

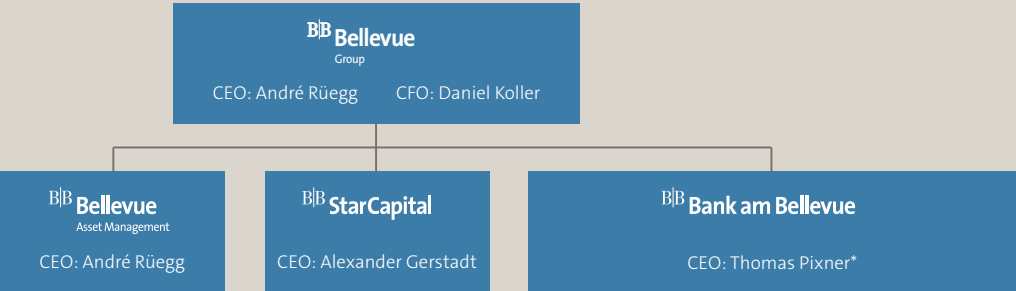


Bellevue Group is an independent Swiss financial boutique listed on the SIX Swiss Exchange. Established in 1993, the company and its approximately 100 professionals are largely active in the areas of asset management and wealth management.

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



* as at March 1, 2018

Segments & Offering

ASSET MANAGEMENT	BANK AM BELLEVUE	
Investment funds & institutional mandates	Investment Partners	Other services
Healthcare equity strategies Specialized equity strategies Absolute return strategies	Wealth Management Investment Office Services	Trading Execution Market Making Custody Services Selected credit facilities
Global equity strategies Global bond strategies Multi-asset solutions (discretionary and rule-based)		

At a glance

CHF 1 000	1.1.–31.12.2017	1.1.–31.12.2016	Change	
Profit and loss account				
Net interest income	1191	1640	–449	–27%
Net fee and commission income	94 604	68 899	+25 705	+37%
Net trading income	2 497	1 480	+1 017	+69%
Other income	1 997	–53	+2 050	+ 3868%
Total operating income	100 289	71 966	+28 323	+39%
Total operating expenses	–72 685	–70 430	–2 255	+3%
Group net profit	21 516	–652	+22 168	+ 3400%
Balance sheet				
Total assets	462 236	463 710	–1 474	–0%
Total liabilities	285 037	304 835	–19 798	–6%
Total shareholders' equity	177 199	158 875	+18 324	+12%
Ratios				
Earnings per share (in CHF)	1.60	–0.05	+1.65	+ 3300%
Undiluted earnings per share (in CHF)	1.60	–0.05	+1.65	+ 3300%
Diluted earnings per share (in CHF)	1.60	–0.05	+1.65	+ 3300%
Equity per share (in CHF)	13.16	11.80	+1.36	+11%
Cash distribution/dividend per share (in CHF)	1.10 ¹⁾	1.00	+0.10	+10%
Return on equity	12.8%	–0.4%	–	+13.2%
Distribution/dividend yield ²⁾	4.5%	6.4%	–	–1.9%
Cost/Income ratio ³⁾	70.2%	79.9%	–	–9.7%
Self-financing ratio	38.3%	34.3%	–	+4.0%
Assets in self-managed collective investment instruments (in CHF m)	9 931	7 740	+2 191	+28%
Assets with management mandate (in CHF m)	369	140	+229	+164%
Other assets under management (in CHF m)	1 745	2 670	–925	–35%
Total managed assets (in CHF m) ⁴⁾	12 045	10 550	+1 495	+14%
Number of staff (full-time equivalent) at cutoff date	92.6	111.3	–18.7	–17%
Annual average number of staff (full-time equivalent)	99.0	100.5	–1.5	–1%
Share price of Bellevue registered shares (in CHF) as per 31.12.	24.30	15.70	+8.60	+55%
Market capitalization (in CHF m)	327	165	+162	+98%
Year high ⁵⁾	24.85	15.70	+9.15	+58%
Year low ⁵⁾	14.82	11.41	+3.41	+30%

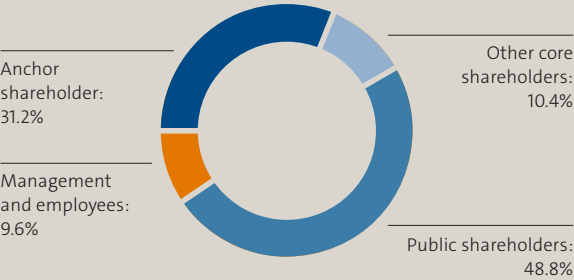
* The previous-year periods were adjusted. We refer to the statements in section 1.2.
¹⁾ Proposal of the Board of Directors to the Annual General Meeting
²⁾ Calculated from share price as at 31.12.
³⁾ Defined as: Business expenses (excluding depreciation and movement in provisions)/Total income (excluding 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)

2017	29.3
2016	14.5
2015	24.6
2014	13.3
2013	7.7

SHAREHOLDER STRUCTURE



Clearly profiled as an asset and wealth manager

The Group's positioning as an asset management boutique with innovative asset and wealth management services provides better clarity and builds client and shareholder trust. Impressed by the convincing performance of its products, investors in Switzerland and abroad are turning to Bellevue Group to take advantage of its extensive expertise. The Group is also becoming increasingly attractive for entrepreneurial private clients. Thanks to the growing assets under management, operating profit doubled to CHF 29.3 million.

New money up 11.5%, broadly based growth

In 2017 Bellevue Group attracted new client money of CHF 1.3 billion. This inflow was geographically broad in scope and spread across a large number of investment products. Asset Management contributed CHF 842 million and Wealth Management already attracted CHF 421 million in new money. This led to new money growth of 11.5%, a rather high rate in comparison with sector peers.

Above-average investment performance

Bellevue Group's investment experts used the tailwinds on global financial markets last year to again generate excess returns for clients. Most of the investment products ended the year with double-digit gains and beat the relevant benchmarks by a wide margin. Particularly successful products were the Healthcare and Entrepreneur strategies, the flagship product BB Biotech and StarCapital's equity funds.

Tax-exempt cash payout raised by 10%

In view of the sustained improvement in the Group's operating results, the Board of Directors will propose a 10% increase in the tax-exempt cash payout to CHF 1.10 per share out of capital contribution reserves. Shareholders thus benefit from the company's financial solidity and its attractive, shareholder-friendly dividend policy.

OPERATIONAL REVENUE 2017

CHF 29.3 mn

(+102% previous year)

INCOME FROM RECURRING REVENUES

82%

(2016: 81%)

ASSETS UNDER MANAGEMENT

CHF 12 bn

(as at 2017/12/31)

BELLEVUE'S TOP PERFORMER 2017

32.2%

(BB Adamant Healthcare Index in USD)

DIVIDEND PER SHARE (PROPOSAL)

CHF 1.10

(+10% previous year)

SHAREHOLDERS' EQUITY

CHF 177 mn

(2016: CHF 159 mn)

ANNUAL AVERAGE NUMBER OF STAFF (FTE)

92.6

(2016: 111.3)

Table of Contents

Letter to the shareholders	2–5
Interview Group Executive Board	6–7
Division report Asset Management	10–15
Harvesting the fruits of diligent and determined corporate development	
Division report Bank am Bellevue	18–19
A year of realignment	
Offering Asset Management	23–25
The best of both worlds	
Offering Bank am Bellevue	26–27
Partner for entrepreneurial wealth	
Information relating to corporate governance	30
Compensation report 2017	39
Report of the statutory auditor on the compensation reports	51
Consolidated financial statements 2017	53
Notes to the consolidated financial statements	60
Report of the statutory auditor on the consolidated financial statements	104
Financial statements 2017 of Bellevue Group AG	109
Report of the statutory auditor on the financial statements	118
Investor Relations and Addresses	122



Thomas von Planta
Chairman of the Board
of Directors
André Rüegg
Chief Executive Officer

Briefly: Operating profit doubled to CHF 29.3 mn over the year – Group profit after tax amounts to CHF 21.5 mn – Assets under management grow by 14% to CHF 12 bn – Asset and Wealth Management units report strong organic net new money inflow of CHF 1.3 bn – 10% increase in tax-free cash payout to CHF 1.10 per share.

Dear shareholders

2017 was an eventful year for both financial markets and Bellevue Group. Over the past year, Bellevue Group modified its strategic profile and sharpened its focus on innovative, value-accretive products and services within its Asset Management and Wealth Management units. Its successful strategic reorientation promotes clarity and trust, which is what investors both in and outside Switzerland want and appreciate, as our good results for fiscal 2017 demonstrate.

The pleasing business trends at Bellevue Group were also buoyed by market momentum. Stock markets spent much of the year in positive territory; double-digit advances were not a rarity, to the joy of many an investor, and several of the world's major markets even set new record highs in 2017. A major driver behind the bullish market moves was the unbroken upswing in the global economy. Loose monetary policy of central banks around the world provided support as well, although it is beginning to diverge and will probably provide gradually less tailwind going forward. Strong investor sentiment and confidence were reflected in the valuation levels and the historically low volatility. In view of the persisting low bond yields, more money continued to flow into riskier assets such as stocks.

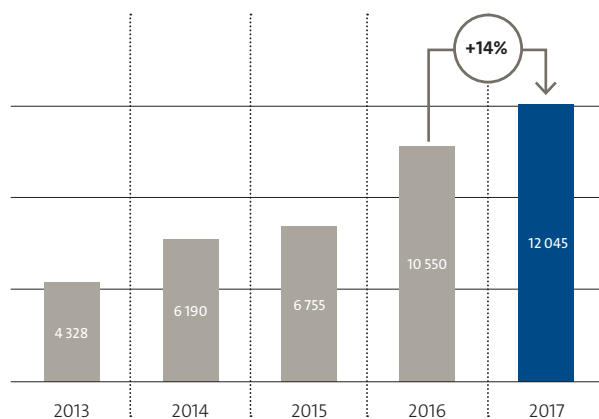
New strategy is starting to deliver: Net new money and assets under management reach record highs

Bellevue Group's efforts to position itself as a distinctive, internationally active asset management boutique with innovative asset and wealth management operations have been successful. This strategic reorientation commenced more than three years ago with the careful diversification of Asset Management via acquisitions and a methodical expansion of its product range. It was brought to a conclusion by focusing Bank am Bellevue on wealth management and investment advisory services for entrepreneurial private clients. Bellevue Group is firmly positioned on the road to success again and can now build up more momentum thanks to its focused business strategy.

Bellevue Group's new profile made it more attractive in the eyes of a discerning clientele already during the past year. Institutional and private clients entrusted Bellevue Group with CHF 1.3 bn in new money, the highest annual net inflow in the history of the Group. In percentage terms, net new money grew by 11.5%, which is better than the sector's average growth rate and management's targeted growth range of 5–10%. Asset Management reported net new money of CHF 842 mn and Wealth Management CHF 421 mn. Wealth Management's total new money inflow amounted to about CHF 551 mn. This organic inflow was broad in scope and gained more momentum during the second half of the year. In Asset Management, strong demand was observed at BB Healthcare Trust, at the equity strategies within the Healthcare

ASSETS UNDER MANAGEMENT

(CHF mn)



Source: Bellevue Group as at December 31, 2017

and Entrepreneur themes, at the BB Global Macro Fund, and at StarCapital's fixed income strategies.

Greater value for the client thanks to consistent outperformance

As an active asset manager, our mission is to generate sustainable added value for our clients. Our investment experts achieved this in convincing fashion during the year under review. Market conditions generally remained supportive and were tactfully exploited to generate excess return. Most of the Group's broad range of investment instruments ended the year with double-digit gains in absolute terms and handily beat their benchmarks. Top performers were the BB Adamant Healthcare Index (USD) and the BB Adamant Asia Pacific Healthcare (USD) funds with a performance of 32% and 29%, beating their benchmarks by 12% and 11%, respectively. Bellevue Group's flagship product, BB Biotech AG, delivered another stellar performance, having gained more than 23% and outpacing its benchmark by more than 7%. Other strong outperformers were the BB Entrepreneur strategies with annual returns of up to 29% and an excess return of more than 8% versus their benchmarks. The StarCapital family of funds continued to perform very well too. StarCapital's two equity funds Priamos and Starpoint ended the year with gains of 16% and 12%. A pleasing performance was also achieved by its multi-asset vehicles StarCapital Allocator (11%), Huber Strategy 1 (8%), and the Stars Offensiv (9%) and Stars Flexibel (8%) funds.

Operating profit doubled thanks to growth in assets under management – solid earnings quality

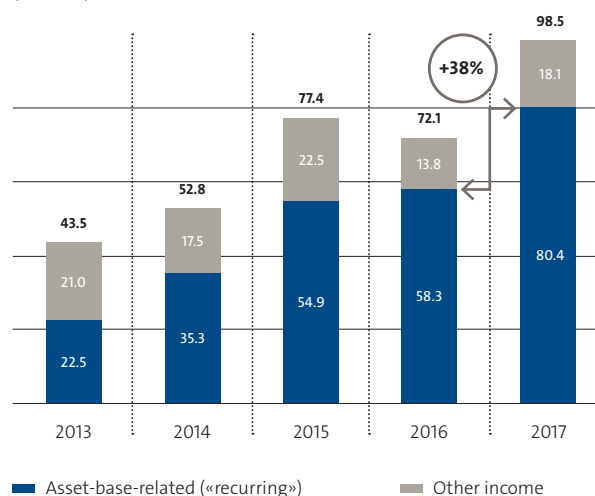
The growth in assets under management is clearly visible in the operating results of Bellevue Group over the past year. Fee and commission income, the Group's primary source of income, exceeded the prior-year figure by 37%. Total operating income climbed 38% year-on-year to CHF 98.5 mn thanks to the stronger course of business

during the second half of the year. In addition to this quantitative growth, the overall quality of the income flows remained at a high level, with recurring revenue accounting for a high 82% of total revenue. The main driver behind the sustained income growth was Asset Management, and this will remain so for the near future. Consolidated personnel expenses increased by 27%, which reflects the Group's strong operating results and its performance-based compensation systems. Total operating expenses rose by just under 20%. Thanks to the substantial income growth and the relatively slower increase in expenses, Bellevue Group posted an operating profit of CHF 29.3 mn. Its earnings power has thus more than doubled within the space of a year, which also led to a significant improvement in the cost/income ratio to 70% from 80% in the previous year. Group net profit after taxes amounted to CHF 21.5 mn, compared to a minor loss in the previous fiscal year, which was due in part to impairment charges. Bellevue Group employed 100 people at the end of 2017.

Our new strategic roadmap is leading us in the right direction and, as the good results for 2017 demonstrate, having the desired effect on our operating performance. Progress was achieved in all areas of operation and we now have a promising, viable platform from which we can address and attract entrepreneurial private clients seeking innovative and value-added portfolio management services.

OPERATING PROFIT

(CHF mn)



Source: Bellevue Group as at December 31, 2017

Asset Management delivers record profits – greater expertise for Wealth Management

Bellevue Asset Management meets a broad spectrum of investor needs with its diverse range of investment solutions. Its internationally recognized core competencies are backed by a long and strong track record in managing distinct healthcare strategies and specialized regional funds. The multi-asset strategies and global equity and bond funds offered by StarCapital round out Asset Manage-

ment's diverse range of products, which is attracting increasing interest from the broader investment community. The substantial increase in assets under management propelled the 46% growth in the segment's operating income to CHF 84.0 mn. Operating expenses rose as well, primarily due to the increase in staff numbers and variable pay, by 34% to CHF 49.0 mn. Asset Management's operating profit rose by 65% to CHF 35.2 mn, setting a new record high for this unit.

At Bank am Bellevue, 2017 was marked by its strategic realignment and the discontinuation of its Brokerage and Corporate Finance activities. The Bank was able to turn its undivided attention to the ongoing establishment of its wealth management activities for entrepreneurial private clients as of mid-year. Bellevue Investment Partners has developed an active and innovative investment strategy to achieve attractive risk-adjusted returns. The growing inflow of assets under management is an indicator of market demand for innovative and distinctive investment solutions. The new focus of the Bank's business activities is evident on both the income and expense sides and led a slight decline in its operating loss to CHF 2.5 mn. Assets under management of about CHF 2.0 bn were in line with our expectations and the resonance received from entrepreneurial private clients thus far bolsters our confidence as we continue to build up the business.

As already communicated in the media release of July 26, 2017, Thomas Pixner joined Bank am Bellevue AG on February 1, 2018. At the meetings of the directors of Bank am Bellevue AG and Bellevue Group AG on February 26, 2018, Thomas Pixner was appointed CEO of Bank am Bellevue AG and a member of the Group Executive Board of Bellevue Group, effective March 1, 2018. Thomas Pixner brings further wealth management expertise into the Group and will oversee the ongoing expansion of the Wealth Management business. Veit de Maddalena will broaden Bellevue Group's wealth management expertise at the Board level upon his election to the Board of Directors at the upcoming general meeting of shareholders.

10% increase in cash payout proposed

In light of the sustainable increase in earnings, the Board of Directors will propose a tax-free cash payout of CHF 1.10 per share from capital contribution reserves at the Annual General Meeting on March 20, 2018. This proposal underscores the shareholder-friendly payout policy and the financial strength of Bellevue Group.

Outlook

We have built a sturdy foundation for the next stage of Bellevue Group's development. It will be used to the best of our abilities to generate sustainable growth for the company as an active asset and wealth manager. Our primary focus at Asset Management will be on further organic growth. We will concentrate on sustainable and high levels of performance and service quality and will be adapting our offering in response to changing client needs and market conditions.

At the Wealth Management unit, the priorities will be growing the client base and assets under management, goals that we aim to achieve through both organic growth and acquisitions, provided appropriate acquisition targets present themselves. We intend to patiently grow this new business unit and will be investing the necessary resources to that end during the next two to three years.

The can-do attitude and proven skills of our employees and the trust of our shareholders and clients are what made our new strategic alignment possible in the first place. On behalf of the Board of Directors and the Executive Board, we would like to express our gratitude for their support and their commitment to Bellevue Group. We look forward to continuing the next stage of Bellevue Group's development in the interests of all stakeholders.




Thomas von Planta
Chairman of the Board
of Directors



André Rüegg
Chief Executive Officer



Thomas von Planta
Chairman of the Board
of Directors



*«We have built a sturdy
foundation which will be used to
the best of our abilities
to generate sustainable growth
for the company as an active
asset and wealth manager.»*



André Rüegg
CEO Bellevue Group
Daniel Koller
CFO Bellevue Group

André Rüegg, CEO, and Daniel Koller, CFO, talk about the challenges Bellevue Group faced during the past year, its new strategic profile, and the plans the asset management boutique has for future growth and development.

André, Bellevue Group reported some favorable developments in 2017. What were the defining events of last year as far as the Group is concerned?

Last year was a very challenging and demanding year for Bellevue Group. We were occupied with the strategic realignment of the bank and changing its focus to wealth management services for entrepreneurial private clients. This repositioning entailed intense communications and discussions with employees and clients. At the same time, we were selectively expanding our activities in Asset Management and generating added value for clients with our innovative investment strategies. We generally did a good job in addressing these two different challenges.

Daniel, Bellevue announced early in the year that it was ending its Brokerage and Corporate Finance activities as part of a fundamental shift in its business strategy. What were the reasons for that decision?

