Bellevue Group

Annual Report 2011

At a glance

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010	Change	
Profit and loss account				
Net interest income	2 441	4 507	–2 066	–46%
Net fee and commission income	37 399	48 637	–11 238	–23%
Net trading income	–1 852	–407	–1 445	n.m.
Other income	–9 820	1 914	–11 734	n.m.
Total operating income	28 168	54 651	–26 483	–48%
Total operating expenses	–93 005	–51 764	–41 241	+80%
Group net profit	–64 714	1 528	–66 242	n.m.
Balance sheet				
Total assets	452 008	578 457	–126 449	–22%
Total liabilities	261 381	283 617	–22 236	–8%
Total shareholders' equity	190 627	294 840	–104 213	–35%
Ratios				
Undiluted earnings per share (in CHF)	–6.19	0.15	–6.34	n.m.
Diluted earnings per share (in CHF)	–6.19	0.15	–6.34	n.m.
Equity per share (in CHF)	18.16	28.08	–9.92	–35%
Cash distribution / divdend per share (in CHF)	3.33 [1]	4.00	–	–
Return on equity	–26.7%	0.5%	–	–27.2%
Distribution / dividend yield [2]	24.0%	12.4%	–	+11.6%
Cost / Income Ratio [3]	106.3%	91.4%	–	+14.9%
Self-financing ratio	42.2%	51.0%	–	–8.8%
Total client assets (in CHF m) [4]	3 210	4 102	–892	–22%
Net new money inflow (outflow)	–330	–526	+196	–37%
Number of staff (full-time equivalent) at cutoff date	85.2	96.5	–11.3	–12%
Annual average number of staff (full-time equivalent)	93.0	98.6	–5.6	–6%
Share price of Bellevue registered shares (in CHF)	13.85	32.30	–18.45	–57%
Market capitalization (in CHF m)	145	339	–194	–57%
Year high	37.65	32.30	+5.35	+17%
Year low	10.45	29.85	–19.40	–65%

Initial listing on the former New Market of SIX: 10.11.1999
Listing switched on the main board of SIX: 3.1.2003

[1] Proposal of the Board of Directors to the Annual General Meeting

[2] Calculated from share price as at 31.12.

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

[4] After deduction of double counts

Performance 2000–2011
Bellevue Group AG[*] versus SPI
(adjusted)

Bellevue Group AG
Swiss Performance Index

[*] was Swissfirst AG until Dec. 15, 2006

Bellevue Group

Annual Report 2011

Index

Letter to Shareholders

Dear Shareholders

For Bellevue Group, the 2011 financial year was impacted by governmental debt crises and the fears of recession these crises stoked in the economic regions affected. This was accompanied by high levels of volatility in the financial markets in general and in the equity markets in particular. Against this background, the level of equity investments reflected in the allocation of assets of most investors reached historical lows. For us, general political and economic uncertainty also meant consistently low trading volume; the corresponding value for the SIX Swiss Exchange fell by another 9% in 2011 as compared to the previous year. A comparison between the volume of shares traded on the SIX in the amount of CHF 231 billion in the fourth quarter of 2011 and the amount of CHF 401 billion for the comparable quarter in the year 2008 immediately following the eruption of the global financial crisis shows the seriousness of this development, which has now already been unabated for several years. Bellevue Group, which also continued to focus on the Asset Management, Brokerage and Corporate Finance business segments in the financial year 2011, was again strongly affected by the reluctance on the part of investors in equities, which has proven to be persistent and become even more pronounced.

For Bank am Bellevue, the reporting period got off to a very promising start with the IPO of the Williams Grand Prix Holdings PLC Formula 1 team. However, revenue then quickly declined in the further course of the year. Bank am Bellevue nevertheless remained focused on systematic efforts to enhance its portfolio of services, broaden its client base and improve internal business processes. And although these efforts were responsible for an appealing operating performance on the whole, it was not possible to prevent the most important income component, commissions from brokerage and corporate finance, from again dropping by a significant 26% compared to the previous year. Qualitative assessment of operating activities shows a more positive picture. For example, Bank am Bellevue was also able to generate added value for its clients in the year 2011 by virtue of the high quality of its share analyses and investment recommendations based on these analyses. Comparison over an eight-year period shows an improvement of 13.8% per year in investment performance against +4.2% for the representative SPI (overall SIX stock market index), which underscores the sustainability of this performance. A major effort was also made to revise and adapt those structures, processes and control mechanisms that the Board of Directors adopted in connection with the FINMA investigation related to sia Abrasives. An independent external auditor reviewed all of these measures in late 2011, and in January 2012 the FINMA finally lifted the ban barring the Bank from customer acquisition in the areas of asset management and investment advisory services earlier. A separate press release has also been issued on this regulatory ruling that is of considerable importance to the Bank.

Bellevue Asset Management continued to pursue its realignment activities, which are now in their third year. Although investment performance remained solid on the whole and development of the new client network has consistently been very promising, the weakness of the financial markets left deep and painful marks in the income statement, in particular as regards the second half of the year. A comprehensive cost-savings and restructuring programme was launched in the third quarter of 2011 in response to this situation. This made it possible to bring operating results into the black again in the final quarter of the year. At the same time, the risk of future investment losses declined significantly due to a considerable reduction in financial investments in our own fund products. Despite all of these corrective measures that were required in the short term, we retained our business model with its strong focus on equity strategies since we continue to view this as the most realistic possibility for establishing a well-defined profile of expertise among the members of our target audience.

In 2011, the balance sheet total declined by 22% to CHF 452 million (previous year: CHF 578 million). The causes for this can be found primarily on the assets side of the balance sheet. On the one hand, income from other financial assets at fair value dropped by 34% due to disposals of holdings of our own investment funds. On the other hand, as was already announced in the Half-year Report 2011, we decided to take into account the changed income prospects of Bellevue Group and make an exceptional valuation adjustment to goodwill and other intangible assets in the amount of CHF 48 million. On the liabilities side of the balance sheet, retained earnings showed a 41% decrease because of the distribution of dividends and the valuation adjustment.

At the level of the consolidated income statement, net fee and commissions income, the primary indicator for the development in operating performance of Bellevue Group, were down by a considerable 23% to CHF 37 million compared to the previous year. Operating expenses rose by 80% from the previous year's CHF 52 million to CHF 93 million. This was entirely due to the above-mentioned valuation adjustment to goodwill and other intangible assets since this one-time measure resulted in a corresponding increase in depreciation and amortisation, valuation adjustments and provisions in the amount of CHF 48 million. For, at a total of CHF 42 million, the personnel and other operating expenses, the two components of operating expenses that are usually most important, were CHF 7 million under the previous year's level due to efforts to reduce costs. Consolidated earnings for the financial year 2011 therefore reflect a loss in the amount of CHF 65 million; the previous year ended with a profit of CHF 2 million. Nevertheless, the Board of Directors will propose payment of a dividend of CHF 1.20 as well as distribution of CHF 2.13 per registered share in cash from capital reserves at the next General Meeting. A cash payment in the amount of CHF 4.00 per registered share was made in the previous year. This proposal will result in a further significant reduction in the shareholders' equity of Bellevue Group, which is thoroughly in line with our policy of returning own funds that are not required for entrepreneurial purposes to our shareholders. Current mid-term capital planning shows that this prerequisite is fulfilled under various scenarios, which means that the Group still has access to financing at a level that we consider responsible from the point of view of liquidity and will be able to comply with regulatory requirements comfortably. In any case, however, we would emphasise that future dividends in the short or long term must be earned primarily through operating activities once again.

