executive Board

2.1 Board of Directors

2.1.1 Fixed compensation

Each member of the Board of Directors receives a fixed and equally high (except: chairman) base compensation, which is agreed in advance. The higher base compensation for the chairman is due to his additional duties in the management of the Board of Directors and his function as a link between operational and strategic management of the Company. The amount of the base compensation is defined by taking the general compensation principles (see section 1.1) into account, with discretion.

In addition, to the base compensation the members of the Board of Directors receive allowances for membership on the boards of subsidiaries, associated companies, committees and committee chairs. With this distinction the responsibility and individual functions of the members of the Board of Directors is taken into account.

The determined fixed compensation of the members of the Board of Directors is paid in cash. In the event of a resignation during the term of a member of the Board of Directors, the fixed compensation will be calculated pro rata to the end of the month he is leaving. Payment of compensation calculated pro rata takes only place after the approval of the total amount by the Annual General Meeting.

2.1.2 Variable compensation

The variable compensation of the Board of Directors is based on performance criteria which promote the achievement of strategic objectives of the company, group or parts of it. The performance criteria can include the performance of the company, group or parts of it and compare it with the market, other companies or benchmarks like total shareholder return or other individual results.

In the reporting year, the definition of the variable compensation takes the general compensation principles (see section 1.1) into account, with discretion.

The variable compensation of the Board of Directors is paid in the form of shares of Bellevue Group AG, which are subject to a multi-year lock-up period. The allocation depends on the approval of the corresponding value at the Annual General Meeting.

The ratio of fixed compensation to variable compensation (in percent) for the Board of Directors overall is 86% fixed compensation and 14% variable compensation (previous year: 77% fixed compensation and 23% variable compensation).

2.1.3 Attendance fee

No attendance fee is paid out.

2.1.4 Expenses

The members of the Board of Directors do not receive fixed-rate allowances, but are rather reimbursed for effective expenses.

2.1.5 Shares and options

The members of the Board of Directors receive as part of their variable compensation shares of Bellevue Group AG (see section 2.1.2). They do not take part in any employee stock ownership plans and have not participated in any previous plans. There are no option programs in place or have been in the past.

2.1.6 Termination benefits

No termination benefits are effective.

2.1.7 Loans, credits, discounts

Loans and credits are granted at usual market conditions. As of 31 December 2018, the following credit facilities were granted:

Position	31.12.18 Facility TCHF	31.12.18 Usage TCHF	31.12.17 Facility TCHF	31.12.17 Usage TCHF
Thomas von Planta, chairman of the Board of Directors	1 500	540	1 500	598
Veit de Maddalena, member of the Board of Directors	3 000	2 458	–	–

The lombard loans were granted for 2017 and until the end of September 2018 at 1.5%, from October 2018 at 1.0%.

2.1.8 Consulting services

Subject to approval at the Annual General Meeting, members of the Board of Directors can be compensated in cash at standard market rates for consulting services benefiting the company or another group company which are not performed in their function as a member of the Board of Directors.

2.2 Executive Board

2.2.1 Fixed compensation

The members of the Executive Board receive a fixed annual compensation determined for the financial year by the Compensation Committee, which is paid in cash. The amounts are determined individually with compliance to the compensation principles (see section 1.1), taking into account the role and responsibility of each member of the Executive Board. The fixed compensation needs to be approved by the Annual General Meeting in advance.

2.2.2 Variable compensation

The variable compensation of the members of the Executive Board is based on an annually performance appraisal, set expectations and objectives. This takes into account role, experience, personal performance and the market environment. The weighting of these elements is done on an individual level.

In addition, the variable compensation of the members of the Executive Board is part of the total variable salaries, which are determined at the level of individual segments as well as at group level. Furthermore, the total variable compensation is aligned with the created added value of each segment for the shareholders.

Variable compensation is fundamentally structured and paid out as follows:

Position	% share in the reporting year	% share in the previous year
Short-term variable compensation in cash	35%	46%
Short-term variable compensation in blocked shares	13%	9%
Short-term variable compensation in blocked shares with vesting period and clawback right	44%	38%
Other short-term variable compensation	8%	7%
Long-term variable compensation	–	–
Total variable compensation	100%	100%

The structure of the variable compensation and terms for restriction, vesting period and claw back right are set by the Board of Directors and Compensation Committee depending on the role and level of the individual variable compensation.

The ratio of fixed compensation, variable compensation and other compensation (in percent) is as follows:

Position	% share in the reporting year	% share in the previous year
Fixed compensation	37%	29%
Variable compensation	63%	71%
Other compensation	–	–
Total compensation	100%	100%

2.2.3 Expenses

As per 1 January 2015 the lump sum expense regulation was abolished. Since then only actual incurred expenses are settled.

2.2.4 Shares and options

The members of the Executive Board receive as part of their variable compensation shares of Bellevue Group AG (see section 2.2.2). With the following exceptions they do not take part in any employee stock ownership plans. There are no option programs in place or have been in the past.

The CEO of Bellevue Asset Management AG participates in an employee stock ownership plan, which is related to the asset management mandate of BB Biotech AG. Under this program, the CEO of Bellevue Asset Management AG receives an entitlement to a maximum number of BB Biotech AG shares. The effective number of shares depends on various conditions. There is a three year vesting period starting from the grant date. In addition, the effective number of shares compensation depends on the achievement of performance targets over a period of three fiscal years in connection with the BB Biotech AG mandate. The right to the maximum number of shares is only guaranteed if the absolute performance

of BB Biotech AG is greater than 10% p. a. and the relative performance exceeds the Nasdaq Biotech Index and the Swiss Performance Index during the following three years. In the event that the absolute performance in the three year period is less than 5% p. a. and neither of the two indices is exceeded, the claim is forfeited.

In financial year 2015, the Board of Directors approved a long-term incentive plan for the employees of Bank am Bellevue AG and Bellevue Group AG. Bellevue Group AG shares subject to a lock-up period of four years were allocated for this. These shares are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. Pursuant to the clawback right clause, 100% of the shares are reclaimed in the following cases: i) breach of the risk policy and/or internal guidelines, ii) for violation of legislation, iii) deception or theft and iv) general company-damaging behaviour. The Board of Directors decides on the application of the clawback right clause at its own discretion and conclusively. The relevant amount of these compensations is shown in section 3.2 of the disclosure table, on column «Reconciliation IFRS».

In 2018, the Board of Directors approved a voluntary employee stock ownership plan. From this pool, the three members of the Executive Board were each offered 8 000 rights to purchase 8 000 shares of Bellevue Group AG at a reduced price of CHF 18.00 per share. This represented a discount of approximately 25% on the weighted prices of 10 days prior the grant date. All three members of the Executive Board exercised the allotted rights in full. The difference between the market value and the purchase price corresponds to a payment-in-kind.

2.2.5 Termination benefits

No termination benefits are effective nor planned.

2.2.6 Loans, credits, discounts

Any loans and credits are granted at usual market conditions. As of 31.12.2018, one credit line of TCHF 2000 was granted to André Rüegg, CEO of Bellevue Group AG and CEO of Bellevue Asset Management AG. The effective utilization of the credit line on 31 December 2018 was of TCHF 1372. As of 31 December 2017, the credit line was of TCHF 2000 and the effective utilization was of TCHF 949.

2.3 Advisory committee

No advisory committee does exist.

3 Payments made to members of the Board of Directors and Executive Board

3.1 Payments made to members of the Board of Directors

CHF	Thomas von Planta	Daniel Sigg	Mirjam Staub-Bisang	Rupert Hengster	Veit de Maddalena	Total
1.1.–31.12.2018						
Fixed compensation in cash	215 000	85 000	85 000	85 000	85 000	555 000
Fixed compensation in cash for work in committees	10 000	30 000	15 000	15 000	15 000	85 000
Fixed compensation in cash for work in subsidiaries and associated companies	25 000	34 928	25 000	12 500	12 500	109 928
Fixed compensation in shares as indemnification for valuable claims against the previous employer	–	–	–	–	536 000	536 000
Subtotal	250 000	149 928	125 000	112 500	648 500	1 285 928
Social insurance contributions for fixed compensation	16 932	–	1 981	–	27 700	46 613
Total fixed compensation	266 932	149 928	126 981	112 500	676 200	1 332 541
Approved by the 2018 Annual General Meeting						1 367 500
Variable compensation in cash	–	–	–	–	–	–
Variable compensation in blocked shares ¹⁾	40 000	40 000	40 000	40 000	40 000	200 000
Social insurance contributions for variable compensation	3 000	–	3 000	3 000	3 000	12 000
Total variable compensation	43 000	40 000	43 000	43 000	43 000	212 000
To be approved at the 2019 Annual General Meeting						212 000
Total compensation	309 932	189 928	169 981	155 500	719 200	1 544 541

¹⁾ From these amounts the costs incurred for employee contributions to the statutory social insurance are settled in cash and not in shares.

The members of the Board of Directors received for the financial year 2018 a fixed compensation totalling CHF 1 285 928. In addition, employer contributions to the statutory insurance of CHF 46 613 were paid.

The Board of Directors proposes a variable compensation of CHF 200 000 for the 2018 financial year for approval at the Annual General Meeting, plus employer contribution to the statutory social insurance to a value of CHF 12 000. The payment – subject to approval – will be in shares of Bellevue Group AG at market value. A cash component to cover any employee contributions to the statutory social insurance will be offset. The market value of the shares is calculated based on weighted prices of ten days prior to the date of allocation. The shares will be blocked for 4 years from the day of allocation.

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

CHF	Thomas von Planta	Daniel Sigg	Mirjam Staub-Bisang	Rupert Hengster	Total
1.1.–31.12.2017					
Fixed compensation in cash	150 000	80 000	80 000	80 000	390 000
Fixed compensation in cash for work in committees	10 000	30 000	15 000	15 000	70 000
Fixed compensation in cash for work in subsidiaries and associated companies	25 000	45 001	25 000	–	95 001
Subtotal	185 000	155 001	120 000	95 000	555 001
Social insurance contributions for fixed compensation	12 762	–	–	–	12 762
Total fixed compensation	197 762	155 001	120 000	95 000	567 763
Approved by the 2017 Annual General Meeting					621 000
Variable compensation in cash	–	–	–	–	–
Variable compensation in blocked shares ¹⁾	40 000	40 000	40 000	40 000	160 000
Social insurance contributions for variable compensation	3 000	–	3 000	–	6 000
Total variable compensation	43 000	40 000	43 000	40 000	166 000
Approved at the 2018 Annual General Meeting					166 000
Actually paid					164 818
Honoraria for consulting services	19 800	–	–	–	19 800
Approved at the 2018 Annual General Meeting					19 800
Total compensation	260 562	195 001	163 000	135 000	753 563

¹⁾ For these amounts the costs incurred for employee contributions to the statutory social insurance are settled in cash and not in shares.

The members of the Board of Directors received fixed compensation totalling CHF 555 001 for the 2017 financial year. In addition, employer contributions to the statutory insurance of CHF 12 762 were paid.

The Board of Directors proposed a variable compensation of CHF 160 000 for the 2017 financial year for approval by the Annual General Meeting, plus employer contributions to statutory social insurance to a value of CHF 6 000. The payment – subject to approval – was in shares of Bellevue Group AG at market value. A cash component to cover any employee contributions to statutory social insurance was offset. The market value of the shares was calculated based on weighted average prices of 10 days prior to the relevant date of allocation. The shares were blocked for four years from the day of allocation.

With the exception of Thomas von Planta, no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors. For the period from 1 January to 31 December 2017, Thomas von Planta invoiced Bellevue Group AG the amount of CHF 19 800 (excl. 8% VAT) for consulting services.

3.2 Compensation of the Executive Board

CHF	Of which the highest compensation is paid to André Rüegg ¹⁾	Total
1.1.–31.12.2018		
Fixed compensation in cash ²⁾	300 000	1 012 500
Social insurance contributions for the fixed compensation in cash ³⁾	78 101	252 115
Total fixed compensation in cash	378 101	1 264 615
Approved by the 2018 Annual General Meeting		1 272 500
Short-term variable compensation in cash	497 500	497 500
Short-term variable compensation in cash as indemnification for valuable claims against the previous employer ⁴⁾	–	200 000
Social insurance contributions for the short-term variable compensation in cash ⁵⁾	36 000	49 000
Total short-term variable compensation in cash	533 500	746 500
Short-term variable compensation in blocked shares ⁶⁾	100 000	100 000
Short-term variable compensation in blocked and discounted shares from participation program ⁷⁾	53 000	159 000
Social insurance contributions for the short-term variable compensation in blocked shares ⁵⁾	8 500	11 500
Total short-term variable compensation in shares	161 500	270 500
Short-term variable compensation in blocked shares with vesting period and clawback right ^{6) 8)}	397 500	897 500
Social insurance contributions for the short-term variable compensation in blocked shares with vesting period and clawback right ⁵⁾	28 000	51 000
Total short-term variable compensation in blocked shares with vesting period and clawback right	425 500	948 500
Other short-term variable compensation ⁹⁾	158 000	158 000
Social insurance contributions for other short-term variable compensation ⁵⁾	12 000	12 000
Total other short-term variable compensation	170 000	170 000
Short-term variable compensation	1 206 000	2 012 000
Social insurance contributions for short-term variable compensation ⁵⁾	84 500	123 500
Total short-term variable compensation	1 290 500	2 135 500
To be approved at the 2019 Annual General Meeting		2 135 500
Long-term variable compensation	–	–
Social insurance contributions for long-term variable compensation	–	–
Total long-term variable compensation	–	–
Approved by the 2018 Annual General Meeting		–
Total compensation	1 668 601	3 400 115

¹⁾ André Rüegg is CEO of Bellevue Group AG and Bellevue Asset Management AG. Until 31 January 2018 he took over the role of interim CEO of Bank am Bellevue AG.

²⁾ Thomas Pixner took over as CEO of Bank am Bellevue AG on 1 February 2018.

³⁾ The social insurance contributions contain the employer contribution to statutory social insurance, the employer contribution to the company's pension insurance plan and employer contributions to health and accident insurance calculated on the basis of the amounts shown.

⁴⁾ Thomas Pixner, CEO of Bank am Bellevue AG, was paid compensation for valuable claims which have lapsed due to the change of company against the previous employer. The compensation was paid in cash.

⁵⁾ For variable remuneration not yet paid, a prospective rate of 7% for employer contributions to statutory social insurance is calculated and rounded up. The contributions actually invoiced (in the following year) may be lower.

⁶⁾ From these amounts, the respective costs of employer contributions to statutory social insurance were settled in cash and not in shares.

⁷⁾ This is the amount of the monetary benefit.

⁸⁾ CHF 397'500 of these shares are subject to a one-year service period and a one-year claw-back right. In addition, shares in the amount of CHF 500 000 with a three-year vesting period ("service period") and a three-year claw-back right were already allocated in May 2018 under an individual performance plan. The allocation was subject to approval by the Annual General Meeting.

⁹⁾ Effective vested benefits in shares of BB Biotech SA, valued at 10-day VWAP at grant date (January 24, 2019)

The members of the Executive Board received a fixed compensation totalling CHF 1 012 500 for the 2018 financial year (in addition social insurance contributions).

The variable compensation is broken down as follows (social insurance contributions to be added):

- CHF 497 500 to be paid in cash. This amount needs to be approved by the Annual General Meeting.
- CHF 200 000 have already been paid as short-term variable compensation in cash as indemnification for valuable claims against the previous employer. This amount must be approved by the Annual General Meeting. The payment was made subject to the corresponding reservation.

- CHF 100 000 to be paid in the form of shares of Bellevue Group AG and blocked for 4 years from the day of allocation. This amount needs be approved by the Annual General Meeting.
- Under the BBN Participation Program, CHF 159 000 was granted as short-term variable compensation in the form of non-cash benefit on the purchase of restricted and discounted shares. This amount must be approved by the Annual General Meeting. The grant was made subject to the corresponding reservation.
- CHF 397 500 also to be paid in the form of shares of Bellevue Group AG and are subject to a one year vesting period (Service Period) and a one-year right of claw back clause (Claw Back Right) from the day of allocation. This amount needs be approved by the Annual General Meeting.
- CHF 500 000 were allocated in May 2018 as part of an individual performance plan in the form of Bellevue Group AG shares and provided with a three-year vesting period (service period) and a three-year claw back right. This amount must be subsequently approved by the Annual General Meeting.
- The rest of the variable compensation consists of an entitlement to BB Biotech AG shares in the amount of CHF 158 000. This amount needs be approved by the Annual General Meeting. The allocation was made subject to the corresponding reservation.

All shares of Bellevue Group AG are valued at market value (weighted average prices of 10 days prior to the date of allocation).

The entitlement to shares of BB Biotech AG is measured with respect to market prices (weighted average prices of 10 days prior to allocation). The effective allocation took place on 24 January 2019.

For a better understanding, a reconciliation of the figures in the notes of the financial statements, of section 5.1 compensation of the members of the Board of Directors and the Executive Board (see page 86), is listed below:

CHF	Amount according to compensation report	IFRS reconciliation	Compensation according to consolidated financial statements
1.1.–31.12.2018			
Fixed compensation in cash	1 012 500	–	1 012 500
Social insurance contributions for the fixed compensation in cash	252 115	–	252 115
Total fixed compensation in cash	1 264 615	–	1 264 615
Short-term variable compensation in cash	497 500	–	497 500
Short-term variable compensation in cash as indemnification for valuable claims against the previous employer	200 000	–	200 000
Social insurance contributions for the short-term variable compensation in cash	49 000	–	49 000
Total short-term variable compensation in cash	746 500	–	746 500
Short-term variable compensation in blocked shares	100 000	–	100 000
Short-term variable compensation in blocked and discounted shares from participation program	159 000	–	159 000
Social insurance contributions for the short-term variable compensation in blocked shares	11 500	–	11 500
Total short-term variable compensation in shares	270 500	–	270 500
Short-term variable compensation in blocked shares with vesting period and clawback right	897 500	133 191	1 030 691
Social insurance contributions for the short-term variable compensation blocked shares with vesting period and clawback right	51 000	– 2 667	48 333
Total short-term variable compensation in blocked shares with vesting period and clawback right	948 500 ¹⁾	130 524	1 079 024
Other short-term variable compensation	158 000	– 102 533	55 467
Social insurance contributions for other short-term variable compensation	12 000	– 8 395	3 605
Total other short-term variable compensation	170 000	– 110 928	59 072
Long-term variable compensation	–	133 333	133 333
Social insurance contributions for the long-term variable compensation	–	9 333	9 333
Total long-term variable compensation	–	142 666 ²⁾	142 666
Total compensation	3 400 115	162 262	3 562 377

¹⁾ In the future, this amount will be recognised in accordance with IFRS as an expense over the vesting period (service period).

²⁾ This amount takes into account the effects of the individual long-term incentive plan described in section 2.2.4. The expense is recorded over the future vesting period (service period).

During the reporting year, no compensation was paid to parties related to members of the Executive Board.

During the reporting year, CHF 220 000 was paid for consulting services to Serge Monnerat, formerly CEO of Bank am Bellevue AG. The services related to the development of research services and the support of an important client event as well as selective consulting services in connection with a comprehensive MIFID II project.