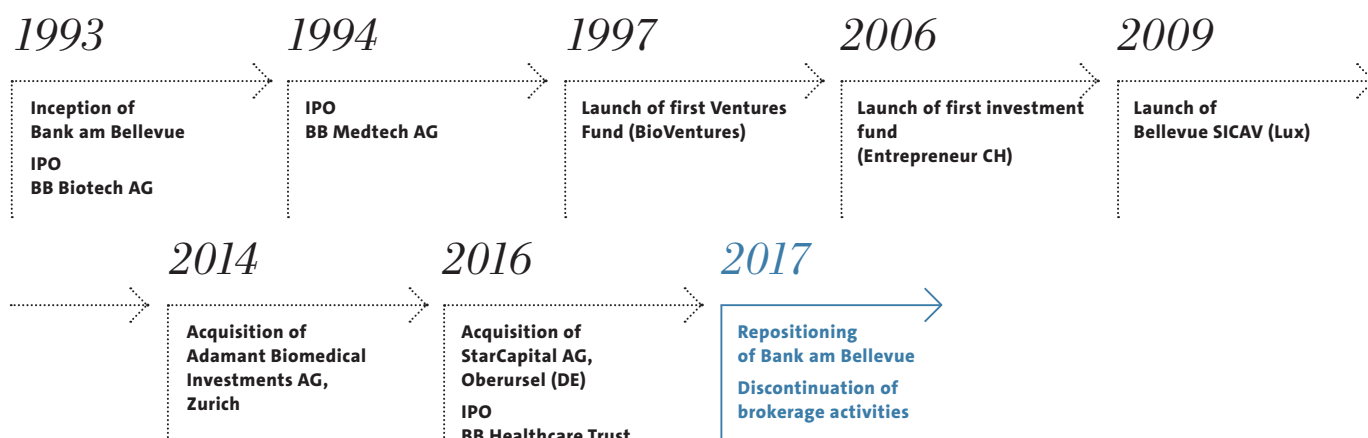
The decision to focus the Bank on wealth management was strategic in nature. It was formed during the course of numerous discussions and after thorough analysis of the status quo and of potential scenarios of the future. The three main arguments in favor of changing the Bank's strategic profile were the increasingly strict regulatory environment and adverse structural developments plus the erosion in earnings from the Bank's traditional Brokerage and Corporate Finance businesses. Consolidation pressure in those two business areas will only get stronger throughout the financial industry. Thanks to the professional cooperation of everybody who was involved in the project, we were able to discontinue the Bank's former core business activities in a constructive manner and as planned.

What does the immediate future look like for Bank am Bellevue?

AR: Bank am Bellevue is focusing on innovative wealth management services for primarily entrepreneurial private clients. These include comprehensive investment office services for clients or families with substantial and highly complex assets, along with the traditional wealth management and investment advisory services. Ultimately, our objective is to deliver superior investment returns for the client. The new team has clearly succeeded in doing so thanks to its decidedly active investment style. The more than CHF 500 million in new client assets we were entrusted with in 2017 alone is an indication of client trust in our ability to meet their needs. With more than CHF 2 billion in assets under management, we're pleased with the start-up success of our Wealth Management business. We know that the next stage of developing the business will take time and perseverance on our part, but the Asset Management segment is performing so well that we can patiently pursue the Wealth Management unit's expansion over the next few years and eventually steer the Bank into the profit zone.

Today, setting up a wealth management unit catering to private clients is a courageous move. What makes you so confident this is the right thing to do?

DK: It's true we have set a new course and have departed from Bellevue Group's familiar pathways. The new regulatory requirements give us clear guidelines and increase overall transparency. At the same time, the new reality in the world of private banking creates opportunities, especially for newcomers. Bellevue Group's DNA will help us to develop an attractive package of services for entrepre-



neurial private clients over time. We know that there are limits to what we can do and achieve, however, and we first need to compensate for the loss of revenue stemming from the decision to discontinue the Bank's former core activities. Doing all that will take time.

AR: Looking back on the successful realignment of Asset Management, we have already demonstrated that we have the expertise and the tenacity to get where we want to be. We'll deliver on what we promise.

Bellevue Group has steadily increased its assets under management. Will that momentum continue?

AR: We are pleased with the sustainable growth in our assets under management over the past few years. Besides the general market advance and the fairly consistent out-performance of our investment specialists, this growth momentum was fueled by a steadily stronger new money inflow. Last year net new money grew at a record-high pace of 11.5%. Our targeted new money growth of 5 to 10% per year is realistic and that's the bar against which we'll be measuring ourselves. We mainly want to rely on existing products to grow Asset Management, but for the Bank acquisitions are also conceivable. From a longer-term perspective, we want to see total assets under management approach the CHF 20 billion mark.

What financial metrics are crucial for Bellevue Group?

DK: The amount of money clients have entrusted us with and new money inflows are our key performance indicators. Ultimately, what counts is the quality of the profits we are earning, while keeping an eye on the marginal costs of the growth we are achieving. In this context, we are pleased with the recent development of two of our key metrics, namely recurring revenue as a percent of total revenue – which is currently higher than 80% – and the cost/income ratio – which has been improving for several years.

Has the shift in strategy to a pure asset and wealth manager brought about any cultural changes?

AR: There's been a fundamental change in the Group's business model. For the longest time, it was dependent on transaction-driven income, which is more short-term in nature, whereas now it is primarily reliant on recurring revenue streams and more long term in nature. That change has gradually had an impact on our corporate culture. Now we're also taking a long-term approach in our recruitment efforts and looking for well-qualified experts who share our long-term commitment and who want to generate lasting value for the client.

André Rüegg
CEO Bellevue Group



*Investment experts from
Bellevue Asset Management*





Dr. Cyrill Zimmermann, Head Healthcare Funds & Mandates, Markus Peter, Head Investments & Products, Dr. Daniel Koller, Head Investment Team BB Biotech, and Birgitte Olsen, Head European Equities & Mandates (f.l.t.r).

Asset Management: harvesting the fruits of diligent and determined corporate development

Asset Management looks back on another successful year of operation. The steadfast strategic development of its product offering and its entry into new markets are producing tangible rewards. The recognized quality of Asset Management's products and services is the foundation of its growing success. 2017 was a particularly pleasing year, as virtually all of the unit's investment funds and mandates outperformed their respective benchmarks. This superior investment performance is mirrored in the significant growth in assets under management, which rose above the CHF 10 billion mark for the first time in the company's history. The purely organic growth in the revenue base of about 28% was buoyed by strong new money inflows of CHF 842 million and led to a sharply higher operating profit of CHF 35.2 million.

Asset Management's solid growth in recent years was boosted by two major acquisitions, that of Adamant Biomedical (2014) and StarCapital (2016). Management's priority for 2017 was to harness the organization's organic growth potential. Obviously, the best way to achieve that was to «grow with the products». In other words, growth was targeted using internal resources and the existing, continually optimized range of products. The investment teams achieved just that with some tailwind from advancing stock markets.

All areas of Asset Management – the individual investment products and strategies as well as the Swiss and international segments of the client base – contributed to the overall growth. This pleasing result can be traced to our diligent and steady efforts to establish and grow the business in all relevant markets. Long-standing, proven investment skills in the core areas of biotechnology and the healthcare sector as a whole were relentlessly honed, improving on the already high levels of quality. Strategic diversification into new investment markets beyond the healthcare sector began several years ago and it has produced the desired results. The Entrepreneur, Africa, and Global Macro funds launched at that time successfully established themselves in the marketplace amid intense competition thanks to their quality and consistency. Strong on innovation, these specialty and niche strategies have clearly helped to make Bellevue Group more attractive to the broader investment community. That can also be said of the StarCapital team. Its top-quality multi-asset and global value strategies and bond funds round out the overall product portfolio and, building on this complementary investment expertise, the Group will continue to grow in Germany, a key target market.

To sustain the positive business development, action was taken at almost every site across the organization to further professionalize and expand operations. At StarCapital, the German asset management specialist acquired in 2016, the company founder and highly ac-

claimed CIO Peter E. Huber is about to pass on the baton, and preparations made long in advance to ensure a smooth succession process, broadening StarCapital's operational profile and its management, were carried out during the year under review. BB Healthcare Trust, the investment company that was successfully listed on the London Stock Exchange in 2016, raised more capital from investors and promises to unlock more growth potential over the coming years. We have consequently expanded our human resources and infrastructure at the London office.

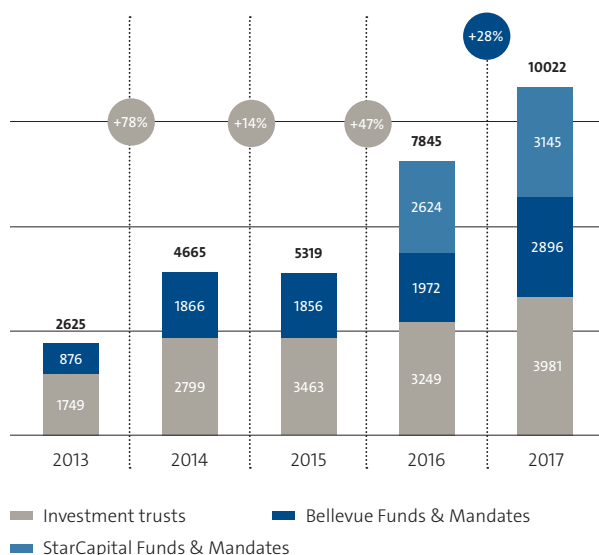
«Our pleasing result can be traced to our diligent and steady efforts to establish and grow the business in all relevant markets.»

Assets under management pass the ten-billion mark for the first time

Assets under management (AUM) passed the significant threshold of CHF 10 billion in 2017, climbing 27.8% from the previous year. Approximately two-thirds of AUM is invested in Bellevue Asset Management products (CHF 6.9 billion) and one-third in StarCapital products (CHF 3.1 billion). Organic, net new money at these two organizational units amounted to CHF 842 million, which represents a year-on-year growth rate of more than 10%. That growth rate confirms the turnaround observed in preceding years and even topped management's target of 5–10% new money growth p.a. over the long term. We were particularly pleased that all targeted markets and client segments contributed to this new money growth. Our well-constructed and diversified portfolio of investment solutions is attracting greater demand from a growing section of the investment community, including the very demanding institutional investor segment.

DEVELOPMENT ASSETS UNDER MANAGEMENT

(CHF mn)



Source: Bellevue Asset Management as at December 31, 2017

All sections of the product range also contributed to new money growth. New money inflow was strongest at the absolute return fund BB Global Macro, which attracted more than CHF 270 million in new money, followed by the Entrepreneur product family with more than CHF 240 million. BB Healthcare Trust also did very well, raising about CHF 160 million through the issue of new shares. Hardly a year after it was listed on the stock market, this new investment company is already managing more than CHF 400 million in assets. Solid inflows were observed at StarCapital too, in particular at its StarCapital Argos and StarCapital Bond Value funds (CHF 144 million) and its multi-asset fund family (CHF 84 million), led by the StarCapital Huber Strategy 1 and StarCapital Winbonds plus funds.

Investment performance contributed a total of CHF 1.33 billion to the growth in AUM, propelled in particular by the strength of stock markets worldwide. BB Biotech AG, our flagship product, lived up to its reputation as a premier investor in the biotech sector and its AUM grew by CHF 523 million to CHF 3.6 billion.

Stronger earnings power and sustained profit momentum

The steady growth in assets under management is now a catalyst for stronger earnings power. Over the past year total revenue rose sharply, by 46% to CHF 84.3 million, while the quality of revenue was maintained at a high level. The percentage of recurring revenue (management fees) as a percentage of total revenue remained high at 93% after reaching a record peak of 97% in the previous year. This slight year-on-year decline is solely attributable to the low amount of performance fees earned in 2016.

AUM growth was eclipsed by the growth in operating profit, which rose by no less than 65% to CHF 35.2 million. Operating expenses for the period also showed a substantial increase to CHF 49.0 million, but that 34% year-on-year growth rate is much less than the rate of profit growth. Higher operating expenses are largely attributed to the sharp increase in both staffing levels and in variable employee pay, given the record-high results and performance-related bonus schemes. Nevertheless, the cost-to-income ratio improved to 58.2% (2016: 63.1%) and is now below management's long-term upper threshold of 60%.

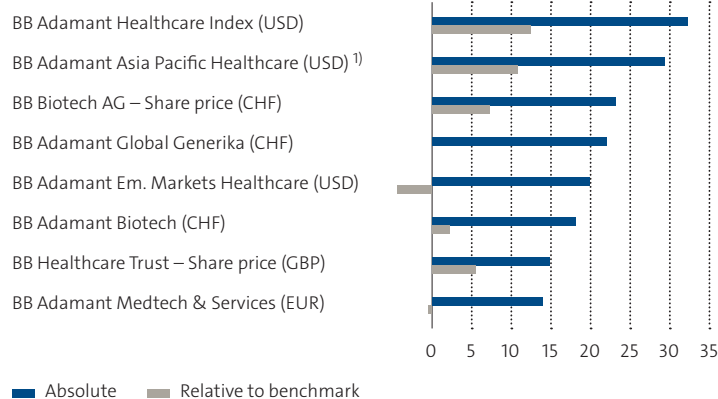
Convincing performance from all products

The diversity and complementarity of Bellevue Asset Management and StarCapital's product ranges, which cover various regions (e.g. Europe and Africa), sectors (Healthcare), themes (Entrepreneur) and investment strategy objectives (Global Macro) as well as anti-cyclical investment strategies (Huber Strategy 1, Winbonds plus, etc.), are producing the desired results. Supported by strong market trends, every equity-only fund in the product range ended 2017 with a double-digit performance. In relative terms, most of the investment products outperformed their benchmarks by a significant margin.

Our flagship product BB Biotech AG achieved a total return of 23.1% (in CHF) in 2017, which beat the leading index for biotech stocks, the NBI, by 7.3%. Particularly pleasing is the fact that the historical discount between BB Biotech's share price and net asset value turned into a premium, thanks to its consistently superior management quality. BB Biotech's proposed cash payout to shareholders in 2018 will again ensure a 5% yield on its share price. BB Healthcare Trust, newly listed on the London Stock Exchange, had an excellent year and rewarded its shareholders with a return of 15% (in GBP) and an outperformance of 5.5% versus the benchmark index.

HEALTHCARE EQUITY STRATEGIES

PERFORMANCE 2017 (in %)



¹⁾ Since inception on April 28, 2017; Underlying Lacuna – BB Adamant Asia Pacific Health Fund + 35.3% (USD) for full year

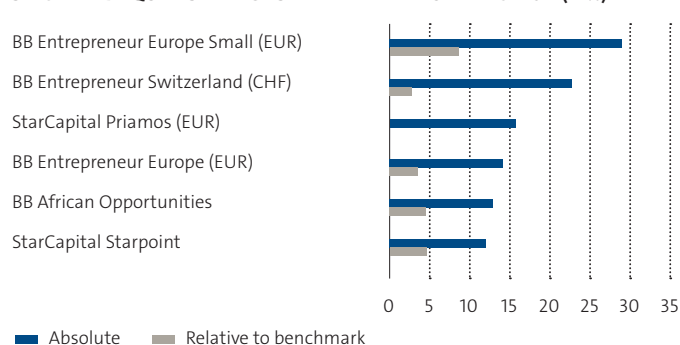
Source: Bellevue Asset Management as at December 31, 2017

The well-established healthcare funds and mandates offered by the BB Adamant Team ranked at the top of the performance tables for various sector products. First and foremost, the USD shares of the BB Adamant Healthcare Index and BB Adamant Asia Pacific Healthcare funds, which advanced by 32.2% and 29.3%, respectively. Both products beat their benchmarks by a significant margin of 12.4% and 10.8%. The BB Adamant Emerging Markets Healthcare fund performed slightly weaker in relative terms, which can be traced to its currency sensitivity versus the local reference currencies of the companies it is invested in.

SPECIALIZED EQUITY STRATEGIES

BB Entrepreneur Europe Small (EUR)
 BB Entrepreneur Switzerland (CHF)
 StarCapital Priamos (EUR)
 BB Entrepreneur Europe (EUR)
 BB African Opportunities
 StarCapital Starpoint

PERFORMANCE 2017 (in %)



Source: Bellevue Asset Management/Star Capital as at December 31, 2017

In focus StarCapital moving forward

2017 was marked by recruitment activity in connection with StarCapital's forward strategy. This workforce growth lays the foundation for the enlargement of the product range and the penetration of new market areas and will allow StarCapital to address the needs of institutional clients better than before.

We are pleased to have retained Manfred Schlumberger, a highly experienced fund and investment strategist, as the future head of portfolio management operations. He has taken a seat on the Management Board of StarCapital and is a proponent of the anti-cyclical and valuation-oriented investment approach practiced by Peter Huber, so StarCapital's basic investment strategy will not experience any change. In addition, experienced portfolio managers were hired for the bond and equity management teams. December marked the launch of the StarCapital Emerging Markets Strategy Fund, which offers access to a global emerging market universe consisting of equities, bonds, and currencies. This fund is managed in collaboration with Keppler Asset Management in New York. It uses the same anti-cyclical, benchmark-agnostic investment approach that has served StarCapital so well for so many years.

With respect to new market opportunities, expansion efforts are focused on faster-growing investor groups in the B2B segment. New staff have been hired to strengthen our distribution and marketing capacity in this segment. Initial new money inflows from major banks and institutional investors were recorded in 2017 – with both StarCapital and Bellevue investment solutions.

Against this background the year was characterized by a stable course of business and assets under management rose by nearly 10% versus the previous year to CHF 3.15 billion, which was in line with our new money targets. We were particularly pleased that StarCapital has lost no clients or key employees since its acquisition by Bellevue. Operating profit after tax rose by more than 8% compared to the previous year; operating expenses rose as well, and the cost-income ratio of 45% was in line with expectations. In 2018, the public will be informed about the succession plan for Peter E. Huber and the gradual reassignment of his fund management responsibilities. Another item high on the agenda will be broadening the client groups targeted by StarCapital.



Among the regional equity strategies, the award-winning BB Entrepreneur Europe Small Fund stands out with an annual performance of 29.0%, which topped the performance of its benchmark, the MSCI Europe Small Cap NR EUR, by 8.6%. The other Entrepreneur strategies also had an excellent year with the BB Entrepreneur Europe Fund gaining 14.1% (in EUR) and the BB Entrepreneur Switzerland Fund 22.8% (in CHF). The latter now ranks first among its Swiss entrepreneur fund peers over a ten-year period thanks to its consistently strong track record. The BB African Opportunities Fund gained 12.9% in 2017, which corresponds to an excess performance of 4.5% versus its benchmark. A nearly identical outperformance of 4.6% (in EUR) was achieved by the international equity fund StarCapital Starpoint, which likewise performed very well with a year-on-year gain of 12%.