The persistently difficult market conditions not only provide the background for our operating results; they have in fact also resulted in thorough-going change in business parameters for virtually all financial services providers. These upheavals have not by any means run their course, and, as regards Switzerland as a financial centre in particular, most of the necessary structural change still lies ahead. Seen in this light, entrepreneurial values such as cautious, but effective management and strategic acumen would seem all the more important. This should make it possible to focus on diversified, profitable services on the one hand and, on the other, to take advantage of the opportunities the market always offers in the case of structural crises that affect specific sectors. In that regard, we had already started to improve our employees' potential for performance in previous years. This made it possible to reduce the size of our workforce on a selective basis by 12% in terms of full-time equivalents in the financial year 2011 and, among other things, to thereby put in place the prerequisites necessary to weather the persistent slack in the financial markets and take advantage of the additional business possibilities to be expected despite this situation. Seen from today's perspective, Bellevue Group is therefore well poised for situational growth in the areas in which it is active. In this context, we will continue to rely on our teams of very competent employees, who have in many cases been with us for years and whose considerable commitment has earned the respect of the Board of Directors. I would also like to take this opportunity to thank in particular all of our clients as well as you, our valued shareholders, for the confidence, support and loyalty accorded to Bellevue Group. We look forward to pursuing our entrepreneurial goals together with you in the future.

Walter Knabenhans
Chairman of the Board of Directors

Information relating to corporate governance

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

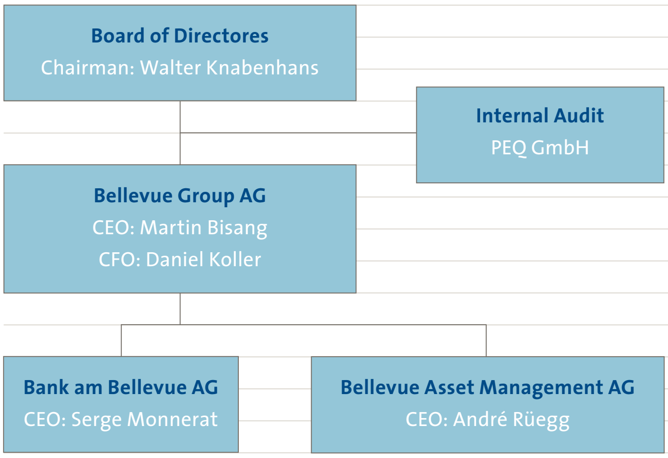
Law and regulations

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).

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

Group structure and shareholders

Corporate structure as of 1 January 2012



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

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

	31.12.11		31.12.10	
Shareholder or beneficial owner	Voting rights held	Number of shares held	Voting rights held	Number of shares held
Martin Bisang, Küsnacht	20.42%	2 144 006	20.46%	2 148 209
Jürg Schäppi, Rapperswil-Jona	9.66%	1 014 016	9.19%	965 175
Hans-Jörg Graf, Wollerau	8.66%	908 985	8.57%	900 000
Dieter Albrecht, Erlenbach	6.36%	667 500	6.37%	669 000
Daniel Schlatter, Herrliberg	4.97%	521 760	4.97%	521 760
Integralstiftung für berufliche Vorsorge	3.46%	363 500	–	–

Based on the notifications received and published by Bellevue Group AG (including management transactions), each of the following parties owns more than 3% of voting rights: http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

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

Capital structure

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

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

Capital changes
Bellevue Group AG announced in its press release issued on July 25, 2008 that it was buying back up to 500,000 of its own registered shares for the purpose of a capital reduction. Trading on the second line of trading opened for this program commenced on August 4, 2008. On November 27, 2009 Bellevue Group AG announced that the share buyback program would be extended to July 29, 2011. At the end of this period the company had repurchased a total of 30 000 registered shares. A resolution to cancel these shares will be put to the general meeting of shareholders on March 19, 2012.

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

Board of directors

The Board of Directors of Bellevue Group AG consists of the following persons as per 1 January 2012:

	Member of Board Committee[1]	First elected	Elected until
Chairman			
Walter Knabenhans, CH[2]	CC[3]	2006	2012
Vice Chairman			
Daniel Schlatter, CH	CC, AC	2006	2012
Member			
Dr. Thomas von Planta, CH[2]	CC, AC[3]	2007	2012
Daniel H. Sigg, CH[2]	AC	2007	2012

[1] Further information on the committees is given below under "Internal organization"
[2] Independent as per FINMA-RS 08/24: yes
[3] Chairman
CC: Chairman Committee
AC: Audit Committee

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

Walter Knabenhans, born 1950
- Degree in civil engineering, ETH Zurich, degree in economics, University of Zurich (lic. oec. publ.)
- Currently an independent financial and investment advisor
- With Julius Bär Group until 2006, in various functions, last serving as President of the Group Executive Board and CEO
- Mandates:
  - Member of the Board of Directors of Finnova AG
  - Member of the Board of Directors of Bank Morgan Stanley Ltd
  - Chairman of the Board of Directors of Avalor Invesmtent AG

Daniel Schlatter, born 1960
- Degree in law, University of Zurich (lic. iur.), attorney at law
- With Bellevue Group since 1993, in various executive functions, since 2005 Vice Chairman of the Board of Directors
- Previously enganged as an attorney at Baker & McKenzie
- Mandates:
  - Member of the Board of Directors of Metalor Technologies International SA

Dr. Thomas von Planta, born 1961
- Degree in law, University of Basel, University of Geneva (Dr. iur.), attorney at law
- Since 2006 owner of CorFinAd AG, Corporate Finance Advisory (M&A transactions and capital market financing)
- 2002–2006 Bank Vontobel, Head of Corporate Finance, member of the extended Executive Board
- 1992–2002 Goldman Sachs, ultimately in London, Equity Capital Markets Group & Investment Banking Division

Daniel H. Sigg, born 1956
- Degree in law, University of Zurich (Dr. iur.)
- Since 2006 DHS International Advisors, LLC, Principal (advisor on financial issues)
- 2000 –2005 TimesSquare Capital Management Inc., President
- 1997–1999 UBS, Global Head of Institutional Asset Management, Senior Managing Director
- Mandates:
  - Member of the Board of Directors of VP Bank
  - Member of the Board of Directors of Auerbach Grayson & Co.

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.

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 Directos meets as often as necessary to perform its duties but at least four times a year. The meetings usually last half a day. Six 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:
Chairman Committee (CC) and Audit Committee (AC).

Chairman Committee (CC)
The CC comprises a chairman and at least two other members of the Board of Directors. The Chairman of the Board of Directors is the Chairman of the CC. The CC exercises the functions of the Board of Directors and its committees between meetings. The CC is also responsible for authorizing certain risk limits. The CEO and / or CFO as well as other people attend the meetings of the CC upon reques. No meetings were held during the year under review.