CHF	of which the highest compensation is paid to: André Rüegg ¹⁾	Total
1.1.–31.12.2017		
Fixed compensation in cash	300 000	750 000
Social insurance contributions for the fixed compensation in cash ²⁾	79 000	198 000
Total fixed compensation in cash ³⁾	379 000	948 000
Approved by the 2017 Annual General Meeting		1 140 000
Short-term variable compensation in cash	755 000	1 030 000
Social insurance contributions for the short-term variable compensation in cash ⁴⁾	54 000	74 000
Total short-term variable compensation in cash	809 000	1 104 000
Short-term variable compensation in blocked shares ⁵⁾	100 000	200 000
Social insurance contributions for the short-term variable compensation in blocked shares ⁴⁾	7 000	14 000
Total short-term variable compensation in blocked shares	107 000	214 000
Short-term variable compensation in blocked shares with vesting period and clawback right ^{5) 6)}	655 000	830 000
Social insurance contributions for the short-term variable compensation in blocked shares with vesting period and clawback right ⁴⁾	47 000	60 000
Total short-term variable compensation in blocked shares with vesting period and clawback right	702 000	890 000
Other short-term variable compensation ⁷⁾	158 000	158 000
Social insurance contributions for other short-term variable compensation ⁴⁾	12 000	12 000
Total other short-term variable compensation	170 000	170 000
Short-term variable compensation	1 668 000	2 218 000
Social insurance contributions for the short-term variable compensation ⁴⁾	120 000	160 000
Total short-term variable compensation	1 788 000	2 378 000
Approved by the 2018 Annual General Meeting		2 378 000
Long-term variable compensation	–	–
Social insurance contributions for the long-term variable compensation	–	–
Total long-term variable compensation	–	–
Approved by the 2017 Annual General Meeting		1 360 000
Other compensation	–	–
Social insurance contributions for other compensation	–	–
Total other compensation	–	–
Total compensation	2 167 000	3 326 000

¹⁾ André Rüegg is CEO of Bellevue Group AG and Bellevue Asset Management AG. Since 21 February 2017, he has held the position of CEO of Bank am Bellevue AG on an interim basis.

²⁾ The social insurance contributions contain the employer contribution to statutory social insurance, the employer contribution to the company's pension insurance plan and employer contributions to health and accident insurance calculated on the basis of the amounts shown.

³⁾ As part of the restructuring of Bank am Bellevue AG, Serge Monnerat resigned from his position as CEO of Bank am Bellevue AG and as member of the Executive Board of Bellevue Group AG on 21 February 2017. His employment was terminated with effect from 30 June 2017.

⁴⁾ A rate of 7% is prospectively charged on variable compensation for employer contributions to statutory social insurance and rounded up. The actual amounts charged (in the following year) may be lower.

⁵⁾ From these amounts, the respective costs of employer contributions to statutory social insurance were settled in cash and not in shares.

⁶⁾ The shares are subject to a one-year vesting period (service period) and a one-year clawback right.

⁷⁾ Effective entitlement to shares in BB Biotech AG, valued according to their market value 10-day VWAP on the date of allocation (29 January 2018).

The members of the Executive Board received a fixed compensation totalling CHF 750 000 for the 2017 financial year. (plus social insurance contributions)

The variable compensation was the following:

- CHF 1 030 000 were paid in cash.
- CHF 200 000 were paid in the form of shares of Bellevue Group AG and blocked for four years from the date of allocation
- CHF 830 000 also paid in the form of shares of Bellevue Group AG and subject to a one-year vesting period (service period) and a one-year clawback right from the date of allocation.
- The rest of the variable compensation consists of an entitlement to BB Biotech AG shares to the value of CHF 158 000.

All shares of Bellevue Group AG were valued at market value (weighted average prices of 10 days prior to the date of allocation).

For a better understanding a reconciliation of the figures in the notes of the financial statements, of section 5.1 compensation of the members of the Board of Directors and the Executive Board (see page 86), is listed below:

CHF	Amount according compensation report	IFRS reconciliation	compensation according to consolidated financial statements
1.1.–31.12.2017			
Fixed compensation in cash	750 000	–	750 000
Social insurance contributions for the fixed compensation in cash	198 000	–	198 000
Total fixed compensation in cash	948 000	–	948 000
Short-term variable compensation in cash	1 030 000	–	1 030 000
Social insurance contributions for the short-term variable compensation in cash	74 000	–	74 000
Total short-term variable compensation in cash	1 104 000	–	1 104 000
Short-term variable compensation in blocked shares	200 000	–	200 000
Social insurance contributions for the short-term variable compensation in blocked shares	14 000	–	14 000
Total short-term variable compensation in shares	214 000	–	214 000
Short-term variable compensation in blocked shares with vesting period and clawback right	830 000	–471 666	358 334
Social insurance contributions for the short-term variable compensation blocked shares with vesting period and clawback right	60 000	– 34 479	25 521
Total short-term variable compensation in blocked shares with vesting period and clawback right	890 000	– 506 145 ¹⁾	383 855
Other short-term variable compensation	158 000	–9 323	148 677
Social insurance contributions for other short-term variable compensation	12 000	– 1 593	10 407
Total other short-term variable compensation	170 000	– 10 916	159 084
Long-term variable compensation	–	400 000	400 000
Social insurance contributions for the long-term variable compensation	–	28 000	28 000
Total long-term variable compensation	–	428 000 ²⁾	428 000
Other compensation	–	–	–
Social insurance contributions for other compensation	–	–	–
Total other compensation	–	–	–
Total compensation	3 326 000	– 89 061	3 236 939

¹⁾ In the future, this amount will be recognised in accordance with IFRS as an expense over the vesting period (service period).

²⁾ This amount takes the effects of the individual long-term incentive plan described in section 2.2.4 into account. The expense is recorded over the future vesting period (service period). As part of the restructuring of Bank am Bellevue AG, Serge Monnerat resigned from his position as CEO of Bank am Bellevue AG and as member of the Executive Board of Bellevue Group AG on 21 February 2017. As a result of the termination of the employment contract by the employer as of 30 June 2017, the remaining service period does not apply. The resulting expense amounts to CHF 214 000 and was recognised in full in the reporting year.

During the previous year, no compensation was paid to parties related to members of the Executive Board or to former members of the Executive

4 Compensations to be approved at the Annual General Meeting 2019 for the Board of Directors and Executive Board

4.1 Approval of the maximum amount of fixed compensation for the Board of Directors

The Board of Directors did not change the fixed remuneration in relation to the respective functions. The fixed remuneration in cash for work on committees and in subsidiaries was also not changed per mandate.

This results in the following proposals:

- the fixed compensation in cash should not exceed CHF 555 000 (previous year: CHF 555 000);
- the fixed compensation in cash for work on committees should not exceed CHF 95 000 in total (previous year: CHF 85 000)
- the fixed compensation in cash for work in subsidiaries should not exceed CHF 100 000 (previous year: CHF 112 500);

Additional costs of a maximum of CHF 46 000 for the employer contributions to statutory social insurance apply to these amounts.

The Board of Directors proposes for approval a maximum amount of fixed compensation for the Board of Directors of CHF 796 000 for the term until the conclusion of the next Annual General Meeting.

4.2 Approval of the maximum amount of variable compensation for the Board of Directors

The calculation of the variable compensation for the Board of Directors is described and disclosed in the sections 2.1.2 and 3.1. Additionally, costs up to CHF 12 000 for employer contributions to the statutory social security will be paid.

The Board of Directors proposes for approval a maximum amount of variable compensation for the Board of Directors of CHF 212 000 for the financial year 2018.

4.3 Genehmigung maximaler Gesamtbetrag der fixen Vergütung und der langfristigen variablen Vergütung der Geschäftsleitung

The Board of Directors has reviewed the fixed compensation for the Executive Board. No adjustments were made and the amount of fixed compensation for the current members of the Executive Board will not be changed. For the new member of the Executive Board, a compensation in line with market conditions. In total CHF 1 088 000 of fixed compensation is expected. To the compensation, additional contributions of maximum CHF 277 000 for employer contributions to statutory social insurance, other insurances and for pension fund benefits have been agreed. The proposed amount of fixed compensation for the Executive Board for the 2019 financial year is thus CHF 1 365 000.

The Board of Directors proposes for approval a maximum amount of fixed and long term variable compensation for the Executive Board of CHF 1 365 000 for the financial year 2019.

4.4 Approval of the total amount of short-term variable compensation for the Executive Board

The components and calculation of the variable compensation for the Executive Board is described and disclosed in the sections 2.2.2 and 3.2. Additionally costs up to CHF 123 500 for employer contributions to the statutory social security will be paid.

The Board of Directors proposes for approval a maximum amount of short-term variable compensation for the Executive Board of CHF 2 135 500 for the financial year 2018.

Report of the statutory auditor to the General Meeting of Bellevue Group AG Küsnacht

We have audited the accompanying remuneration report of Bellevue Group AG for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Bellevue Group AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.



PricewaterhouseCoopers AG

Rolf Birrer
Audit expert
Auditor in charge

Roland Holl
Audit expert

Zürich, 25. Februar 2019

Consolidated income statement

CHF 1 000	Note	1.1.–31.12.2018	1.1.–31.12.2017		Change
Interest income		1 081	435	646	+149%
Dividend income		2 261	1 757	504	+29%
Other financial income		43	128	–85	–66%
Interest expense		–96	–151	55	–36%
Other financial expenses		–426	–978	552	–56%
Net interest and dividend income		2 863	1 191	1 672	+140%
(Increase) / decrease in credit losses	1.4.3 / 6.6	–	–	–	–
Net interest and dividend income after loan losses		2 863	1 191	1 672	+140%
Fee and commission income		99 310	97 324	1 986	+2%
Fee and commission expense		–2 399	–2 720	321	–12%
Net fee and commission income	3.1	96 911	94 604	2 307	+2%
Securities trading		–1 795	2 177	–3 972	–182%
Foreign exchange trading		–143	320	–463	–145%
Net trading income		–1 938	2 497	–4 435	–178%
Income from other financial instruments at fair value		4 727	1 649	3 078	+187%
Other ordinary income		243	348	–105	–30%
Other income		4 970	1 997	2 973	+149%
Total operating income		102 806	100 289	2 517	+3%
Personnel expenses	3.2	–52 500	–52 111	–389	+1%
Other operating expenses	3.3	–20 884	–17 122	–3 762	+22%
Depreciation and amortization	3.4	–5 677	–3 452	–2 225	+64%
Total operating expenses		–79 061	–72 685	–6 376	+9%
Profit before tax		23 745	27 604	–3 859	–14%
Taxes	3.5	–3 772	–6 088	2 316	–38%
Group net profit		19 973	21 516	–1 543	–7%
Earnings per share					
Basic earnings per share (in CHF)	3.6	1.49	1.60	–0.11	–7%
Diluted earnings per share (in CHF)	3.6	1.49	1.60	–0.11	–7%

The accompanying notes (see page 62 ff.) are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF 1 000	1.1.–31.12.2018	1.1.–31.12.2017		Change
Group net profit in the income statement	19 973	21 516	– 1 543	– 7%
Other comprehensive income (net of tax)				
Items that may be reclassified subsequently to net income				
Currency translation adjustments	– 1 717	4 462	– 6 179	– 138%
Items that will not be reclassified subsequently to net income				
Gains and losses arising on revaluation of financial assets at fair value through other comprehensive income	22 714	1 804	+ 20 910	+ 1159%
Remeasurement of post employment benefit obligations IAS 19	– 6 270	6 174	– 12 444	– 202%
Total comprehensive income	34 700	33 956	+ 744	+ 2%

The accompanying notes (see page 62 ff.) are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF 1000	Note	31.12.2018	31.12.2017		Change
Cash		144 156	127 114	+17 042	+13%
Due from banks	4.1	46 128	62 446	-16 318	-26%
Due from customers	4.1	62 862	59 122	+3 740	+6%
Trading portfolio assets	4.2	33 402	48 120	-14 718	-31%
Positive replacement values	4.2	2 886	6 427	-3 541	-55%
Other financial assets at fair value	4.2	29 380	28 656	+724	+3%
Accrued income and prepaid expenses		10 003	12 924	-2 921	-23%
Financial investments	4.3	53 730	26 178	+27 552	+105%
Property and equipment	4.4	1 022	304	+718	+236%
Goodwill and other intangible assets	4.6	68 212	71 873	-3 661	-5%
Current tax assets	3.5	3 233	2 657	+576	+22%
Deferred tax assets	3.5	692	217	+475	+219%
Other assets ¹⁾		11 653	16 198	-4 545	-28%
Total assets		467 359	462 236	+5 123	+1%
Due to banks		561	6 147	-5 586	-91%
Due to customers		203 864	188 609	+15 255	+8%
Negative replacement values	4.2	2 882	6 404	-3 522	-55%
Liabilities from other financial instruments at fair value	4.2	–	12 377	-12 377	-100%
Other financial liabilities at fair value	4.2	5 226	15 525	-10 299	-66%
Accrued expenses and deferred income		34 774	37 226	-2 452	-7%
Current tax liabilities		5 055	2 615	+2 440	+93%
Deferred tax liabilities	3.5	15 088	12 355	+2 733	+22%
Provisions and pension obligations	7.2	1 891	–	+1 891	+100%
Other liabilities		1 137	3 779	-2 642	-70%
Total liabilities		270 478	285 037	-14 559	-5%
Share capital	4.7	1 346	1 346	–	–
Capital reserves		30 706	45 513	-14 807	-33%
Unrealized gains and losses recognized in other comprehensive income		45 015	28 571	+16 444	+58%
Currency translation adjustments		842	2 559	-1 717	-67%
Retained earnings		120 665	100 123	+20 542	+21%
Treasury shares	4.8	-1 693	-913	-780	+85%
Total shareholders' equity		196 881	177 199	+19 682	+11%
Total liabilities and shareholders' equity		467 359	462 236	+5 123	+1%

¹⁾ In the period under review, the other assets contain assets related to performance-based variable compensation amounting to CHF 8.3 million (previous year: CHF 7.2 million) and no assets from occupational pensions (previous year: CHF 5.5 million).

The accompanying notes (see page 62 ff.) are an integral part of the consolidated financial statements.

Statement of shareholders' equity

CHF 1 000	Note	2018	2017
Share capital			
On January 1		1 346	1 346
On December 31	4.7	1 346	1 346
Capital reserves			
On January 1		45 513	58 974
Change during period under review		–14 807	–13 461
On December 31		30 706	45 513
Unrealized gains and losses recognized in other comprehensive income			
On January 1		28 571	20 593
Change in unrealized gains and losses on financial instruments		22 714	1 804
Remeasurement of post employment benefit obligations IAS 19	7.2	–6 270	6 174
On December 31		45 015	28 571
Currency translation adjustments			
On January 1		2 559	–1 903
Change during period under review		–1 717	4 462
On December 31		842	2 559
Retained earnings			
On January 1		100 123	80 042
Change in accounting policy (applications of IFRS 9 (2014) as at 1.1.2018)		–25	–
Group net profit		19 973	21 516
Income from the sale of own shares and derivatives		261	–303
Employee stock ownership plan		333	–1 132
On December 31		120 665	100 123
Treasury shares			
On January 1		–913	–177
Purchases		–18 788	–7 424
Disposals		18 008	6 688
On December 31	4.8	–1 693	–913
Total shareholder's equity			
On January 1		177 199	158 875
On December 31		196 881	177 199

The accompanying notes (see page 62 ff.) are an integral part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1 000	Note	1.1.–31.12.2018	1.1.–31.12.2017
Cash flow from operating activities			
Group profit		19 973	21 516
Reconciliation to net cash flow from operating activities			
Non-cash positions in Group results:			
Depreciation of fixed assets	4.4	463	1 222
Amortization of intangible assets	4.6	5 214	2 230
Change in provisions		–	4 613
Tax expense/benefit		6 384	5 739
Deferred tax expense/benefit		–1 575	913
Change in fair value of financial assets and other financial assets at fair value		–3 385	–3 093
Change in other financial liabilities at fair value		–3 921	1 374
Other non-cash items		516	–688
Net increase/decrease in operating assets			
Due from banks		16 791	50 054
Due from clients	4.1	–3 740	–41 143
Trading positions and replacement values net	4.1	14 737	16 126
Accrued income, prepaid expenses and other assets	4.2	2 860	–11 135
Net increase/decrease in liabilities			
Due to banks		–5 586	–10 029
Due to customers		15 255	–8 718
Financial liabilities designated at fair value		–12 377	–14 213
Other financial liabilities at fair value	4.2	–148	131
Accrued expenses, deferred income and other liabilities		–6 136	16 990
Taxes paid		–4 719	–8 329
Cash flow from operating activities		40 606	23 560
Cash flow from investing activities			
Investment in other financial assets at fair value		–4 606	–7 023
Divestments of other financial assets at fair value		7 285	9 453
Divestments of financial assets at amortized cost		130	118
Purchase of property and equipment	4.4	–1 199	–131
Acquisition of intangible assets	4.6	–321	–200
Payments for acquisitions of controlled entities, net of cash		–9 266	–7 281
Net cash flow from investing activities		–7 977	–5 064
Cash flow from financing activities			
Cash distributions from capital reserves/dividends paid		–14 807	–13 461
Net movements in treasury shares and derivatives on own shares		–780	–736
Net cash flow from investing activities		–15 587	–14 197
Currency translation effects		–	–
Net increase/decrease in cash and cash equivalents		17 042	4 299
Cash at the beginning of the year		127 114	122 815
Cash at the end of the year		144 156	127 114
Further information ¹⁾			
Cash received as interest		–	–
Cash paid as interest		153	369
Cash received as dividends on equities		2 258	2 189

¹⁾ These cash flows are allocated to cash flows from operating activities.

The accompanying notes (see page 62 ff.) are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Accounting principles

1.1 Basis of interpretation

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

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless stated under section 1.2.

1.2 New accounting standards used

Bellevue Group applied the following new and revised standards and interpretations for the first time in the 2018 financial year:

1.2.1 IFRS 9 (2014) – Financial Instruments

Bellevue Group had been applying the version of IFRS 9 issued in 2009 up to the end of the 2017 financial year. As of 1 January 2018, Bellevue Group AG has been applying the final, 2014 version of IFRS 9.

IFRS 9 (2014) can be broken down into three sections:

1. The classification and measurement of financial assets and financial liabilities
2. Impairment of financial assets
3. Hedge Accounting

1. The classification and measurement of financial assets and financial liabilities

IFRS 9 (2014) introduces minor changes concerning the classification of financial assets and financial liabilities compared to IFRS 9 (2009). However, these changes have no significant influence on the classification and measurement of the financial assets and financial liabilities of Bellevue Group.

2. Impairment of financial assets

The expected loss model methodology replaces the former incurred loss model of IAS 39. Under IFRS 9, impairment concerns all positions of financial instruments on the asset side of a balance sheet which are subject to a potential credit risk and are not already accounted for at fair value.

As Bellevue Group AG does not operate in the conventional lending business (mortgages), the introduction of the new impairment models has no significant influence on the Bellevue Group shareholders' equity. As of 1 January 2018, the introduction of the new impairment model led to an expected credit loss of CHF 25 000 on amounts due from customers recorded in retained earnings with no effect on net income. The expected credit losses from other positions valued as amortised cost (amounts due from banks and other assets) only lead to minimal expected credit losses, due to the creditworthiness of the counterparties and the short maturity of the amounts due. Therefore, the expected credit losses were not recognised separately.

3. Hedge Accounting

Since Bellevue Group does currently not apply hedge accounting it is not affected by any of the changes in this area.

1.2.2 IFRS 15 – Revenue from Contracts with Customers

The new standard sets out a five-step model for recognising revenue. In principle, this model should apply to all client contracts. The model breaks down into the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the various performance obligations included in the contract;
- Recognise revenue as and when the entity fulfils a performance obligation

IFRS 15 also sets out new guidelines on whether revenue should be recognised at a certain point in time or over a given period. A new recognition threshold was introduced for cases where revenue varies. This stipulates that variable amounts should only be recognised as revenue when it can be safely assumed that any subsequent changes in estimates will not cause significant alterations to the revenue.

IFRS 15 was applied as of 1 January 2018. The application of IFRS 15 had no significant effect on the consolidated shareholders' equity or the consolidated income statement of Bellevue Group either as of 1 January 2018 or in the financial year 2018. This is due to the fact that, in principle, only contractual models exist with immediate fulfilment of the performance obligation and that there are no uncertainties regarding the agreed transaction price at the end of the year.

1.2.3 Other new standards and interpretations

The following new and revised standards and interpretations had no effect on or did not relate to Bellevue Group when first applied:

IAS 40 – Transfers of Investment Property;
IFRS 2 – Classification and Measurement of Share-Based Payment Transactions;
IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
Annual improvements, cycle 2014 to 2016, first application as of 1 January 2018.