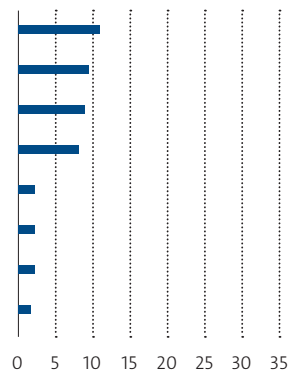
Turning to the multi-asset products, various funds managed by StarCapital stood out with very strong returns in 2017, first and foremost the investment funds StarCapital Allocator, which advanced 10.9%, StarCapital Stars Offensiv, up 9.4%, StarCapital Huber Strategy 1, 8.3%, and StarCapital Flexibel, 7.6% (all performance figures in EUR). Attention is drawn to the German Investment Funds Association (BVI) award received in 2017 by the team headed by Peter E. Huber. The anti-cyclical StarCapital Huber Strategy 1 fund was one of the top three funds in its category, earning the distinction of «excellent». The absolute return strategy of the BB Global Macro Fund advanced 2.9% over the year and achieved its goal of producing a positive return regardless of the market environment. Its US dollar exposure explains why its performance was slightly less than expected. Bond markets remained challenging and although the two bond-only funds StarCapital Bond Value and StarCapital Argos failed to meet all of their short-term targets, they stayed within close range of the breakeven mark.

High degree of organizational and employee continuity despite dynamic business environment

MULTI-ASSET BOND STRATEGIES

StarCapital Allocator (EUR)
StarCapital Stars Offensiv (EUR)
StarCapital Huber Strategy 1 (EUR)
StarCapital Stars Flexibel (EUR)
BB Global Macro (EUR)
StarCapital Stars Multi-Factor (EUR)
StarCapital Winbonds Plus (EUR)
StarCapital Stars Defensiv (EUR)

PERFORMANCE 2017 (in%)



■ Absolute

Source: Bellevue Asset Management/StarCapital as at December 31, 2017

The impressive performance achieved in 2017 is attributable not least to the enduring stability of the portfolio management teams. Bellevue has earned a reputation as an attractive employer and it is attracting new talent. Our international footprint has been strengthened and, with offices in Küsnacht, Zurich, Frankfurt/Oberursel, London, and New York, we are well positioned to recruit new specialists.

Asset Management has taken on more specialists to reinforce core functions in portfolio management, sales, and operations. Besides the selective strengthening of the workforce in Küsnacht, the head count at StarCapital in Oberursel was increased by one-third to 24. Additional staff was also hired for the London office.

There were no major changes in the core markets. Our domestic Swiss market is and will remain the focal point of our market development activities. The importance of the German market has been growing thanks to StarCapital. We continued to make inroads into that country's extremely competitive institutional client market. Our



Private equity team (f.l.t.r)

Dr. Martin Münchbach
Senior Investment Advisor

Dr. Dominik Escher
Senior Investment Advisor

Dr. Klaus Breiner
Senior Investment Advisor

competitive track records and growing product volumes helped us to acquire investment mandates from German corporations, pension funds, and trusts. Led by the success and high profiles of the two investment companies BB Biotech and BB Healthcare Trust, the UK has also become a key market for Bellevue Group. Business in the secondary markets of Austria, Luxemburg, and Spain continues to grow as well, especially in Spain thanks to the successful cooperation with our local partner atl Capital, based in Madrid. Conversely, the two targeted markets in Asia, South Korea and Taiwan, have not yet lived up to our expectations.

Focus on quality – spotlight on new products and markets

Having strengthened our operational capacity Group-wide, we have laid the foundation for future growth. True to the motto of «more of the same», organic growth remains our primary goal and we intend to achieve that while maintaining, if not improving, the high levels of quality associated with our investment products and services. The product range may be expanded, if expedient, drawing on existing expertise. Our Biotech ventures competencies will play an important role in the strengthening of our strategic position as one of the world's premier investment experts in the healthcare sector. The launch of a new BB Pureos Bioventures product for qualified inves-

tors planned to take place in the current year is intended to give the Group's ventures business fresh momentum. Its management team was expanded in 2017 with this in mind.

Further growth projects are conceivable, especially with respect to new technologies and new sales tools and resources. In Continental Europe we are currently evaluating new markets, Italy, for example. Asia remains a topic of interest but is not a priority at the present time.

«Organic growth remains our primary goal as well as maintaining, if not improving, the high levels of quality associated with our investment products and services.»

In focus

Bellevue launches an initiative for venture capital in Switzerland

Bellevue, one of the largest financial investment firms in biotech, launches a new venture capital initiative for biotech companies in Switzerland. Despite a leading position in academic life science research, Switzerland lacks institutional venture capital to help efficiently translate its innovative power into local biotech company formation and advance their development. With a new venture capital fund for qualified investors, BB Pureos Bioventures, Bellevue seeks capital to invest in young, innovative drug development companies in Switzerland and abroad.

Bellevue has a long tradition of healthcare investing and is one of the largest and most experienced healthcare investors worldwide. Since 1995, Bellevue has invested in over 80 private healthcare companies through investment vehicles. It recently launched the fundraising for a newly formed investment vehicle, which will invest in 15 to 20 private, innovative drug development companies located in Switzerland and abroad. The fund focuses on companies developing the next generation of biological drugs («biologics») for indications with high medical need. Bellevue has assembled a team of seasoned venture capital managers and biotech entrepreneurs, Dr. Klaus Breiner, Dr. Dominik Escher and Dr. Martin Münchbach supported by a dedicated expert advisory board.

The team has backed great Swiss success stories in the past, like Actelion, Glycart or Molecular Partners. Also today they see exciting young companies and projects here that could develop into the success stories of tomorrow, as they develop important new medicines for severe diseases, like Gazyva from Glycart, which received the first breakthrough designation from the US FDA. BB Pureos Bioventures aims to continue investing in young companies that develop products, which make a significant difference for patients.

*Bank am Bellevue –
Partner for entrepreneurial wealth*





Taymour Mortagui, Associate, Rafa Tajouri, Portfolio Manager, Simon Lutz, Investment Advisor, and Christian Zenker, Managing Partner (f.l.t.r).

Bank am Bellevue – a year of realignment

For Bank am Bellevue, 2017 was a year of fundamental realignment that shifted its strategic focus. Confronted with steady revenue erosion in its Brokerage and Corporate Finance businesses and an altered commercial and regulatory environment, the Board of Directors conducted a thorough evaluation of the situation and in February 2017 resolved to discontinue these former core business activities. That led to the loss of 23 jobs in the first half of the year. Thanks to the very constructive dialog between all the parties involved in this process and their highly professional conduct, the disengagement project was concluded as scheduled on June 30, 2017. At the same time, Bank am Bellevue was strategically reset with a greater focus on the new Wealth Management business; its capacity and resources devoted to serving the needs of entrepreneurial private clients and families were strengthened.

Thanks to the unremitting professional dedication of the departing Brokerage and Corporate Finance Teams, most of the non-recurring restructuring and employee separation costs were absorbed by the continued flow of business in both areas, and especially by the satisfying conclusion of several capital market transactions. All revenue and costs related to the terminated activities were recognized in full in the financial accounts for the first half of 2017, so no subsequent reporting periods will be affected by these activities. Our efforts to build up the Wealth Management unit as a new core business area are progressing according to plan and the initial fruits of this strategic realignment have already been reaped. Revenue streams from the Bank's longstanding trading operations for private and institutional clients were also pleasing. Although the growth prospects of the new core business are quite promising, its revenue streams are still low and cannot yet cover all of the Bank's operating costs, even with its lean operating structure. Bank am Bellevue thus closed the past fiscal year with an operating loss of about CHF 2.5 mn.

Bellevue Investment Partners – successful launch of Wealth Management offering for entrepreneurial private clients

After the launch of Bellevue Investment Partners in 2016, the asset and investment advisory activities for primarily entrepreneurial private clients and families progressed very positively during the past year.

In its first year of operations, the new team was entrusted with CHF 551 mn of new money from its targeted client groups. Besides these inflows from new clients, there was an outflow of other client assets in the amount of CHF 130 mn, which resulted in a still substantial net new money inflow of CHF 421 mn for the year. Including the positive performance contribution of CHF 282 mn, total assets under management at Bank am Bellevue at the end of the year amounted to CHF 2.0 bn.

Product and services portfolio restructured and rejuvenated

During the run-off of the historically significant business areas of Brokerage and Corporate Finance, all relevant activities, products, and customer relationships were wound down in a smooth and orderly process. Purely institutional custody assets (in connection with the discontinued Corporate Finance activities) were reclassified as such and divested during the period under review. These assets amounted to just under CHF 1.4 bn and were exclusively assets held under custody at very low-margins; this business no longer fits with our newly defined core activities.

Meanwhile, an initial core offering of traditional and innovative asset management and advisory services has been constructed in accord with the Bank's new positioning as a wealth manager. Discretionarily managed investment strategies within a number of areas of expertise are a central pillar of the new core offering, namely multi-asset portfolios, global equity portfolios, and Swiss equity portfolios (hedged or unhedged). The newly composed team of experienced specialists, guided by a very active investment approach, achieved attractive returns in all of the above mandates and outperformed the respective benchmark indices by a significant margin.

A key element of Bank am Bellevue's new strategic profile is the systematic deployment of specialized third-party products and services that do not belong to our competitive core competencies yet suit our clients' needs very well. Besides specialized third-party asset managers covering traditional and alternative asset classes, we primarily engage other financial services companies that provide special solutions for financing instruments and client transactions. We also offer our clients a variety of advisory and support services within the scope of our investment office services which are particularly interesting for high net worth clients with complex asset structures. These

services extend beyond the typical investment matters to other areas such as infrastructure projects, consolidated reporting solutions (incl. multi-banking reporting), negotiations on wealth management fees, and advice in evaluating private investment opportunities.

Traditional and convenient banking services round out the product portfolio

Bank am Bellevue operates as an external asset manager that supports clients who want to distribute their investment assets across several custodian banks, yet it also offers a full range of in-house securities administration as well as securities trading services as already up until now. Over the years our experienced traders have earned a reputation for always putting the client first and offering bespoke order execution services, especially in the less liquid small- and mid-cap segments of the stock market. Our clients, whether private clients or institutionals (e.g. trade execution, market making), appreciate the utmost confidentiality and discretion that we offer as a competent and independent trading specialist.

While wealth management solutions now form our core business activity, we are a bank that operates with an entrepreneurial mindset and therefore offers clients a variety of credit solutions too (mostly Lombard loans).

Outlook – focusing on growth, expanding our operations and our services

Bank am Bellevue has successfully repositioned itself and laid the groundwork for new growth after a long period of strategic stagnation. The launch of the new business model has gone well, and momentum is growing. With respect to our ongoing efforts to build up the Wealth Management unit, we will focus on the continued development and refinement of its products and services as well as on recruiting additional talent at various levels of the organization. With the appointment of Thomas Pixner as the new CEO of Bank am Bellevue, we were able to engage a highly experienced executive whose proven expertise in international wealth management will be of great value as the new business moves forward. We are confident he can expedite the planned growth of Bank am Bellevue together with the current teams and specialists, and through targeted recruitment efforts.

It will take some time for Bank am Bellevue to reach critical mass and establish sound earnings momentum. The outlays that will be required to achieve these goals are reasonable in scope and can be readily financed thanks to the Group's stronger earnings power. Selective acquisitions in the new business area will also be made to further bolster growth momentum.

In focus

Highly competitive service advantages thanks to innovative technology

Within the scope of its technology strategy, Bellevue Investment Partners offers its clients a simple and open solution that has already been tested and gone live yet can also be adapted to meet specific client needs.

This technology solution is called AssetMax, a set of tools use to perform various wealth management tasks ranging from administrative portfolio management and client reporting tasks to cross-functional process support. A key advantage of AssetMax is that it can establish secure connections with a variety of account-keeping banks and provide an individual overview for each client that can be updated every day. The portfolio management team thus receives a continual flow of information about the implementation and overall strategic conformity of individual client portfolios. Furthermore, client advisors can use the tool to analyze all drivers of investment performance and, on that basis, discuss the results of that analysis with the client. AssetMax offers clients multi-bank view-only online banking and can communicate with external systems if desired. As a Client Relationship Management system, it provides a number of relevant workflows that help to optimize client advisory services taking into consideration the particular needs and investment guidelines of each client.

*Executive Board StarCapital
in Oberursel/Frankfurt*





Markus Kaiser, Alexander Gerstadt (Chairman of the Executive Board, Peter E. Huber, Holger H. Gachot, Dr. Manfred Schlumberger (f.l.t.r).



*«We are an independent
financial boutique with
distinctive and extensive
investment expertise and squarely
focused on asset and wealth
management.»*

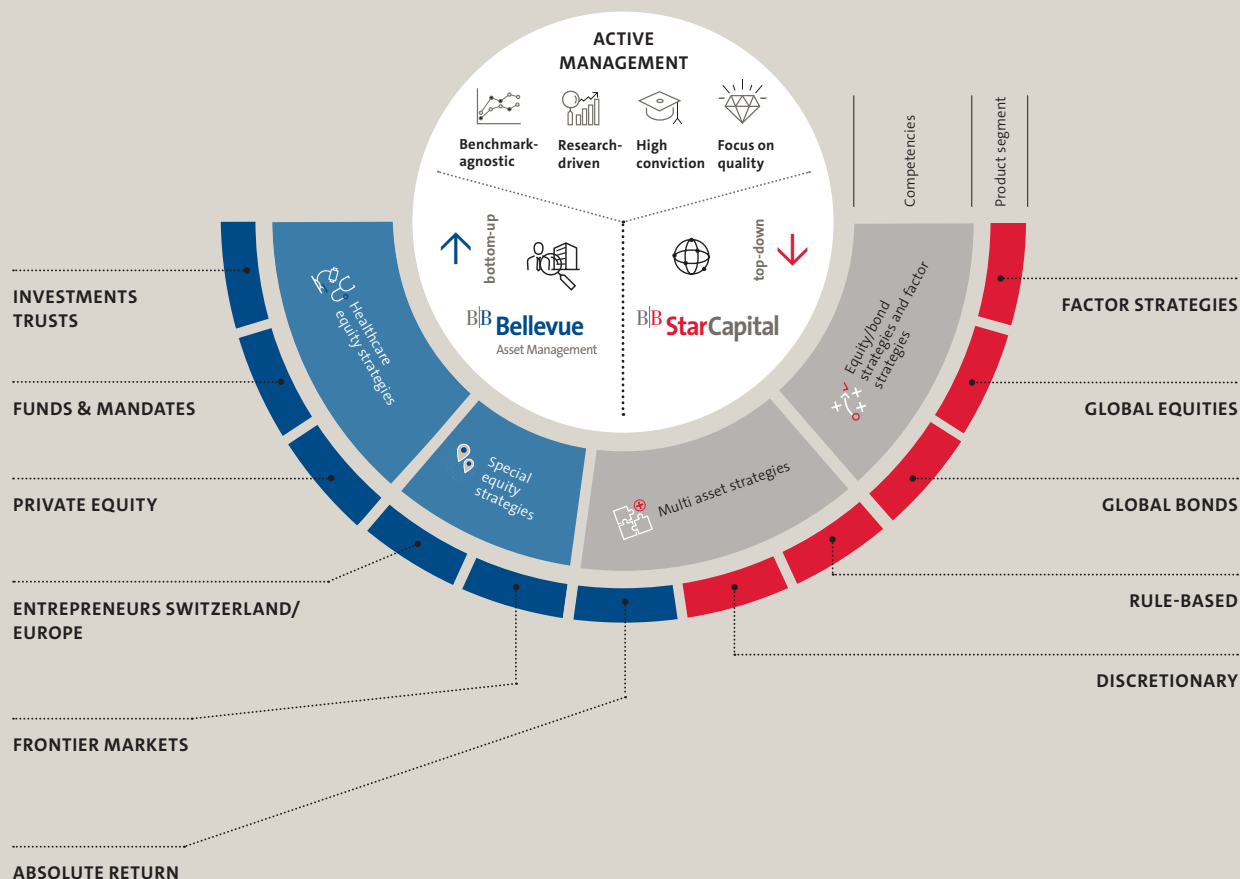
Asset Management – the best of both worlds

Bellevue Asset Management

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

Star Capital

- 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. The performance of its dedicated investment experts has ranked best in class world-wide for years.
- 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. These strategies are structured as Luxemburg (UCITS) and Swiss investment funds or as tailor-made institutional mandates, which gives the Group considerable market access in its key target markets in Continental Europe and Asia.
- The experienced Ventures Team covers private-equity opportunities within the healthcare sector. BB Pureos Bioventures is scheduled for launch in 2018 to give professional investors efficient access to a diversified portfolio of young companies developing highly innovative next-generation biologics.

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.

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 5.4 bn

INVESTMENT TEAMS

20 Experts

Locations

Küsnacht
Zurich
New York
London
Curaçao

Products

European equities

BB Entrepreneur funds

Frontier markets

BB African Opportunities

Customized solutions

Institutional mandates

ASSETS UNDER MANAGEMENT

CHF 1.3 bn

INVESTMENT TEAMS

6 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

ASSETS UNDER MANAGEMENT

CHF 2.3 bn

INVESTMENT TEAMS

6 Experts

Locations

Küsnacht

Oberursel bei 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

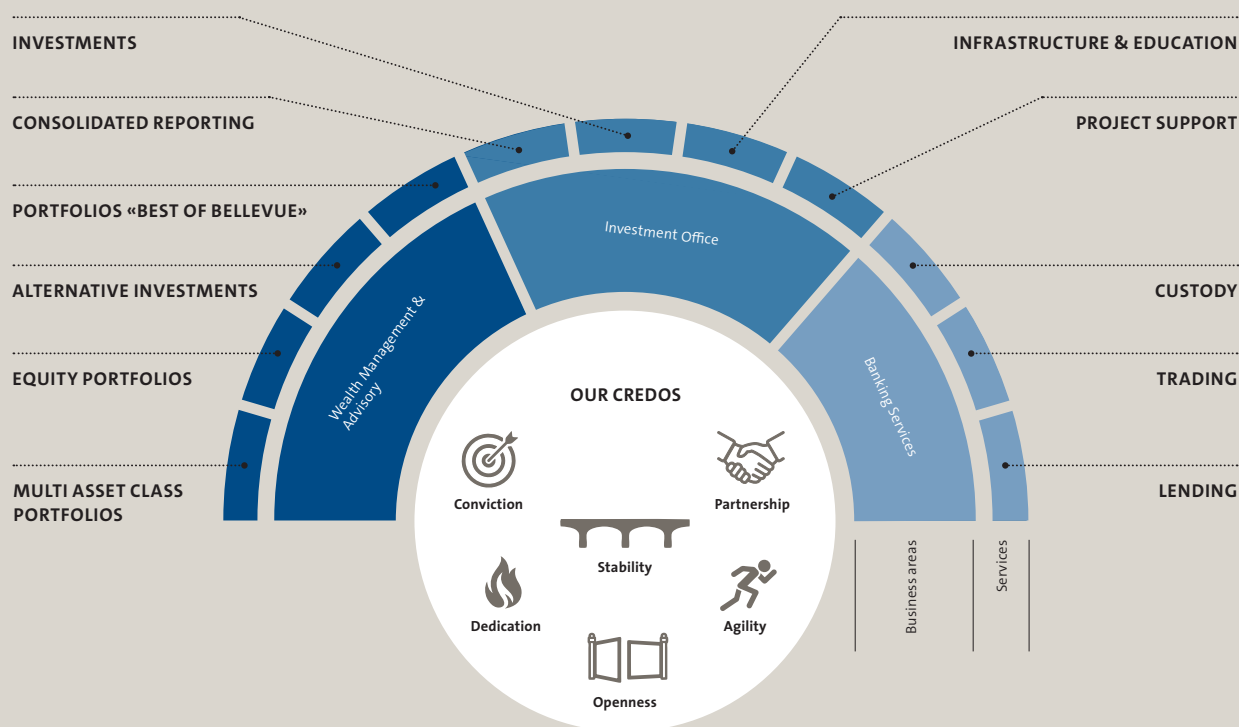
INVESTMENT TEAMS

9 Experts

Location

Oberursel bei Frankfurt

Bank am Bellevue – partner for entrepreneurial wealth



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).