Audit Committee (AC)
The AC examines whether all systems created to monitor compliance with legal and statutory provisions are appropriate and whether they are being applied properly. It reports to the Board of Directors and makes recommendatoins to the same.
The AC also monitors and evaluates the integrity of the financial reports, internal controls, the effectiveness of the external auditor and the Internal Audit as well as risk management and compliance, taking into consideration the risk profile of Bellevue Group. It guides and montors the activities of the Internal Audit, maintains Board level contact with the external auditors and monitors their performance and independece as well as their collaboration with the Internal Audit.

A majority of the members of the AC are independent. The AC meets for about half a day at least four times a year. Nine 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 regionial 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 appicable industry standards.

Its responsibilites also include drawing up and application an annual budget and defining annual targets for Bellevue Group. The Group Executive Board ist responsible for issuing rules and regulations relating to the implementation of the risk policy, i.e governing the basic aspects of risk responsibility, risk management and risk control. It reports to the Board of Directors and the AC about the existence, appropriateness and effectiveness of the internal controls and issues corresponding directives as necessary. It is responsible for issuing directives regarding compliance. Its competencies include granting loans in accordance with the powers of authorization defined in the internal rules and regulations as well as entering proprietary trading positions within the defined limits. The Group Executive Board can delegate the permissible limits to the competent business segments and deparmtens 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 CEOs of Bank am Bellevue AG and Bellevue Asset Management AG attend these meetings. The Board of Directors receives monthly reports about the course of business and is periodically informed about risk exposure developments as well as the adherence to legal, regulatory and internal rules and regulations. Its controls 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, everey 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 1 January 2012:

Name	Function	Nationality
Martin Bisang	CEO	CH
Daniel Koller	CFO	CH
Serge Monnerat	CEO Bank am Bellevue	CH
André Rüegg	CEO Bellevue Asset Management [1]	CH

[1] Since 1 January 2012, until 31 December 2011 Hans-Peter Diener

Additional information on the members of Gropu Executive Board:

Martin Bisang, born 1960
- Business and economics degree, University of Basel (lic. rer. pol.)
- MBA Harvard Business School, Boston
- Since 1993 with Bellevue Group
- Previously with BZ Group
- Mandates:
  - Member of the Board of Directors of Metalor Technologies International SA

Daniel Koller, born 1970
- Swiss Certified Accountant
- Since 2008 with Bellevue Group
- 2004–2007 with Valartis Group, Head of Controlling up to 2006, Head of Compliance up to 2007
- 1995–2004 Ernst & Young, auditing

Serge Monnerat, born 1969
- Business and economics degree, University of Zurich (nat. oec.)
- Since 2001 with Bellevue Group, Head Research Bank am Bellevue AG, since March 30, 2010 CEO of Bank am Bellevue AG
- Previously with BZ Group

André Rüegg, born 1968
- Business and economics degree, University of Zurich (nat. oec.)
- Since 2009 with Bellevue Group, Head Sales & Marketing, since 1 January, 2011 CEO Bellevue Asset Management AG
- 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, RBR Capital Ltd.

Compensation, shareholding and loans

Board of Directors

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

There was no change in the basic fee for 2011, the amount of which remains as follows (the amounts below do not include social security contributions):
- Chairman of the Board of Directors: CHF 110 000
- Other members of the Board of Directors: CHF 55 000
- Chair of Chairman/Audit Committees: CHF 15 000 extra (per committee)
- Members of Chairman/Audit Committees: CHF 10 000 extra (per committee)
- Member of a Board of Directors on behalf of Bellevue Group: usually an extra CHF 10 000 (per mandate)
- Additional all-in expenses from CHF 5000 to CHF 10 000

In 2011 director were not awarded any shares in Bellevue Group AG. In the previous year each director was awarded 500 shares.

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

Group Executive Board

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

The compensation paid to the members of the Group Executive Board consists of a basic salary and a variable salary revised annually, as a one-off payment. The current bandwidth of basic salary is ranging from CHF 240 000 to CHF 300 000 (previous year: CHF 200 000 to CHF 300 000; these and the following amounts include no social security contributions). For 2011, one member of the Group Executive Board received a basic salary increase after an evaluation of market rates for this position.

In principle, variable salary for members of the Group Executive Board is based on a performance appraisal, supported by annually agreed targets and expectations. This takes account of position, experience, personal performance and the market environment. These factors are weighted at individual level. The variable salary of the members of the Group Executive Board also forms part of the total amount of variable salary, set at individual segment level and Group-wide (cf. "Additional explanations" below). For 2011, variable salary for members of the Group Executive Board ranged from CHF 0 to CHF 125 000, or from 0% to 50% of basic salary. 70% of variable salary was paid in shares of Bellevue Group AG, subject to a two-year lock-up period.

For the previous year, variable salary for members of the Group Executive Board ranged from CHF 0 to CHF 215 000, or from 0% to 108% of basic salary. Payment was made in cash. In the case of variable salary greater than CHF 70 000, however, half the amount in excess of CHF 50 000 will not be paid until July 2012, provided notice of termination of the employment has not been given at that time (vesting).

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

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

The total amount of variable salary will be determined at operating segment level from 2010. For this purpose, in each case, an adjusted segment result will be calculated, to take account of proportionate Group costs and interest on allocated capital. Conversely, amortisation of intangible fixed assets and tax expenses are eliminated. This adjusted result is allocated in a given mathematical ratio to the shareholders and the available pool for variable salary per segment. The total pool thus calculated for 2011 amounts to CHF 0 (previous year: Group-wide CHF 1.3 million).

For 2011, discretionary variable salary totalling CHF 0.8 million was approved for the Asset Management and Group segments, as part of the budgeting process, by the Board of Directors, and delimited continuously over the year. In the previous year, the amount of this discretionary variable salary was CHF 1.1 million.

The Board of Directors may increase the pool amount if this serves the interest of sustainable development of the business. It has availed itself of this power in 2011 and increased the pool for the Bank am Bellevue segment from 0 to CHF 2.0 million. Considerations of going market rates of remuneration and the situation of the competition played a significant role in this decision. A decisive factor are direct competitors in the Zurich financial centre in the fields of brokerage, corporate finance and asset management. In the previous year, the pool of variable salary was increased at the discretion of the Board by a total of CHF 2.0 million for the Bank am Bellevue and by CHF 0.1 million for the Asset Management segment.

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

Variable salary for 2011 is paid in cash up to the amount of CHF 10 000. Above that threshold, 70% of the variable salary is paid in shares of Bellevue Group AG subject to a two-year lock-up period.

In the previous year variable salary was paid in cash up to the amount of CHF 70 000. Above that threshold, half of the amount of variable salary in excess of CHF 50 000 will not be paid until July 2012, provided notice of termination of the employment has not been given at that time.

For portfolio managers in the Asset Management segment, there are contractual obligations to pay variable salary. The variable compensation of portfolio managers is governed by the success of the products under their management. The individual teams accordingly share in the net proceeds earned by the respective product. The compensation consists of a quantitative and a qualitative element. The qualitative element is mostly only applicable if the yield outperforms the relevant index of comparison or the comparable group. No compensation is paid on the seed capital invested in the products. For 2011, the portfolio managers were paid total variable salary amounting to CHF 2.1 million (previous year: CHF 2.2 million).