1.3 International Financial Reporting Standards and interpretations which will be introduced in 2019 or later and other

1.3.1 IFRS 16 – Leasing

On January 2016 the IASB promulgated its new guidance for the accounting of lease contracts. With the new standard, the lessee is asked to report all of its lease contracts and related liabilities on the balance sheet, with minor exceptions. Simultaneously, the lessee is also required to recognize an asset for the right to use of the leased item equal to the present value of future lease payments and other directly related costs. For short term leases and/or low value underlying assets, facilitations in the accounting methodology can be applied.

IFRS 16 has to be adopted starting from 1 January 2019. Bellevue Group does not expect any significant effects with the adoption of the new accounting standard. An increase in actuarial reserves and liabilities of approximately CHF 8 million is expected as of the date of application. The introduction of IFRS 16 has no impact on the consolidated equity of the Bellevue Group.

1.3.2 Other significant new accounting standards and standards implementation

Based on early stage analyses, the following new standards and/or standards' updates will not have a significant effect on Bellevue Group's financial statements:

	To be applied as of
IFRIC 23 Uncertainty over Income Tax Treatments	01.01.2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	01.01.2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	01.01.2019
Annual Improvements 2015 – 2017	01.01.2019
IFRS 3 Amendments: Definition of a business unit	01.01.2020
IAS 1/IAS 8 Amendments: Definition materiality	01.01.2020
IFRS 17 – Insurance contracts	01.01.2021

1.4 Important accounting principles

1.4.1 Consolidation principles

Fully consolidated companies

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

Method of consolidation

The Group applies the acquisition method to account for business combinations. Under this method, the book value of the participation held by the parent company is offset against its share of the shareholders' equity of the subsidiary at the time of the acquisition. The effects of intercompany transactions are eliminated during the preparation of the consolidated financial statements.

Business combinations

In a business combination, the acquirer obtains control over the net assets of one or more businesses. The business combination is accounted for using the acquisition method. This involves recognising the identifiable assets, including previously unrecognised intangible assets and liabilities of the acquired business, at acquisition-date fair value. Any excess of the consideration paid at acquisition-date fair value, over the fair value of identifiable net assets acquired at acquisition date, is recognised as goodwill. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at acquisition-date fair value. Subsequent changes to the fair value of a contingent consideration is recognised in accordance with IFRS 9 in the income statement.

1.4.2 General principles

Foreign currency translation

The items included in the financial accounts of each of the Group's company are measured using the currency of the primary economic environment, in which the company operates (functional currency). The consolidated financial statements are presented in Swiss Francs, which is also the functional and presentation currency of Bellevue Group AG.

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

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

Segments

Bellevue Group is divided into two operating segments, «Bank am Bellevue» and «Asset Management». Positions that cannot be directly attributed to one of these two segments are booked under «Group». This also includes consolidating entries. The «chief operating decision maker», who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

Cash and cash equivalents

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

Accrual of income

Income received for services provided over a certain period of time is recognized pro rata over the period in which the services are provided. Such services include, for example, asset management and custody fees. Profit- and performance-based income is not recorded until all the relevant profit or performance criteria have been met. Interest income is accrued as earned. The Group's income consists mainly of asset management fees. Management fees result from the management of collective capital contributions as well as from the management of assets of bank clients. Customers are usually served over a longer period of time. Management fees are charged directly to client assets on a quarterly basis if the Bellevue Group is also responsible for account management. If the asset management for a client is carried out with a third-party bank, the fees are collected via invoicing. The performance-based fees are collected when a contractually defined performance target is achieved. Revenue is not recognised until it is highly probable that it will be received.

1.4.3 Financial instruments

Initial recognition

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

Determination of fair value

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

Determining the expected credit losses

A financial instrument carried at amortized cost is allocated to Level 1 of the impairment model upon initial recognition. There are currently no financial instruments that have an impaired credit rating at the time of acquisition or issue. If a financial instrument has a significant increase in default risk (risk of non-payment) compared to the date of initial recognition and the external rating, if any exist, is no longer at least investment grade, it is transferred to Level 2. The most important indications for a significant increase in the default risk are a delay in payment and a substantial decline of the rating or debtor-specific (idiosyncratic) factors. In case a delay in payment exceeds 30 days, the financial instrument is always transferred to Level 2. If one or more events have an adverse effect on the expected future cash flow, the financial instrument is transferred to Level 3. The Bellevue Group considers in all cases a financial instrument to be default and thus Level 3 (credit impaired), if the borrower becomes 90 days overdue for his/her contractual payments.

Lombard loans are generally entered on a secured basis only, with cover consisting of easily realisable securities. The daily management and control of counterparty risks reduce the probability to a minimum that an exposure must be transferred from Level 1 to Level 2 and 3. The expected credit losses in Level 1 of the impairment model correspond to the present value of the expected payment defaults resulting from possible default events within the next twelve months after the balance sheet date («12-month losses»). The expected credit losses in Level 2 and 3 correspond to the present value of all expected payment defaults over the remaining term of the financial instrument («total maturity losses»). The change in expected credit losses is reported under the position «(increase) / decrease in credit losses».

The expected credit losses on financial instruments in Level 1 and 2 are calculated by multiplying the amount outstanding at the time of default (EAD) by the probability of default (PD) and the loss rate in the event of default (LGD). The interest effect is taken into account if material. In the absence of external ratings, the probability of default is determined on the basis of internal empirical values. The value of the collateral is taken into account when calculating the expected credit losses, which is why Lombard loans generally have no expected credit losses.

The expected credit losses on financial instruments in Level 3 are determined on the basis of an individual assessment of the uncovered portion of the loan, taking into account the collateral at liquidation value.

As a rule, a derecognition takes place when a legal title confirms the completion of the liquidation procedure.

Trading portfolio assets and financial liabilities designated at fair value

Financial assets or financial liabilities held for trading purposes are measured at fair value in «trading portfolio assets» or «trading portfolio liabilities». As at 31.12.2018 there are no trading portfolio liabilities. Gains and losses on sales and redemptions as well as changes in fair value are recognized in «net trading income», interest and dividend income, however, in «net interest and dividend income».

Issued structured products and certificates are stated under the item «Financial liabilities designated at fair value». Management, valuation and reporting of issued structured products and certificates are carried out on a Fair Value basis. If changes in own credit risk lead to changes in fair value, these are recognized in profit or loss.

Financial investments at amortized costs

Investments whereby the objective is to hold financial assets to collect contractual cash flows and for which the contractually agreed cash flows comprise only interest and the repayment of parts of the nominal value are entered on the balance sheet as amortised costs using the effective interest method. Any expected credit losses are deducted from the book value.

Interest is recorded for the corresponding accounting period using the effective interest method and shown under «Net interest income».

Other financial assets at fair value

Financial instruments that do not qualify for recognition at amortized cost are carried at fair value. The resulting income is recognized under «income from other financial assets at fair value». If the IFRS 9 criteria are met, a financial instrument can also be assigned to this category and accounted for as such at the time of initial recognition.

Investments at fair value with fair value changes recognized in other comprehensive income

Investments in equity instruments that are not held for trading purposes are carried fair value in the balance sheet. Changes in value are recognised in the income statement except in cases where Bellevue Group has irrevocably decided to recognise them at fair value through other comprehensive income.

Loans

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

Securities lending and borrowing

Securities received within the scope of securities borrowing agreements and securities delivered within the scope of securities lending agreements are recognized on or removed from the balance sheet only if control over the contractual rights that comprise these securities has been transferred. In the case of securities lending agreements, cash collateral received is recorded in the balance sheet as «cash collateral for securities lending agreements». In the case of securities borrowing agreements, cash collateral provided is recorded in the balance sheet as «due from banks». As at 31.12.2018 there are no cash collaterals from securities lending agreements.

Commissions paid for securities borrowing and lending agreements are recorded in the income statement as «fee and commission expense», while commissions received for the securities lending activity are recorded as «fee and commission income». Negative interest rates paid on cash collateral received for securities lending have to be recorded in the income statement as «other financial expense». The effect of negative interest rates on cash collateral provided for securities borrowed are recorded as «other financial income».

Derivative financial instruments

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

Negative interest rates

Negative interest on assets is accrued in the period in which it is incurred and is shown in the income statement in «Other financial expenses». Negative interest on liabilities is accrued in the period in which it is incurred and is shown in the income statement in «Other financial income».

1.4.4 Other principles

Own shares and derivatives on own shares

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

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

Share-based payments

Bellevue Group maintains various share-based payment plans in the form of share plans for selected employees. When such payments are made to these employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period or to other vesting conditions are expensed over the respective vesting period starting at grant date. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

Property and equipment

Property and equipment include leasehold improvements, information technology and telecommunications equipment and other fixed assets. The acquisition or production costs of property and equipment are capitalized when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Property and equipment are depreciated on a straight-line basis over their estimated useful life as follows:

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

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

Goodwill and other intangible assets

Goodwill arises from the acquisition of subsidiaries and represents the future economic benefits from other assets acquired in a business combination that are not individually identified and are recognised separately. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs (cash generating unit) or group's of CGUs, that is expected to benefit for synergies from combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level. Goodwill is capitalized and tested for impairment at least on an annual basis, or if events or changed circumstances indicate a potential impairment. The test is carried out more frequently to determine whether the book value exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the book value exceeds the recoverable amount an impairment loss is recorded.

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

Income taxes

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantially enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income and recognized as expense in the period in which the related profits are made. Receivables or liabilities related to current income taxes are reported in the balance sheet in the items «current tax assets» or «current tax liabilities».

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

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

Provisions

A provision is recognized if Bellevue Group has, as a result of a past event, a current liability at the balance sheet date that will probably lead to an outflow of funds and whose amount can be reliably estimated. If an outflow of funds is unlikely to occur, or the amount of the liability cannot be reliably estimated, a contingent liability is shown. If there is, as a result of a past event, a possible liability as at the balance sheet date whose existence depends on future developments that are not fully under Bellevue Group's control, a contingent liability is likewise shown. The recognition and reversal of provisions are recognized under «valuation adjustments and provisions» except for changes in actuarial pension provisions, which are recognized under «other comprehensive income», with the exception of changes in actuarial provisions which are recorded in the income statement.

Pension funds

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

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

For defined-benefit plans, pension costs are determined on the basis of different economic and demographic assumptions using the projected unit credit method. This method uses the number of service years until the key date. The assumptions to be evaluated by the Group include expectations of future salary development, long-term interest on retirement assets, retirement trends and life expectancy. The valuations are carried out by independent actuaries every year. The pension assets are valued annually at fair value.

Pension cost is composed of three components:

- Service cost, which is recorded as personnel expenses in the income statement
- Net interest expenses, which are recorded as interest expense in the income statement
- Revaluation components, which are recognised in the statement of comprehensive income

Service cost encompasses the current service cost, past service cost, and gains and losses from non-routine plan settlements. Gains and losses from plan curtailments are treated the same way as past service cost. Employee contributions and third-party contributions reduce the service cost and are deducted from it, provided they are required by the benefit regulations or are the result of a factual obligation.

Net interest expenses are the result of the assumed interest rate multiplied by the pension obligations or the pension assets. Capital flows and changes of less than a year are included on a weighted basis.

Revaluation components include actuarial gains and losses from changes in the net present value of the pension obligations and the pension assets. Actuarial gains and losses are calculated on the basis of changes in assumptions and experience adjustments. Gains and losses on assets are the result of income on assets less the amounts contained in net interest expenses. The revaluation component also includes changes in unrecognised assets less effects included in net interest expenses. Revaluation components are recorded in the statement of comprehensive income and cannot be recycled. Amounts recorded in the statement of comprehensive income can be reallocated within equity.

Pension obligations or assets recorded in the consolidated financial statements correspond to the funding surplus or shortfall of the defined-benefit plans. However, pension assets are restricted to the net present value of the Group's economic benefit from future «curtailments or repayments. Pension obligations in Swiss benefit plans are currently valued on the basis of employers and employees» sharing the risk.

Assets under management and net inflows/outflows of new money

Assets with management mandate are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority concerning accounting standards for financial institutions (FINMA-RS 15/1). Assets with management mandate comprise all assets of private, corporate and institutional clients, excluding borrowings, managed or held for investment purposes, as well as assets in self-managed collective investment instruments of Bellevue Group. This basically includes all liabilities with respect to customers, fixed-term and fiduciary deposits, and all valued assets. Assets deposited with third parties are included if they are managed by a group company. Other assets under management are assets that are held solely for custody purposes or the execution of transactions.

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

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

1.5 Estimates, assumptions and the exercising of discretion by management

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

Income taxes

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

Provisions

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

Level 3 Financial Instruments (Fair Value)

Level 3 Financial instruments are valued based on the inputs that are not based on observable market data.

For details to the valuation methods applied for level 3 Financial instruments refer to the notes to the consolidated financial statements on note 6.3 «Fair Value Financial Instruments» on page 93 ff and note 4.3.

Pension plan

Management sets the actuarial assumptions and determines whether a pension plan surplus can be capitalized as an economic benefit for Bellevue Group. Pension costs are also subject to estimates and assumptions. The management believes that the assumptions and estimates which have been made are appropriate.

For details to the effect of significant changes on the assumptions behind the classification method for level 3 financial instruments refer the notes to the consolidated financial statements on note 6.4 «Level-3-financial instruments» on page 96 ff.

Review of goodwill and other intangible assets for impairment

Bellevue Group basically examines the recoverable value of the goodwill annually, based on the estimated recoverable amount that can be obtained per each single cash-generating unit, or group of such units (depending on allocation).

Established that an event or any circumstances cause a reduction in value of the goodwill, examinations will be performed more frequently.

The Group's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations.

Changes in key assumptions: deviations of future actual results achieved vs. forecasted/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or the businesses, may occur. Such deviations may result from changes in the market environment and the related profitability, required types and intensity of personnel resources, general and company specific driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

2 Risk management and risk control

2.1 Risk evaluation and risk policy

Risk management is based on the evaluation of risks by the Board of Directors and is ensuing risk policy, which is reviewed periodically. Independent risk control bodies monitor the risks at the individual operating unit level and at Group level. The Group Executive Board is informed on a regular basis about the assets, financial positions, liquidity and earnings of the Group and all related risks by means of financial and risk reporting procedures commensurate with each particular level of management. Risk reports are prepared at the individual operating unit level as well as at the Group level.

2.2 Credit risk

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

- Default risks from lombard lending;
- Default risks within the scope of business transactions, money market transactions, and securities lending and borrowing;
- Default risks from bonds (issuance risk);
- Default risks in transaction processing.

Credit lending activities are very limited in scope and credit is granted generally on a collateralized basis (marketable securities). Credit risks are limited by means of approval procedures commensurate with the various management levels as well as by authorization limits, the enforcement of appropriate lending margins and the periodic revaluation of long-term loans. Authorized limits and lending margins are monitored on a daily basis using appropriate instruments and reports. In dealings with professional counterparties (banks, brokers and institutional clients) and when investing in bonds, credit risks are assumed only with counterparties that have high (investment grade) credit standings. Adherence to guidelines on concentration of risk at Group level is monitored by an independent risk control body. New counterparties in securities and forex trading transactions must first be approved by the competent executive boards. The maximum risk of credit default is reported in the corresponding values carried in or off the balance sheet. As per 31 December 2018 and 2017, there are neither past due nor impaired positions. For further information on items that entail credit risks, please refer to the notes to the consolidated financial statements, sections 4.1, 4.2 and 4.3 (pages 78–80 ff) and 6.6 on page 98.

2.3 Market risk

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

Market risks are monitored by an independent function on a daily basis. Risk reports are prepared at the individual operating unit level as well as at Group level. Market risks are minimized through constant monitoring of risk.

Trading portfolio

Proprietary trading is basically limited to stocks and stock options. All positions in trading portfolios are carried at fair value. Wherever possible, market prices are automatically retrieved and used for valuation purposes. OTC options for which no observable market prices are available are valued using appropriate valuation models. The adequacy of the carrying value of these positions is assured through independent controls. The positions are monitored directly by the executive board and / or independent risk control staff. Average trading portfolio assets (twelve end-month values), including the corresponding derivatives, amounted to CHF 38.0 million (previous year: CHF 55.0 million). Every change in prices is recognized in full in Group profit. A 10% change in fair value with respect to the year-end value would correspond to a +/- TCHF 3 340 (previous year: +/- TCHF 4 812) change in net income and equity. Securities trading is conducted primarily through SIX.

Foreign exchange positions result mainly from client transactions. The Group does not engage in commodities trading. A presentation of the balance sheet by currency is given in section 6.1, «Balance sheet by currency», in the notes to the consolidated financial statements on page 90. The net positions are given below:

CHF 1000	CHF	EUR	USD	Other
Net position on 31.12.2018		13 658	7 190	10 983
10% change in fair value	+/- 3 183			
Net position on 31.12.2017		3 633	8 940	10 037
10% change in fair value	+/- 2 261			

Other financial assets at fair value

This position consists exclusively of units held in a collective investment instrument whose assets are selectively invested by Bellevue Group within the scope of its seed financing strategy. A 10% change in fair value with respect to the year-end value would correspond to a TCHF 2 938 million change in equity (previous year: TCHF 2 866 million), which would be P&L-effective.

Financial investments

The composition of the financial investments is defined and monitored by the respective Executive Boards or by the Group Executive Board. A 10% change in market value, in relation to the end-of-year figure, would result a change of equity of TCHF 5373 (previous year: TCHF 2618) for the financial investment calculated at fair value. Thereof, TCHF 31 (previous year: TCHF 46) would be P&L-effective.

For the period under review a positive change in value in the amount of TCHF 22714 (net of tax) was recognized in the «other comprehensive income» (previous year: positive change in value in the amount of TCHF 1804, net of tax).

Liabilities from other financial instruments at fair value

As at 31.12.2018 there are no liabilities from other financial liabilities measured at fair value.

The self-issued structured products are recorded via the item «financial liabilities designated at fair value».

The realised result and the unrealised result are recorded via the item «securities trading».

Financial instruments that are not used for trading purposes are recorded via this item and valued at fair value, provided that the following conditions are fulfilled:

- The financial instruments are valued on the basis of the fair value and comply with the documented risk management and investment strategy, which ensure the identification, measurement and reduction of the various risks involved.
- The use of fair value valuation largely neutralises the effect on the income statement of the economic hedging relationship that exists between the financial instruments on the asset side and those on the liabilities side.

On every structured product issued, a Triparty Collateral Management (TCM) deal is closed with SIX SIS AG. With a TCM, SIX SIS AG undertakes the custodian role for the single exposures and the related collaterals offered as guarantee (securities or cash of the same value). All collaterals are managed by SIX SIS AG, who deans as custodian for the counterparty. Herewith grants SIX SIS AG a continuous coverage of the exposures. Based on this collateral custodian mechanism, the credit risk for the Bellevue Group is mitigated and there is no fair value impact on structured products.

Balance sheet structure

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

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

2.4 Liquidity risk and refinancing

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

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

Risk management ensure that Bellevue Group always has sufficient liquidity to be able to fulfil its payment obligations, even in stress scenarios. The liquidity risk management system therefore comprises functional risk measurement and control systems to ensure its continuous ability to pay its obligations at any time. It also defines strategies and requirements for the management of liquidity risk under stress conditions as part of the defined liquidity risk tolerance. They mainly include risk mitigation measures, the holding of a liquidity buffer comprising highly liquid assets, and a contingency plan to manage any liquidity shortfalls. In the event of an unexpected tightening of liquidity, the Group can also access a portfolio of positions that retain their value and can easily be liquidated.

The maturity structure of assets and liabilities is shown in section 6.2 of the notes to the consolidated financial statements on page 92.

2.5 Operational risk

Operational risks represent the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or from external events.