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.

Table of content

Information relating to corporate governance	
Law and regulations	30
Group structure and shareholders	31
Capital structure	31
Board of Directors	32
Internal organization	33
Definition of powers of authorization	34
Information and control instruments relating to the Group Executive Board	34
Group Executive Board	35
Compensations, shareholdings and loans	36
Participatory rights of shareholders	36
Change of control and defense measures	36
Statutory auditor	37
Information policy	37
Compensation Report 2017	
1 General compensation principles	40
2 Compensation of the Board of Directors and the Executive Board	40
3 Payments made to members of the Board of Directors and Executive Board	43
4 Compensations to be approved at the Annual General Meeting 2018 for the Board of Directors and Executive Board	49
Report of the statutory auditor on the compensation report	51

Consolidated financial statements 2017	
Consolidated income statement	54
Consolidated statement of comprehensive income	55
Consolidated balance sheet	56
Statement of shareholders' equity	57
Consolidated cash flow statement	58
Notes to the consolidated financial statements	
1 Accounting principles	60
1.1 Basis of interpretation	60
1.2 Correction of the 2016 consolidated annual financial statements according to IAS 8	60
1.3 New accounting standards used	61
1.4 International Financial Reporting Standards and interpretations which will be introduced in 2018 or later, as well as other ments	61
1.5 Important accounting principles	63
2 Risk management and risk control	69
2.1 Risk evaluation and risk policy	69
2.2 Credit risk	69
2.3 Market risk	69
2.4 Liquidity risk and refinancing	71
2.5 Operational risk	71
2.6 Capital	71
3 Details on the consolidated income statement	73
3.1 Net fee and commission income	73
3.2 Personnel expenses	73
3.3 Other operating expenses	73
3.4 Depreciation and amortization	73
3.5 Valuation adjustments and provisions	73
3.6 Taxes	74
3.7 Earnings per share	75
4 Details on the consolidated balance sheet	75
4.1 Due from banks and clients	75
4.2 Financial instruments at fair value through profit and loss	75
4.3 Financial investments	77
4.4 Associated companies	77
4.5 Property and equipment	77
4.6 Goodwill and other intangible assets	78
4.7 Share capital/Conditional capital/ Authorized capital	80
4.8 Treasury shares	81
4.9 Assets pledged or assigned as collateral for own liabilities	81

5	Transactions with related parties	82
5.1	Compensation paid to members of the Board of Directors and Group Executive Board	82
5.2	Share- and option-holdings of members of the Board of Directors and the Group Executive Board	83
5.3	Transactions with related companies and persons	83
5.4	Employee share purchase plan	84
6	Risk related to balance sheet positions	86
6.1	Balance sheet by currency	86
6.2	Maturity structure of financial instruments	88
6.3	Fair value of financial instruments	90
6.4	Level-3-financial instruments	92
6.5	Netting agreements	94
7	Off-balance sheet and other information	95
7.1	Off-balance sheet	95
7.2	Employee benefit plans	96
7.3	Restructuring of Bank am Bellevue AG	98
7.4	Major foreign exchange rates	99
7.5	Cash contribution	99
7.6	Approval of the consolidated financial statements	99
7.7	Events after the balance sheet date	99
8	Segment reporting	100
9	Major subsidiaries	102
10	Statutory banking regulations	103
Report of the statutory auditor on the consolidated financial statements		104

Financial statements 2017 of Bellevue Group AG	
Profit and loss account	110
Balance Sheet	111
Notes to the financial statements	112
Proposal to the annual General Meeting	116
Report of the statutory auditor on the financial statements	
	118
Investor relations and contacts	
	122



**Board of Directors Bellevue Group
(f.l.t.r.):
Dr. Mirjam Staub-Bisang
Dr. Thomas von Planta (Chairman)
Dr. Daniel Sigg and
Dr. Rupert Hengster**

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

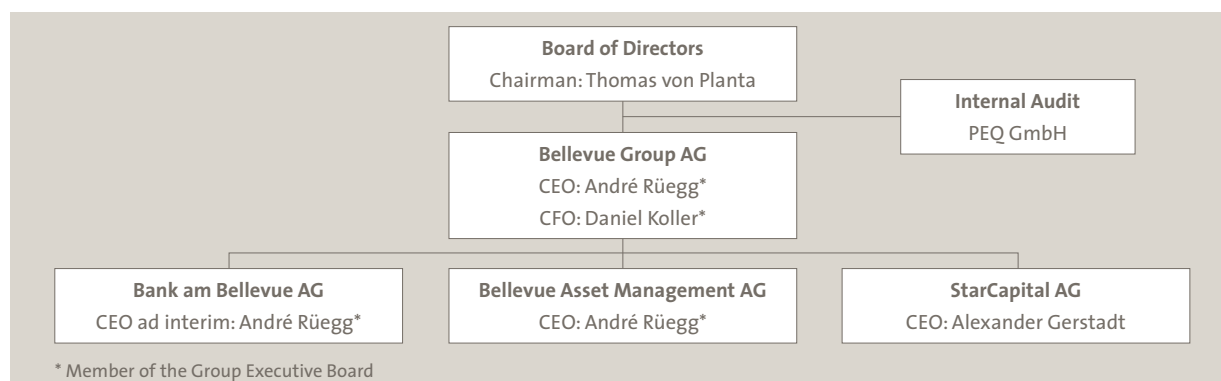
Bellevue Group is governed by Swiss law, specifically the laws on banking, shareholding and the stock market, and the regulations of the Swiss stock exchange (the SIX Swiss Exchange).

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 July 2017) 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 2017



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 102.

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	31.12.2017 Number of shares held	Voting rights held	31.12.2016 Number of shares held
Martin Bisang, Küssnacht	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 Schächli, Rapperswil-Jona	9.05%	1 217 799	7.04%	947 283
Daniel Schlatter, Herrliberg	n/a	n/a	3.93%	529 200

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 80.

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 57 and in note 4.7 on page 80. 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 2017:

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

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.

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, Brussels
 - 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 CEO and member of the board 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 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
 - Member of the Board of Directors of ABN AMRO Investment Solutions, Paris

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

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 2017:

Name	Function	Nationality
	CEO Bellevue Group CEO Bellevue Asset Management CEO Bank am Bellevue (since 22.02.2017 ad interim)	CH
André Rüegg		
Daniel Koller	CFO	CH

On 22 February 2017, Serge Monnerat resigned from his role as CEO of Bank am Bellevue AG. André Rüegg took over its role and became interim CEO of Bank am Bellevue AG.

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 will as well become a member of the Executive Board with immediate effect.

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 since 22 February 2017 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

Statutory rules in relation to the number of permissible activities of the Executive Board pursuant to Article 12(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 on page 40.

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.

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.–31.12.2017	1.1.–31.12.2016
Auditing fees billed by PwC	500	587
Additional fees billed by PwC for audit-related services	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 120 of the annual report.

Information to shareholders

20.03.2018: 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 2017 reporting year. It provides information on the compensation system and discloses the compensation paid to the Board of Directors and Executive Board in 2017. 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) and the Directive Corporate Governance (DCG) of the SIX Swiss Exchange.

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-relationships/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 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 stronger involvement in the strategic management of the Company. The amount of the base compensation is defined by taking the general compensation principles (see section 1.1 above) 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 above) 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 77% fixed compensation and 23% variable compensation (previous year: 83% fixed compensation and 17% 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 2017, a credit line of TCHF 1500 was granted in favor of Thomas von Planta, chairman of the Board of Directors of Bellevue Group AG. As per 31 December 2017, the effective utilization of the credit line was of TCHF 598. As of 31 December 2016, there were no loans nor credits outstanding. The Board of Directors does not benefit from any discount perks.

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	46%	46%
Short-term variable compensation in blocked shares	9%	18%
Short-term variable compensation in blocked shares with vesting period and clawback right	37%	22%
Other short-term variable compensation	7%	13%
Long-term variable compensation	0%	0%
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	29%	46%
Variable compensation	71%	54%
Other compensation	0%	0%
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 two 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».

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 31.12.2017, one credit line of TCHF 2 000 was granted to André Rüegg, CEO of Bellevue Asset Management AG, interim CEO of Bank am Bellevue AG and CEO of Bellevue Group AG. The effective utilization of the credit line on 31 December 2017 was of TCHF 949. As of 31 December 2016, the credit line was of TCHF 650 and the effective utilization was of TCHF 575.

In April 2016, Bellevue Group AG gave a credit guarantee to a third-party bank. This is valid until 31 May 2021 and guarantees a credit facility which is provided by the third-party bank to individual employees. The exclusive purpose of this credit is the financing of the purchase of shares of Bellevue Group AG. CHF 2.5 million of this credit guarantee is allocated to members of the Executive Board. Up to 31 December 2017 the credit facility had not been drawn upon and thus no monetary services have yet been provided.

In financial year 2017 this credit facility has not been utilized at any time. In December 2017 the credit guarantee has been therefore revoked.

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	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
To be approved at the 2018 Annual General Meeting					166 000
Honoraria for consulting services	19 800	–	–	–	19 800
To be approved at the 2018 Annual General Meeting					19 800
Total compensation	260 562	195 001	163 000	135 000	753 563

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 2017 a fixed compensation totalling CHF 555 001. In addition, employer contributions to the statutory insurance of CHF 12 762 were paid.

The Board of Directors proposes a variable compensation of CHF 160 000 for the 2017 financial year for approval at the Annual General Meeting, plus employer contribution to the statutory social insurance to a value of CHF 6 000. 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.

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 related to the restructuring of Bank am Bellevue AG.

CHF	Thomas von Planta	Daniel Sigg	Mirjam Staub-Bisang	Total
1.1.–31.12.2016				
Fixed compensation in cash	150 000	80 000	80 000	310 000
Fixed compensation in cash for work in committees	30 000	40 000	25 000	95 000
Fixed compensation in cash for work in subsidiaries and associated companies	25 000	50 108	25 000	100 108
Subtotal	205 000	170 108	130 000	505 108
Social insurance contributions for fixed compensation	14 045	–	–	14 045
Total fixed compensation	219 045	170 108	130 000	519 153
Approved by the 2016 Annual General Meeting				533 000
Variable compensation in cash	–	–	–	–
Variable compensation in blocked shares ¹⁾	40 000	40 000	40 000	120 000
Social insurance contributions for variable compensation	3 000	–	3 000	6 000
Total variable compensation	43 000	40 000	43 000	126 000
Approved at the 2017 Annual General Meeting				126 000
Actually paid				124 511
Honoraria for consulting services	54 000	–	–	54 000
Approved at the 2017 Annual General Meeting				54 000
Total compensation	316 045	210 108	173 000	699 153

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 505 108 for the 2016 financial year. In addition, employer contributions to the statutory insurance of CHF 14 045 were paid.

The Board of Directors proposes a variable compensation of CHF 120 000 for the 2016 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 – will be in shares of Bellevue Group AG at market value. A cash component to cover any employee contributions to statutory social insurance will be offset. The market value of the shares will be calculated based on weighted prices of 10 days prior to the relevant date of allocation. The shares will be 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 2016, Thomas von Planta invoiced Bellevue Group AG the amount of CHF 54 000 (excl. 8% VAT) for consulting services.

3.2 Compensation to members of the Executive Board

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 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 short-term variable compensation ³⁾	120 000	160 000
Total short-term variable compensation	1 788 000	2 378 000
To be approved at the 2018 Annual General Meeting		2 378 000
Long-term variable compensation	–	–
Social insurance contributions for 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. Starting from 21 February 2017 he takes over the role of interim CEO of Bank am Bellevue AG.

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⁾ In connection with the restructuring of Bank am Bellevue AG, on 21 February 2017 Serge Monnerat step back from his role of CEO of Bank am Bellevue AG and his executive role at Bellevue Group AG. The ordinary termination date of his employment was on 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 10 days VWAP prior to 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 (in addition social insurance contributions).

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

- CHF 1 030 000 to be paid in cash. This amount needs to be approved by the Annual General Meeting.
- CHF 200 000 to be paid in the form of shares of Bellevue Group AG and blocked for 4 years. This amount needs be approved by the Annual General Meeting.
- CHF 830 000 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). This amount needs be 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.

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 29 January 2018.

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 73), is listed below:

CHF	amount according to 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 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). In connection with the restructuring of Bank am Bellevue AG, on 21 February 2017 Serge Monnerat step back from his role of CEO of Bank am Bellevue AG and from his role within the Executive Board of Bellevue Group AG. Due to the early termination of his mandate, a lump-sum payment of CHF 214 000 has been executed on 30 June 2017 (cessation of the service period due to resignation decided by the employer).

During the reporting year, no compensation was paid to parties related to members of the Executive Board or to former members of the Executive Board, with the exception of the compensation described before.

CHF	of which the highest compensation is paid to: André Rüegg ¹⁾	Total
1.1.–31.12.2016		
Fixed compensation in cash	300 000	900 000
Social insurance contributions for the fixed compensation in cash ²⁾	78 044	234 132
Total fixed compensation in cash	378 044	1 134 132
Approved by the 2016 Annual General Meeting		1 140 000
Short-term variable compensation in cash	300 000	575 000
Social insurance contributions for the short-term variable compensation in cash ³⁾	22 000	42 000
Total short-term variable compensation in cash	322 000	617 000
Short-term variable compensation in blocked shares ⁴⁾	100 000	230 000
Social insurance contributions for the short-term variable compensation in blocked shares ³⁾	7 000	16 000
Total short-term variable compensation in blocked shares	107 000	246 000
Short-term variable compensation in blocked shares with vesting period and clawback right ^{2) 3)}	200 000	275 000
Social insurance contributions for the short-term variable compensation in blocked shares with vesting period and clawback right ^{3) 5)}	14 000	20 000
Total short-term variable compensation in blocked shares with vesting period and clawback right	214 000	295 000
Other short-term variable compensation ⁶⁾	161 000	161 000
Social insurance contributions for other short-term variable compensation ³⁾	12 000	12 000
Total other short-term variable compensation	173 000	173 000
Short-term variable compensation	761 000	1 241 000
Social insurance contributions for the short-term variable compensation ⁴⁾	55 000	90 000
Total short-term variable compensation	816 000	1 331 000
Approved by the 2017 Annual General Meeting		1 331 000
Long-term variable compensation ⁴⁾	–	–
Social insurance contributions for the long-term variable compensation	–	–
Total long-term variable compensation	–	–
Approved by the 2017 Annual General Meeting		2 500 000
Other compensation	–	–
Social insurance contributions for other compensation	–	–
Total other compensation	–	–
Total compensation	1 194 044	2 465 132

¹⁾ André Rüegg is CEO of Bellevue Group AG and Bellevue Asset Management AG.

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⁾ 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.

⁴⁾ From these amounts, the respective costs of employer contributions to statutory social insurance were settled in cash and not in shares.

⁵⁾ The shares are subject to a one-year vesting period (service period) and a one-year clawback right.

⁶⁾ Maximum entitlement to shares in BB Biotech AG, valued according to their market value on the date of allocation (31 December 2016).

The members of the Executive Board received a fixed compensation totalling CHF 900 000 for the 2016 financial year.

The variable compensation is broken down as follows:

- CHF 575 000 were paid in cash.
- CHF 230 000 were paid in the form of shares of Bellevue Group AG and blocked for four years from the date of allocation.
- CHF 275 000 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 right of clawback right.
- The rest of the variable compensation consists of an entitlement to BB Biotech AG shares to the value of CHF 161 000 (market value at 31 December 2016).

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 73), is listed below:

CHF	amount according to compensation report	IFRS reconciliation	compensation according to consolidated financial statements
1.1.–31.12.2016			
Fixed compensation in cash	900 000	–	900 000
Social insurance contributions for the fixed compensation in cash	234 132	–	234 132
Total fixed compensation in cash	1 134 132	–	1 134 132
Short-term variable compensation in cash	575 000	–	575 000
Social insurance contributions for the short-term variable compensation in cash	42 000	–	42 000
Total short-term variable compensation in cash	617 000	–	617 000
Short-term variable compensation in blocked shares	230 000	–	230 000
Social insurance contributions for the short-term variable compensation in blocked shares	16 000	–	16 000
Total short-term variable compensation in shares	246 000	–	246 000
Short-term variable compensation in blocked shares with vesting period and clawback right	275 000	106 016	381 016
Social insurance contributions for the short-term variable compensation blocked shares with vesting period and clawback right	20 000	7 219	27 219
Total short-term variable compensation in blocked shares with vesting period and clawback right	295 000	113 235 ¹⁾	408 235
Other short-term variable compensation	161 000	–112 606	48 394
Social insurance contributions for other short-term variable compensation	12 000	–8 612	3 388
Total other short-term variable compensation	173 000	–121 218	51 782
Long-term variable compensation	–	266 666	266 666
Social insurance contributions for the long-term variable compensation	–	18 666	18 666
Total long-term variable compensation	–	285 332 ²⁾	285 332
Other compensation	–	–	–
Social insurance contributions for other compensation	–	–	–
Total other compensation	–	–	–
Total compensation	2 465 132	277 349	2 742 481

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).

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

4 Compensations to be approved at the Annual General Meeting 2018 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 has reviewed its own fixed compensation by increasing disbursements by 6% for all members, reaching 43% of fixed compensation for the chairman of the Board. The modification of the fixed compensation of the chairman was agreed upon the prolongation of its mandate.

The fixed compensation in cash for activity in committees or subsidiaries was not changed for any other mandate. The election of a new member of the Board complies with the proposed budget constraints.

For the newly elected member of the Board, a stock based compensation with shares of Bellevue Group AG of up to CHF 536 000 can be paid out to the new member of the Board for the termination of his previous activities of value. Such shares have a vesting period (service period) of four years and a three-year clawback right.

Therefore the fixed compensation of the Board of Directors on 2017 was as follows:

- the fixed compensation in cash should increase to a maximum of CHF 555 000 (previous year: CHF 390 000);
- the fixed compensation in cash for work on committees should be limited to CHF 85 000 in total (previous year: CHF 100 000)
- the fixed compensation in cash for work in subsidiaries should be in total CHF 112 500 (previous year: CHF 97 000);
- the fixed stock-based compensation for the termination of previous activities of value will be of maximum CHF 536 000.

Additional costs of a maximum of CHF 79 000 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 1 367 500 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 6 000 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 166 000 for the financial year 2017.

4.3 Approval of the total amount of compensation for the Board of Directors for consulting services

Thomas von Planta invoiced Bellevue Group AG a total of CHF 19 800 (excl. 8% VAT) for consulting services related to the restructuring of Bank am Bellevue AG for the period from 1 January to 31 December 2017. The payment is subject to the approval of the Annual General Meeting.