In principle, the relevant team leader proposes the levels of individual variable salary for the portfolio managers. This is then approved by the CEO of the Asset Management segment. Account is taken of position, experience and personal performance. For 2011, variable salary for portfolio managers is mostly paid in a combination of cash and shares in product under the manager's management; the balance is paid only in cash (no change from previous year).

Participatory rights of shareholders

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

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

Notice convening the general meeting of shareholders

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

Placing items on the agenda

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

Registration on the share register

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

Change of control and defense measures

Mandatory public offer ("opting out")

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

Change of control clause

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

Statutory auditor

Duration of mandate and term of office of Head auditor

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

Fees paid to auditor

CHF 1 000	1.1.–31.12.11	1.1.–31.12.10
Auditing fees billed by PwC	390	370
Additional fees billed by PwC for audit-related services	57	29

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

Instruments for supvervising and monitoring the auditors

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

Information policy

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

Financial statements 2011

Consolidated income statement

CHF 1 000	Note	1.1.–31.12.2011	1.1.–31.12.2010	Change	
Interest income		1 626	2 283	–657	–29%
Dividend income		1 002	2 386	–1 384	–58%
Interest expense		–187	–162	–25	+15%
Net interest income		**2 441**	**4 507**	**–2 066**	**–46%**
Fee and commission income		37 670	48 942	–11 272	–23%
Fee and commission expense		–271	–305	+34	–11%
Net fee and commission income	3.1	**37 399**	**48 637**	**–11 238**	**–23%**
Securities trading		–2 128	–418	–1 710	n.m.
Foreign exchange trading		276	11	+265	n.m.
Net trading income		**–1 852**	**–407**	**–1 445**	**n.m.**
Income from other financial assets at fair value		–9 579	1 054	–10 633	n.m.
Income from associated companies		–2 334	–	–2 334	–100%
Other ordinary income		2 099	871	+1 228	+141%
Other ordinary expense		–6	–11	+5	–45%
Other income		**–9 820**	**1 914**	**–11 734**	**–613%**
Total operating income		**28 168**	**54 651**	**–26 483**	**–48%**
Personnel expenses	3.2	–25 722	–29 679	+3 957	–13%
Other operating expenses	3.3	–16 350	–19 305	+2 955	–15%
Depreciation	3.4	–3 891	–2 780	–1 111	+40%
Valuation adjustments and provisions	3.5	–47 042	–	–47 042	n.m.
Total operating expenses		**–93 005**	**–51 764**	**–41 241**	**+80%**
Profit before tax		**–64 837**	**2 887**	**+100 966**	**n.m.**
Taxes	3.6	123	–1 359	+1 482	–109%
Group net profit		**–64 714**	**1 528**	**–66 242**	**n.m.**
Basic earnings per share (in CHF)	3.7	–6.19	0.15	–6.34	n.m.
Diluted earnings per share (in CHF)	3.7	–6.19	0.15	–6.34	n.m.

The accompanying notes (see page 22 ff.) are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010	Change	
Group net profit in the income statement	**–64 714**	**1 528**	**–66 242**	**n.m.**
Other comprehensive income				
Currency translation adjustments	77	–388	+465	–120%
Gains and losses arising on revaluation of financial assets at fair value through other comprehensive income	1 640	1 230	+410	+33%
Profits on financial instruments transferred to other comprehensive income	–	–102	+102	n/a
Total comprehensive income	**–62 997**	**2 268**	**–65 265**	**n.m.**

The accompanying notes (see page 22 ff.) are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF 1 000	Note	31.12.2011	31.12.2010	Change	
Cash		122 731	126 998	−4 267	−3%
Due from banks	4.1	118 829	137 498	−18 669	−14%
Due from clients	4.1	13 500	18 178	−4 678	−26%
Trading portfolio assets	4.2	5 346	2 612	+2 734	+105%
Positive replacement values	4.2	1 644	12 987	−11 343	−87%
Other financial assets at fair value	4.2	63 221	96 084	−32 863	−34%
Accrued income and prepaid expenses		3 023	1 840	+1 183	+64%
Financial investments	4.3	54 728	61 490	−6 762	−11%
Associated companies		1	2 335	−2 334	+100%
Property and equipment	4.4	1 253	1 344	−91	−7%
Goodwill and other intangible assets	4.5	58 568	108 970	−50 402	−46%
Current tax assets		6 776	5 171	+1 605	+31%
Deferred tax assets		891	695	+196	+28%
Other assets		1 497	2 255	−758	−34%
Total assets		**452 008**	**578 457**	**−126 449**	**−22%**
Due to banks		16 160	28 299	−12 139	−43%
Due to customers		221 891	217 247	+4 644	+2%
Negative replacement values	4.2	1 560	9 897	−8 337	−84%
Accrued expenses and deferred income		8 559	10 759	−2 200	−20%
Current tax liabilities		2 854	3 401	−547	−16%
Deferred tax liabilities		6 176	6 561	−385	−6%
Provisions	4.6	2 460	6 811	−4 351	−64%
Other liabilities		1 721	642	+1 079	+168%
Total liabilities		**261 381**	**283 617**	**−22 236**	**−8%**
Share capital	4.7	1 050	1 050	–	–
Capital reserves		27 250	27 250	–	–
Unrealized gains and losses on financial instruments		15 170	13 530	+1 640	+12%
Currency translation adjustments		−472	−549	+77	−14%
Retained earnings		149 998	254 756	−104 758	−41%
Treasury shares	4.8	−2 369	−1 197	−1 172	+98%
Total shareholders' equity		**190 627**	**294 840**	**−104 213**	**−35%**
Total liabilities and shareholders' equity		**452 008**	**578 457**	**−126 449**	**−22%**

The accompanying notes (see page 22 ff.) are an integral part of the consolidated financial statements.

Statement of shareholders' equity

CHF 1 000	2011	2010
Share capital		
On January 1	1 050	1 050
Change in share capital	–	–
On December 31	**1 050**	**1 050**
Capital reserves		
On January 1	27 250	27 250
Change during period under review	–	–
On December 31	**27 250**	**27 250**
Currency translation adjustments		
On January 1	–549	–161
Change during period under review	77	–388
On December 31	**–472**	**–549**
Retained earnings		
On January 1	254 756	293 561
Group net profit	–64 714	1 528
Dividend	–41 880	–41 880
Income from the sale of own shares and derivatives	–103	29
Employee stock ownership plan	1 926	1 497
Other effects	13	21
On December 31	**149 998**	**254 756**
Other comprehensive income		
On January 1	13 530	12 402
Change in unrealized gains	1 640	1 230
Reclassification of unrealized profit as per IFRS 9	–	–102
On December 31	**15 170**	**13 530**
Treasury shares		
On January 1	–1 197	–1 372
Purchases	–7 502	–10 097
Disposals	6 330	10 272
On December 31	**–2 369**	**–1 197**
Total		
On January 1	294 840	332 730
On December 31	**190 627**	**294 840**