All business activities entail operational risks, which are prevented, mitigated, transferred or even assumed based on cost/benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide process model represents the basis for the management of operational risks. As part of the systematic assessments that are performed annually, the operational risks in all critical processes and process entities are identified and evaluated. In addition, further attention is focused on core security topics such as data protection and business continuity management, which are guaranteed through the use of extra tools.

All measures to control operational risks from part of the Internal Control Systems (ICS).

Legal and compliance risks

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

2.6 Capital

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

Capital management

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

Capital management takes into consideration the economic environment and the risk profile of all business activities. Various control options are available to maintain the appropriate capital structure or to adapt it in line with changing requirements, such as a flexible dividend pay-out policy, the repayment of capital or raising various forms of capital (CET1, AT1 and tier 2). During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

As at 31 December 2018, the method for calculating T2 capital was adjusted. As of December 31, 2018, 45% of the book value of the SIX shares (after deduction of deferred taxes) will be counted as T2 capital. Until 30 June 2018, the book value of the SIX shares (net of deferred taxes) was counted as T1 capital, taking into account the threshold pursuant to Art. 37 ERV.

Regulatory requirements ¹⁾

The scope of consolidation used for the calculation of capital in the year under review, as in the previous year, was the same as the scope of consolidation used for accounting purposes. Please refer to section 9, «Major subsidiaries», of the notes to the consolidated financial statements on page 107 for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of funds or equity capital within Bellevue Group.

CHF 1 000	KM1	31.12.2018	31.12.2017
Available capital			
Common Equity Tier 1 (CET1)	1	66 679	72 360
Tier 1	2	66 679	72 360
Total capital	3	86 384	72 360
Risk-weighted assets (RWA)			
Total risk-weighted assets (RWA)	4	419 865	435 325
Minimum capital requirements	4a	33 589	34 826
Risk-based capital ratios as a percentage of RWA			
Common Equity Tier 1 ratio	5	15.9%	16.6%
Tier 1 ratio	6	15.9%	16.6%
Total capital ratio	7	20.6%	16.6%
Additional CET1 buffer requirements as a percentage of RWA			
Capital conservation buffer requirement	8	1.9%	1.3%
Countercyclical buffer requirement	9	–	–
Bank G-SIB and/or D-SIB additional requirements	10	–	–
Total of bank CET1 specific buffer requirements	11	1.9%	1.3%
CET1 available after meeting the bank's minimum capital requirements	12	9.9%	8.6%
Capital ratios according to appendix 8 Capital adequacy ordinance (CAO)			
Capital conservation buffer according to CAO, Annex 8	12a	2.5%	2.5%
Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a	12b	–	–
CET1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	12c	7.0%	7.0%
T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	12d	8.5%	8.5%
Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	12e	10.5%	10.5%
Basel III Leverage Ratio			
Total Basel III leverage ratio exposure measure	13	468 234	464 998
Basel III Leverage Ratio	14	14.2%	15.6%

Average	KM1	4th Quarter 2018	3th Quarter 2018	2th Quarter 2018	1th Quarter 2018
Liquidity Coverage Ratio (LCR)					
Counters of LCR: total stock of high quality liquid assets in CHF mn	15	141.8	104.8	98.5	103.2
Denominator of LCR: total net cash outflows in CHF mn	16	63.0	57.3	68.8	71.9
Liquidity Coverage Ratio, LCR	17	225.1%	182.8%	143.2%	143.5%

Average	4th Quarter 2017	3th Quarter 2017	2th Quarter 2017	1th Quarter 2017
Counters of LCR: total stock of high quality liquid assets in CHF mn	113.3	132.2	142.4	154.5
Denominator of LCR: total net cash outflows in CHF mn	92.8	107.1	115.7	127.0
Liquidity Coverage Ratio, LCR	122.1%	123.4%	123.2%	121.7%

The disclosures for capital adequacy, leverage ratio and liquidity coverage ratio are in accordance with FINMA Circular 16/1. The average LCR of a quarter is defined as ratio of the 3-month average of high-quality liquid assets (numerator) and the 3-month average of net outflows (denominator). For 2018 the liquidity coverage ratio has to exceed 90%. The main factors with a relevant impact on the liquidity coverage ratio of Bellevue Group are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows.

¹⁾ unaudited

CHF1000	OV1	31.12.2018 RWA	31.12.2017 RWA	31.12.2018 Minimum capital requirements
Overview of risk-weighted positions				
Credit risk	1	103 365	136 425	8 269
Non-counterparty related risks		1 188	300	95
Market risk	20	138 600	128 063	11 088
Operational risk ¹⁾	24	176 713	170 538	14 137
Amounts below the deduction threshold (250% risk-weighted positions)	25	–	–	–
Total	27	419 865	435 325	33 589

¹⁾ calculated according to the basic indicator approach

CHF1000	CR1	Gross book values of			
		defaulted positions as at 31.12.2018	not defaulted positions as at 31.12.2018	Value adjustments /depreciation as at 31.12.2018	Net values 31.12.2018
Credit risk: credit quality of assets					
Receivables	1	–	281 897	–	281 897
Debt instrument	2	–	–	–	–
Off-balance-sheet items	3	–	1 091	–	1 091
Total	4	–	282 988	–	282 988

CHF1000	CR3	Unsecured positions/ carrying amounts as at 31.12.2018	Positions collateralised by collateral, amount effectively collateralised as at 31.12.2018	Exposures secured by financial guarantees or credit derivatives, effective amount as at 31.12.2018
Credit risk: overall view of risk mitigation techniques				
Receivables (incl. debt instruments)		108 990	–	–
Off-balance-sheet items		1 091	–	–
Total		110 081	–	–
of which defaulted		–	–	–

CHF1000	CR5	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit risk positions according to CCF and CRM
Position category/risk weighting 31.12.2018											
Central governments and central banks	1	1 722	–	–	–	–	–	–	–	–	1 722
Banks and securities dealers	2	–	–	68 932	–	3 891	–	–	–	–	72 823
Public corporations and multilateral development banks	3	–	–	65	–	2 867	–	–	–	–	2 932
Corporation	4	–	–	–	–	–	–	222	–	–	222
Retail	5	–	–	–	–	–	–	38 378	–	–	38 378
Equities	6	–	–	–	–	–	–	330	–	–	330
Other items	7	144 152	–	43	–	–	–	22 321	–	9 951	176 467
Total	8	145 874	–	69 040	–	6 758	–	61 251	–	9 951	292 874
Of which receivables secured by mortgages	9	–	–	–	–	–	–	–	–	–	–
Of which overdue receivables	10	–	–	–	–	–	–	–	–	–	–

3 Details on the consolidated income statement

3.1 Net fee and commission income

CHF1000	1.1.–31.12.2018	1.1.–31.12.2017
Asset Management – management fees	93 706	78 878
Asset Management – performance fees	2 553	9 108
Transaction fees	1 569	–
Brokerage and Corporate Finance	–	7 729
Other commission income	1 482	1 609
Fee and commission expenses	–2 399	–2 720
Net fee and commission income	96 911	94 604

3.2 Personnel expenses

CHF1000	1.1.–31.12.2018	1.1.–31.12.2017
Salaries and bonuses	46 588	45 602
Pension cost	1 568	958
Other social benefits	3 623	3 385
Other personnel expenses	721	2 166
Total Personnel expenses	52 500	52 111

¹⁾ for further details see note 7.2 (page 101)

3.3 Other operating expenses

CHF1000	1.1.–31.12.2018	1.1.–31.12.2017
Premises	2 920	2 701
IT, telecommunications and other equipment	5 609	5 198
Travel and representation, PR, advertising	5 026	4 568
Consulting and audit fees	2 846	2 072
Research expenses	2 258	–
Other operating expenses	2 225	2 583
Total Other operating expenses	20 884	17 122

3.4 Depreciation and amortization

CHF1000	1.1.–31.12.2018	1.1.–31.12.2017
Depreciation of property and equipment	463	1 221
Depreciation of intangible fixed assets	5 214	2 231
Total Depreciation and amortization	5 677	3 452

3.5 Taxes

CHF 1000	1.1.–31.12.2018	1.1.–31.12.2017
Current income taxes	5 136	5 967
Deferred income taxes	–1 364	121
Total	3 772	6 088

Profit before tax	23 745	27 604
Expected rate of income tax ¹⁾	19%	19%
Expected income tax	4 512	5 245
Reasons for higher / lower amounts:		
Difference between applicable local tax rates and assumed mixed tax rate	–2 365	255
Non-deductible expenses	1 625	588
Total income taxes	3 772	6 088

¹⁾ The expected income tax rate is a mixed tax rate estimated by considering all the different businesses of the Group.

Swiss tax balance	2 488	2 292
Foreign tax balance	745	365
Total current tax receivable	3 233	2 657

Deferred tax		
Intangible assets	3 361	4 722
Actuarial BVG provisions	–	1 043
Unrealised profits on financial instruments	9 612	4 626
Other deferred tax liabilities ¹⁾	2 115	1 964
Total deferred tax liabilities	15 088	12 355

¹⁾ Other deferred tax assets refer to the result of the adoption of IFRS 2 (share-based payment) and IAS 19 (other long-term employee benefits).

Actuarial BVG provisions	359	–
Other deferred tax assets	333	217
Total deferred tax assets	692	217

Expiry of unrecognized loss carryforwards		
In a year to five years	3 550	–
In more than five years	12 986	8 086
Total	16 536	8 086

CHF 1000	1.1.–31.12.2018		
	Amount before taxes	Tax income/ (expense)	Amount after taxes
Tax effect of other comprehensive income			
Currency translation adjustments	–1 717	–	–1 717
Unrealized gains on financial instruments	27 700	–4 986	22 714
Remeasurement of post employment benefit obligations IAS 19	–7 741	1 471	–6 270
Total	18 242	–3 515	14 727

CHF 1000	1.1.–31.12.2017		
	Amount before taxes	Tax income/ (expense)	Amount after taxes
Tax effect of other comprehensive income			
Currency translation adjustments	4 462	–	4 462
Unrealized gains on financial instruments	2 200	–396	1 804
Remeasurement of post employment benefit obligations IAS 19	7 624	–1 450	6 174
Total	14 286	–1 846	12 440

3.6 Earnings per share

CHF 1 000	1.1.–31.12.2018	1.1.–31.12.2017
Group net profit	19 973	21 516
Weighted average number of issued registered shares	13 461 428	13 461 428
Less weighted average number of treasury shares	– 69 343	– 25 487
Weighted average number of shares outstanding (undiluted)	13 392 085	13 435 941
Weighted average number of shares outstanding (diluted)	13 392 085	13 435 941
Undiluted earnings per share (in CHF)	1.49	1.60
Diluted earnings per share (in CHF)	1.49	1.60

4 Details on the consolidated balance sheet

4.1 Due from banks and clients

CHF 1 000	31.12.2018	31.12.2017
Due from banks	46 128	62 446
of which from securities transaction processing	–	457
Total	46 128	62 446
Due from banks, by type of collateral		
Unsecured	46 128	62 446
Total	46 128	62 446
Due from customers, by type of collateral		
Other collateral ¹⁾	38 219	30 868
Unsecured ²⁾	24 643	28 254
Total	62 862	59 122

¹⁾ Securities only

²⁾ these are mainly receivables due from SIX SIS AG

4.2 Financial instruments at fair value through profit and loss

CHF 1 000	31.12.2018	31.12.2017
Trading portfolio assets		
Debt instruments (incl. funds)		
Listed	10 650	–
Unlisted	–	–
Total	10 650	–
of which Swiss public sector entities	–	–
of which foreign public sector entities	–	–
Equity instruments (incl. funds)		
Listed	22 752	48 120
Total	22 752	48 120
Total trading portfolio assets	33 402	48 120
of which repo-eligible	–	–
of which lent or delivered as collateral	–	–

CHF 1 000	Positive replacement value	Negative replacement value	Contract volume
Open derivative instruments			
Foreign currency as at 31.12.2018			
Forward contracts (OTC) ²⁾	39	37	12 295
thereof used for economic hedging purposes	39	37	12 295
Currency swaps ¹⁾	6	4	19 909
thereof used for economic hedging purposes	6	4	19 909
Equity investments as at 31.12.2018			
Futures ¹⁾	–	–	5 172
thereof used for economic hedging purposes	–	–	5 172
Options (OTC) ²⁾	2 841	2 841	24 456
thereof used for economic hedging purposes	–	–	–
Total	2 886	2 882	61 832
Foreign currency as at 31.12.2017			
Forward contracts (OTC) ²⁾	18	16	9 365
thereof used for economic hedging purposes	18	16	9 365
Currency swaps ¹⁾	58	37	22 039
thereof used for economic hedging purposes	58	37	22 039
Equity investments as at 31.12.2017			
Futures ¹⁾	–	–	2 231
thereof used for economic hedging purposes	–	–	2 231
Options (OTC) ²⁾	6 351	6 351	453 387
thereof used for economic hedging purposes	–	–	–
Options (exchange traded) ¹⁾	–	–	4 030
thereof used for economic hedging purposes	–	–	4 030
Total	6 427	6 404	491 052

¹⁾ Level 1: listed on an active market

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

CHF 1 000	31.12.2018	31.12.2017
Other financial assets at fair value through profit and loss		
Investment funds subject to Luxembourg law	14 716	12 566
Other investment funds	14 664	16 090
Total other financial assets at fair value through profit and loss	29 380	28 656

CHF 1 000	31.12.2018	31.12.2017
Liabilities from other financial instruments at fair value		
Structured products	–	12 377
Total liabilities from other financial instruments at fair value	–	12 377

During financial years 2017 and 2018, no changes in the value of assets and liabilities carried at fair value were accounted based on specific credit risks. All structured products issued are secured with collaterals deposited at SIX SIS AG, considerably limiting herewith the exposure of the issuer to the fair value changes of assets and liabilities.

CHF 1 000	31.12.2018	31.12.2017
Other financial liabilities at fair value		
Contingent purchase price related to the acquisition of Star Capital AG	4 444	15 525
Contingent purchase price related to the acquisition of MARS Asset Management GmbH	782	–
Total other financial liabilities at fair value	5 226	15 525

4.3 Financial investments

CHF 1000	31.12.2018	31.12.2017
Valued at fair value		
Fair value changes recognized in the income statement		
Debt instruments	314	462
of which unlisted	314	462
Fair value changes recognized in other comprehensive income		
Equity instruments	53 416	25 716
of which unlisted	53 416	25 716
Total financial investments	53 730	26 178
Total financial investments	53 730	26 178
of which repo-eligible securities	—	—

Financial assets with changes in fair value recognised directly in equity essentially include the shares in SIX Group AG held by Bellevue. These equity securities are held with a long-term investment horizon, which is why they were designated as financial assets at fair value with changes in value recorded in other comprehensive income. In the year under review, the shares in the amount of CHF 27.7 million were revalued to CHF 53.4 million with no effect on income (previous year: CHF 2.2 million revalued with no effect on income). Deferred taxes of CHF 5.0 million (previous year: CHF 0.4 million) were taken into account. In the year under review, dividends amounting to CHF 1.6 million (previous year: CHF 1.6 million) were also recognised in the income statement under “Dividend income”. No shares were sold or new shares in SIX Group AG acquired in the 2018 financial year.

SIX Group AG informed its shareholders in writing on 06.12.2018 and 18.01.2019 that the sale of the Payment Services division to Worldline would result in a presumed book profit of CHF 2.7 billion for SIX Group AG, and Bellevue Group AG has decided in its discretion to include this fact in the fair value measurement. Bellevue Group AG holds 1.175% of the shares of SIX Group AG through its subsidiary Bank am Bellevue AG. After applying a valuation haircut for illiquidity and taking deferred taxes into account, Bellevue Group AG increased its stake in SIX Group AG by CHF 22.7 million to CHF 43.8 million as at 31.12.2018. This revaluation was recognised in other comprehensive income in equity.

4.4 Property and equipment

CHF 1000	IT equipment	Other fixed assets	Total
Acquisition cost			
Balance as of 01.01.2017	2 746	5 334	8 080
Additions	62	56	118
Disposals	– 533	– 4 001	– 4 534
Balance as of 31.12.2017	2 275	1 389	3 664
Additions	693	498	1 191
Disposals	– 218	– 38	– 256
Balance as of 31.12.2018	2 750	1 849	4 599
Accumulated depreciation			
Balance as of 01.01.2017	– 1 545	– 5 140	– 6 685
Additions	– 1 097	– 124	– 1 221
Disposals	533	4 001	4 534
Foreign currency impact	5	7	12
Balance as of 31.12.2017	– 2 104	– 1 256	– 3 360
Additions	– 294	– 169	– 463
Disposals	216	38	254
Foreign currency impact	– 4	– 4	– 8
Balance as of 31.12.2018	– 2 186	– 1 391	– 3 577
Net carrying values 31.12.2017	171	133	304
Net carrying values 31.12.2018	564	458	1 022

4.5 Business combination

On 28 June 2018, StarCapital AG, a wholly owned subsidiary of Bellevue Group AG, acquired a 100% share in Mars Asset Management GmbH, Bad Homburg, Germany. The Group expects to continue increasing its presence in Germany through the combination of this business with the existing asset management business segment of StarCapital AG. The goodwill of TCHF 1732 from this acquisition can be attributed in particular to the synergies and economies of scale expected to arise from the merger of these businesses. It is to be expected that the recorded goodwill will not be possible to amortise for tax purposes.

The following table summarises the purchase price for Mars Asset Management GmbH and the fair values of the acquired assets and liabilities at the date of acquisition translated at the CHF/EUR exchange rate on the balance sheet date:

CHF 1 000	28.06.2018
Fixed purchase price component	1 569
Conditional purchase price component	1 408
Total consideration transferred	2 977
Due from banks	461
Receivables	368
Property, plant & equipment	3
Intangible assets	1 088
Liabilities	- 675
Total recognised amounts of identifiable assets and liabilities acquired	1 245
Goodwill	1 732

The amounts listed above represent the allocation of the purchase price. The acquisition-related costs of TEUR 184 which arose in the first half of the 2018 financial year were recorded as operating expenses in the income statement. The purchase price consists of a fixed and a contingent purchase price component. The fixed purchase price component amounts to TCHF 1569 and was paid on 28 June 2018. The contingent purchase price agreement depends on the progress of the AuM as of 31 December 2018. Using an AuM reference value of EUR 340 million as a starting point, the contingent purchase price of TCHF 1408 will be adjusted as follows:

- AuM EUR 340 million +/- 10% = EUR 306 million up to EUR 374 million → no adjustment
- AuM reduction >10% of EUR 340 million = TEUR 1 250 linear reduction of >10%
- AuM increase >10% of EUR 340 million = TEUR 1 250 linear increase of >10%

In the case of a maximum adjustment to the contingent purchase price payment of 50%, the minimum payment will be TCHF 704, while the maximum will be TCHF 2 112. The fair value of the contingent component of the purchase price will depend on the progress of the AuM of Mars Asset Management GmbH in 2018, which, at the same time, represent the main input parameter underlying the valuation (level 3). As of the acquisition date, the fair value of the contingent purchase price payment was estimated at TCHF 1408. Due to cash outflows in the fourth quarter, a purchase price adjustment of TCHF 641 was made at the end of December 2018, which was recognised in the income statement under “Income from other financial instruments at fair value”. The contingent purchase price payment is owed in EUR and is therefore subject to a foreign currency risk.

Bellevue Group assumed control of Mars Asset Management GmbH on 28 June 2018 (time of acquisition). MARS Asset Management AG was merged with StarCapital AG by absorption merger on 29 August 2018. In the period from 1 January to the acquisition of control, Mars Asset Management GmbH generated operating income of TCHF 613 and a profit of TCHF 251. This profit was recognised directly in the net asset value. Assuming that the business combination had already taken place on 1 January 2018, operating income would have been CHF 103.3 million and net profit CHF 20.1 million.