The Board of Directors proposes for approval a maximum amount of variable compensation for consulting services to the Board of Directors of CHF 19 800 for the financial year 2017.

4.4 Approval of the maximum total amount of fixed compensation and long-term variable compensation for the Executive Board

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 higher fixed compensation is expected, totalling CHF 1 012 500. To the fixed compensation, additional contributions of maximum CHF 260 000 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 2018 financial year is thus CHF 1 272 500.

The Board of Directors proposes for approval a maximum amount of fixed compensation for the Executive Board of CHF 1 272 500 for the financial year 2018.

4.5 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 160 000 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 237 800 for the financial year 2017.

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

We have audited the remuneration report of Bellevue Group AG for the year ended 31 December 2017.

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 2017 complies with Swiss law and articles 14–16 of the Ordinance.



PricewaterhouseCoopers AG

A blue ink signature of Rolf Birrer, followed by a red circular stamp containing a white cross, which is a common Swiss official seal.

Rolf Birrer
Audit expert
Auditor in charge

A blue ink signature of Roland Holl, followed by a red circular stamp containing a white cross, which is a common Swiss official seal.

Roland Holl
Audit expert

Zürich, 23 February 2018

Consolidated income statement

CHF 1000	Note	1.1.–31.12.2017	1.1.–31.12.2016 restated*	Change	
Interest income		435	429	6	+1%
Dividend income		1 757	1 980	–223	–11%
Other financial income		128	–	128	–
Interest expense		–151	–214	63	–29%
Other financial expenses		–978	–555	–423	+76%
Net interest income		1 191	1 640	–449	–27%
Fee and commission income		97 324	70 500	26 824	+38%
Fee and commission expense		–2 720	–1 601	–1 119	+70%
Net fee and commission income	3.1	94 604	68 899	25 705	+37%
Securities trading		2 177	1 258	919	+73%
Foreign exchange trading		320	222	98	+44%
Net trading income		2 497	1 480	1 017	+69%
Income from other financial assets at fair value		1 649	–163	1 812	+1112%
Other ordinary income		348	110	238	+216%
Other income		1 997	–53	2 050	+3 868%
Total operating income		100 289	71 966	28 323	+39%
Personnel expenses	3.2	–52 111	–41 191	–10 920	+27%
Other operating expenses	3.3	–17 122	–16 459	–663	+4%
Depreciation and amortization	3.4	–3 452	–2 780	–672	+24%
Valuation adjustments and provisions	3.5	–	–10 000	10 000	–100%
Total operating expenses		–72 685	–70 430	–2 255	+3%
Profit before tax		27 604	1 536	26 068	+1 697%
Taxes	3.6	–6 088	–2 188	–3 900	+178%
Group net profit		21 516	–652	22 168	+3 400%
Earnings per share					
Basic earnings per share (in CHF)	3.7	1.60	–0.05	+1.65	+3 300%
Diluted earnings per share (in CHF)	3.7	1.60	–0.05	+1.65	+3 300%

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

The accompanying notes (see page 60 ff.) are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016 restated*		Change
Group net profit in the income statement	21 516	– 652	+22 168	+3 400%
Other comprehensive income (net of tax)				
Items that may be reclassified subsequently to net income				
Currency translation adjustments	4 462	– 1 518	+ 5 980	+394%
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	1 804	1 148	+ 656	+57%
Remeasurement of post employment benefit obligations IAS 19	6 174	– 685	+ 6 859	+1001%
Total comprehensive income	33 956	– 1 707	+35 663	+2089%

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

The accompanying notes (see page 60 ff.) are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF 1000	Note	31.12.2017	31.12.2016 restated*		Change
Cash		127 114	122 815	+4 299	+4%
Due from banks	4.1	62 446	112 500	-50 054	-44%
Due from customers	4.1	59 122	17 979	+41 143	+229%
Trading portfolio assets	4.2	48 120	64 358	-16 238	-25%
Positive replacement values	4.2	6 427	1 197	+5 230	+437%
Other financial assets at fair value	4.2	28 656	27 969	+687	+2%
Accrued income and prepaid expenses		12 924	11 089	+1 835	+17%
Financial investments	4.3	26 178	24 120	+2 058	+9%
Property and equipment	4.5	304	1 395	-1 091	-78%
Goodwill and other intangible assets	4.6	71 873	70 188	+1 685	+2%
Current tax assets		2 657	2 121	+536	+25%
Deferred tax assets	3.6	217	1 081	-864	-80%
Other assets		16 198 ¹⁾	6 898 ¹⁾	+9 300	+135%
Total assets		462 236	463 710	-1 474	-0%
Due to banks		6 147	16 176	-10 029	-62%
Due to customers		188 609	197 327	-8 718	-4%
Negative replacement values	4.2	6 404	1 286	+5 118	+398%
Liabilities from other financial instruments at fair value	4.2	12 377	26 590	-14 213	-53%
Other financial liabilities at fair value	4.2	15 525	21 301 ²⁾	-5 776	-27%
Accrued expenses and deferred income		37 226	23 355 ²⁾	+13 871	+59%
Current tax liabilities		2 615	4 669	-2 054	-44%
Deferred tax liabilities	3.6	12 355	10 460	+1 895	+18%
Provisions and pension obligations	7.2	—	3 011	-3 011	-100%
Other liabilities		3 779	660	+3 119	+473%
Total liabilities		285 037	304 835	-19 798	-6%
Share capital	4.7	1 346	1 346	+0	+0%
Capital reserves		45 513	58 974	-13 461	-23%
Unrealized gains and losses recognized in other comprehensive income		28 571	20 593	+7 978	+39%
Currency translation adjustments		2 559	-1 903	+4 462	+234%
Retained earnings		100 123	80 042	+20 081	+25%
Treasury shares	4.8	-913	-177	-736	+416%
Total shareholders' equity		177 199	158 875	+18 324	+12%
Total liabilities and shareholders' equity		462 236	463 710	-1 474	-0%

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

¹⁾ The other assets contain assets from occupational pensions amounting to CHF 5.5 million (previous year TCHF 0).

²⁾ The contingent purchase price payment valued at fair value in connection with the acquisition of StarCapital AG was reclassified and moved from the item «Accrued expenses and deferred income» to «Other financial liabilities at fair value».

The accompanying notes (see page 60 ff.) are an integral part of the consolidated financial statements.

Statement of shareholders' equity

CHF 1000	Note	2017	2016 restated*
Share capital			
On January 1		1 346	1 047
Share capital reduction		—	299
On December 31	4.7	1 346	1 346
Capital reserves			
On January 1		58 974	27 250
Change during period under review		—13 461	31 724
On December 31		45 513	58 974
Unrealized gains and losses recognized in other comprehensive income			
On January 1		20 593	20 130
Change in unrealized gains and losses on financial instruments		1 804	1 148
Remeasurement of post employment benefit obligations IAS 19	7.2	6 174	—685
On December 31		28 571	20 593
Currency translation adjustments			
On January 1		—1 903	—385
Change during period under review		4 462	—1 518
On December 31		2 559	—1 903
Retained earnings			
On January 1		80 042	91 564
Group net profit		21 516	—652
Dividends		—	—10 466
Income from the sale of own shares and derivatives		—303	545
Employee stock ownership plan		—1 132	—949
On December 31		100 123	80 042
Treasury shares			
On January 1		—177	—3 646
Purchases		—7 424	—11 416
Disposals		6 688	14 885
On December 31	4.8	—913	—177
Total shareholder's equity			
On January 1		158 875	135 960
On December 31		177 199	158 875

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

The accompanying notes (see page 60 ff.) are an integral part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1000	Note	1.1.–31.12.2017	1.1.–31.12.2016 restated*
Cash flow from operating activities			
Group profit		21 516	– 652
Reconciliation to net cash flow from operating activities			
Non-cash positions in Group results:			
Depreciation of fixed assets	4.5	1 222	537
Amortization of intangible assets	4.6	2 230	2 244
Impairment of goodwill	4.6	–	10 000
Change in provisions		4 613	509
Tax expense / benefit		5 739	3 510
Deferred tax expense / benefit		913	3 297
Change in fair value of financial assets and other financial assets at fair value		– 3 093	3 504
Change in other financial liabilities at fair value		1 374	– 605
Other non-cash items		– 688	– 1 494
Net increase / decrease in operating assets			
Due from banks	4.1	50 054	– 30 911
Due from clients	4.1	– 41 143	4 353
Trading positions and replacement values net	4.2	16 126	– 23 182
Accrued income, prepaid expenses and other assets		– 11 135	– 2 349
Net increase / decrease in liabilities			
Due to banks		– 10 029	10 866
Due to customers		– 8 718	31 481
Financial liabilities designated at fair value	4.2	– 14 213	22 168
Other financial liabilities at fair value		131	–
Accrued expenses, deferred income and other liabilities		16 990	– 824
Taxes paid		– 8 329	727
Cash flow from operating activities		23 560	33 179
Cash flow from investing activities			
Investment in other financial assets at fair value		– 7 023	– 8 853
Divestments of other financial assets at fair value		9 453	5 104
Divestments of financial assets at amortized cost		118	–
Purchase of property and equipment	4.5	– 131	– 56
Acquisition of intangible assets	4.6	– 200	–
Payments for acquisitions of controlled entities, net of cash		– 7 281	– 22 136
Net cash flow from investing activities		– 5 064	– 25 941
Cash flow from financing activities			
Proceeds from capital increases / capital repayments		–	32 023
Cash distributions / dividends paid		– 13 461	– 10 466
Net movements in treasury shares and derivatives on own shares		– 736	3 469
Net cash flow from investing activities		– 14 197	25 026
Currency translation effects		–	– 22
Net increase / decrease in cash and cash equivalents		4 299	32 242
Cash at the beginning of the year		122 815	90 573
Cash at the end of the year		127 114	122 815
Further information			
Cash received as interest		–	–
Cash paid as interest		369	555
Cash received as dividends on equities		2 189	2 300

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

The accompanying notes (see page 60 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 Correction of the 2016 consolidated annual financial statements according to IAS 8

As already published on the 2017 half-year financial statements, after issuing the 2016 consolidated annual financial statements, Bellevue Group detected errors in the 2016 consolidated half-year and 2016 consolidated annual financial statements. According to IFRS, incorrect postings in the financial statements of a company have to be corrected in the period in which they are detected. Consequently, the comparative periods are to be adjusted (restatement). The facts of the case are described in detail below.

1.2.1 Foreign-currency conversion of contingent purchase price payment

On 6 June 2016, Bellevue Group acquired a 100% interest in StarCapital AG. The contingent purchase price payment was valued at fair value in both the 2016 consolidated half-year report and the 2016 consolidated annual report. In this context, the FX change was incorrectly recorded as not affecting net income in the currency translation adjustments as a part of equity, instead of recording it in net income in the consolidated result (in the item «Profit from other financial instruments at fair value»). The fair value disclosure in connection with the contingent purchase price payment was expanded (see comments 6.3 and 6.4 on pages 90 ff.).

This error led to a 2016 year-end consolidated result being posted too low by TCHF 672: instead of the reported loss of TCHF –1324 the effective result was of TCHF –652. The loss per share has been therefore reduced from CHF –0.10 to CHF –0.05.

1.2.2 Presentation of cash-flow statement

Exchange differences that do not affect net income for the reporting period were incorrectly posted in the cash flow statement under cash flow from operating activities, and eliminated via the item «Currency translation effects».

The net cash flow from operating activities was posted too high by TCHF 824, while the effect of currency translation was posted too low by TCHF 824. The incorrect presentation did not have any effect on the total net increase (/decrease) of cash and cash equivalents.

1.2.3 Result per share

Bellevue Group carried out a capital increase in April 2016 with subscription rights for the existing shareholders at a price below the share price. When calculating the consolidated result per share, the effect of this bonus component on the average number of registered shares issued was wrongly applied in the weighted average for the shares for the dilution effect, and not in the average of shares for the undiluted result.

Adjustments annual report 2016

Position	Published	Adjustment	Adjusted
Consolidated income statement			
Income from other financial instruments at fair value	-835	672	-163
Other income	-725	672	-53
Total operating income	71 294	672	71 966
Profit before tax	864	672	1 536
Group net profit	-1 324	672	-652
Consolidated statement of comprehensive income			
Currency translation adjustments (OCI)	-846	-672	-1 518
Total comprehensive income	-1 707	-	-1 707
Consolidated balance sheet			
Currency translation adjustments	-1 231	-672	-1 903
Retained earnings	79 370	672	80 042
Total shareholder's equity	158 875	-	158 875
Consolidated cash flow statement			
Group profit	-1 324	672	-652
Non-cash positions in Group's results:			
Amortization on intangible assets	2 701	-457	2 244
Impairment of goodwill	10 874	-874	10 000
Other non-cash items	-1 329	-165	-1 494
Cash flow from operating activities	34 003	-824	33 179
Currency translation effects	-846	824	-22
Net increase (/decrease) in cash and cash equivalents	32 242	-	32 242
Earnings per share			
Basic weighted average of the shares	12 445 345	170 889	12 616 234
Diluted weighted average of the shares	12 616 234	-	12 616 234
Net income	-1 324	672	-652
Basic earnings per share (in CHF)	-0.11	0.06	-0.05
Diluted earnings per share (in CHF)	-0.10	0.05	-0.05

1.3 New accounting standards used

Since 1 January 2017, the following new and revised standards and interpretations have come into force:

Changes to IAS 12 – Income Taxes

In January 2016, the IASB published limited changes to IAS 12 – Income Taxes, clarifying how deferred tax assets are to be posted in connection with debt instruments measured at fair value. These changes do not affect Bellevue Group.

Changes to IAS 7 – Statement of Cash Flows

In January 2016, the IASB published changes to IAS 7 – Statement of Cash Flows. According to the new standard, companies have to provide details about changes to their financial obligations deriving from financing activities, including cash and non-cash changes: for example profits or losses from currency conversions. Due to the fact that Bellevue Group has no cash flow from financing activities, no changes have to be applied to the financial statements.

1.4 International Financial Reporting Standards and interpretations which will be introduced in 2018 or later, as well as other amendments

Many new standards, revisions and interpretations of existing standards were published, which are mandatory to apply for business years starting 1 January 2018 or later. Apart from the early use of IFRS 9 (version 2009), since 2010, Bellevue Group has not made any use of the option of early application. It is planned to implement the new and revised standards on their respective application date.

1.4.1 IFRS 9 – Financial instruments

Until and with the inclusion of year-end 2017, Bellevue Group applied IFRS 9 (2009) for the evaluation of financial instruments. In July 2014, the IASB published the final version of IFRS 9 (2014), which has to be implemented no later than 1 January 2018.

IFRS 9 (2014) contains three main topics:

1. Classification and measurement of financial instruments
2. Impairment of financial assets
3. Hedge accounting

1. Classification and measurement of financial instruments

If compared to IFRS 9 (2009), IFRS 9 (2014) only requires small amendments regarding the classification of financial assets and financial liabilities. These changes have no impact on the classification and measurement of financial instruments held by Bellevue Group.

2. Impairment of financial assets

The new impairment allowance methodology on financial assets replaces the methodology of IAS 39. IFRS 9 Impairments impact all financial assets which have a potential credit risk but have not been previously recorded at fair value.

Because Bellevue Group is not active in the lending business (mortgages), the adoption of the new impairment test on financial assets has no significant effect on the group's equity. The adoption of the new impairment testing leads per 1 January 2018 to a earnings-neutral reduction of the group's equity of TCHF 25 (i.e. 0.01%).

3. Hedge accounting

Bellevue Group has not adopted hedge accounting. Changes in the accounting methodology have therefore no impact on Bellevue Group's financial statements.

1.4.2 IFRS 15 – Revenue from Contracts with Customers

The new standard provides a revenue model of five steps which has to be applied on all contracts with customers. The revenue model has following steps:

- Identify the contract with a customer;
- Identify all the individual performance obligations within the contract;
- Determine the transaction price;
- Allocate the price to the performance obligations;
- Recognize revenue as the performance obligations are fulfilled;

IFRS 15 gives new regulation on which of the financial year revenue has to be recorded. If the revenue recognition period is uncertain or variable, a new detection threshold has been implemented. According to this guideline, variable amounts can be recognized as revenue during a financial year only if the probability of a correction in the remaining value can be considered as not substantial.

IFRS 15 has to be adopted starting from 1 January 2018. Based on an undertaken analysis, Bellevue Group is not expecting any effect of the adoption of this standard on its equity.

1.4.3 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.

1.4.4 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:

Annual improvements to IFRS (cycle 2014 to 2016)	01.01.18
IFRS 2 – Clarifications of Classification and Measurement of Share-Based Payment Transactions	01.01.18
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01.01.18
IFRIC 23 – Uncertainty over Income Tax Treatments	01.01.19

1.5 Important accounting principles

1.5.1 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.

1.5.2 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.

1.5.3 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.

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 31.12.2017 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 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.

A financial asset entered on the balance sheet as an amortised cost is classified as impaired if the entire contractually due amount is unlikely to be recovered. Causes of an impairment may be of a counterparty or country-specific nature. In the event of an impairment, the book value is reduced to the recoverable amount and the revaluation reflected in the income statement.

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 meet the above conditions (i.e. are not held in order to earn contractual interest income) are accounted for at fair value. The resulting income is 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 are presented on the balance sheet at fair value. Changes in value are duly reflected in net income, except in cases where Bellevue Group has decided to show them at fair value, recording the change through comprehensive income.

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 «due from banks». In the case of securities borrowing agreements, cash collateral received is recorded in the balance sheet as «cash collateral for securities borrowing agreements banks». In the case of securities borrowing agreements, cash collateral provided is recorded in the balance sheet as «due from banks». As at 31.12.2017 there are no cash collateral for securities borrowing agreements.

Commissions paid for securities borrowing 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».

1.5.4 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:

Property and equipment	Useful lifetime
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.

1.6 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.

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, note 6.3 «Fair Value Financial Instruments» on page 90 ff.

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 90 ff.

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.

Review of goodwill and other intangible assets for impairment

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).

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 2017 and 2016, 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 73–75 ff).

2.3 Market risk

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

Market risks are monitored by independent offices on a daily basis. Risk reports are prepared at the individual operating unit level as well as at 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 55.0 million (previous year: CHF 52.7 million). Every change in prices is recognized in full in Group profit or equity. A 10% change in fair value with respect to the year-end value would correspond to a +/- TCHF 4 812 (previous year: +/- TCHF 6 436). 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 86. The net positions are given below:

CHF 1000	CHF	EUR	USD	Other
Net position on 31.12.2017		3 633	8 940	10 037
10% change in fair value	+/- 2 261			
Net position on 31.12.2016		18 362	6 770	7 163
10% change in fair value	+/- 3 230			

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 2 866 million change in equity (previous year: TCHF 2 797 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 2 618 (previous year: TCHF 2 412) for the financial investment calculated at fair value. Thereof, TCHF 46 (previous year: TCHF 60) would be P&L-effective.

For the period under review a positive change in value in the amount of TCHF 1 804 (net of tax) was recognized in the «other comprehensive income» (previous year: positive change in value in the amount of TCHF 1 148, net of tax).