The accompanying notes (see page 22 ff.) are an integral part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1 000	Note	1.1.–31.12.2011	1.1.–31.12.2010
Cash flow from operating activities			
Group profit		−64 714	1 528
Reconciliation to net cash flow from operating activities			
Non-cash positions in Group results and other adjustments:			
Depreciation of associated companies		2 334	299
Depreciation of fixed assets	3.4	489	260
Amortisation of intangible assets	3.4	3 402	2 521
Change in provisions	4.6	−434	−4
Impairment of goodwill		47 000	–
Tax expense/benefit		958	1 359
Deferred tax expense/benefit		−581	−629
Change in fair value of financial assets and other financial assets at fair value		8 414	987
Other non-cash items		1 836	1 547
Net increase/decrease in operating assets			
Due from banks	4.1	18 669	−92 469
Due from clients	4.1	4 678	8 143
Trading positions and replacement values net	4.2	272	−4 151
Accrued income, prepaid expenses and other assets		−425	4 938
Net increase/decrease in liabilities			
Due to banks		−12 139	20 082
Due to customers		4 644	−118 284
Accrued expenses, deferred income and other liabilities		−1 121	2 158
Provisions		−3 917	–
Taxes paid		−3 110	−5 879
Cash flow from operating activities		**6 255**	**−177 594**
Cash flow from investing activities			
Purchase of property and equipment	4.4	−398	−1 414
Purchase of associated companies		–	−2 634
Investments in financial assets measured at fair value (available for sale in previous year)		–	−15 267
Divestments of financial assets measured at fair value (available for sale in previous year)		5 000	15 267
Investment in other financial assets at fair value		−2 610	−15 267
Divestment of other financial assets at fair value		25 461	9 685
Net cash flow from investing activities		**27 453**	**−9 631**

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010
Cash flow from fiancing activities		
Dividends paid	–41 880	–41 880
Net movements in treasury shares and derivatives on own shares	–1 172	175
Net cash flow from investing activities	**–43 052**	**–41 705**
Currency translation effects	77	–388
Net increase/decrease in cash and cash equivalents	**–9 267**	**–229 318**
Cash and cash equivalents at the beginning of the year	**157 995**	**387 313**
Cash and cash equivalents at the end of the year	**148 728**	**157 995**
Cash and cash equivalents comprise:		
Cash	122 731	126 998
Immediately available repo-eligible securities	25 997	30 997
Total	**148 728**	**157 995**
Further information		
Cash received as interest	1 626	2 917
Cash paid as interest	171	162
Cash received as dividends on equities	982	2 386

The accompanying notes (see page 22 ff.) are an integral part of the consolidated financial statements.

Notes to the consolidated financial statement

1 Accounting principles

1.1 Information on the Group and ist operating activities

Bellevue Group is an independent Swiss financial group domiciled in Küsnacht. It is listed on the SIX Swiss Exchange and is the parent company of both Bank am Bellevue and Bellevue Asset Management.

Founded in 1993, Bank am Bellevue is a source of expertise in the areas of corporate finance and brokerage. A highly specialized broker for Swiss and selected international stocks, the Bank has access to a global network of institutional investors. Its analysts track some 130 companies, most of which are listed on the Swiss Exchange. The Bank takes a bottom-up approach in its research activities based on the key, company-specific elements of market, money, management and momentum. Bank am Bellevue also has an independent corporate finance team that provides a wide range of services. These experienced specialists have a long track record of success in the Swiss market as well as at the international level. They are focused on the small- and mid-cap segments and assist clients in capital market transactions, private and public strategic transactions, capital structure enhancement projects and fund-raising campaigns directed at institutional investors and selected high-net-worth individuals.

Bellevue Group's second division, Bellevue Asset Management AG, is a specialized investment boutique that focuses on equity investments in high-growth areas of selected sectors and regions. Company fundamentals and research-driven stock- picking are the hallmarks of its active asset management approach. Twenty-three qualified investment specialists manage approximately CHF 1.8 billion for institutional clients. These teams operate with a high degree of autonomy and accountability and their disciplined investment decisions are made on the basis of a transparent and structured investment process. Bellevue Asset Management has ranked among the top European providers of investment products in the area of healthcare for 19 years. In addition to its investment solutions for the healthcare sector, Bellevue Asset Management concentrates on selected, high-growth regional niches. For example, it is a pioneer in the management of innovative entrepreneur investment strategies, having managed portfolios of publicly traded family- or owner-managed companies since 2006. Today, the company offers the broadest offering of entrepreneur funds in Europe. Innovative and liquid investment products with a focus on selected emerging growth regions represent another key area of expertise. A team of investment specialists with many years of experience and local roots search and identify structurally driven return potential that has not yet been fully acknowledged in the markets of Africa, particularly northern and sub-Saharan Africa, and in Central Asia and Asia proper. Bellevue Asset Management has received numerous awards from renowned rating agencies that attest to the superior quality of its investment products focused on these high-growth niches. Its services also include the management of individual institutional portfolios. This wide range of expertise is available through various investment instruments and forms and is primarily accessed through institutional and intermediate marketing channels. However, the company also serves a large number of private (OR: retail) clients through BB Biotech, an investment company whose client base encompasses Switzerland, Germany, Austria and Luxembourg as well as Spain, Italy and the UK.

Entrepreneurship, a high degree of client and company identification as well as a strong sense of responsibility have always been high priority concerns. This is also clearly evident at Bellevue Group, where employees hold a significant (majority) interest in the company's stock.

1.2 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.

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 1.3.

1.3 Changes in accounting principles and presentation

1.3.1 Implemented standards and interpretations

The following new or revised standards and interpretations were applied for the first time in fiscal year 2011:

- IAS 24 (amended, effective January 1; 2011) – Related party transactions
- IAS 32 (amended, effective February 1, 2010) –
  Classification of right issues
- IAS improvements 2010
  (various amendments, effective January 1, 2011)
- IFRIC 14 (effective January 1, 2011)
  Prepayments of a minimum funding requirement
- IFRIC 19 (effective July 1, 2010) – Debt for equity swaps

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

1.3.2 Standards and interpretations that have not yet been implemented

The following new and amended standards and interpretations have to be applied for the financial year commencing after January 1, 2011, or later. Bellevue Group is not availing itself of the possibility of early application of these innovations:

- IAS 12 (amended, effective January 1, 2012) –
  Deferred tax accounting for investment property at fair value
- IAS 28 (amended, effective January 1, 2013) –
  Investments in associates and joint ventures
- IFRS 7 (amended, effective July 1, 2011) –
  Financial instruments – disclosure
- IFRS 10 (effective January 1, 2013) – Consolidated financial statements
- IFRS 11 (effective January1, 2013) – Joint arrangements
- IFRS 12 (effective January 1, 2013) – Disclosure of interest in other
  entities

Bellevue Group has analysed the impact of the above mentioned standards and interpretations. They have no significant impact on the consolidated financial statements.