4.6 Goodwill and other intangible assets

CHF 1 000	31.12.2018	31.12.2017
Goodwill	54 304	53 693
Other intangible assets	13 908	18 180
Total	68 212	71 873

CHF 1 000	Asset Management	Bank am Bellevue	Total
Goodwill			
Acquisition cost			
Balance as of 1.1.2017	102 103	97 374	199 477
Write-offs	–	–97 374	–97 374
Foreign currency effect	2 505	–	2 505
Balance as of 31.12.2017	104 608	–	104 608
Additions	1 778	–	1 778
thereof changes in the scope of consolidation	1 778	–	1 778
Foreign currency effect	–1 167	–	–1 167
Balance as of 31.12.2018	105 219	–	105 219
Accumulated valuation adjustments			
Balance as of 1.1.2017	–50 915	–97 374	–148 289
Write-offs	–	97 374	97 374
Balance as of 31.12.2017	–50 915	–	–50 915
Balance as of 31.12.2018	–50 915	–	–50 915
Net carrying values			
Balance as of 1.1.2017	51 188	–	51 188
Balance as of 31.12.2017	53 693	–	53 693
Balance as of 31.12.2018	54 304	–	54 304

The reported goodwill as of 31 December 2017 and 31 December 2018 for the Asset Management business segments stems from the acquisition of the 100% Bellevue Asset Management AG by Bellevue Group AG (formerly Swissfirst AG) in 2005, from the acquisition of the 100% interest in Adamant Biomedical Investments AG («Adamant») in 2014, from the acquisition of the 100% interest in StarCapital AG in 2016 as well the 100% interest in MARS Asset Management GmbH in 2018.

Bellevue Group basically examines the recoverable value of the goodwill annually, based on the estimated amount that can be obtained per each single cash-generating unit or group of such units (depending on allocation). If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently.

The recoverable amount is calculated using the discounted cash flow method. The projected free cash flows for the respective cash-generating units are estimated based on five-year financial plans. The business plans of the respective segments serve as the basis for these estimates of projected free cash flows. These cash flows are discounted to present value.

The following key parameters and their single components have been taken into account:

- income on the average assets under management and the expected return on assets (management- and performance fees);
- other operating income and expenses.

Impairment tests were conducted again at the end of December of 2018. The discount rate used in these calculations were between 8.9% and 10.8% (previous year: between 8.9% and 10.8%) and the assumed growth rate was 1% (previous year: 1%). No impairment losses were identified.

Due to the resignation of the former owner of StarCapital AG, significant cash outflows related to assets under management occurred in 2018. These significantly reduce the previous excess of the recoverable amount over the carrying amount of the cash-generating unit, so that as of 31 December 2018, excess cover of CHF 4.0 million remains. A further reduction in assets under management and thus in the expected cash flow surpluses compared with the business plan

could lead to an impairment in the future. Assuming that the growth rates used for the expected cash inflows would be 20% lower or the equity discount rate used 10% higher, this could result in a goodwill impairment of CHF 1.0 million. Goodwill allocated to the cash-generating unit StarCapital AG amounted to CHF 30.5 million as of 31 December 2018 and other goodwill (CHF 23.8 million) was allocated to the cash-generating unit Bellevue Asset Management AG.

The write-offs in the previous table are related to the restructuring of Bank am Bellevue.

The Group expects in the medium and long term a favourable development of the market environment which is reflected in the respective growth of the key parameters such as assets under management and turnover, which will have a positive effect on the income situation.

At the time of preparation of the financial statement, Bellevue Group's management does not assume that a reasonably possible change in a parameter underlying the impairment test would lead to a goodwill impairment.

CHF 1 000	Client base	Brand	Other	Total
Other intangible assets				
Acquisition cost				
Balance as of 1.1.2017	99 596	1 545	3 266	104 407
Additions	–	–	200	200
Write-offs	– 53 844	– 1 179	– 3 266	– 58 289
Foreign currency effect	1 191	19	–	1 210
Balance as of 31.12.2017	46 943	385	200	47 528
Additions	1 117	–	321	1 438
thereof changes in the scope of consolidation	1 117	–	–	1 117
Write-offs	–	–	–	–
Foreign currency effect	– 490	– 6	–	– 496
Balance as of 31.12.2018	47 570	379	521	48 470
Accumulated valuation adjustments				
Balance as of 1.1.2017	– 80 890	– 1 254	– 3 263	– 85 407
Additions	– 2 152	– 75	– 3	– 2 230
Write-offs	53 844	1 179	3 266	58 289
Balance as of 31.12.2017	– 29 198	– 150	–	– 29 348
Additions	– 4 963	– 77	– 174	– 5 214
thereof due to impairment	– 2 701	–	–	– 2 701
Balance as of 31.12.2018	– 34 161	– 227	– 174	– 34 562
Net carrying values				
Balance as of 1.1.2017	18 706	291	3	19 000
Balance as of 31.12.2017	17 745	235	200	18 180
Balance as of 31.12.2018	13 409	152	347	13 908

The intangible assets for «Brand» and «Client base» as per 31 December 2017 and 31 December 2018 stem from the acquisition of the Bellevue Asset Management AG by Bellevue Group AG (formerly Swissfirst AG) in 2005, from the acquisition of the 100% interest in Adamant Biomedical Investments AG in 2014, which merged with Bellevue Asset Management AG in 2015, the acquisition of StarCapital AG in 2016 as well as the acquisition of MARS Asset Management GmbH in 2018. These intangible assets are amortized over a period of 5 to 15 years and are likewise tested for impairment in the procedure described above under section «Goodwill». As of 31 December 2018 purchase price adjustments of CHF 3.7 million were made for StarCapital AG and MARS Asset Management GmbH due to lower income surpluses at StarCapital AG and lower customer base values at MARS Asset Management GmbH. As a result, the review of the residual value of the customer base resulted in an impairment loss of CHF 2.7 million.

As of 31 December 2018, Bellevue Group AG is not aware of any other events or changed circumstances that would indicate an impairment of goodwill or other intangible assets.

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

2019	2176
2020	2161
2021	1955
2022	1931
2023	1931
2024	1775
2025	1309
2026	580
2027	60
2028	30
Total	13 908

4.7 Share capital/Conditional capital/Authorized capital

	Number of shares	Par value CHF 1000"
Share Capital (registered shares)		
Balance as of 1.1.2017	13 461 428	1 346
Balance as of 31.12.2017	13 461 428	1 346
Balance as of 31.12.2018	13 461 428	1 346
Conditional capital		
Balance as of 1.1.2017	1 000 000	100
Balance as of 31.12.2017	1 000 000	100
Balance as of 31.12.2018	1 000 000	100

The intended purpose (in total) is as follows::

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

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

	Number of shares	Par value CHF 1000"
Authorized capital		
Balance as of 1.1.2017	1 508 572	151
Balance as of 31.12.2017	1 508 572	151
Balance as of 31.12.2018	1 508 572	151

At the Annual General Meeting held on 20 March 2018, it was resolved to replace the existing authorised capital with new authorised capital in a higher amount and for a restricted purpose. For the purposes of financing acquisitions of companies by share swaps or for financing or refinancing the acquisition of companies, parts of companies or shareholdings, the Board of Directors was authorised to increase the share capital, at any time, by a maximum amount of CHF 250 000 until 20 March 2020 by issuing no more than 2 500 000 fully paid registered shares with a nominal value of CHF 0.10 per share. The increases may be underwritten, including by transfer or subscription by Bank am Bellevue AG, or they may be effected in partial amounts. The issue price, the time of dividend entitlement and the type of contribution will be determined by the Board of Directors. After their acquisition, the newly issued registered shares will be subject to the transfer limitations pursuant to Article 5 of the Articles of Association.

The statutes can be viewed on the following Internet address:

<http://www.bellevue.ch/de/investor-relations/corporate-governance/Statuten.pdf>

The Board of Directors is entitled to exclude shareholders' subscription rights and allocate them to third parties. Shares with subscription rights that have been granted but not exercised are to be placed at market conditions or otherwise in the interest of the company.

4.8 Treasury shares

	Number	CHF1000
Balance as of 1.1.2017	12 375	177
Purchases	400 955	7 424
Disposals	-369 592	-6 688
Balance as of 31.12.2017	43 738	913
Purchases	783 106	18 788
Disposals	-744 439	-18 008
Balance as of 31.12.2018	82 405	1 693

4.9 Assets pledged or assigned as collateral for own liabilities

CHF1000	Carring amount	31.12.2018 Actual liability	Carring amount	31.12.2017 Actual liability
Due from banks	14 054	—	15 301	—
Due from customers	2 721	—	16 230	—
Total	16 775	—	31 531	—

The «due from banks» are in the reporting year as well as in the previous year essentially cash collaterals with SIX. These are used to secure the trades on the SIX.

All «due from customers» are in the reporting year as well as in the previous year essentially cash collaterals deposited at SIX SIS AG.

5 Transactions with related parties

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

CHF	Fixed compensation paid in cash	Variable compensation paid in cash	Variable compensation paid in shares	Other compensation	Total
Compensation paid to members of the Board of Directors					
Thomas von Planta, Chairman	266 932	–	43 000	–	309 932
Daniel Sigg, Member	149 928	–	40 000	–	189 928
Mirjam Staub-Bisang, Member	126 981	–	43 000	–	169 981
Rupert Hengster, Member	112 500	–	43 000	–	155 500
Veit de Maddalena, Member	112 500	–	43 000	563 700	719 200
Total 01.01.–31.12.2018	768 841	–	212 000	563 700	1 544 541

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance.

In the reporting year, no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors.

CHF	Fixed compensation paid in cash	Variable compensation paid in cash	Variable compensation paid in shares	Other compensation	Total
Compensation paid to members of the Board of Directors					
Thomas von Planta, Chairman	197 762	–	43 000	19 800	260 562
Daniel Sigg, Member	155 001	–	40 000	–	195 001
Mirjam Staub-Bisang, Member	120 000	–	43 000	–	163 000
Rupert Hengster, Member	95 000	–	40 000	–	135 000
Total 01.01.–31.12.2017	567 763	–	166 000	19 800	753 563

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance.

With the exception of Thomas von Planta, no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors in 2017. During the reporting year 2017 Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 19 800 (excl. 8% VAT) for consulting services.

CHF	Fixed compensation paid in cash	Variable compensation paid in cash	Variable compensation paid in shares	Short-term variable compensation in blocked shares with resting period and clawback right	Share-based payments from LTI's	Other payments from LTI's	Other compensation	Total
Compensation paid to members of the Executive Board								
Total 1.1.–31.12.2018	1 264 615	746 500	270 500	1 079 024	59 072	142 666	–	3 562 377
Total 1.1.–31.12.2017	948 000	1 104 000	214 000	383 855	159 084	428 000	–	3 236 939

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance.

As in the previous year, no compensation was paid to related parties of the members of the Executive Board.

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

Share- and option-holdings of members of the Board of Directors	Number of Shares	31.12.2018 Call Options ¹⁾	Number of Shares	31.12.2017 Call-Options ¹⁾
Thomas von Planta, Chairman	62 559	—	60 910	—
Daniel Sigg, Member	32 880	—	31 145	—
Mirjam Staub-Bisang, Member	6 396	—	4 747	—
Rupert Hengster, Member	1 735	—	—	—
Veit de Maddalena, Member	263 685	—	n/a	n/a

Share- and option-holdings of members of the Group Executive Board	Number of Shares	31.12.2018 Call Options ¹⁾	Number of Shares	31.12.2017 Call-Options ¹⁾
André Rüegg, CEO and CEO Bellevue Asset Management	251 225	—	200 000	—
Daniel Koller, CFO	82 942	—	69 599	—
Thomas Pixner, CEO Bank am Bellevue	27 770	—	n/a	n/a

¹⁾ Number of shares in case of exercise, considering subscription ratio.

5.3 Transactions with related companies and persons

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

CHF 1000	Key management personnel ¹⁾	Major shareholders ²⁾	Associated companies	Other related companies and persons ³⁾	Total
2018					
Due from customers	4 515	—	—	—	4 515
Due to customers	151	40 030	—	—	40 181
Interest income	34	3	—	—	37
Fee and commission income	22	718	—	—	740
Other operating expenses	—	—	—	—	—
2017					
Due from customers	1 548	—	—	—	1 548
Due to customers	2 530	31 074	—	—	33 604
Interest income	17	4	—	—	21
Fee and commission income	8	900	—	—	908
Other operating expenses	20	—	—	—	20

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

²⁾ Major shareholders: see Corporate Governance, section Group structure and shareholders, page 31

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

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

Employees, members of the Board of Directors and the Executive Board benefit from preferential terms customary in the banking industry. Transactions for all other related parties are executed at terms equivalent to those available to third parties. Transactions may include, for example, loans, interest on deposits and securities transactions.

During the reporting year Thomas von Planta has not charged Bellevue Group AG for consulting services (previous year: CHF 19 800 excluding VAT).

5.4 Employee share purchase plan

The compensation for employees of Bellevue Group (excluding Portfolio Managers of Asset Management, see below) consists of a fixed compensation and an annually redefined variable compensation with the character of a single payment (the following amounts do not include any social security benefits).

The total amount of variable compensation is determined at the operating segment levels. In order to do this, the adjusted segment results take into account the proportionate costs of the Group and the interest on the allocated capital. On the contrary, amortization of intangible assets, the costs of taxes and any other non-controllable influence are eliminated. The adjusted earnings are subsequently associated with a certain percentage to the available bonus pool for variable compensation per segment. The calculated pool for the year 2018 was of CHF 5.4 million (previous year: CHF 7.0 million) For the segment Asset Management the bonus pool for 2018 amounts to CHF 5.4 million (previous year: CHF 7.0 million). For the segment Bank no bonus has been allocated in year 2018 (previous year: also no bonus allocation).

For the segment Bank am Bellevue, in year 2018 a bonus of CHF 0.5 million (previous year: CHF 0.6 million) was determined on a discretionary basis. In the previous year, a special sales bonus of CHF 1.2 million was agreed as part of the consultation process. Of this amount, CHF 0.9 million related to restructuring costs.

For the segment Group, the on a discretionary basis determined bonus-pool was of CHF 0.6 million (previous Year: CHF 1.0 million).

Contractual obligations exist for the portfolio manager in the Asset Management segment in order to determine the variable compensation. The compensation depends on the success of the managed product through them. The individual teams participate with the collected net income of the respective product accordingly. The amount of the compensation is based among others on the quality of the performance compared to relevant indices and market offerings. For the year 2018 variable compensation in the amount of CHF 14.6 million were calculated (previous year: CHF 8.5 million).

The determination of the individual variable compensation is generally made by the executive Board of the segments. For this decision role, experience and personal performance are considered. For customer oriented units directly related components are included to determine the performance. To evaluate the personal performance of employees in the areas of processing and monitoring directly related components are never to be included. The Group CEO has a veto power in setting the compensation for the members of the Executive Board of the segments.

For the payment of variable compensation the following regulation apply:

- Bonuses up to and including CHF 100 000 are paid in cash.
- Bonuses from CHF 100 000 up to and including CHF 200 000 are paid in the form of Bellevue Group AG shares. Portfolio managers are free to acquire shares in the products that they manage (e.g. shares in BB Biotech AG or fund units) rather than shares in Bellevue Group AG. Shares or units are subject to a four-year blocking period as of the date of allocation.
- Bonuses over CHF 200 000 are paid 50% in cash and 50% in shares in Bellevue Group AG. Portfolio managers are free to acquire shares in the products that they manage (e.g. shares in BB Biotech AG or fund units) rather than shares in Bellevue Group AG. Shares or units are subject to a four-year blocking period as of the date of allocation. In addition, the shares are subject to a one-year clawback right and a one-year pro-rata vesting period (service period).

The employees in the BB Biotech AG portfolio management team have, in addition, been participating in an employee stock ownership plan, which is part of this asset management mandate. Under this plan, the team receives an entitlement to a maximum number of shares of BB Biotech or BB Healthcare Trust. The actual number of shares depends on various conditions. The shares are subject to a three-year vesting period (service period) as of the date of allocation. In addition, the effective number of shares depends on the achievement of performance targets over the next three fiscal years in connection with the mandate. A right to receive the maximum number of shares only exists if the absolute performance of the mandates during the following three-year period is greater than 10% p.a. and it exceeds the relative performance of one local and one sectorspecific index. If the absolute performance in the three-year period is less than 5% p.a. and neither of the two indices are exceeded, the entitlement will be forfeited. During the year under review, CHF 2.1 million was recognised pro rata as expense (previous year: CHF 3.4 million). As of 31 December 2018, the value of the entitlement based on its fair market value is CHF 9.9 million (previous year: CHF 10.3 million).

The Board of Directors approved in 2016 a long-term incentive plan worth CHF 1.2 million for the employees of StarCapital AG, which is part of the Asset Management segment and was acquired during the reporting year 2016. For this purpose, Bellevue Group AG shares with a fair market value of CHF 0.4 million (previous year: CHF 0.4 million) were allocated in the reporting year. The shares are not blocked.

In 2018, the Supervisory Board approved a long-term incentive plan worth CHF 0.9 million for employees of MARS Asset Management GmbH, which was acquired in 2018 and belongs to the Asset Management segment, in the reporting year. Of these, shares in Bellevue Group AG with a value of CHF 0.2 million were allocated in the year under review. The shares are not blocked.

In the reporting year, the Board of Directors approved a long-term incentive plan for employees of the Bank am Bellevue AG. Bellevue Group AG shares with a fair market value of CHF 1.0 million (previous year: CHF 1.2 million) and subject to a four-year blocking period were allocated for this. This amount contains a cash component to cover any employee contributions to statutory social insurance. These shares are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. One member has participated in this long-term incentive plan (previous year: no members of the Executive Board participated).

In 2015, the Board of Directors approved a long-term incentive plan for employees of the Bank am Bellevue AG and Bellevue Group AG. Bellevue Group AG shares with a fair market value of CHF 3 million and subject to a four-year blocking period were allocated for this. This amount contains a cash component to cover any employee contributions to statutory social insurance. These shares are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. Members of the Executive Board have also participated in this long-term incentive plan. Due to the restructuring of Bank am Bellevue, many holders of these long-term incentive plans left the bank. Within the holders, also a former member of the Executive Board was involved. Following to the termination of the employment of these employees, the service period also ended (termination of employment by the employer). The related expenses of CHF 1.4 million were entirely accounted during the financial year 2017.

In 2018, the Board of Directors approved a voluntary employee share ownership plan for a total of 162 000 shares. Depending on their management level, between 1 000 and 8 000 rights to purchase Bellevue Group AG shares were offered to employees, including management, at a preferential purchase price of CHF 18.00 per share. This corresponded to a discount of around 28% on the market value at the time of allocation. The difference between the market value and the purchase price corresponds to a payment in kind. A total of 160 457 rights were exercised by management and employees (of which 24 000 were exercised by management).

Blocked Shares

Number	Employees		Members of Board of Directors and Group Executive Board	
	2018	2017	2018	2017
Holdings of blocked shares on January 1	442 175	440 046	179 988	188 868
Shares purchased with holding period ¹⁾	25 767	63 934	40 000	–
Blocked shares purchased from the bonus accrual for the previous year ¹⁾	111 518	85 616	49 448	34 591
Blocked shares purchased from the bonus accrual for the previous year ¹⁾	136 457	–	24 000	–
Shares for which the holding period has lapsed	–38 473	–	–27 974	–
Shares of employees / members who have left the Group and transfers (reduction)	–18 744	–147 421	–	–43 471
Holdings of blocked shares on December 31	658 700	442 175	265 462	179 988

¹⁾ The shares were bought from the company at the going market value and allocated as elements of salary.