Liabilities from other financial instruments 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 all of 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 and currency 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;
- Bellevue Group does not perform any proprietary trading in the area of foreign exchange;
- Foreign-currency loans with a fixed term are usually refinanced with matching maturities.

The interest rate risks are measured and monitored using various methods (sensitivity of equity capital, interest rate gap analysis, etc.). Assuming a parallel change in interest rates of 1% at the Group level, the 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 at any point in time.

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

The maturity structure of assets and liabilities is shown in section 6.2 of the notes to the consolidated financial statements on page 88.

2.5 Operational risk

Operational risks can arise, for example, from the inadequacy or failure of internal processes, procedures and systems, from inadequate business management or as a result of external events. Operational risks are limited by means of internal regulations and directives pertaining to organizational structures and controls. The corresponding internal procedures, processes and systems are continually analysed and adjusted when necessary. The IT systems used by the business segments are continually upgraded.

Legal and compliance risks

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

Regulatory requirements

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 100 for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of funds or equity capital within Bellevue Group.

CHF 1 000	31.12.2017	31.12.2016
Eligible capital ^{1) 2)}	72 360	64 609
Required capital ¹⁾		
Credit risk	10 914	8 111
Non-counterparty related risks	24	112
Market risk	10 245	7 242
Operational risk ³⁾	13 643	12 153
Minimum capital (Art. 42 CO)	34 826	27 618
Capital buffer (Art. 43 CO)	10 883	8 631
Total required capital	45 709	36 249

Risk-weighted positions	435 325	345 225
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Ratios ¹⁾		
CET1 capital ratio	16.6%	18.7%
T1 capital ratio	16.6%	18.7%
Total capital ratio	16.6%	18.7%
CET1 requirements in accordance with CO	5.8%	5.1%
of which capital buffer in accordance with CO	1.3%	0.6%
Available CET1 to meet the minimum and buffer requirements after deduction of the AT1 and T2 requirements met by CET1	13.1%	15.2%
CET1 target rate	7.0%	7.0%
Available CET1 to meet the requirement and the anticyclical capital buffer after deduction of the AT1 and T2 requirements met by CET1	13.1%	15.2%
T1 target rate	8.5%	8.5%
Available T1 to meet the requirement and the anticyclical capital buffer after deduction of the T2 requirements met by T1	14.6%	16.7%
Target for the regulatory capital according to FINMA-RS 11/2 plus the anticyclical capital buffer	10.5%	10.5%
Available regulatory capital	16.6%	18.7%

Leverage ratio in accordance with FINMA Circular 15/3 ¹⁾		
Net eligible tier 1 capital in CHF mn	72.4	64.6
Total leverage ratio exposure in CHF mn	465.0	464.4
Leverage ratio (unweighted capital ratio in accordance with Basel III)	15.6%	13.9%

Average	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017	1st Quarter 2017
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Liquidity Coverage Ratio in accordance with FINMA Circular 15/2 ¹⁾				
Total stock of high quality liquid assets (HQLA) in CHF mn	113.3	132.2	142.4	154.5
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%

Average	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016
Total stock of high quality liquid assets (HQLA) in CHF mn	126.6	120.9	103.4	81.3
Total net cash outflows in CHF mn	104.8	93.1	66.4	60.3
Liquidity Coverage Ratio LCR	120.8%	129.8%	155.6%	134.8%

¹⁾ unaudited

²⁾ after dividend payment

³⁾ using the Basic Indicator Approach

The disclosures for capital adequacy, leverage ratio and liquidity coverage ratio are in accordance with FINMA Circular 16/1. The values used to calculate the liquidity coverage ratio are simple month-end averages of each year as indicated. The basis to calculate average values is taken from the monthly liquidity status reports submitted to FINMA and SNB. For 2017 the liquidity coverage ratio has to exceed 80%. 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.

3 Details on the consolidated income statement

3.1 Net fee and commission income

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016
Brokerage and Corporate Finance	7 729	9 493
Asset Management – management fees	78 878	56 921
Asset Management – performance fees	9 108	2 447
Other commission income	1 609	1 639
Fee and commission expense	–2 720	–1 601
Net fee and commission income	94 604	68 899

3.2 Personnel expenses

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016
Salaries and bonuses	45 602	35 352
Pension cost ¹⁾	958	2 607
Other social benefits	3 385	2 540
Other personnel expenses	2 166	692
Total personnel expenses	52 111	41 191

¹⁾ for further details see note 7.2 (page 94)

3.3 Other operating expenses

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016
Premises	2 701	2 465
IT, telecommunications and other equipment	5 198	5 242
Travel and representation, PR, advertising	4 568	3 989
Consulting and audit fees	2 072	2 087
Other operating expenses	2 583	2 676
Total Other operating expenses	17 122	16 459

3.4 Depreciation and amortization

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016
Depreciation of property and equipment	1 221	536
Depreciation of intangible fixed assets	2 231	2 244
Total Depreciation and amortization	3 452	2 780

3.5 Valuation adjustments and provisions

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016
Value adjustment Goodwill (Impairment)	–	10 000
Total Valuation adjustments and provisions	–	10 000

3.6 Taxes

CHF 1000	1.1.–31.12.2017	1.1.–31.12.2016 restated*
Current income taxes	5 967	3 170
Deferred income taxes	121	–982
Total	6 088	2 188
Pre-tax result	27 604	1 536
Expected rate of income tax	19%	19%
Expected income tax	5 245	292
Reasons for higher/lower amounts:		
Difference between applicable local tax rates and assumed Swiss tax rate	255	–385
Non-deductible expenses	588	2 537
Tax income unrelated to accounting period	–	–256
Total income taxes	6 088	2 188
¹⁾ The expected income tax rate is a mixed tax rate estimated by considering all the different businesses of the Group.		
Swiss tax balance	2 292	2 121
Foreign tax balance	365	–
Total current tax receivable	2 657	2 121
Deferred tax		
Intangible assets	4 722	4 951
Unrealised profits on financial instruments	1 043	–
Other deferred tax liabilities	4 626	4 230
	1 964	1 279
Total deferred tax liabilities ¹⁾	12 355	10 460
Actuarial BVG provisions	–	572
Other deferred tax assets	217	509
Total deferred tax assets ¹⁾	217	1 081
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).		
Expiry of unrecognized loss carryforwards		
In more than five years	8 086	3 550
Total	8 086	3 550

CHF 1000	1.1.–31.12.2017		
Tax effect of other comprehensive income	Amount befor taxes	Tax income/ (expense)	Amount after taxes
Currency translation adjustment	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

CHF 1000	1.1.–31.12.2016 restated*		
Tax effect of other comprehensive income	Amount befor taxes	Tax income/ (expense)	Amount after taxes
Currency translation adjustment	–1 518	–	–1 518
Unrealized gains on Financial instruments	1 400	–252	1 148
Remeasurement of post employment benefit obligations IAS 19	–846	161	–685
Total	–964	–91	–1 055

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

3.7 Earnings per share

CHF 1 000	1.1.–31.12.2017	1.1.–31.12.2016 restated*
Group net profit	21 516	– 652
Weighted average number of issued registered shares	13 461 428	12 714 399
Less weighted average number of treasury shares	– 25 487	– 98 165
Weighted average number of shares outstanding (undiluted)	13 435 941	12 616 234
Weighted average number of shares outstanding (diluted)	13 435 941	12 616 234
Undiluted earnings per share (in CHF)	1.60	– 0.05
Diluted earnings per share (in CHF)	1.60	– 0.05

* The previous-year periods were adjusted. We refer to the statements in section 1.2.

4 Details on the consolidated balance sheet

4.1 Due from banks and clients

CHF 1 000	31.12.2017	31.12.2016
Due from banks	62 446	112 500
of which from securities transaction processing	457	5 575
Total	62 446	112 500
Due from banks, by type of collateral		
Unsecured	62 446	112 500
Total	62 446	112 500
Due from customers, by type of collateral		
Other collateral ¹⁾	30 868	17 181
Unsecured	28 254	798
Total	59 122	17 979

¹⁾ Securities only

4.2 Financial instruments at fair value through profit and loss

CHF 1 000	31.12.2017	31.12.2016
Trading portfolio assets		
Equity instruments (incl. funds)		
Listed	48 120	64 358
Total	48 120	64 358
Total trading portfolio assets	48 120	64 358
of which repo-eligible	–	–
of which lent or delivered as collateral	–	–

CHF 1000	Positive replacement value	Negative replacement value	Contract volume
Open derivative instruments			
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
Foreign currency as at 31.12.2016			
Forward contracts (OTC) ²⁾	3	92	10 343
thereof used for economic hedging purposes	3	92	10 343
Equity investments as at 31.12.2016			
Futures ¹⁾	—	—	2 947
thereof used for economic hedging purposes	—	—	2 947
Options (OTC) ²⁾	1 194	1 194	46 702
thereof used for economic hedging purposes	—	—	—
Total	1 197	1 286	59 992

¹⁾ Level 1: listed on an active market

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

CHF 1000	31.12.2017	31.12.2016
Other financial assets at fair value through profit and loss		
Investment funds subject to Luxembourg law	12 566	16 207
Other investment funds	16 090	11 761
Total other financial assets at fair value through profit and loss	28 656	27 969

CHF 1000	31.12.2017	31.12.2016
Liabilities from other financial instruments at fair value		
Structured products	12 377	26 590
Total liabilities from other financial instruments at fair value	12 377	26 590

During financial years 2016 and 2017, 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, limiting herewith the exposure of the issuer to the fair value changes of assets and liabilities.

CHF 1000	31.12.2017	31.12.2016
Other financial liabilities at fair value		
Contingent purchase price related to the acquisition of Star Capital AG	15 525	21 301
Total other financial liabilities at fair value	15 525	21 301

4.3 Financial investments

CHF 1000	31.12.2017	31.12.2016
Valued at fair value		
Fair value changes recognized in the income statement		
Debt instruments	462	604
of which unlisted	462	604
Fair value changes recognized in other comprehensive income		
Equity instruments ¹⁾	25 716	23 516
of which unlisted	25 716	23 516
Total financial investments	26 178	24 120
Total financial investments	26 178	24 120
of which repo-eligible securities	—	—

¹⁾ Change in value is recorded under «other comprehensive income»

In the year under review, financial investments amounting to CHF 2.2 million (previous year: CHF 1.4 million) were revalued without affecting net income. On it CHF 0.25 million (previous year: CHF 0.4 million) of deferred taxes were considered.

4.4 Associated companies

Subsidiary consolidated using the equity method

	Domicile	Activity	Currency	Share capital/ Nominal capital 1 000	Interest held in % 31.12.2017	31.12.2016
Auerbach Grayson and Company, LLC.	New York	Brokerage	USD	10 200	0.0	7.2

Bellevue Group disposed on November 21, 2017 all of its shares in Auerbach Grayson and Company, LLC. This transaction had no impact on the income statement.

4.5 Property and equipment

CHF 1000	IT equipment	Other fixed assets	Total
Acquisition cost			
Balance as of 01.01.2016	2 683	5 082	7 765
Additions	63	258	321
thereof changes in the scope of consolidation	25	235	260
Disposals	—	—6	—6
Balance as of 31.12.2016	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
Accumulated depreciation			
Balance as of 01.01.2016	—1 077	—5 072	—6 149
Additions	—467	—70	—537
Disposals	—	9	9
Foreign currency impact	—1	—7	—8
Balance as of 31.12.2016	—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
Net carrying values 31.12.2016	1 201	194	1 395
Net carrying values 31.12.2017	171	133	304

4.6 Goodwill and other intangible assets

CHF 1000	31.12.2017	31.12.2016
Goodwill	53 693	51 188
Other intangible assets	18 180	19 000
Balance as of 31.12.2017	71 873	70 188

CHF 1000	Asset Management	Bank am Bellevue	Total
Goodwill			
Acquisition cost			
Balance as of 1.1.2016	74 721	97 374	172 095
Additions	28 256	–	28 256
thereof changes in the scope of consolidation	28 256	–	28 256
Foreign currency effect	–874	–	–874
Balance as of 31.12.2016	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
Accumulated valuation adjustments			
Balance as of 1.1.2016	–50 915	–87 374	–138 289
Additions	–	–10 000	–10 000
Balance as of 31.12.2016	–50 915	–97 374	–148 289
Write-offs	–	97 374	97 374
Balance as of 31.12.2017	–50 915	–	–50 915
Net carrying values			
Balance as of 1.1.2016	23 806	10 000	33 806
Balance as of 31.12.2016	51 188	–	51 188
Balance as of 31.12.2017	53 693	–	53 693

The reported goodwill as of 31 December 2016 and 31 December 2017 for the Asset Management business segments stems from the acquisition of 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 as well as from the acquisition of StarCapital AG in 2016.

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 2017. The discount rate used in these calculations were between 8.9% and 10.8% (previous year: between 8.3% and 10.2%) and the assumed growth rate was 1% (previous year: 1%). No impairment losses were identified.

The write-offs in the previous table are related to the restructuring of Bank am Bellevue. For more details refer to note 7.3.

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 these financial accounts, Bellevue Group's management does not assume that a reasonably possible change in a parameter underlying the impairment test would lead to an additional goodwill impairment.

CHF 1 000	Client base	Brand	Other	Total
Other intangible assets				
Acquisition cost				
Balance as of 1.1.2016	84 838	1 274	3 262	89 374
Additions	15 207	279	4	15 490
thereof changes in the scope of consolidation	15 207	279	4	15 490
Foreign currency effect	-449	-8	-	-457
Balance as of 31.12.2016	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
Accumulated valuation adjustments				
Balance as of 1.1.2016	-78 698	-1 203	-3 262	-83 163
Additions	-2 192	-51	-1	-2 244
thereof due to impairment	-597	-	-	-597
Balance as of 31.12.2016	-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
Net carrying values				
Balance as of 1.1.2016	6 140	71	-	6 211
Balance as of 31.12.2016	18 706	291	3	19 000
Balance as of 31.12.2017	17 745	235	200	18 180

The intangible assets for «Brand» and «Client base» as per 31 December 2016 and 31 December 2017 stem from the acquisition of the Bellevue Asset Management by Bellevue Group (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, as well as from the acquisition of StarCapital AG in 2016. These intangible assets are amortized over a period of 5 to 15 years and are likewise tested for impairment in the procedure describe above under «Goodwill». As of 31 December 2017, Bellevue Group AG is not aware of any events or changed circumstances which might indicate a potential impairment of goodwill or other intangible assets.

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

2018	2 376
2019	2 371
2020	2 357
2021	2 256
2022	2 231
2023	2 231
2024	2 076
2025	1 609
2026	673
Total	18 180

4.7 Share capital/Conditional capital/Authorized capital

	Number of shares	Par value CHF 1 000
Share Capital (registered shares)		
Balance as of 1.1.2016	10 470 000	1 047
Capital increase	2 991 428	299
Balance as of 31.12.2016	13 461 428	1 346
Balance as of 31.12.2017	13 461 428	1 346

Conditional capital		
Balance as of 1.1.2016	1 000 000	100
Balance as of 31.12.2016	1 000 000	100
Balance as of 31.12.2017	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 1 000
Authorized capital		
Balance as of 1.1.2016	1 500 000	150
Capital increase	8 572	1
Balance as of 31.12.2016	1 508 572	151
Balance as of 31.12.2017	1 508 572	151

At the Annual General Meeting held on 22 March 2016, 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 450 000 until 22 March 2018 by issuing no more than 4 500 000 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.

In connection with the acquisition of a 100% interest in StarCapital AG, the Board of Directors of Bellevue Group AG resolved at its meeting on 10 April 2016 to increase the capital in the amount of CHF 299 143 from the authorised share capital. Details of the merger with StarCapital AG are provided in the annual report 2016 in section 4.4 on page 74. The increase in capital resulted in a premium of CHF 32,606,565, which was entered in the capital reserves. Costs of CHF 881 796 that were directly attributable to the increase in capital were posted directly to shareholders' equity.

4.8 Treasury shares

	Anzahl	CHF 1 000
Balance as of 1.1.2016	259 062	3 646
Purchases	797 915	11 416
Disposals	–1 044 602	–14 885
Balance as of 31.12.2016	12 375	177
Purchases	400 955	7 424
Disposals	–369 592	–6 688
Balance as of 31.12.2017	43 738	913

4.9 Assets pledged or assigned as collateral for own liabilities

CHF 1 000		31.12.2017		31.12.2016
	Carring amount	Actual liability	Carring amount	Actual liability
Due from banks	15 301	–	52 611	–
Due from customers	16 230	–	–	–
Other assets	–	–	5	–
Total	31 531	–	52 616	–

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

All «due from customers» consist of Cash-Collaterals deposited at SIX SIS AG. Since the end of 2017 has SIX SIS AG no more a banking statute.

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	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 1.1.–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. During the reporting year 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	Other compensation	Total
Compensation paid to members of the Board of Directors					
Thomas von Planta, Chairman	219 045	–	43 000	54 000	316 045
Daniel Sigg, Member	170 108	–	40 000	–	210 108
Mirjam Staub-Bisang, Member	130 000	–	43 000	–	173 000
Total 1.1.–31.12.2016	519 153	–	126 000	54 000	699 153

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 2016. During the reporting year Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 54 000 (excl. 8% VAT) for consulting services.

CHF	Fixed compensation paid in cash	Variable compensation paid in cash	Variable compensation paid in shares	Variable compensation paid in cash	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.–31.12.2017	948 000	1 104 000	214 000	383 855	159 084	428 000	–	3 236 939
Total 1.1.–31.12.2016	1 134 132	617 000	246 000	408 235	51 782	285 332	–	2 742 481

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

No compensation was paid to parties related to members of the Group Executive Board in 2016 or 2015.

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	31.12.2017 Call-Options ¹⁾	Number of shares	31.12.2016 Call-Options ¹⁾
Thomas von Planta, Chairman	60 910	—	25 714	—
Daniel Sigg, Member	31 145	—	28 832	—
Mirjam Staub-Bisang, Member	4 747	—	2 550	—

Share- and option-holdings of members of the Group Executive Board	Number of shares	31.12.2017 Call-Options ¹⁾	Number of shares	31.12.2016 Call-Options ¹⁾
André Rüegg, CEO, CEO Bellevue Asset Management and CEO ad interim Bank am Bellevue	200 000	—	167 585	—
Daniel Koller, CFO	69 599	—	69 936	—
Serge Monnerat, CEO Bank am Bellevue ²⁾	n/a	n/a	117 584	—

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

²⁾ Serge Monnerat left the Executive Board on 21 February 2017

5.3 Transactions with related companies and persons

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

CHF 1 000	Key management personnel ¹⁾	Major shareholders ²⁾	Associated companies	Other related companies and persons ³⁾	Total
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2017					
Due from customers	1 548	—	—	—	1 548
Due to customers	2 530	31 074	—	—	33 604
Interest income	17	4	—	—	21
Interest expense	8	900	—	—	908
Fee and commission income	20	—	—	—	20

2016					
Due from customers	575	—	—	—	575
Due to customers	6 419	26 793	—	—	33 212
Credit guarantees	2 500	—	—	—	2 500
Interest income	10	—	—	—	10
Fees and commission income	10	887	—	—	897
Fees and commissions	—	—	67	—	67
Other operating expenses	5	—	—	—	5

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 28

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.