- IAS 1 (amended, effective January 1, 2012) –
  Presentation of financial statements –
  Presentation of items in other comprehensive income ("OCI")

– IAS 19 (amended, effective January 1, 2013) –
  Employee benefits – Recognition and measurement
– IAS 27 (amended, effective January 1, 2013) –
  Separate financial statements
– IFRS 9 (effective January 1, 2015) –
  Financial liabilities and derecognition of financial instruments
– IFRS 13 (effective January 1, 2013) – Fair value measurement

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

1.4 Important accounting principles

1.4.1 Consolidation principles

Fully consolidated companies
The annual consolidated financial statements comprise the annual accounts of Bellevue Group AG and its subsidiaries. All companies are consolidated that are directly or indirectly controlled by Bellevue Group AG. 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.

1.4.2 General principles

Foreign currency translation
The items contained in the financial accounts of each Group company are valued in the currency which is used in the primary business environment, in which the company operates (functional currency). The consolidated financial statements are presented in Swiss Francs, which is the functional and presentation currency of the Group.

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 eqivalents in the cash flow statement include liquid assets (cash, balances in postal checking and giro accounts, or sight deposits at the Swiss National Bank as well as clearing balances at recognized giro regional banks and clearing banks) as well as immediately availabe repo-eligible securities.

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

1.4.3 Financial instruments

Initial recognition
Purchases and disposals of financial assets are recognized in the balance sheet on the trade date. At the time of initial recognition, financial assets or financial liabilities are classified in the respective category according to criteria set forth in IFRS 9 and measured at the fair value of the consideration given or received, including directly attributable transaction costs. In the case of trading portfolio assets an 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
After first recording, the fair value of financial instruments is ascertained from listed market prices or dealers' price listings, provided that the financial instrument is traded on an active market (Level 1). Whenever possible, the fair value of other financial instruments is determined using generally recognized valuation models (Level 2). These models are based on input parameters that can be observed on the market. For a residue of financial instruments, there are no available market listings or valuation models or methods based on market prices. For such instruments, in-house valuation methods or models are used (Level 3). In such cases, the fairness of the valuation is assured by clearly defined methods and processes and by independent checks.

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

Financial investments at amortized costs
Investments in financial assets are classified at “amortized costs” if the following criteria are met: the objective of the Group is to hold the assets to collect contractual cash flows and the contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal outstanding.

A financial asset or a group of financial assets is impaired if the amount contractually due is unlikely to be collected. The reason for such an impairment may be based on counterparties or specific countries. If impairment has occurred, the book value is reduced to the collectable amount, and reflected in net income accordingly.

Interest is accrued in the period incurred using the effective interest method and shown together with dividend income in the item “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 designated to this category and accounted for as such at the time of first entry.

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

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

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

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

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

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

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

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

1.4.4 Other principles

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

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

Stock ownership plans
Employees of Bellevue Group who receive a bonus may under certain circumstances have the right or the obligation to use a part of their bonus received in cash to purchase shares in Bellevue Group AG to a discounted value. These shares are subject to a holding period. The estimated costs incurred for Bellevue Group is charged as personnel expenses on a pro rata temporis basis and changes are recorded under retained earnings.

If an employee leaves Bellevue Group before the end of the holding period, the Group has the right, but not the obligation, to repurchase the shares at the original cost.

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

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

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

Goodwill and other intangible assets

Goodwill corresponds to the difference between the purchase price paid for an enterprise acquired by Bellevue Group and its interest in the fair value of the identifiable assets, liabilities and contingent assets and liabilities of this enterprise at the time of acquisition. Goodwill is capitalized and tested for impairment at least on an annual basis, or if events or changed circumstances indicate possible 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 is recorded.

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

Income taxes

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

Tax effects arising from temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their corresponding tax values are recognized as "deferred tax assets" and "deferred tax liabilities" respectively. Deferred tax assets arising from temporary differences and from tax loss carryforwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled. Tax receivables and tax liabilities are offset when they refer to the same taxable entity, fall under the same jurisdiction, and are 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 "value adjustments and provisions" except for changes in actuarial pension provisions in accordance with the Swiss Occupational Pension Act (BVG), which are accounted for under "personnel expenses".

Pension funds

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

Under IAS 19 the defined-benefit pension plan, i.e. pension assets, pension expenses and pension obligations are valued according to the projected unit credit method. The corresponding calculations are conducted on an annual basis by qualified actuaries.

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

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

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

1 Accounting principles

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

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

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

1.4.5 Estimates, assumptions and the exercising of discretion by management

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

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

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

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

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

Review of goodwil for impairment
For the methods used, please see the note in the annexe to the consolidated financial statements, details on the consolidated balance sheet, item 4.5 "goodwill and other intangible assets" on page 36.

2 Risk management and risk control

2.1 Risk evaluation and risk policy

Risk management is based on the evaluation of risks by the Board of Directors and its ensuing risk policy, which is reviewed periodically. Independent risk control bodies 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 position, liquidity and earnings of the Group and all related risks by means of financial and risk reporting procedures commensurate with each particular level of management. Risk reports are prepared at the individual operating unit level as well as at the Group level.

2.2 Credit risk

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

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

Bellevue Group's credit lending activities are very limited in scope and credit is granted generally on a 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 reevaluation of long-term loans. Authorized limits and lending margins are monitored on a daily basis using appropriate instruments and reports. In dealings with professional counterparties (banks, brokers and institutional clients) and when investing in bonds, credit risks are assumed only with counterparties that have high (investment grade) credit standings.

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

2.3 Market risk

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

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

Trading portfolios

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 6.2 million (previous year: CHF 2.9 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 535 (previous year: +/– TCHF 261). Securities trading is conducted primarily through SIX / Virt-X.

Foreign exchange positions result mainly from client transactions. The Group does not engage in commodities trading. A presentation of the balance sheet by currency is given in section 6.1, "Balance sheet by currency," in the notes to the consolidated financial statements on page 43. The net positions are given below:

CHF 1 000	CHF	EUR	USD	Other
Net position on 31.12.2011		5 858	– 2 478	481
10% change in fair value	+/– 386			
Net position on 31.12.2010		7 748	1 862	121
10% change in fair value	+/– 973			

Other financial assets at fair value

This position consists exclusively of units held in a collective investment instrument whose assets are selectively invested by Bellevue Group within the scope of its seed financing strategy. A 10% change in fair value with respect to the year-end value would correspond to a CHF 6.3 million change in equity (previous year: CHF 9.6 million).

Financial investments

The composition of the financial investments is defined and monitored by the respective Executive Boards or by the Group Executive Board. A 10% change in market value, in relation to the end-of-year figure, would result in a change of equity of CHF 1.8 million (previous year: CHF 1.6 million) for the financial investment calculated at fair value. The fair value is calculated using the intrinsic value method.

For the period under review a positive change in value in the amount of CHF 2.0 million was recognized in the other comprehensive income (previous year: negative change in value in the amount of CHF 1.5 million).