	1.1.–31.12.2018	1.1.–31.12.2017	1.1.–31.12.2018	1.1.–31.12.2017
Expenses recognized under Personnel expenses for shares purchased at a discount	3 052	3 609	1 324	523
Expenditure on acquisition of discounted shares debited against bonus accrual for previous year	2 570	1 480	1 140	599
Expenditure on acquisition of discounted shares debited (CHF)	23.04	17.29	23.04	17.29
Market value of blocked shares on December 31	13 042	10 745	5 256	4 374

6 Risk related to balance sheet positions

6.1 Balance sheet by currency

CHF 1000	CHF	EUR	USD	Other*	Total
31.12.2018					
Cash	144 152	4	–	–	144 156
Due from banks	28 172	11 128	3 656	3 172	46 128
Due from customers	33 422	13 981	8 189	7 270	62 862
Trading portfolio assets	20 544	1 092	10 348	1 418	33 402
Positive replacement values	2 886	–	–	–	2 886
Other financial assets at fair value	7 763	13 630	3 197	4 790	29 380
Accrued income and prepaid expenses	4 461	3 844	1 129	569	10 003
Financial investments	53 400	314	–	16	53 730
Property and equipment	812	210	–	–	1 022
Goodwill and other intangible assets	27 744	40 468	–	–	68 212
Current tax assets	2 488	730	15	–	3 233
Deferred tax assets	359	–	193	140	692
Other assets	9 986	933	464	270	11 653
Total on-balance-sheet assets	336 189	86 334	27 191	17 645	467 359
Delivery claims from spot and forward forex transactions and from forex options transactions	15 581	–	–	–	15 581
Total assets	351 770	86 334	27 191	17 645	482 940
Due to banks	500	61	–	–	561
Due to customers	170 025	8 475	19 494	5 870	203 864
Negative replacement values	2 882	–	–	–	2 882
Other financial liabilities at fair value	–	5 226	–	–	5 226
Accrued expenses and deferred income	26 729	3 054	3 244	1 747	34 774
Current tax liabilities	4 917	18	–	120	5 055
Deferred tax liabilities	12 409	2 679	–	–	15 088
Provisions and pension obligations	1 891	–	–	–	1 891
Other liabilities	879	190	–	68	1 137
Equity	163 369	43 509	– 6 669	– 3 328	196 881
Total on-balance-sheet liabilities	383 601	63 212	16 069	4 477	467 359
Delivery claims from spot and forward forex transactions and from forex options transactions	–	9 464	3 932	2 185	15 581
Total liabilities and shareholders' equity	383 601	72 676	20 001	6 662	482 940
Net position per currency	– 31 831	13 658	7 190	10 983	

* Mainly GBP

CHF 1000	CHF	EUR	USD	Other*	Total
31.12.2017					
Cash	127 113	1	–	–	127 114
Due from banks	35 738	18 120	7 594	994	62 446
Due from customers	40 143	14 231	733	4 015	59 122
Trading portfolio assets	28 834	7 044	12 242	–	48 120
Positive replacement values	6 408	–	–	19	6 427
Other financial assets at fair value	7 777	11 194	2 552	7 133	28 656
Accrued income and prepaid expenses	5 857	5 946	781	340	12 924
Financial investments	25 700	462	–	16	26 178
Property and equipment	93	211	–	–	304
Goodwill and other intangible assets	28 239	43 634	–	–	71 873
Current tax assets	2 292	53	312	–	2 657
Deferred tax assets	–	–	188	29	217
Other assets	14 025	1 276	464	433	16 198
Total on-balance-sheet assets	322 219	102 172	24 866	12 979	462 236
Delivery claims from spot and forward forex transactions and from forex options transactions	20 375	–	–	–	20 375
Total assets	342 594	102 172	24 866	12 979	482 611
Due to banks	3 045	3 075	–	27	6 147
Due to customers	180 176	8 358	21	54	188 609
Negative replacement values	6 385	–	–	19	6 404
Liabilities from other financial instruments at fair value	–	–	12 377	–	12 377
Other financial liabilities at fair value	–	15 525	–	–	15 525
Accrued expenses and deferred income	30 255	3 147	2 683	1 141	37 226
Current tax liabilities	2 557	18	–	40	2 615
Deferred tax liabilities	8 357	3 918	80	–	12 355
Other liabilities	613	3 095	–	71	3 779
Equity	133 816	50 894	– 5 103	– 2 408	177 199
Total on-balance-sheet liabilities	365 204	88 030	10 058	– 1 056	462 236
Delivery claims from spot and forward forex transactions and from forex options transactions	–	10 509	5 868	3 998	20 375
Total liabilities and shareholders' equity	365 204	98 539	15 926	2 942	482 611
Net position per currency	– 22 610	3 633	8 940	10 037	

* Mainly GBP

6.2 Maturity structure of financial instruments

CHF 1000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 5 years	Due after 5 years	Total
31.12.2018							
Assets / financial instruments							
Cash	144 156	–	–	–	–	–	144 156
Due from banks	45 035	–	–	–	1 093	–	46 128
Due from customers	23 701	38 478	639	44	–	–	62 862
Trading portfolio assets	33 402	–	–	–	–	–	33 402
Positive replacement values	–	–	2 886	–	–	–	2 886
Other financial assets at fair value	19 428	–	–	–	9 952	–	29 380
Accrued income and prepaid expenses	–	–	9 122	–	–	–	9 122
Financial investments	–	–	–	–	53 730	–	53 730
Other assets	–	–	–	–	8 691	–	8 691
Total	265 722	38 478	12 647	44	73 466	–	390 357

Liabilities / financial instruments							
Due to banks	561	–	–	–	–	–	561
Due to customers	203 238	–	626	–	–	–	203 864
Negative replacement values	–	–	2 882	–	–	–	2 882
Other financial liabilities at fair value *	–	–	782	4 444	–	–	5 226
Accrued expenses and deferred income	–	–	24 424	386	9 584	–	34 394
Other liabilities	–	–	1 137	–	–	–	1 137
Total	203 799	–	29 851	4 830	9 584	–	248 064

* The contingent purchase price payment valued at fair value in connection with the acquisitions of StarCapital AG and MARS Asset Management GmbH. For more details about the valuation, please refer to note 6.4.

Accrued income and prepaid expenses, Accrued expenses and deferred income and other assets include items not classified as financial instruments. Therefore, the amount shown in the table does not correspond to the balance sheet amount.

CHF 1000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 5 years	Due after 5 years	Total
31.12.2017							
Assets / financial instruments							
Cash	127 114	–	–	–	–	–	127 114
Due from banks	53 245	9 111	–	30	60	–	62 446
Due from customers	40 073	9 429	90	9 530	–	–	59 122
Trading portfolio assets	48 120	–	–	–	–	–	48 120
Positive replacement values	58	–	3 528	2 822	19	–	6 427
Other financial assets at fair value	19 621	–	–	–	9 035	–	28 656
Accrued income and prepaid expenses	–	–	12 069	–	–	–	12 069
Financial investments	–	–	–	–	26 178	–	26 178
Other assets	–	–	112	–	10 857	–	10 969
Total	288 231	18 540	15 799	12 382	46 149	–	381 101
Liabilities / financial instruments							
Due to banks	6 147	–	–	–	–	–	6 147
Due to customers	187 957	–	652	–	–	–	188 609
Negative replacement values	–	–	3 526	2 859	19	–	6 404
Liabilities from other financial instruments at fair value	12 377	–	–	–	–	–	12 377
Other financial liabilities at fair value	–	–	–	7 785	7 740	–	15 525
Accrued expenses and deferred income	–	–	25 631	170	11 145	–	36 946
Other liabilities	–	–	3 779	–	–	–	3 779
Total	206 481	–	33 588	10 814	18 904	–	269 787

6.3 Fair value of financial instruments

CHF 1 000	31.12.2018			31.12.2017		
	Book value	Fair Value	Deviation	Book value	Fair Value	Deviation
Assets						
Cash	144 156	144 156	–	127 114	127 114	–
Due from banks	46 128	46 128	–	62 446	62 446	–
Due from clients	62 862	62 837	–25	59 122	59 097	–25
Accrued income and prepaid expenses	9 122	9 122	–	12 069	12 069	–
Other assets	8 691	8 691	–	10 969	10 969	–
Financial assets at amortized cost	270 959	270 934	–25	271 720	271 695	–25
Trading portfolio assets	33 402	33 402	–	48 120	48 120	–
Positive replacement values	2 886	2 886	–	6 427	6 427	–
Other financial assets at fair value	29 380	29 380	–	28 656	28 656	–
Financial investments at fair value	314	314	–	462	462	–
Other financial assets at fair value through profit and loss	65 982	65 982	–	83 665	83 665	–
Financial investments	53 416	53 416	–	25 716	25 716	–
Financial assets at fair value	119 398	119 398	–	109 381	109 381	–
Total financial assets	456 339	456 314	–25	464 766	464 741	–25
Liabilities						
Due to banks	561	561	–	6 147	6 147	–
Due to customers	203 864	203 864	–	188 609	188 609	–
Accrued expenses and deferred income	34 394	34 394	–	36 946	36 946	–
Other liabilities	1 137	1 137	–	3 779	3 779	–
Financial liabilities at amortized cost	239 956	239 956	–	235 481	235 481	–
Negative replacement values	2 882	2 882	–	6 404	6 404	–
Liabilities from other financial instruments at fair value	–	–	–	12 377	12 377	–
Other financial liabilities at fair value *	5 226	5 226	–	15 525	15 525	–
Financial liabilities at fair value	8 108	8 108	–	34 306	34 306	–
Total financial liabilities	248 064	248 064	–	269 787	269 787	–

* The contingent purchase price payment valued at fair value in connection with the acquisitions of StarCapital AG and MARS Asset Management GmbH. For more details about the valuation, please refer to note 6.4.

Valuation methods of financial instruments

31.12.2018	Level 1 CHF1 000	Level 2 CHF1 000	Level 3 CHF1 000	Total CHF1 000
Assets				
Cash	144 156	–	–	144 156
Due from banks	–	46 128	–	46 128
Due from customers	–	62 862	–	62 862
Accrued income and prepaid expenses	9 122	–	–	9 122
Other assets	8 691	–	–	8 691
Financial assets at amortized cost	161 969	108 990	–	270 959
Trading portfolio assets	16 695	16 707	–	33 402
Positive replacement values	–	2 886	–	2 886
Other financial assets at fair value	4 703	14 725	9 952	29 380
Financial investments at fair value	–	314	53 416	53 730
Financial assets at fair value	21 398	34 632	63 368	119 398
Total financial assets	183 367	143 622	63 368	390 357
Liabilities				
Due to banks	–	561	–	561
Due to customers	–	203 864	–	203 864
Accrued expenses and deferred income	34 394	–	–	34 394
Other liabilities	1 137	–	–	1 137
Financial liabilities at amortized cost	35 531	204 425	–	239 956
Negative replacement values	–	2 882	–	2 882
Other financial liabilities at fair value *	–	–	5 226	5 226
Financial liabilities at fair value	–	2 882	5 226	8 108
Total financial liabilities	35 531	207 307	5 226	248 064

* The contingent purchase price payment valued at fair value in connection with the acquisitions of StarCapital AG and MARS Asset Management GmbH. For more details about the valuation, please refer to note 6.4.

31.12.2017	Level 1 CHF1 000	Level 2 CHF1 000	Level 3 CHF1 000	Total CHF1 000
Assets				
Cash	127 114	–	–	127 114
Due from banks	–	62 446	–	62 446
Due from customers	–	59 122	–	59 122
Accrued income and prepaid expenses	12 069	–	–	12 069
Other assets	10 969	–	–	10 969
Financial assets at amortized cost	150 152	121 568	–	271 720
Trading portfolio assets	13 916	34 204	–	48 120
Positive replacement values	–	6 427	–	6 427
Other financial assets at fair value	7 044	12 577	9 035	28 656
Financial investments at fair value	–	462	25 716	26 178
Financial assets at fair value	20 960	53 670	34 751	109 381
Total financial assets	171 112	175 238	34 751	381 101
Liabilities				
Due to banks	–	6 147	–	6 147
Due to customers	–	188 609	–	188 609
Accrued expenses and deferred income	36 946	–	–	36 946
Other liabilities	3 779	–	–	3 779
Financial liabilities at amortized cost	40 725	194 756	–	235 481
Negative replacement values	–	6 404	–	6 404
Liabilities from other financial instruments at fair value	–	12 377	–	12 377
Other financial liabilities at fair value *	–	–	15 525	15 525
Financial liabilities at fair value	–	18 781	15 525	34 306
Total financial liabilities	40 725	213 537	15 525	269 787

* The contingent purchase price payment valued at fair value in connection with the acquisition of StarCapital AG. For more details about the valuation, please refer to note 6.4.

No transfers between levels of the fair value hierarchy took place in 2018 or the previous year.

Level-1-instruments

If a financial instrument is traded in an active market, its fair value is based on listed market prices. In the fair value hierarchy prescribed in IFRS 13, this type of financial instrument is classified as a level 1 instrument. The fair value of these positions corresponds to the current price (e.g. settlement price or closing price) multiplied by the number of units of the financial instruments held.

Level-2-instruments

If there is no active market, the fair value is determined on the basis of valuation models or other generally accepted valuation methods (primarily option pricing and discounted cash flow models). If all the significant inputs can be observed directly or indirectly in the market, the instrument is classified as a level 2 instrument. The valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying asset, foreign exchange rates, yield curves, default risks and volatility.

Level-3-instruments

If at least one significant input cannot be observed directly or indirectly in the market, the instrument is classified as a level 3 instrument. These instruments essentially comprise private-equity funds and non-listed equity instruments, as well as the contingent purchase price liability. The fair value of private equity funds is determined based on the last available net asset values, less necessary value adjustments according to own assessment. The fair value of unlisted equity instruments is determined with net asset value calculation, based on up-to-date available financial information (e.g. annual reports), less necessary value adjustments according to own assessment. The valuation of the contingent purchase price liability is mainly based on the underlying contractual share purchase terms and conditions.

6.4 Level-3-financial instruments

CHF 1 000	Other financial assets at fair value	Financial investments at fair value	31.12.2018 Total	Other financial assets at fair value	Financial investments at fair value	31.12.2017 Total
Assets						
Holdings at the beginning of the year	9 035	25 716	34 751	11 683	23 516	35 199
Investments	256	–	256	256	–	256
Redemptions / Payments	–993	–	–993	–3 223	–	–3 223
Losses recognized in the income statement	–9	–	–9	–515	–	–515
Losses recognized as other comprehensive income	–	–	–	–	–	–
Gains recognized in the income statement	1 663	–	1 663	834	–	834
Gains recognized as other comprehensive income	–	27 700	27 700	–	2 200	2 200
Total book value at balance sheet date	9 952	53 416	63 368	9 035	25 716	34 751
Unrealised profit / losses from level 3 instruments which were held on the balance sheet date and recorded in the income statement in the period	1 654	–	1 654	319	–	319

Key assumptions in the valuation of Level 3 financial instruments are the underlying net asset values and reductions for illiquidity. The following table shows the effect on the valuation when these two assumptions change:

Key assumptions	Changes in key assumption	Change in fair value in CHF 1 000
Net Asset value	+ 5 percentage points	3 166
	– 5 percentage points	– 3 166
Reduction for illiquidity	+ 5 percentage points	– 3 140
	– 5 percentage points	3 140

CHF 1 000	Per 31.12.2018 Other financial liabilities at fair value	Per 31.12.2017 Other financial liabilities at fair value
Assets		
Holdings at the beginning of the year	15 525	21 301
Investments	1 446	–
Payments	–7 655	–7 281
Losses recognized in the income statement	–	1 505
Losses recognized as other comprehensive income	–21	–
Gains recognized in the income statement	–4 069	–
Total book value at balance sheet date	5 226	15 525
Unrealised profit / losses from level 3 instruments which were held on the balance sheet date and recorded in the income statement in the period	–3 921	1 374

The contingent purchase price payments from the acquisitions of StarCapital AG and MARS Asset Management GmbH are recorded in the other financial liabilities at fair value, and represent the remaining purchase price liabilities that are still owed. The valuation is mainly based on the underlying contractual share purchase terms and conditions.

StarCapital AG

The basic purchase price for StarCapital AG, which was acquired on 6 June 2016, is EUR 40.0 million in total, and may vary by +/-EUR 10.0 million depending on the evolution of the profits of StarCapital AG in the years from 2016 to 2018. These profits depend in particular on the evolution of the assets under management and the net new money inflows (level 3 input parameter). An adjustment to the contingent purchase price payment is, however, only made when the average profits for 2016 to 2018 are outside a defined contractual range.

For the 2018 consolidated financial statements, Bellevue Group used the effective income surpluses for the years 2016, 2017 and 2018. The average of the income surpluses is outside the contractually defined range. The total purchase price calculated on this basis is therefore now EUR 37.3 million, so that an adjustment to the contingent purchase price payment of EUR 2.7 million (TCHF 3.1 million) is necessary. The fair value adjustment recognised in profit or loss in the reporting period also includes foreign currency and interest rate effects. The contingent purchase price payment in EUR is subject to a foreign currency risk.

The net profit for the years 2016 and 2017 was determined accordingly with the approval of the 2016 and 2017 financial statements of StarCapital AG and the 2018 net profit on the basis of the figures included in the consolidation. As a result, there are no longer any unobservable input factors. A sensitivity analysis has therefore been dispensed with.

The contingent purchase price payment is due in three instalments of EUR 6.7 million, payable each year on the anniversary date of the time of purchase. In May 2017, the first instalment of CHF 7.3 million (EUR 6.7 million) and in May 2018 the second instalment of CHF 7.7 million (EUR 6.7 million) was paid. The definitive purchase price adjustment will be due for payment in 2019.

MARS Asset Management GmbH

The base purchase price for MARS Asset Management GmbH, which was acquired on 28 June 2018, is made up of a fixed purchase price component of EUR 1.4 million and a contingent purchase price component of EUR 1.3 million. The contingent purchase price component depends on the evolution of the assets under management (AuM) and the net new money inflows as of 31 December 2018 (level 3 input parameter). An adjustment to the contingent purchase price payment is, however, only be made when the AuM as of 31 December 2018 are outside the contractually defined range.

For the 2018 consolidated financial statements, Bellevue Group uses the effective AuM of MARS Asset Management GmbH as at 31 December 2018 which were outside the contractually defined range. The contingent purchase price calculated on this basis is now EUR 0.7 million, so that an adjustment of the contingent purchase price of EUR 0.6 million (TCHF 0.6) is necessary. The contingent purchase price payment in euros is subject to a foreign-currency risk and is due in January 2019.

As the effective AuM could be used as of 31 December 2018, there are no longer any unobservable input factors. A sensitivity analysis is therefore not performed.

6.5 Netting agreements

To reduce credit risks related to derivative contracts and securities lending and borrowing agreements, Bellevue Group enters into master netting agreements or similar netting arrangements with its counterparties. These netting agreements include derivatives clearing agreements (e.g. ISDA Master Netting Agreements and derivative market rules) and Global Master Securities Lending Agreements.

These netting agreements enable Bellevue Group to protect itself against loss in the event of a possible insolvency or other circumstances that result in a counterparty being unable to meet its obligations. In such cases, the netting agreements provide for the immediate net settlement of all financial instruments covered by the agreement. The right of set-off essentially only becomes enforceable following a default event or other circumstances not expected to arise in the normal course of business. The financial instruments covered by a netting agreement do therefore not meet the requirements for balance sheet offsetting, which is why the book values of the corresponding financial instruments are not offset on the balance sheet.

31.12.2018	Amount before balance sheet offsetting CHF 1000	Balance sheet offsetting CHF 1000	Book value CHF 1000	Financial instruments not offset CHF 1000	Collateral received/ provided CHF 1000	Unsecured amount CHF 1000
Financial assets						
Positive replacement values	2 886	–	2 886	–	317	2 569
Total financial assets	2 886	–	2 886	–	317	2 569
Financial assets						
Negative replacement values	2 882	–	2 882	–	–	2 882
Total financial assets	2 882	–	2 882	–	–	2 882

31.12.2017	Amount before balance sheet offsetting CHF 1 000	Balance sheet offsetting CHF 1 000	Book value CHF 1 000	Financial instruments not offset CHF 1 000	Collateral received/ provided CHF 1 000	Unsecured amount CHF 1 000
Financial assets						
Positive replacement values	6 427	–	6 427	36	342	6 049
Total financial assets	6 427	–	6 427	36	342	6 049
Financial assets						
Negative replacement values	6 404	–	6 404	36	–	6 368
Total financial assets	6 404	–	6 404	36	–	6 368

6.6 Credit risk and impairment model

Due to the limited activity in the lending business (see consolidated financial statements, section 2.2 “Credit risks” on page 71 ff.), which are generally only entered into on a secured basis, there are generally no significant credit risks.