The credit guarantees serve as collateral for loans from third-party banks to members of the Group management. In December 2017 these guarantees have been withdrawn.

During the reporting year Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 19 800 (excluding 8% VAT) for his consultancy services (previous year: CHF 54 000).

Off-balance-sheet transactions:

Securities lending and borrowing transactions are conducted with related parties under market conditions.

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 2017 was CHF 7.0 million (previous year: CHF 2.8 million).

For the segment Asset Management the bonus pool for 2017 amounts to CHF 7.0 million (previous year: CHF 2.8 million). For the segment Bank no bonus has been allocated in year 2017 (previous year: also no bonus allocation).

For the segment Bank am Bellevue, a minimum bonus pool calculated based on its operating revenues was agreed in year 2017. Due to the restructuring of the Bank, this pool has been calculated only for the months January and February 2017. Additionally, during this consultation procedure, it was agreed that ongoing open corporate finance projects have to be finalized and closed. For these deals, a special bonus based on operating revenues was agreed. The agreed bonus pool for 2017 is of CHF 1.2 million (previous year: CHF 1.2 million), of which CHF 0.9 million are restructuring costs.

For the segment Bank am Bellevue, in year 2017 a bonus of CHF 0.6 million (previous year: CHF 0.0 million) was determined on a discretionary basis.

For the segment Group, the on a discretionary basis determined bonus-pool was of CHF 1.0 million (previous year: CHF 0.6 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. On «Seed Capital», which is invested in the products, no compensation is paid. For the year 2017 variable compensation in the amount of CHF 8.5 million were calculated (previous year: CHF 8.0 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, since April 2014. Under this plan, the team receives an entitlement to a maximum number of shares. 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 BB Biotech AG mandate. A right to receive the maximum number of shares only exists if BB Biotech AG's absolute performance during the following three-year period is greater than 10% p.a. and it exceeds the relative performance of the Nasdaq Biotech Index and the Swiss Performance 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 3.4 million was recognised pro rata as expense (previous year: CHF 1.9 million). As of 31 December 2017, the value of the entitlement based on its fair market value is CHF 10.3 million (previous year: CHF 4.9 million).

The Board of Directors approved 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. For this purpose, Bellevue Group AG shares with a fair market value of CHF 0.4 million (previous year: CHF 0.3 million) were allocated in the reporting year. 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 1.2 million (previous year: CHF 1.8 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. No members of the Executive Board have 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.

Blocked Shares

Number	Employees		Members of the Board of Directors and Group Executive Board	
	2017	2016	2017	2016
Holdings of blocked shares on January 1	440 046	224 147	188 868	136 215
Shares purchased with holding period ¹⁾	63 934	105 410	–	–
Blocked shares purchased from the bonus accrual for the previous year ¹⁾	85 616	122 512	34 591	52 653
Shares for which the holding period has lapsed	–	–12 023	–	–
Shares of employees/members who have left the Group and transfers (reduction)	–147 421	–	–43 471	–
Holdings of restricted shares on December 31	442 175	440 046	179 988	188 868

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

	1.1.–31.12.2017	1.1.–31.12.2016	1.1.–31.12.2017	1.1.–31.12.2016
Expenses recognized under Personnel expenses for shares purchased at a discount	3 609	2 004	523	691
Expenditure on acquisition of discounted shares debited against bonus accrual for previous year	1 480	1 832	599	787
Expenditure on acquisition of discounted shares debited	17.29	14.95	17.29	14.95
Market value of blocked shares on December 31	10 745	6 909	4 374	2 965

6 Risk related to balance sheet positions

6.1 Balance sheet by currency

CHF 1 000	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
Provisions and pension obligations	–	–	–	–	–
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.

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2016					
Cash	122 811	4	–	–	122 815
Due from banks	88 928	17 899	3 219	2 454	112 500
Due from customers	15 257	2 717	5	–	17 979
Trading portfolio assets	50 041	526	13 791	–	64 358
Positive replacement values	1 197	–	–	–	1 197
Other financial assets at fair value	6 884	6 973	8 104	6 008	27 969
Accrued income and prepaid expenses	6 600	4 090	233	166	11 089
Financial investments	23 500	604	–	16	24 120
Property and equipment	1 159	236	–	–	1 395
Goodwill and other intangible assets	28 680	41 508	–	–	70 188
Current tax assets	2 121	–	–	–	2 121
Deferred tax assets	572	–	439	70	1 081
Other assets	6 025	5	502	366	6 898
Total on-balance-sheet assets	353 775	74 562	26 293	9 080	463 710
Delivery claims from spot and forward forex transactions and from forex options transactions	10 343	–	–	–	10 343
Total assets	364 118	74 562	26 293	9 080	474 053
Due to banks	11 341	3 754	514	567	16 176
Due to customers	188 934	5 514	1 149	1 730	197 327
Negative replacement values	1 286	–	–	–	1 286
Liabilities from other financial instruments at fair value	12 662	–	13 928	–	26 590
Other financial liabilities at fair value	–	21 301	–	–	21 301
Accrued expenses and deferred income	17 078	3 182	2 274	821	23 355
Current tax liabilities	1 892	2 368	50	359	4 669
Deferred tax liabilities	6 382	4 025	53	–	10 460
Provisions and pension obligations	3 011	–	–	–	3 011
Other liabilities	503	114	–	43	660
Equity	116 600	49 449	–5 571	–1 603	158 875
Total on-balance-sheet liabilities	359 689	89 707	12 397	1 917	463 710
Delivery claims from spot and forward forex transactions and from forex options transactions	–	3 217	7 126	–	10 343
Total liabilities and shareholders' equity	359 689	92 924	19 523	1 917	474 053
Net position per currency	4 429	–18 362	6 770	7 163	

6.2 Maturity structure of financial instruments

CHF 1 000	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	–	–	12 924	–	–	–	12 924
Financial investments	–	–	–	–	26 178	–	26 178
Other assets	–	–	2 957	89	13 152	–	16 198
Total	288 231	18 540	19 499	12 471	48 444	–	387 185
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	–	–	19 217	10 528	7 481	–	37 226
Other liabilities	–	–	3 779	–	–	–	3 779
Total	206 481	–	27 174	21 172	15 240	–	270 067

CHF 1 000	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
31.12.2016							
Assets/financial instruments							
Cash	122 815	–	–	–	–	–	122 815
Due from banks	96 635	15 700	–	132	33	–	112 500
Due from customers	17 898	–	55	26	–	–	17 979
Trading portfolio assets	64 358	–	–	–	–	–	64 358
Positive replacement values	–	–	3	1 194	–	–	1 197
Other financial assets at fair value	16 285	–	–	–	11 684	–	27 969
Accrued income and prepaid expenses	–	–	11 089	–	–	–	11 089
Financial investments	16	–	–	–	23 500	604	24 120
Other assets	1 190	–	412	52	5 244	–	6 898
Total	319 197	15 700	11 559	1 404	40 461	604	388 925

Liabilities

Due to banks	8 176	–	5 000	3 000	–	–	16 176
Due to customers	197 109	–	218	–	–	–	197 327
Negative replacement values	–	–	92	1 194	–	–	1 286
Liabilities from other financial instruments at fair value	26 590	–	–	–	–	–	26 590
Other financial liabilities at fair value ¹⁾	–	–	–	7 135	14 166	–	21 301
Accrued expenses and deferred income ¹⁾	–	–	23 355	–	–	–	23 355
Other liabilities	–	–	660	–	–	–	660
Total	231 875	–	29 325	11 329	14 166	–	286 695

¹⁾ Liabilities recorded as «Other financial liabilities at fair value» were recorded in previous year's consolidated financial statements under «Accrued expenses and accrued income» due within 3 months. The record of last year was corrected and the effective due date applied.

6.3 Fair value of financial instruments

CHF 1 000	31.12.2017			31.12.2016		
	Book value	Fair Value	Deviation	Book value	Fair Value	Deviation
Assets						
Cash	127 114	127 114	–	122 815	122 815	–
Due from banks	62 446	62 446	–	112 500	112 500	–
Due from clients	59 122	59 097	–25	17 979	17 979	–
Subtotal receivables	248 682	248 657	–25	253 294	253 294	–
Financial assets at amortized cost	248 682	248 657	–25	253 294	253 294	–
Trading portfolio assets	48 120	48 120	–	64 358	64 358	–
Positive replacement values	6 427	6 427	–	1 197	1 197	–
Other financial assets at fair value	28 656	28 656	–	27 969	27 969	–
Financial investments at fair value	462	462	–	604	604	–
Subtotal other financial assets at fair value through profit and loss	83 665	83 665	–	94 128	94 128	–
Financial investments	25 716	25 716	–	23 516	23 516	–
Financial assets at fair value	109 381	109 381	–	117 644	117 644	–
Liabilities						
Due to banks	6 147	6 147	–	16 176	16 176	–
Due to customers	188 609	188 609	–	197 327	197 327	–
Financial liabilities at amortized cost	194 756	194 756	–	213 503	213 503	–
Negative replacement values	6 404	6 404	–	1 286	1 286	–
Liabilities from other financial instruments at fair value	12 377	12 377	–	26 590	26 590	–
Other financial liabilities at fair value *	15 525	15 525	–	21 301	21 301	–
Financial liabilities at fair value	34 306	34 306	–	49 177	49 177	–

* 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.

Valuation methods of financial instruments

31.12.2017	Level 1 CHF 1 000	Level 2 CHF 1 000	Level 3 CHF 1 000	Total CHF 1 000
Assets				
Cash	127 114	–	–	127 114
Due from banks	–	62 446	–	62 446
Due from customers	–	59 122	–	59 122
Financial assets at amortized cost	127 114	121 568	–	248 682
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	148 074	175 238	34 751	358 063
Liabilities				
Due to banks	–	6 147	–	6 147
Due to customers	–	188 609	–	188 609
Financial liabilities at amortized cost	–	194 756	–	194 756
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	–	213 537	15 525	229 062

* 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.

31.12.2016	Level 1 CHF 1 000	Level 2 CHF 1 000	Level 3 CHF 1 000	Total CHF 1 000
Assets				
Cash	122 815	–	–	122 815
Due from banks	–	112 500	–	112 500
Due from customers	–	17 979	–	17 979
Financial assets at amortized cost	122 815	130 479	–	253 294
Trading portfolio assets	12 675	51 683	–	64 358
Positive replacement values	–	1 197	–	1 197
Other financial assets at fair value	78	16 208	11 683	27 969
Financial investments at fair value	–	604	23 516	24 120
Financial assets at fair value	12 753	69 692	35 199	117 644
Total financial assets	135 568	200 171	35 199	370 938
Liabilities				
Due to banks	–	16 176	–	16 176
Due to customers	–	197 327	–	197 327
Financial liabilities at amortized cost	–	213 503	–	213 503
Negative replacement values	–	1 286	–	1 286
Liabilities from other financial instruments at fair value	–	26 590	–	26 590
Other financial liabilities at fair value *	–	–	21 301	21 301
Financial liabilities at fair value	–	27 876	21 301	49 177
Total financial liabilities	–	241 379	21 301	262 680

* 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 2017 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			31.12.17			31.12.2016
	Other financial instruments at fair value	Financial investments at fair value	Total	Other financial instruments at fair value	Financial investments at fair value	Total
Assets						
Holdings at the beginning of the year	11 683	23 516	35 199	13 744	22 100	35 844
Investments	256	–	256	271	16	287
Redemptions/Payments	–3 223	–	–3 223	–1 586	–	–1 586
Losses recognized in the income statement	–515	–	–515	–649	–	–649
Losses recognized as other comprehensive income	–	–	–	–97	–	–97
Gains recognized in the income statement	834	–	834	–	–	–
Gains recognized as other comprehensive income	–	2 200	2 200	–	1 400	1 400
Total book value at balance sheet date	9 035	25 716	34 751	11 683	23 516	35 199
Unrealised profit/losses from level 3 instruments which were held on the balance sheet date and recorded in the income statement in the period	319	–	319	–1 417	–	–1 417

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	1 738
	– 5 percentage points	–1 738
Reduction for illiquidity	+ 5 percentage points	–1 513
	– 5 percentage points	1 513

CHF 1 000	31.12.2017	31.12.2016
	Other financial instruments at fair value	Other financial instruments at fair value
Assets		
Holdings at the beginning of the year	21 301	–
Investments	–	21 906
Payments	– 7 281	–
Losses recognized in the income statement	1 505	–
Gains recognized in the income statement	–	– 605
Total book value at balance sheet date	15 525	21 301
Unrealised profit/losses from level 3 instruments which were held on the balance sheet date and recorded in the income statement in the period	1 374	– 605

The contingent purchase price payment from the acquisition of StarCapital AG is contained in the other financial liabilities at fair value, and represents the remaining purchase price liability that is still owed. The valuation is mainly based on the underlying contractual share purchase terms and conditions.

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.

The estimate used for the 2016 consolidated annual financial statements assumed a profit within the contractually defined range. As of 31 December 2017, Bellevue Group has analysed possible changes in the measurement of fair value by using scenario calculations, and continues to assume an average profit within the contractually defined range. The total purchase price based on this analysis remains at EUR 40.0 million, meaning the contingent purchase price payment does not have to be adjusted. The adjustment to the fair value posted as affecting net income in the reporting period is due to the effects of foreign currency and interest. The contingent purchase price payment in euros is subject to a foreign-currency risk.

The table below shows how sensitive the measurement of fair value for the contingent purchase price payment is to changes in unobservable inputs for 2017 and 2018. The profit of StarCapital AG was confirmed for 2016 following the approval of the StarCapital AG 2016 annual report. The profit for year 2017 is available and will be confirmed after the approval of the year-end annual report.

Key assumptions	Changes in key assumption	Change in fair value in CHF 1 000
Profits	+ 10 percentage points	2 488
	– 10 percentage points	–

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) was paid. The definitive purchase price adjustment will be derived and be due for payment in 2019.

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.

31.12.2017	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

31.12.2016	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	1 197	–	1 197	786	348	63
Total financial assets	1 197	–	1 197	786	348	63
Financial assets						
Negative replacement values	1 286	–	1 286	786	–	500
Total financial assets	1 286	–	1 286	786	–	500

7 Off-balance sheet and other information

7.1 Off-balance sheet

CHF 1 000	31.12.2017	31.12.2016
Contingent liabilities		
Credit guarantees	–	11 000
Total	–	11 000
Irrevocable commitments		
Rental commitments due within 1 year	2 108	2 148
Rental commitments due between 1 and 5 years	2 014	1 447
Undrawn irrevocable credit facilities	118	142
of which payment obligation to the protection of deposits	118	142
Total	4 240	3 737
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	13 374	11 261
CHF million		
Assets under management		
Assets in self-managed collective investment instruments	9 931	7 740
Assets with management mandate	369	140
Other assets under management	1 745	2 670
Total assets under management (including double counts)	12 045	10 550
of which double counts	288	–56
Development of assets under management		
Total assets under management (including double counting) at the beginning of the reporting period	10 550	6 751
+/- net new money inflow or net new money outflow	1 263	1 578
+/- price gains/losses, interest, dividends and currency gains/losses	1 618	–259
+/- other effects ¹⁾	–1 386	2 480
Total managed assets (including double counting) at the balance sheet date	12 045	10 550

¹⁾ 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. The assets acquired following the acquisition of StarCapital AG were listed under this item in the previous year.

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 2017, it amounts to 1.0% (previous year: 1.25%).

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. If the insurance contract is terminated, the current pensions are transferred to the foundation.

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	31.12.2017	31.12.2016
Consolidated balance sheet		
Fair value of plan assets	47 254	48 202
Present value of pension obligations	-41 766	-51 213
Funding surplus/shortfall	5 488	-3 011
CHF 1 000		
Pension cost recognised in the income statement		
Service cost		
Current service cost	-2 401	-2 607
Past service cost including effects of curtailment	3 549	-
Plan settlements	-2 034	-
Net interest expenses/income	-14	-5
Administrative expenses	-75	-51
Total pension cost for the period	-975	-2 663

CHF 1 000	1.1.–31.12.2017	1.1.–31.12.2016
Revaluation components recorded in other income		
Actuarial gains/losses		
Arising from changes in demographical assumptions	–	1 520
Arising from changes in economic assumptions	534	–2 670
Arising from experience	–2 923	–638
Return on plan assets (excluding amounts included in net interest expenses)	10 014	963
Effects from curtailments	–	–
Total of amounts recognised in other income	7 625	–825
Total pension costs	6 650	–3 488

CHF 1 000	2017	2016
Development of pension obligations		
At 1 January	–51 213	–46 710
Current service cost	–2 401	–2 607
Employee contributions	–254	–295
Interest expenses on the present value of the obligations	–319	–510
Pension payments and vested benefits	13 243	3 048
Additions from admissions and voluntary contributions	–1 982	–2 351
Plan amendments	3 549	–
Actuarial gains/losses	–2 389	–1 788
At 31 December	–41 766	–51 213
Development of plan assets		
At 1 January	48 202	45 054
Interest income	305	505
Plan participants' contribution	254	295
Company contributions	1 849	2 133
Pension payments and vested benefits	–13 243	–3 048
Additions from admissions and voluntary contributions	1 982	2 351
Return on plan assets (excluding amounts in net interest)	10 014	963
Plan settlements	–2 034	–
Administration expense	–75	–51
At 31 December	47 254	48 202
Actual return on plan assets	10 319	1 468

CHF 1 000	31.12.2017	31.12.2016
Allocation of plan assets		
Equities		
Listed investments	18 684	20 226
Non-listed investments	–	–
Bonds		
Listed investments	7 230	8 530
Non-listed investments	–	–
Real estate		
Directly invested	–	–
Investments in funds	1 557	1 546
Alternative investments	3 110	3 314
Qualified insurance policies	1 901	–
Liquidity	14 772	14 586
Total	47 254	48 202

The plan assets allocation as at 31 December 2017 as well as at 31 December 2016 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	31.12.2017	31.12.2016
Active workforce	39 865	51 213
Pensioners	1 901	–
Total	41 766	51 213

The maturity of the obligation is 21.7 years as at 31 December 2017 (previous year: 22.0 years). The expected employer's contributions for 2018 are estimated at CHF 2.1 million (previous year: CHF 2.2 million).

CHF 1 000	31.12.2017	31.12.2016
Actuarial assumptions		
Biometric assumptions	OPA 2015GT	OPA 2010GT
Life expectancy at the age of 65		
Year of birth	1952	1951
Men	22.38	22.26
Women	24.43	24.32
Year of birth	1972	1971
Men	24.26	24.18
Women	26.29	26.22
Discount rate	0.80%	0.70%
Expected rate of salary increases	1.50%	1.50%
Expected rate of pension increases	0.00%	0.00%
	1.00%	1.00%
	(mandatory);	(mandatory);
	0.80%	0.70%
Interest on pension assets	(super-mandatory)	(super-mandatory)

Changes to the present value of a defined-benefit obligation

CHF 1 000	31.12.2017	31.12.2016
	+ 0.25%	+ 0.25%
Assumed interest rate	– 2 088	– 2 636
Salary development	331	467
Interest on pension assets	883	1 145
CHF 1 000	+ 1 Year	+ 1 Year
Development of life expectancy	805	960

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 Restructuring of Bank am Bellevue AG

Bank am Bellevue has for some time now been facing an erosion of revenues in its core areas Brokerage and Corporate Finance. After carefully weighing various strategic options, the Board of Directors concluded in the first half-year of 2017 that the Brokerage and Corporate Finance activities of the Bank am Bellevue segment can no longer be operated economically and were therefore to be shut down (see media releases of 21 February and 17 March 2017).