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 parralel change in interest rates of 1% ath the Group level, the impact on the fair value of equity as at the respective dates in 2011 was consistently 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 risk refers to the risk of Bellevue Group or one of ist operating units being unable to refinance ist current or anticipated obligations on an ongoing basis at acceptable conditions. Liquidity risk refers to the risk of Bellevue Group or one of ist operating units being unable to fullfill its payment obligations when due. Whereas financing risks relate to the ability to finance business operations at all times, liquidity risks primarily concern the ability to ensure sufficient liquidity an any point in time.
Bellevue Group manages its liquidity and financing risks on an integrated basis at the consolidated level. Daily liquidity management at individual Group companies is performed by the responsible departments. Financing capacity is assured through suitable diversification of the financing sources and the provision of collateral, thus reducing liquidity risks. Liquidity, especially at Bank am Bellevue but also at other operating units, is monitored on a daily basis and is well above the regulatory requirements as specified by internal rules and external regulations.
The maturity structure of assets and liabilities is shown in section 6.2 of the notes to the consolidated financial statements on page 45.

2.5 Operational risk

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

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

2.6 Capital

The capital base serves primarily 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 payout policy, the repayment of capital or raising various forms of capital (tier 1 to tier 3). During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

Regulatory requirements
As a result of the FINMA's recognition of the fair value option described in section V of the FINMA circular 08 / 34 (adjustment of tier 1 capital), unrealized gains and losses arising from the application of the fair value option under IFRS are included in the calculation of tier 1 capital.
The scope of consolidation used for the calculation of capital in the year under review, as in the previous year, was the same as the scope of consolidation used for accounting purposes. Please refer to section 9, "Major subsidiaries," of the notes to the consolidated financial statements on page 56 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	31.12.11	31.12.10
Eligible capital [1]	**83 476**	**131 005**
Required capital		
Credit risk	15 822	20 343
Non-counterparty related risks	627	672
Market risk	1 936	1 400
Operational risk [2]	7 739	10 077
Total required capital according to Swiss regulations (FINMA)	**26 124**	**32 492**

[1] After dividend payment and cash distribution

[2] Using the Basic Indicator Approach

Ratios		
Tier 1 capital ratio	26.2%	48.2%
Ratio of eligible / regulatory capital according to Swiss regulations (FINMA)	319.5%	403.2%

3 Details on the consolidated income statement

3.1 Net fee and commission income

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010
Brokerage and Corporate Finance	20 438	27 686
Asset Management – management fees	15 354	17 890
Asset Management – performance fees	–	838
Other commission income	1 878	2 528
Fee and commission expense	–271	–305
Net fee and commission income	**37 399**	**48 637**

3.2 Personnel expenses

Salaries and bonuses	21 324	24 814
Pension cost[1)]	1 972	2 440
Other social benefits	1 891	1 953
Other personnel expenses	535	472
Total Personnel expenses	**25 722**	**29 679**

[1)] for further details see note 7.2 (page 50)

3.3 Other operating expenses

Premises	2 196	2 179
IT, telecommunications and other equipment	4 124	4 820
Travel and representation, PR, advertising	3 565	4 097
Consulting and audit fees	3 403	5 473
Other operating expenses	3 062	2 736
Total Other operating expenses	**16 350**	**19 305**

3.4 Depreciation

Depreciation of property and equipment	489	260
Depreciation of intangible fixed assets	3 402	2 520
Total Depreciation	**3 891**	**2 780**

3.5 Valuation adjustments and provisions

Value adjustment Goodwill (Impairment)	47 000	–
Additions of other provisions	42	–
Total Valuation adjustments and provisions	**47 042**	**–**

3.6 Taxes

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010
Current income taxes	818	2 181
Deferred income taxes	–941	–822
Total Taxes	**–123**	**1 359**
Pre-tax result	–64 837	2 887
Expected rate of income tax	19%	21%
Expected income tax	–12 319	606
Reasons for higher/lower admounts:		
Different tax on portions of the result taxable abroad	–191	–282
Non-deductible expenses	10 102	1 035
Intra-group dividend payments subject to tax	2 285	–
Total income taxes	**–123**	**1 359**

The expected tax on profits has been adjusted to match observed empirical values.

CHF 1 000	31.12.2011	31.12.2010
Expense related to share-based compensation	87	301
Intangible assets	2 753	3 396
Actuarial BVG provisions	–106	–218
Unrealised profits on financial instruments	3 330	2 970
Other provisions	112	112
Total deferred tax liabilities [1)]	**6 176**	**6 561**
Tax loss carry-forward	891	695
Total deferred tax assets [1)]	**891**	**695**

[1)] Deferred taxes are induced by temporary differences due to different valuation methods applied.

3.7 Earnings per share

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010
Group net profit	–64 714	1 528
Weighted average number of issued registered shares	10 500 000	10 500 000
Less weighted average number of treasury shares	–38 023	–32 635
Weighted average number of shares outstanding (undiluted)	10 461 977	10 467 365
Dilution effect	–	–
Weighted average number of shares outstanding (diluted)	10 461 977	10 467 365
Undiluted earnings per share (in CHF)	**–6.19**	**0.15**
Diluted earnings per share (in CHF)	**–6.19**	**0.15**

4 Details on the consolidated balance sheet

4.1 Due from banks and clients

CHF 1 000	31.12.2011	31.12.2010
Due from banks	118 829	137 498
of wich from securitites transaction processing	49 413	110 273
Total	**118 829**	**137 498**
Due from banks, by type of collateral		
Unsecured	118 829	137 498
Total	**118 829**	**137 498**
Due from clients	13 500	18 178
of wich private clients	7 866	8 881
of wich corporate clients	5 634	9 297
Total	**13 500**	**18 178**
Due from clients, by type of collateral		
Other collateral [1]	13 177	17 314
Unsecured	323	864
Total	**13 500**	**18 178**

[1] Securities only

4.2 Financial instruments at fair value through profit and loss

Trading portfolio assets

Equity instruments		
Listed	1 018	2 612
Unlisted	4 328	–
Total	**5 346**	**2 612**
Total portfolio assets	**5 346**	**2 612**
of which repo-eligible	–	–
of which lent or delivered as collateral	–	–

Trading portfolio liabilities

Equity instruments	–	–
Total	**–**	**–**

Open derivative instruments

CHF 1 000	Positive replacement value	Negative replacement value	Contract volume
Foreign currency as at 31.12.2010			
Forward contracts (OTC) [2]	2 848	–	45 401
of which hedge purpose	2 848	–	45 401
Equity investments as at 31.12.2010			
Futures [1]	–	–	26 119
of which hedge purpose	–	–	26 119
Options (OTC) [2]	9 897	9 897	253 691
of which hedge purpose	–	–	–
Options (exchange traded) [1]	242	–	5 571
of which hedge purpose	226	–	5 417
Foreign currency as at 31.12.2011			
Forward contracts (OTC) [2]	207	188	33 677
of which hedge purpose	82	63	29 061
Equity investments as at 31.12.2011			
Futures [1]	–	–	13 522
of which hedge purpose	–	–	9 004
Options (OTC) [2]	1 372	1 372	30 489
of which hedge purpose	–	–	–
Options (exchange traded) [1]	65	–	1 335
of which hedge purpose	65	–	1 335

[1] Level 1: listed on an active market

[2] Level 2: valuated on the basis of models with observable input factors

CHF 1 000	31.12.2011	31.12.2010
Other financial assets at fair value through profit and loss		
Investment funds subject to luxembourg law	34 131	65 750
Other investment funds	29 090	30 334
Total other financial assets at fair value through profit and loss	**63 221**	**96 084**

4 Details on the consolidated balance sheet

4.3 Finanzanlagen

CHF 1 000	31.12.2011	31.12.2010
Valued at amortized cost		
Debt instruments	34 993	44 990
of which listed	34 993	44 990
Total financial investments	**34 993**	**44 990**
Valued at fair value [1]		
Debt instruments	1 235	–
of which unlisted	1 235	–
Equity instruments	18 500	16 500
of which unlisted	18 500	16 500
Total financial investments	**19 735**	**16 500**
Total financial investments	**54 728**	**61 490**
of which repo-eligible securities	25 997	30 997

[1] Change in value is recorded under other comprehensive income

In the year under review, financial investments amounting to CHF 2 million were revalued without affecting net income. This took account of CHF 0.36 milion of deferred taxes.