Maximum credit risk before and after credit risk mitigations

The following table shows the maximum credit risk from all balance sheet and off-balance sheet positions and the existing credit risk mitigations.

31.12.2018	Credit risk before credit risk reductions	credit risk mitigations	Credit risk after credit risk reduc- tions
Cash	144 156	–	144 156
Due from banks	46 128	–	46 128
Due from customers	62 862	38 219	24 643
Trading portfolio assets	33 402	–	33 402
Positive replacement values	2 886	–	2 886
Other financial assets at fair value	29 380	–	29 380
Accrued income and prepaid expenses	9 122	–	9 122
Financial investments	53 730	–	53 730
Other assets	8 691	–	8 691
Total	390 357	38 219	352 138

31.12.2017	Credit risk before credit risk reductions	credit risk mitigations	Credit risk after credit risk reduc- tions
Cash	127 114	–	127 114
Due from banks	62 446	–	62 446
Due from customers	59 122	30 868	28 254
Trading portfolio assets	48 120	–	48 120
Positive replacement values	6 427	–	6 427
Other financial assets at fair value	28 656	–	28 656
Accrued income and prepaid expenses	12 069	–	12 069
Financial investments	26 178	–	26 178
Other assets	10 969	–	10 969
Total	381 101	30 868	350 233

Receivables from clients mainly consist of lombard loans and a receivable from SIX SIS AG. The lombard loans are generally secured by securities that are largely readily realisable.

Level assignment of value adjustment model

With the transition to IFRS 9, the expected credit losses for the financial instruments covered by the new impairment model were determined. The following tables provide an overview of the classification of financial instruments carried at amortised cost as of 1 January 2018 and 31 December 2018.

31.12.2018	Vereinfachter Ansatz	Stufe 1 CHF 1 000	Stufe 2 CHF 1 000	Stufe 3 CHF 1 000	Total CHF 1 000
Cash	–	144 156	–	–	144 156
Due from banks	–	46 128	–	–	46 128
Due from customers	–	62 862	–	–	62 862
Accrued income and prepaid expenses*	9 122	–	–	–	9 122
Other assets*	8 691	–	–	–	8 691
Total	17 813	253 146	–	–	270 959

01.01.2018	Vereinfachter Ansatz	Stufe 1 CHF 1 000	Stufe 2 CHF 1 000	Stufe 3 CHF 1 000	Total CHF 1 000
Cash	–	127 114	–	–	127 114
Due from banks	–	62 446	–	–	62 446
Due from customers	–	59 122	–	–	59 122
Accrued income and prepaid expenses*	12 069	–	–	–	12 069
Other assets*	10 969	–	–	–	10 969
Total	23 038	248 682	–	–	271 720

* For these items the simplified approach according to IFRS 9.5.15 is applied. In this case, expected credit losses are calculated for the entire term.

Change in expected credit losses

The following table shows how the expected credit losses have changed compared to the previous period.

31.12.2018	Stage 1 CHF 1 000	Stage 2 CHF 1 000	Stage 3 CHF 1 000	Total CHF 1 000
Expected credit losses as at 01.01.2018	25	–	–	25
Changes in recognized financial instruments compared to January 1, 2018	–	–	–	–
Expected credit losses as at 31.12.2018	25	–	–	25

Financial instruments written off/depreciated

In the financial year 2018, no financial instruments were depreciated/written off due to uncollectibility.

7 Off-balance sheet and other information

7.1 Off-balance sheet

Contingent liabilities

As per December 31, 2018 and as per 31 December, 2017 there are no contingent liabilities.

CHF 1 000	31.12.2018	31.12.2017
Irrevocable commitments		
Rental commitments due within 1 year	2 529	2 108
Rental commitments due between 1 and 5 years	6 649	2 014
Undrawn irrevocable credit facilities	130	118
of which payment obligation to the protection of deposits	130	118
Total	9 308	4 240
Fiduciary transactions		
Fiduciary placements with third-party banks	17 711	–
Total	17 711	–
Securities lending and pension transactions		
Book value of own holdings of securities lent in securities lending or provided as collateral in securities borrowing, and transferred in repurchase transactions	13 407	13 374

CHF Mio.	31.12.2018	31.12.2017
Assets under management		
Assets in self-managed collective investment instruments	8 882	9 931
Assets with management mandate	349	369
Other assets under management	1 578	1 745
Total assets under management (including double counts)	10 809	12 045
of which double counts	179	288
Development of assets under management		
Total assets under management (including double counting) at the beginning of the reporting period	12 045	10 550
+/- net new money inflow or net new money outflow	–418	1 263
+/- price gains/losses, interest, dividends and currency gains/losses	–1 187	1 618
+/- other effects ¹⁾	369	–1 386
Total managed assets (including double counting) at the balance sheet date	10 809	12 045

¹⁾ The assets acquired this year following the acquisition of Mars Asset Management GmbH are listed under this item. In the first half 2017, one deposit was reclassified as a custody asset in the reporting year. This reclassification is due to the shut down of the Corporate Finance business activities of Bank am Bellevue.

Assets under management and net inflows/outflows of new money

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority FINMA concerning accounting standards for financial institutions. Assets under management comprise all of the assets managed or held for investment purposes of private, corporate and institutional clients, as well as assets in self-managed collective investment instruments for which investment advisory and/or asset management services are provided. This includes all amounts due to customers on savings and deposit accounts, fixed-term and fiduciary deposits, and all valued assets. Assets under management that are deposited with third parties are included to the extent that investment advisory and/or asset management services are provided by Bellevue Group. Assets that are counted in several categories of assets are shown under double counts.

Net inflows or outflows of assets under management during the reporting period consist of the acquisition of new clients, the departure of clients as well as inflows and outflows of assets from existing clients. If there is a change in the service provided, resulting in the reclassification of assets under management as assets held for custody purposes or vice versa, this is recorded as an outflow of new money or an inflow of new money, respectively. Securities-related and currency-related changes in market value, interest income and dividends, fee charges and loan interest paid do not constitute inflows or outflows of assets.

7.2 Employee benefit plans

There are pension plans for most of the employees at Bellevue Group. These plans provide benefits in the event of death, disability, retirement or termination of employment. There were no unfunded liabilities due to employee pension plans as at the balance sheet date (previous year: no liabilities either).

In Switzerland, pension contributions are paid equally by the employer and the employee. The foundation board is composed of an equal number of employee and employer representatives. According to Swiss law and the pension regulations, foundation boards are obliged to act solely in the interest of the foundation and its beneficiaries (active workforce and recipients of pensions). Hence, the employer cannot single-handedly determine the benefits and the funding; all resolutions have to be agreed on by both sides. The members of the foundation board are responsible for defining the investment strategy, for deciding on amendments to the pension regulations, and in particular for determining the funding of the pension benefits.

In the events of death and disability, pension benefits are based on the insured salary. In the event of old age, they are based on pension assets. At the time of retirement, insured persons can choose between a life annuity, which includes a prospective spouse pension, and a lump sum payment. Apart from retirement benefits, pension benefits also include disability and surviving spouse or partner pensions. Furthermore, insured persons can improve their pension situation up to the regulatory maximum by paying in additional amounts, or withdraw money early to acquire property that they occupy themselves. At the time of termination of an employment contract, the vested benefits will be transferred to the pension plan of the new employer or a vested benefits scheme. This type of benefit can result in pension payments fluctuating considerably from year to year.

When determining the benefits, the minimum requirements of the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and its implementing provisions must be considered. The LOB defines minimum insured salary and minimum retirement assets. The Federal Council determines the minimum interest on these minimum retirement assets at least every two years. In 2018, it amounts to 1.00% (previous year: 1.00%).

Due to the nature of the pension plans and the provisions of the OPA, the employer is exposed to actuarial risks. The risks of death, disability and longevity are largely covered by an insurance policy. The major remaining risks include investment risk, interest risk and the risk of the insurer adjusting the premiums.

All employer and employee contributions are determined by the foundation board. The employer is to bear a minimum of 50% of the required contributions. In the case of underfunding, both employer and employee are entitled to pay in amounts to close the funding gap.

CHF 1 000	31.12.2018	31.12.2017
Consolidated balance sheet		
Fair value of plan assets	46 228	47 254
Present value of pension obligations	-48 119	-41 766
Funding shortfall/surplus	-1 891	5 488

CHF 1 000	1.1.-31.12.2018	1.1.-31.12.2017
Pension cost recognised in the income statement		
Service cost		
Current service cost	-2 282	-2 401
Past service cost (Plan amendments)	811	-
Past services cost (curtailment)	-	3 549
Plan settlements	-	-2 034
Net interest expenses/income	52	-14
Administrative expenses	-52	-75
Total pension cost for the period	-1 471	-975

CHF 1 000	1.1.–31.12.2018	1.1.–31.12.2017
Revaluation components recorded in other income		
Actuarial (gains)/losses		
Arising from changes in demographical assumptions	–	–
Arising from changes in economic assumptions	2 240	534
Arising from experience	–3 627	–2 923
Return on plan assets (excluding amounts included in net interest expenses)	–6 355	10 014
Effects from curtailments	–	–
Total of amounts recognised in other income	–7 742	7 625
Total pension costs	–9 213	6 650

CHF 1 000	2018	2017
Development of pension obligations		
At 1 January	–41 766	–51 213
Current service cost	–2 282	–2 401
Employee contributions	–255	–254
Interest expenses on the present value of the obligations	–346	–319
Pension payments and vested benefits	2 406	13 243
Additions from admissions and voluntary contributions	–5 300	–1 982
Plan amendments	811	–
Plan curtailment	–	3 549
Actuarial gains/losses	–1 387	–2 389
At 31 December	–48 119	–41 766
Development of plan assets		
At 1 January	47 254	48 202
Interest income	398	305
Plan participants' contribution	255	254
Company contributions	1 834	1 849
Pension payments and vested benefits	–2 406	–13 243
Additions from admissions and voluntary contributions	5 300	1 982
Return on plan assets (excluding amounts in net interest)	–6 355	10 014
Plan settlements	–	–2 034
Administration expense	–52	–75
At 31 December	46 228	47 254
Actual return on plan assets	–5 957	10 319

CHF 1 000	31.12.2018	31.12.2017
Allocation of plan assets		
Equities		
Listed investments	16 197	18 684
Non-listed investments	–	–
Bonds		
Listed investments	6 399	7 230
Non-listed investments	–	–
Real estate		
Directly invested	–	–
Investments in funds	1 657	1 557
Alternative investments	3 037	3 110
Qualified insurance policies	1 808	1 901
Liquidity	17 130	14 772
Total	46 228	47 254

The plan assets allocation as at 31 December 2018 as well as at 31 December 2017 do not include shares of Bellevue Group AG. The foundation board issues investment guidelines for the investment of plan assets. These guidelines include tactical asset allocation and benchmarks for comparing the results with a general investment universe. The plan assets are well diversified. In terms of diversification and security, the Swiss pension plan is subject to the provisions of the OPA. As a rule, bonds receive at least a rating of A.

The foundation board regularly reviews the selected investment strategy as to whether it meets the requirements of the pension plan and whether the risk budget is in line with the demographic structure. Adherence to investment guidelines as well as results achieved by investment advisors are reviewed on a quarterly basis. Furthermore, an external consultancy periodically examines the investment strategy with regard to whether it is effective and appropriate.

Defined-benefit obligations are distributed as follows:

CHF 1 000	31.12.2018	31.12.2017
Active workforce	46 311	39 865
Pensioners	1 808	1 901
Total	48 119	41 766

The maturity of the obligation is 19.8 years as at 31 December 2018 (previous year: 21.7 years). The expected employer's contributions for 2019 are estimated at CHF 2.0 million (previous year: CHF 2.1 million).

	31.12.2018	31.12.2017
Actuarial assumptions		
Biometric assumptions		
Life expectancy at the age of 65	BVG 2015GT	BVG 2015GT
Year of birth	1953	1952
Men	22.50	22.38
Women	24.54	24.43
Year of birth	1973	1972
Men	24.33	24.26
Women	26.37	26.29
Discount rate	0.95%	0.80%
Expected rate of salary increases	1.50%	1.50%
Expected rate of pension increases	0.00%	0.00%
	1.00%	1.00%
	(mandatory);	(mandatory);
	0.95%	0.80%
Interest on pension assets	(super-mandatory)	(super-mandatory)

Changes to the present value of a defined-benefit obligation

CHF 1 000	31.12.2018	31.12.2017
	+ 0.25%	+ 0.25%
Assumed interest rate	- 2 090	- 2 088
Salary development	343	331
Interest on pension assets	971	883
	+ 1 Jahr	+ 1 Jahr
Development of life expectancy	740	805

The most important factors influencing the development of pension obligations are assumed interest rate, salary development, pension index and development of life expectancy.

7.3 Major foreign exchange rates

The following exchange rates were used for the major currencies:

	Year-end rate	Average rate	Year-end rate	Average rate
EUR	1.12665	1.15497	1.17055	1.11176
USD	0.98395	0.97860	0.97490	0.98460
GBP	1.25425	1.30560	1.31731	1.26840

7.4 Cash contribution

The Board of Directors will propose a cash distribution of CHF 0.25 from capital reserves per registered share at the general meeting of shareholders of Bellevue Group AG on March 19, 2019. This corresponds to a total payment of CHF 3.4 millions.

7.5 Dividend payment

The Board of Directors will propose a dividend of CHF 0.85 from other reserves per registered share at the general meeting of shareholders of Bellevue Group AG on March 19, 2019. This corresponds to a total payment of CHF 11.4 millions.

7.6 approval of the consolidated financial statements

The Audit Committee discussed and approved the consolidated financial statements during its meeting on February 18, 2019, the Board of Directors during its meeting on February 19, 2019. The statements will be submitted for approval at the general meeting on March 19, 2019.

7.7 Events after the balance sheet date

No events have occurred since the balance sheet date that would have a material impact on the information provided in the year 2018 consolidated financial statements and would therefore need to be disclosed.

8 Segment reporting

CHF 1000	Asset Management	Bank am Bellevue	Group	Elimination	Total
1.1. – 31.12.2018					
Net interest income	525	2 332	6		2 863
Net fee and commission income	92 797	4 114	–		96 911
Net trading income	–951	–874	–113		–1 938
Income from other financial instruments at fair value	3 812	–	915		4 727
Other ordinary income	223	16	4		243
Service from/to other segments	–104	133	–29		–
Total operating income	96 302	5 721	783	–	102 806
Personnel expenses	–41 146	–6 754	–4 600		–52 500
Other operating expenses	–14 183	–5 198	–1 503		–20 884
Service from/to other segments	–249	–1 620	1 869		–
Depreciation	–5 374	–303	–		–5 677
thereof on intangible assets	–5 094	–120	–		–5 214
thereof due to impairment	–2 701	–	–		–2 701
Total operating expenses	–60 952	–13 875	–4 234	–	–79 061
Profit before tax	35 350	–8 154	–3 451	–	23 745
Taxes	–3 747	–17	–8		–3 772
Group net profit	31 603	–8 171	–3 459	–	19 973
Additional information as per 31 December 2018					
Segments assets ¹⁾	155 744	309 187	2 428		467 359
Segments liabilities	46 168	218 295	6 015		270 478
Net new money (CHF m)	–399	–19	–		–418
Price gains/losses, interest, dividends and currency gains/losses (CHF m)	–1 019	–168	–		–1 187
Other effects (CHF m) ²⁾	369	–	–		369
Total assets under management (CHF m) ³⁾	8 974	1 835	–		10 809
Capital expenditure	870	642	–		1 512
Number of staff (full-time equivalent) at cut-off date	82.4	18.8	10.4		111.6
Annual average number of staff (full-time equivalent)	81.3	18.6	9.2		109.1

¹⁾ Including associated companies; the sum of long-term assets including Goodwill and excluding Other financial assets at fair value, amounts to CHF 82.0 million in Switzerland, CHF 40.7 million in Germany and CHF 0.3 million in all other countries.

²⁾ The assets acquired this year following the acquisition of Mars Asset Management GmbH are listed under this item.

³⁾ Including double counts

41% of revenue is allocated to Switzerland, 15% to Germany and 44% to other countries.

CHF 1000	Asset Management	Bank am Bellevue	Group	Elimination	Total
1.1. – 31.12.2017					
Net interest income	23	1 177	–9		1 191
Net fee and commission income	84 033	10 571	–		94 604
Net trading income	21	2 410	66		2 497
Income from other financial instruments at fair value	1 489	–	160		1 649
Other ordinary income	209	12	127		348
Services from / to other segments	–29	29	–		–
Total operating income	85 746	14 199	344	–	100 289
Personnel expenses	–38 726	–9 625	–3 760		–52 111
Other operating expenses	–10 066	–5 701	–1 355		–17 122
Services from/to other segments	–225	–1 386	1 611		–
Depreciation	–2 427	–995	–30		–3 452
thereof on other intangible assets	–2 231	–	–		–2 231
thereof due to impairment	–	–	–		–
Valuation adjustments and provisions	–	–	–		–
thereof due to impairment	–	–	–		–
Total operating expenses	–51 444	–17 707	–3 534	–	–72 685
Profit before tax	34 302	–3 508	–3 190	–	27 604
Taxes	–5 852	–249	13		–6 088
Group net profit	28 450	–3 757	–3 177	–	21 516

Additional information as per 31 December 2017

Segments assets ¹⁾	165 578	291 708	4 950		462 236
Segments liabilities	48 407	219 467	17 163		285 037
Net new money (CHF million)	842	421	–		1 263
Price gains / losses, interest, dividends and currency gains / losses (CHF m)	1 336	282	–		1 618
Other effects (CHF m) ²⁾	–	–1 386	–		–1 386
Total assets under management (CHF m) ³⁾	10 022	2 023	–		12 045
Capital expenditure	118	200	–		318
Number of staff (full-time equivalent) at cut-off date	71.9	13.9	6.8		92.6
Annual average number of staff (full-time equivalent)	68.0	23.9	7.1		99.0

¹⁾ Including associated companies; the sum of long-term assets including Goodwill and excluding Other financial assets at fair value, amounts to CHF 54.0 million in Switzerland, CHF 43.9 million in Germany and CHF 0.5 million in all other countries.

²⁾ One deposit was reclassified as a custody asset in the reporting year. This reclassification is due to the shut down of the Corporate Finance business activities of Bank am Bellevue.

³⁾ Including double counts

41% of revenue is allocated to Switzerland, 17% to Germany and 42% to other countries.

Segment «Asset Management»

The Asset Management business segment consists of Bellevue Asset Management AG, its foreign subsidiaries (Bellevue Asset Management Group) and StarCapital AG, and has total assets under management of CHF 9.0 billion. Its offering includes a wide range of investment funds and investment solutions for institutional, intermediary and retail clients. The business segment's investment philosophy features a purely active asset management concept.

The Bellevue Asset Management boutique has a clear focus on managing equity portfolios for selected sector and regional strategies, and these are based on a bottom-up, research-driven approach to stock picking. In contrast, StarCapital AG adopts a comprehensive asset management approach, based on quantitative, experience-driven and strongly anticyclical investment principles. Its well-diversified product offering lies in the areas of managed asset strategies, global bond and equity strategies and multi-asset-class solutions and acts as a strong complement to Bellevue Asset Management.

Segment «Bank am Bellevue»

The services of Bank am Bellevue include asset management and consultancy for entrepreneurial private clients. Besides the portfolio-related services, general asset services are also provided. These primarily include support and advice for setting up and running investment office structures (e.g. manager selection, applying tactical measures, and consolidated asset reporting). The Bank also offers its clients custody account management, securities trading with a focus on Swiss stocks, individual credit solutions and market-making services.