The Brokerage and Corporate Finance activities which were shut down were an integral part of the cash-generating unit Bank am Bellevue and did not constitute an independent business division or cash-generating unit with clearly distinguishable cash flows. This means they were not a business division to be considered as discontinued operation according to IFRS 5.

The restructuring of the corresponding business activities was completed by the end of June 2017, according to plan. The following table provides a summary of the restructuring costs charged to the corresponding positions in the income statement and disclosed in the Bank am Bellevue segment:

Restructuring costs

CHF 1 000	2017
Position	
Personnel expenses ¹⁾	4 872
Other operating expenses ²⁾	315
Depreciation ³⁾	610
Restructuring costs (gross)	5 797
Income from pension plan curtailment and reduction of the reserves for occupational pensions ⁴⁾	– 1 515
Restructuring costs (net)	4 282

¹⁾ The costs include standard salary costs from the start of an employee's garden leave and any termination payments contractually agreed as part of the social partnership (also including the waiver of the reclaim of shares from a long-term incentive programme).

²⁾ The costs mainly include prepaid fees for communication and information systems that are no longer used, software and the costs of legal advice.

³⁾ As a result of the restructuring, the estimated useful life of certain property, plant and equipment has been reduced (until the end of 2017). This has led to a corresponding higher level of write-downs.

⁴⁾ The restructuring represents a partial liquidation in respect of Bank am Bellevue's employee pension foundation. In this case, under the terms of IAS 19, income must be recognised from the pension plan curtailment and the reduction of the reserves for occupational pensions. The income is disclosed as a reduction to personnel expenses.

Bank am Bellevue continues to provide its services, including trading activities, for its other clients (see also comment 8 in the «Segment reporting» section).

7.4 Major foreign exchange rates

The following exchange rates were used for the major currencies:

	Year-end rate	2017 Average rate	Year-end rate	2016 Average rate
EUR	1.17055	1.11176	1.07245	1.08998
USD	0.97490	0.98460	1.01812	0.98520
GBP	1.31731	1.26840	1.25517	1.33530

7.5 Cash contribution

The Board of Directors will propose a cash distribution of CHF 1.10 per registered share at the general meeting of shareholders of Bellevue Group AG on March 20, 2018. This corresponds to a total payment of CHF 14.8 millions.

7.6 Approval of the consolidated financial statements

The Audit Committee discussed and approved the consolidated financial statements during its meeting on February 19, 2018, the Board of Directors during its meeting on February 20, 2018. The statements will be submitted for approval at the general meeting on March 20, 2018.

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 2017 financial statements and would therefore need to be disclosed.

8 Segment reporting

CHF 1 000	Asset Management	Bank am Bellevue	Group	Intercompany	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
Other ordinary income	1 698	12	287		1 997
Service 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
Service from/to other segments	–225	–1 386	1 611		–
Depreciation	–2 427	–995	–30		–3 452
thereof on intangible assets	–2 231	–	–		–2 231
Valuation adjustments and provisions	–	–	–		–
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 m)	842	421	–		1 263
Price gains / losses, interest, dividends and currency gains / losses (CHF m)	1 336	282	–		1 618
Other effects 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. The assets acquired following the acquisition of StarCapital AG were listed under this item in the previous year.

³⁾ Including double counts.

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

CHF 1 000	Asset Management	Bank am Bellevue	Group	Intercompany	Total
1.1.–31.12.2016					
Net interest income	32	1 676	–68		1 640
Net fee and commission income	57 629	11 664	–	–394	68 899
Net trading income	207	1 276	–3		1 480
Other ordinary income	16	14	–83		–53
Services from/to other segments	–25	35	–10		–
Total operating income	57 859	14 665	–164	–394	71 966
Personnel expenses	–27 804	–11 149	–2 238		–41 191
Other operating expenses	–8 464	–6 906	–1 483	394	–16 459
Services from/to other segments	–276	–237	513		–
Depreciation	–1 695	–1 081	–4		–2 780
thereof on other intangible assets	–1 548	–696	–		–2 244
thereof due to impairment	–	–597	–		–597
Valuation adjustments and provisions	–	–10 000	–		–10 000
thereof due to impairment	–	–10 000	–		–10 000
Total operating expenses	–38 239	–29 373	–3 212	394	–70 430
Profit before tax	19 620	–14 708	–3 376	–	1 536
Taxes	–2 623	191	244		–2 188
Group net profit	16 997	–14 517	–3 132	–	–652
Additional information as per 31 December 2016					
Segments assets ¹⁾	144 306	316 700	2 704		463 710
Segments liabilities	37 334	241 054	26 447		304 835
Net new money (CHF million) ²⁾	320	1 258	–		1 578
Price gains / losses, interest, dividends and currency gains / losses (CHF m)	–273	14	–		–259
Other effects ³⁾	2 480	–	–		2 480
Total assets under management (CHF m) ⁴⁾	7 845	2 705	–		10 550
Number of staff (full-time equivalent) at cut-off date	65.3	41.8	4.2		111.3
Annual average number of staff (full-time equivalent)	58.0	38.4	4.1		100.5

¹⁾ Including associated companies; the sum of long-term assets in Switzerland, including Goodwill and excluding Other financial assets at fair value, amounts to CHF 53.3 million, in all other countries amounts to CHF 42.4 million.

²⁾ New net money inflow resulted primarily from a transaction executed by Corporate Finance and is of a temporary nature. Without this transaction, net new money outflow would amount to CHF 145 million.

³⁾ Relates to the acquired assets with the takeover of StarCapital AG.

⁴⁾ Including double counts.

42% of revenue was allocated to Switzerland and 58% 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 10.0 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 securities trading with a focus on Swiss stocks and market-making services to selected clients. Moreover, it is an issuer of structured products. Other types of banking transactions are not provided or only to a limited extent. The Bank closed down its Brokerage and Corporate Finance activities in the first half-year of 2017 (see 7.3 Restructuring of Bank am Bellevue AG on page 96).

«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 capital-/ nominal capital	31.12.2017		31.12.2016	
					Capital	Share of voting right	Capital	Share of voting right
Fully consolidated companies								
Bellevue Group AG	Küsnacht, Schweiz	Holding	CHF	1 346 143	Parent company		Parent company	
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	0%	0% ¹⁾	100%	100%
Bank am Bellevue AG	Küsnacht, Schweiz	Bank	CHF	25 000 000	100%	100%	100%	100%
StarCapital AG	Oberursel, Deutschland	Asset Management	EUR	540 000	100%	100%	100%	100%
Bellevue Asset Management AG	Küsnacht, Schweiz	Asset Management	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset Management	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
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%

¹⁾ The company was liquidated by 27.12.2017.

Companies fully consolidated for the first time

BB Pureos Bioventures GP Limited	Guernsey	Investment Advisor	GBP	60 000	99%	99% ¹⁾	0%	0%
Bellevue Investment Advisers AG	Küsnacht, Schweiz	Asset Management	CHF	100 000	100%	100% ²⁾	0%	0%

¹⁾ The company was founded on 27.9.2017.

²⁾ The company was founded on 1.11.2017.

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

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.

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported separately as discontinued operations. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less cost of selling. Under Swiss GAAP, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

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

Report on the audit of the consolidated 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 2017 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 54 to 71 and 73 to 103) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 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.

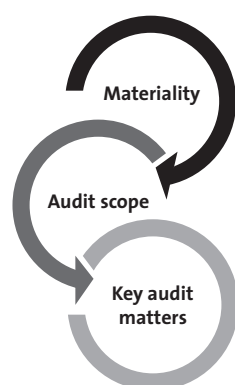
Basis for opinion

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 1068 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 95% of the net sales and 98% 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 5% of net sales and 2% 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 1068 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 53 400 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 53 693 and other intangible assets in the amount of TCHF 18 180 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 forecasted cash flows; moreover, goodwill and other intangible assets represent a significant amount on the balance sheet (16% of total assets).

Please refer to page 67 to 68 (Estimates, assumptions and the exercise of discretion by management) and pages 78 to 79 (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.

The assumptions used were in line with our expectations.

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.



PricewaterhouseCoopers AG

A blue ink signature, appearing to read 'R. Birrer', written over a light gray grid background. To the right of the signature is a small red hexagonal stamp with a white cross, a common Swiss official seal.

Rolf Birrer
Audit expert
Auditor in charge

A blue ink signature, appearing to read 'Roland Holl', written over a light gray grid background. To the right of the signature is a small red hexagonal stamp with a white cross, a common Swiss official seal.

Roland Holl
Audit expert

Zurich, 23 February 2018

Profit and loss account

CHF 1 000	1.1.–31.12.2017	1.1.–31.12.2016
Interest income	–	9
Dividend income	1	–
Interest expense	–9	–26
Net interest income	–8	–17
Net fee and commission income	–	–
Net trading income	–1 377	671
Net income from financial assets	161	–70
Dividend income from associated companies	19 310	22 000
Other ordinary income	2	13
Other income	19 473	21 943
Total operating income	18 088	22 597
Personnel expenses	–2 084	–1 565
Other operating expenses	–1 237	–1 928
Total operating expense	–3 321	–3 493
Amortization/depreciation and impairment losses on non-current assets	–61	–15 800
Profit before tax	14 706	3 304
Direct taxes	–96	145
Profit for the year	14 610	3 449

Balance Sheet

CHF 1 000	31.12.2017	31.12.2016
Assets		
Current assets		
Cash and cash equivalent	13 322	18 465
Other short-term receivables	1 256	346
Prepaid expenses and accrued income	9	128
Total current assets	14 587	18 939
Non-current assets		
Financial investments	369	210
Participations	166 458	166 643
Total non-current assets	166 827	166 853
Total assets	181 414	185 792
Liabilities and shareholders' equity		
Short-term liabilities		
Other short-term liabilities	7 815	7 413
Accrued expenses and deferred income	1 407	847
Total short-term liabilities	9 222	8 260
Long-term liabilities		
Other long-term liabilities	7 804	14 299
Total long-term liabilities	7 804	14 299
Shareholders' equity		
Share capital	1 346	1 346
Reserves from capital contributions	18 817	32 278
Legal capital reserves	18 817	32 278
General legal retained earnings reserves	2 225	2 225
Reserves for treasury shares ¹⁾	909	167
Legal retained earnings	3 134	2 392
Voluntary retained earnings	18 597	19 339
Profit brought forward	107 888	104 439
Profit for the year	14 610	3 449
Total disposable profit	122 498	107 888
Treasury shares	-4	-10
Total shareholders' equity	164 388	163 233
Total liabilities and shareholders' equity	181 414	185 792

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 Ltd 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 1 000	31.12.2017	31.12.2016
Cash and cash equivalent		
The cash and cash equivalents comprise the following:		
Due from group banks	10 570	16 161
Due from other banks	2 752	2 304
Total	13 322	18 465
Other short-term receivables		
The other short-term receivables comprise the following:		
Due from group companies	–	346
Due from third parties	1 256	–
Total	1 256	346

Company	Domicile	Purpose	Currency	Share capital/ Nominal capital	31.12.2017 Capital	Share of Voting rights	31.12.2016 Capital	Share of Voting rights
Beteiligungen								
Bellevue Group AG	Küsnacht, Schweiz	Holding	CHF	1 346 143	Parent company		Parent company	
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	0% 0% ¹⁾		100%	100%
Bank am Bellevue AG	Küsnacht, Schweiz	Bank	CHF	25 000 000	100%	100%	100%	100%
Bellevue Asset Management AG	Küsnacht, Schweiz	Asset Managment	CHF	1 750 000	100%	100%	100%	100%
StarCapital AG	Oberursel, Deutschland	Asset Managment	EUR	540 000	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% ²⁾	0%	0%
Bellevue Investment Advisers AG	Küsnacht, Schweiz	Asset Management	CHF	100 000	100%	100% ³⁾	0%	0%

¹⁾ The company was liquidated by 27.12.2017.

²⁾ The company was founded by 27.9.2017.

³⁾ The company was founded by 1.11.2017.

CHF 1 000	31.12.2017	31.12.2016
Other short-term liabilities		
The other short-term liabilities comprise the following:		
Due to group companies	–	254
Due to third parties	7 815	7 159
Total	7 815	7 413

The other short-term liabilities to third parties are mostly liabilities in connection with the acquisition of the 100% participation in StarCapital AG.

Other long-term liabilities

The other long-term liabilities are liabilities in connection with the acquisition of the 100% participation in StarCapital AG.

Reserves from capital contributions

The change in paid-in capital reserve is due to the cash distribution of CHF 13 461 428 (CHF 1.00 per outstanding registered share) which was approved at the General Shareholders' Meeting held on March 21, 2017.

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	CHF 1 000
Treasury shares in trading portfolio of Bank am Bellevue AG		
Balance as of 1.1.2016	209 955	2 956
Purchases	624 415	8 825
Disposals	-823 524	-11 628
Balance as of 31.12.2016	10 846	153
Purchases	384 996	7 148
Disposals	-353 222	-6 406
Balance as of 31.12.2017	42 620	895
Treasury shares of Bellevue Group AG		
Balance as of 1.1.2016	49 107	690
Purchases	17 500	261
Disposals	-65 983	-941
Balance as of 31.12.2016	624	10
Purchases	15 959	276
Disposals	-16 370	-282
Balance as of 31.12.2017	213	4
Treasury shares of Bellevue Asset Management AG		
Balance as of 1.1.2016	-	-
Purchases	156 000	2 330
Disposals	-155 095	-2 316
Balance as of 31.12.2016	905	14
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2017	905	14
Reserves for treasury shares		
Balance as of 31.12.2016		167
Balance as of 31.12.2017		909

Amortization/depreciation and impairment losses on non-current assets

The lower volume of business activities and the reduced revenues from Bank am Bellevue's brokerage unit led to an adjustment of the investment book value of Bank am Bellevue AG of CHF 15.8 Mio. in the previous year.

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.

CHF 1 000	31.12.2017	31.12.2016
Total amount of collateral provided for third-party liabilities	–	11 000

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

	Shares	31.12.2017 Call-Options	Shares	31.12.2016 Call-Options
Share- and option-holdings of members of the Board of Directors				
Thomas von Planta, Chairman	60 910	–	25 714	–
Daniel Sigg, Member	31 145	–	28 832	–
Mirjam Staub-Bisang, Member	4 747	–	2 550	–

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

André Rüegg, CEO, CEO Bellevue Asset Management and CEO ad interim Bank am Bellevue	200 000	–	167 585	–
Daniel Koller, CFO	69 599	–	69 936	–
Serge Monnerat, CEO Bank am Bellevue (until 21.02.2017)	n/a	n/a	117 584	–

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 2017 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:

Information on major shareholders	Voting rights held	31.12.2017 Number of Shares	Voting rights held	31.12.2016 Number of Shares
Martin Bisang, Küsnacht	20.43%	2 750 000	20.43%	2 750 000
Jörg Bantleon, München (Germany)	10.35%	1 392 890	10.35%	1 392 890
Jürg Schächli, Rapperswil-Jona	9.05%	1 217 799	7.04%	947 283
Daniel Schlatter, Herrliberg	n/a	n/a	3.93%	529 200

Proposal to the annual General Meeting

CHF 1 000	31.12.2017	31.12.2016
The Board of Directors proposes to the annual General Meeting of shareholders on March 20, 2017 the following allocation of profit:		
Profit/loss for the year	14 610	3 449
Balance brought forward from previous year	107 888	104 439
Total Profit	122 498	107 888
Dividend on eligible capital ¹⁾	—	—
Allocation to other reserves ²⁾	—	—
Balance carried forward to new financial year	122 498	107 888

CHF 1 000	31.12.2017	31.12.2016
At the annual general meeting on March 20, 2018 the Board of Directors will propose the following cash contribution from the reserve formed from capital contribution:		
Reserve formed from capital contributions	18 817	32 278
Cash distribution as a repayment from the reserve formed from contributions to authorised capital ¹⁾	—14 808	—13 461
Reserve formed from capital contributions after cash distribution	4 009	18 817

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 1.10 per registered share of CHF 0.10 will be paid without deduction of federal withholding tax.

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 2017, the income statement and notes for the year then ended, including a summary of significant accounting policies (pages 110 to 116).

In our opinion, the accompanying financial statements as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

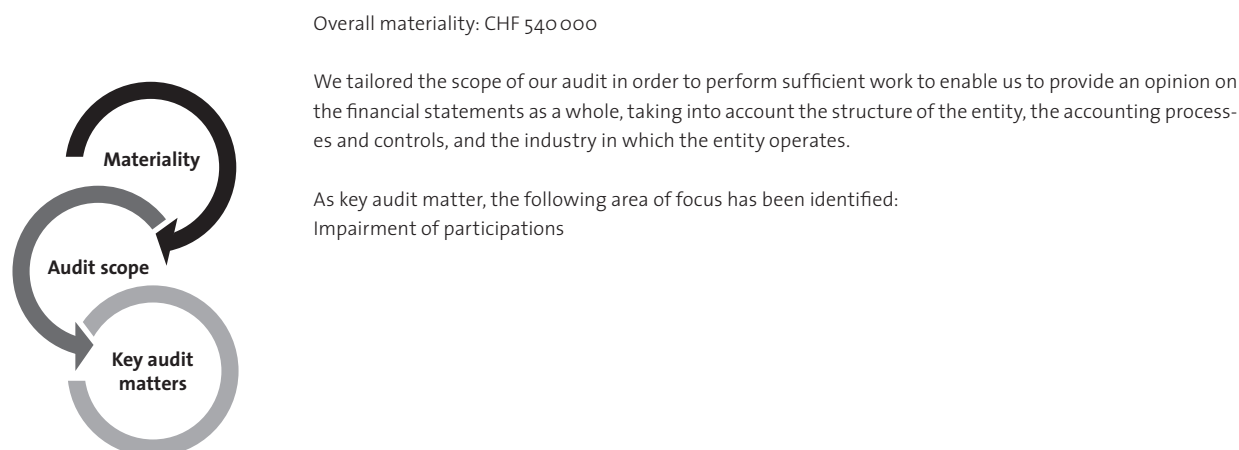
Basis for opinion

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



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 540 000
How we determined it	0.35% 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 27 000 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 166 458).

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; moreover, participations represent a significant amount on the balance sheet (92% of total assets).

We refer to page 112 (Accounting principles) and page 114 (Amortization/depreciation and impairment losses on non-current assets)

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.

The assumptions used were in line with our expectations.

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

A blue ink signature of Rolf Birrer, followed by a red circular stamp containing a white cross, which is the official seal of a Swiss auditor.

Rolf Birrer
Audit expert
Auditor in charge

A blue ink signature of Roland Holl, followed by a red circular stamp containing a white cross, which is the official seal of a Swiss auditor.

Roland Holl
Audit expert

Zurich, 23 February 2018

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

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