Segment «Group»

This segment is where the company's participations are held and managed and the related strategic, management, co-ordination and financing issues and activities addressed.

9 Major subsidiaries

Company name	Domicile	Purpose	Currency	Share-/Nominal capital	31.12.2018 Capital	31.12.2018 Share of Voting rights	31.12.2017 Capital	31.12.2017 Share of Voting rights
Vollkonsolidierte Gesellschaften								
Bellevue Group AG	Küsnacht, Switzerland	Holding	CHF	1 346 143	Parent company		Parent company	
Bank am Bellevue AG	Küsnacht, Switzerland	Bank	CHF	25 000 000	100%	100%	100%	100%
StarCapital AG	Oberursel, Germany	Asset Management	EUR	540 000	100%	100%	100%	100%
Bellevue Asset Management AG	Küsnacht, Switzerland	Asset Management	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset Management	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
BB Biotech Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Advisors Limited	London, UK	Investor relations, Distribution	GBP	50 000	100%	100%	100%	100%
BB Pureos Bioventures GP Limited	Guernsey	Investment Advisor	GBP	60 000	99%	99%	99%	99%
Bellevue Investment Advisers AG	Küsnacht, Switzerland	Asset Management	CHF	500 000	100%	100%	100%	100%

Minority shareholders equity ownership of BB Pureos Bioventures GB Limited is 1%. Due to the non-materiality of this ownership with respect to the overall Bellevue Group's equity and comprehensive income, no separate disclosure of minority shareholders has been published on the group's financial statements.

10 Statutory banking regulations

Bellevue Group is regulated by the Swiss Financial Market Supervisory Authority (FINMA). FINMA requires that Swiss-domiciled banks using the International Financial Reporting Standards (IFRS) as their primary accounting standard must provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP adheres to the basic provisions of the Federal Law on Banks and the bank accounting guidelines issued by FINMA (RVB).

The main differences between IFRS and Swiss GAAP are:

Fair Value through OCI

Under IFRS, changes in the fair value of financial assets accounted at FVtOCI have to be accounted in the other comprehensive income. Under Swiss GAAP these financial instruments are accounted at historical cost or – if lower – at market value. Reductions in the market value, increases in the market value as well as gains or losses on disposals have to be recorded in other comprehensive income.

Extraordinary items

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they stem from non-operating transactions or are non-recurring.

Goodwill

Under IFRS, goodwill is not ordinarily amortized but must be tested for impairment annually and a write-off made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Intangible assets

Under IFRS, intangible assets with indefinite lives are not amortized but tested for impairment on an annual basis. Under Swiss GAAP, these intangible assets are amortized over the useful lives up to a maximum of five years (for exceptional cases up to twenty years) and are also tested for impairment yearly.

Pension plans

Under Swiss GAAP it is permitted to adopt the pension plans related IFRS standard (IAS 19). However – in contrast with IAS 19 – Swiss GAAP does not allow the accounting of gains and losses which have no effect on the income statement.

Negative interest rates

Based on IFRS, negative interest rates on financial assets are not considered by definition as interest income. For this reason, negative interest rates on financial assets or negative interest rates on financial liabilities must be shown separately as other financial income/expense. Swiss GAAP allows to account negative interest rates as a reduction of interest income for financial assets or a decrease of interest expenses for financial liabilities.

Other differences

Under IFRS, financial statements are comprehensive of income statement, cash flow statement, balance sheet, statement of comprehensive income, statement of equity and notes. Swiss GAAP does not require a statement of comprehensive income. This is a major cause of differences in the presentation of the financial statements.

Report of the statutory auditor to the General Meeting of Bellevue Group AG Küsnacht

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Bellevue Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of share-holders' equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 56 to 73 and 76 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

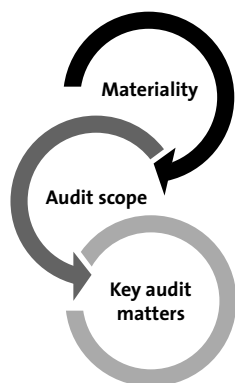
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1056 000

We concluded full scope audit work at Bellevue Group AG and the following four reporting units in three countries:

- Bank am Bellevue AG, Switzerland
- Bellevue Asset Management AG, Switzerland
- Asset Management BaB N.V., Curaçao
- StarCapital AG, Germany

Our audit scope addressed 97% of the net sales and 99% of the total assets of the Group.

Additionally, analytical audit procedures were concluded at a further five reporting units in four countries, which cover a further 3% of net sales and 1% of the total assets of the Group:

- Bellevue Research Inc., USA
- BB Biotech Ventures G.P., Guernsey
- BB Pureos Bioventures GP Limited, Guernsey
- Bellevue Advisors Limited, UK
- Bellevue Investment Advisors AG, Switzerland

As key audit matter, the following area of focus has been identified:
Impairment of goodwill and other intangible assets

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; For example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1056 000
How we determined it	5% of the average (based on the previous 3 years) and before impairment adjusted profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit & Risk Committee that we would report to them misstatements above CHF 53 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets

Key audit matter

Goodwill in the amount of TCHF 54304 and other intangible assets in the amount of TCHF 13908 stemming from the acquisition of group companies has been recognised in the financial statements under 'Goodwill and other intangible assets'.

Bellevue Group AG uses the discounted cash flow method in order to test goodwill and other intangible assets for impairment. The valuation is calculated based on the expected future cash flows to the equity investor.

We consider the assessment of the impairment of goodwill and other intangible assets as a key audit matter because the Board of Directors has to apply significant judgement in setting the assumptions relating to future business results and the discount rate to be applied on the fore-casted cash flows; significant estimation uncertainty exists and moreover, goodwill and other intangible assets represent a significant amount on the balance sheet (15% of total assets).

Please refer to page 69 to 70 (Estimates, assumptions and the exercise of discretion by management) and pages 82 to 84 (Goodwill and other intangible assets).

How our audit addressed the key audit matter

We have analysed and assessed the assumptions of Bellevue Group AG presented in the consolidated financial statements and performed the following procedures:

Management adheres to a documented process in forecasting cash flows. The Board of Directors monitored this process and regularly challenged the assumptions that were used. We assessed the appropriateness and proper application of the valuation method used to determine the value of the goodwill and other intangible assets.

We compared the business results of the year under review with the year's budgeted results, as prepared in the prior year, in order to identify any assumptions that in retrospect appeared too optimistic regarding the cash flows.

We compared Management's assumptions concerning revenue growth and long-term growth rates with economic and industry-specific developments.

We compared the discount rate with the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Bellevue Group AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

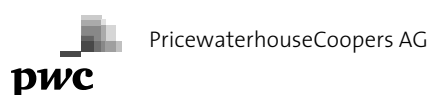
We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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



Rolf Birrer
Audit report
Auditor in charge

Roland Holl
Audit report

Zürich, 25. Februar 2019

Profit and loss account

CHF 1 000	1.1.–31.12.2018	1.1.–31.12.2017
Interest income	–	–
Dividend income	–	1
Interest expenses	–	–9
Net interest income	–	–8
Net fee and commission income	–29	–
Net trading income	328	–1 377
Net income from financial assets	917	161
Dividend income from associated companies	26 022	19 310
Other ordinary income	3	2
Other income	26 942	19 473
Total operating income	27 241	18 088
Personnel expenses	–2 376	–2 084
Other operating expenses	–1 401	–1 237
Total operating expenses	–3 777	–3 321
Amortization / depreciation and impairment losses on non-current assets	–	–61
Profit before tax	23 464	14 706
Direct taxes	–96	–96
Profit for the year	23 368	14 610

Balance Sheet

CHF 1 000	31.12.2018	31.12.2017
Assets		
Current assets		
Cash and cash equivalent	4 233	13 322
Other short-term receivables	37	1 256
Prepaid expenses and accrued income	220	9
Total current assets	4 490	14 587
Non-current assets		
Financial investments	751	369
Participations	173 401	166 458
Total non-current assets	174 152	166 827
Total assets	178 642	181 414
Liabilities		
Short-term liabilities		
Other short-term liabilities	4 531	7 815
Accrued expenses and deferred income	1 158	1 407
Total short-term liabilities	5 689	9 222
Long-term liabilities		
Other long-term liabilities	–	7 804
Total long-term liabilities	–	7 804
Shareholders' equity		
Share capital	1 346	1 346
Reserves from capital contributions	4 010	18 817
Legal capital reserves	4 010	18 817
General legal retained earnings reserves	2 225	2 225
Reserves for treasury shares ¹⁾	1 693	909
Legal retained earnings	3 918	3 134
Voluntary retained earnings	17 813	18 597
Profit brought forward	122 498	107 888
Profit for the year	23 368	14 610
Total disposable profit	145 866	122 498
Treasury shares	–	–4
Total shareholders' equity	172 953	164 388
Total liabilities and shareholders' equity	178 642	181 414

¹⁾ for shares held by subsidiaries

Notes to the financial statements

1 Accounting Principles

General approach

The annual financial statements of Bellevue Group Ltd were prepared in accordance with the guidelines of the Swiss Code of Obligations. Balance sheet items are valued at historical costs.

Cash, due from and due to banks and customers

Assets are recognised at acquisition costs and liabilities are recognised at their nominal value. Specific valuation adjustments are made for identifiable risks of loan losses.

Participations

Participations are recognized at acquisition costs less adjustments necessary for commercial reasons.

Accruals and deferrals

Accruals and deferrals are expenditures of the current financial year, which are recognized as expenses in the subsequent financial year as well as revenues of the current financial year, which are recognised as income in the subsequent financial year.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as profit or loss. For treasury shares held by subsidiaries, a reserve for treasury shares is booked to the value of the acquisition price.

Waiver of cash flow statement, management report and additional disclosures in the notes

As Bellevue Group AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to waive the disclosure of additional information on interest-bearing liabilities and audit fees in the notes, the management report as well as a the cash flow statement in accordance with the law.

2 Notes to the financial statements

CHF 1000	31.12.2018	31.12.2017
Cash and cash equivalent		
The cash and cash equivalents comprise the following:		
Due from group banks	2 856	10 570
Due from other banks	1 377	2 752
Total	4 233	13 322
Other short-term receivables		
The other short-term receivables comprise the following:		
Due from group companies	–	–
Due from third parties	37	1 256
Total	37	1 256

Company	Domicile	Purpose	Currency	Share capital / Nominal capital	31.12.2018 Share of Capital Voting rights	31.12.2017 Share of Capital Voting rights
Participations						
Bellevue Group AG	Küsnacht, Switzerland	Holding	CHF	1 346 143	Parent company	Parent company
Bank am Bellevue AG	Küsnacht, Switzerland	Bank	CHF	25 000 000	100% 100%	100% 100%
StarCapital AG	Oberursel, Germany	Asset Managment	EUR	540 000	100% 100%	100% 100%
Bellevue Asset Management AG	Küsnacht, Switzerland	Asset Managment	CHF	1 750 000	100% 100%	100% 100%
Asset Management BaB N.V.	Curaçao	Asset Managment	USD	6 001	100% 100%	100% 100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100% 100%	100% 100%
BB Biotech Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100% 100%	100% 100%
Bellevue Advisors Limited	London, UK	Investor relations, distribution	GBP	50 000	100% 100%	100% 100%
BB Pureos Bioventures GP Limited	Guernsey	Investment Advisor	GBP	60 000	99% 99%	99% 99%
Bellevue Investment Advisers AG	Küsnacht, Switzerland	Asset Managment	CHF	500 000	100% 100%	100% 100%

In order to strengthen the regulatory capital basis and to cover the accumulated loss of the Bank am Bellevue AG the board of directors of the Bellevue Group decided in October 2018 to increase the capital reserve of the Bank am Bellevue by a cash injection of CHF 10 mio. The carrying amount of the investment in Bank am Bellevue AG was increased by the same amount.

CHF 1000	31.12.2018	31.12.2017
Other short-term liabilities		
The other short-term liabilities comprise the following:		
Due to group companies	–	–
Due to third parties	4 531	7 815
Total	4 531	7 815

The other short-term liabilities to third parties are mostly liabilities in connection with the acquisition of the 100% participation in StarCapital AG. As of 31 December 2018, the purchase price of StarCapital AG was adjusted by CHF 3.1 million due to lower income surpluses. This adjustment of the contingent purchase price payment reduces the acquisition value of the investment in StarCapital AG. The investment value of StarCapital AG was therefore reduced by the same amount.

Reserves from capital contributions

The change in paid-in capital reserve is due to the cash distribution of CHF 14 807 570.80 (CHF 1.10 per outstanding registered share) which was approved at the General Shareholders' Meeting held on March 20, 2018.

Treasury Shares (inventory and movement)

The treasury shares held by the company and partly indirectly via the 100% subsidiaries Bank am Bellevue AG and Bellevue Asset Management AG. All transactions are conducted at market prices.

	Number	CHF1 000
Treasury shares in trading portfolio of Bank am Bellevue AG		
Balance as of 1.1.2017	10 846	153
Purchases	384 996	7 148
Disposals	-353 222	-6 406
Balance as of 31.12.2017	42 620	895
Purchases	744 326	17 863
Disposals	-705 446	-17 079
Balance as of 31.12.2018	81 500	1 679
Treasury shares of Bellevue Group AG		
Balance as of 1.1.2017	624	10
Purchases	15 959	276
Disposals	-16 370	-282
Balance as of 31.12.2017	213	4
Purchases	38 780	925
Disposals	-38 993	-929
Balance as of 31.12.2018	-	-
Treasury shares of Bellevue Asset Management AG		
Balance as of 1.1.2017	905	14
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2017	905	14
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2018	905	14
Reserves for treasury shares		
Balance as of 31.12.2017		909
Balance as of 31.12.2018		1 693

3 Additional Informations

Company name, legal form and domicile

The Bellevue Group AG is a joint stock company under the Swiss Code of Obligations and is domiciled in Küsnacht at Seestrasse 16.

Declaration on FTEs

The annual average of full-time employees has not exceeded 10 in both the current and previous financial year.

Information on shareholdings and the conversion and option rights of members of the Board of Directors

	Shares	31.12.2018 Call-Options ¹⁾	Shares	31.12.2017 Call-Options ¹⁾
Share- and option-holdings of members of the Board of Directors				
Thomas von Planta, Chairman	62 559	–	60 910	–
Daniel Sigg, Member	32 880	–	31 145	–
Mirjam Staub-Bisang, Member	6 396	–	4 747	–
Rupert Hengster, Member	1 735	–	–	–
Veit de Maddalena, Member	263 685	–	n/a	n/a

Share- and option-holdings of members of the Group Executive Board

André Rüegg, CEO, CEO Bellevue Asset Management	251 225	–	200 000	–
Daniel Koller, CFO	82 942	–	69 599	–
Thomas Pixner, CEO Bank am Bellevue (from 01.03.2018)	27 770	–	n/a	n/a

Events after the balance sheet date

No events have occurred since the balance sheet date that would have a material impact on the information provided in the year 2018 financial statements and would therefore need to be disclosed.

Information on major shareholders

Based on the notifications received and published by Bellevue Group AG, each of the following parties owns a significant voting rights:

Shareholder or beneficial owner	Voting rights held	31.12.2018 Number of Shares	Voting rights held	31.12.2017 Number of Shares
Martin Bisang, Küsnacht	20.43%	2 750 000	20.43%	2 750 000
Jörg Bantleon, Munich (Germany)	10.35%	1 392 890	10.35%	1 392 890
Jürg and Manuela Schächli, Rapperswil-Jona	9.05%	1 217 799	9.05%	1 217 799

The shareholders Martin Bisang (Küsnacht), as well as Manuela and Jürg Schächli (Jona) signed a shareholder agreement on 25. October 2018. Martin Bisang will represent the Group and controls 29.48% of the voting rights by December 31st 2018.

Proposal to the annual General Meeting

CHF 1 000	31.12.2018	31.12.2017
The Board of Directors proposes to the annual General Meeting of shareholders on March 19, 2019 the following allocation of profit:		
Profit / loss for the year	23 368	14 610
Balance brought forward from previous year	122 498	107 888
Total Profit	145 866	122 498
Dividend on eligible capital ¹⁾	– 11 442	–
Allocation to other reserves ²⁾	–	–
Balance carried forward to new financial year	134 424	122 498
<hr/>		
CHF 1 000	31.12.2018	31.12.2017
At the annual general meeting on March 19, 2019 the Board of Directors will propose the following cash contribution from the reserve formed from capital contribution:		
Reserve formed from capital contributions	4 010	18 817
Cash distribution as a repayment from the reserve formed from contributions to authorised capital ¹⁾	– 3 366	– 14 807
Reserve formed from capital contributions after cash distribution	644	4 010

¹⁾ Including treasury shares possibly held directly by Bellevue Group AG

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

Upon approval of this proposal, the cash distribution of CHF 0.25 per registered share of CHF 0.10 will be paid without deduction of federal withholding tax.

Upon approval of this proposal, the dividend of CHF 0.85 per registered share of CHF 0.10 will be paid less the federal withholding tax of 35%.

Report of the statutory auditor to the General Meeting of Bellevue Group AG Küsnacht

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bellevue Group AG, which comprise the balance sheet as of 31 December 2018, the income statement and notes for the year then ended, including a summary of significant accounting policies (pages 116 to 122).

In our opinion, the accompanying financial statements as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

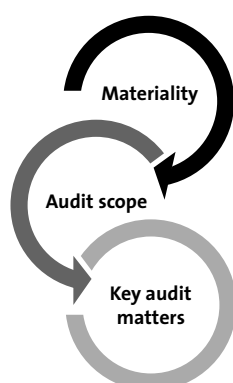
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 732 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

Impairment of participations

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; For example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 732 000
How we determined it	0.42% of the equity of the company
Rationale for the materiality benchmark applied	We chose equity as the benchmark because the company considered for itself is conducting limited operational activities and, in our view, the equity is a generally accepted benchmark for holding companies.

We agreed with the Board of Directors that we would report to them misstatements above CHF 37 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of participations

Key audit matter

The shares of the capital of subsidiaries held by the Company are recognised in the financial statements under 'Participations' (TCHF 173 401).

Participations are recognised at acquisition cost less any economically necessary impairments.

Bellevue Group AG uses the discounted cash flow method in order to test whether any impairments are necessary. The valuation is calculated based on the expected future cash flows to the equity investor. We consider the assessment of the impairment of participations as a key audit matter because the Board of Directors has to apply significant judgement in setting the assumptions relating to future business results and the discount rate to be applied on the forecasted cash flows; significant estimation uncertainty exists and moreover, participations represent a significant amount on the balance sheet (97% of total assets).

We refer to page 118 (Accounting principles) and page 119 (Notes to the financial statements).

How our audit addressed the key audit matter

We have analysed and assessed the assumptions applied to the financial statements by the Board of Directors of Bellevue Group AG and performed the following procedures:

Management adheres to a documented process in forecasting cash flows. The Board of Directors monitors this process and regularly challenges the assumptions that are used. We assessed the appropriateness and proper application of the valuation method used to determine the value of the participations.

We compared the business results of the year under review with the year's budgeted results, as prepared in the prior year, in order to identify any assumptions that in retrospect appeared too optimistic regarding the cash flows.

We compared Management's assumptions concerning revenue growth and long-term growth rates with economic and industry-specific developments. We compared the discount rate with the cost of capital of the Company and of comparable enterprises, taking into account country-specific particularities.

In addition, we compared the book value of the participations recorded in the balance sheet with the proportionate equity of the subsidiaries plus hidden reserves.

Further, we assessed whether the subsidiaries had prepared their financial statements based on the assumption of continuing as going concern and whether this was appropriate.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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



PricewaterhouseCoopers AG

Rolf Birrer
Audit expert
Auditor in charge

Roland Holl
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Zürich, 25. Februar 2019

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“In case of any deviations resulting from the translation, the German version shall prevail.”

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