4.4 Property and equipment

CHF 1 000	Furniture and fittings	IT equipment	Total
Acquisition cost			
Balance as of 01.01.2010	4 903	333	5 236
Additions	1 110	304	1 414
Disposals	–23	–	–23
Balance as of 31.12.2010	5 990	637	6 627
Additions	191	207	398
Disposals	–515	–	–515
Balance as of 31.12.2011	**5 666**	**844**	**6 510**
Accumulated depreciation			
Balance as of 01.01.2010	–4 852	–194	–5 046
Additions	–154	–106	–260
Disposals	23	–	23
Balance as of 31.12.2010	–4 983	–300	–5 283
Additions	–286	–203	–489
Disposals	515	–	515
Balance as of 31.12.2011	**–4 754**	**–503**	**–5 257**
Net carring values 31.12.2010	1 007	337	1 344
Net carring values 31.12.2011	**912**	**341**	**1 253**
Additional information on property and equipment			
Fire insurance value of property and equipment as of 31.12.2010	4 500	4 000	8 500
Fire insurance value of property and equipment as of 31.12.2011	4 500	4 000	8 500

4.5 Goodwill and other intangible assets

CHF 1 000	Bank am Bellevue	Asset Management	Total
Goodwill			
Acquisition cost			
Balance as of 01.01.2010	97 374	62 915	160 289
Balance as of 31.12.2010	**97 374**	**62 915**	**160 289**
Balance as of 31.12.2011	**97 374**	**62 915**	**160 289**
Accumulated valuation adjustments			
Balance as of 01.01.2010	–36 374	–32 915	–69 289
Balance as of 31.12.2010	**–36 374**	**–32 915**	**–69 289**
Additions	–29 000	–18 000	–47 000
Balance as of 31.12.2011	**–65 374**	**–50 915**	**–116 289**
Net carrying values 31.12.2010	61 000	30 000	91 000
Net carrying values 31.12.2011	**32 000**	**12 000**	**44 000**

The reported goodwill for the two segments “Bank am Bellevue” and “Asset Management” stems from the acquisition of the Bank am Bellevue AG and Bellevue Asset Management by Bellevue Group AG (then: swissfirst AG) in 2005. Possible goodwill impairments are assessed by determining the recoverable amount for the individual cash-geberatubg units (the smallest identifiable group of assets that gnerates cash inflows that are largely independent of the cash inflows from other assets or groups of assets) within these segments and comparing that amount with the carrying value of the respective unit.
The discounted cash flow method is used to calculate the recoverable amount. The projected free cash flows for the respective cash-generating units are estimated based on five-year financial plans. The business plans of the respective segments serve as the basis for these estimates of projected free cash flows. These cash flows are discounted to present value.
Owing to continued low business volumes and reduced income flows, the Board of Directors and Executive Board revised their assessment of future earnings downward in the summer of 2011. Consequently, goodwill impairment losses of CHF 47 million were recognized in the interim accounts and extraordinary depreciation of CHF 1 million was booked under Other intangible assets (see press release dated July 13, 2011). Impairment tests were conducted again at the end of 2011. The discount rate used in these calculations was 9.2% (previous year: 9.9%) and the assumed growth rate was 1% (previous year: 1%). No further impairment losses were identified.
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)
– brokerage fees based on the expected average turnover
– operating income and expenses

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. 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 andother reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations.
Chagnes inkey 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.

CHF 1 000	Client base	Brand	Other	Total
Other intangible assets				
Acquisition cost				
Balance as of 01.01.2010	78 617	1 179	3 237	83 033
Balance as of 31.12.2010	**78 617**	**1 179**	**3 237**	**83 033**
Balance as of 31.12.2011	**78 617**	**1 179**	**3 237**	**83 033**
Accumulated valuation adjustments				
Balance as of 01.01.2010	–58 127	–1 179	–3 237	–62 543
Additions	–2 520	–	–	–2 520
Balance as of 31.12.2010	**–60 647**	**–1 179**	**–3 237**	**–65 063**
Additions	–3 402	–	–	–3 402
thereof due to impairment	–1 000	–	–	–1 000
Balance as of 31.12.2011	**–64 049**	**–1 179**	**–3 237**	**–68 465**
Net carrying values 31.12.2010	17 970	–	–	17 970
Net carrying values 31.12.2011	**14 568**	**–**	**–**	**14 568**

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

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

2012	2 285
2013	2 285
2014	2 285
2015	2 013
2016	1 200
2017	1 200
2018	1 200
2019	1 200
2020	900
Total	**14 568**

4 Details on the consolidated balance sheet

4.6 Value adjustments and provisions

CHF 1 000	Actuarial BVG provisions	Other	2011 Total	2010 Total
Balance at the beginning of the year	1 036	5 775	6 811	6 815
Utilization in conformity with intended purpose	–	–3 917	–3 917	–
New charge to profit and loss account	–	42	42	–
Write-backs credited to profit and loss account	–476	–	–476	–4
Provisions as at the balance sheet date	**560**	**1 900**	**2 460**	**6 811**

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

4.7 Share capital/Conditional capital/Authorized capital

	Number of shares	Par value CHF 1 000
Share Capital (registered shares)		
Balance as of 01.01.2010	10 500 000	1 050
Balance as of 31.12.2010	10 500 000	1 050
Balance as of 31.12.2011	**10 500 000**	**1 050**
Conditional capital		
Balance as of 01.01.2010	1 000 000	100
Balance as of 31.12.2010	1 000 000	100
Balance as of 31.12.2011	**1 000 000**	**100**

The intended purpose of the conditional capital created at the general meeting of shareholders on December 15, 2006 is as follows:
– a sum of up to CHF 50 000 through the exercise of option rights granted to shareholders;
– a sum of up to CHF 50 000 through the exercise of option rights granted to employees and the member of the Board of Directors.
No such option rights had been granted as of the balance sheet date.

Authorized capital		
Balance as of 01.01.2010	–	–
Balance as of 31.12.2010	–	–
Balance as of 31.12.2011	**–**	**–**

4.8 Treasury shares

	Number	CHF 1 000
Own shares in trading portfolio of Bank am Bellevue		
Balance as of 01.01.2010	5 000	175
Purchases	182 739	6 669
Disposals	–185 831	–6 776
Balance as of 30.06.2010	1 908	68
Purchases	107 004	3 428
Disposals	–108 912	–3 496
Balance as of 31.12.2010	**–**	**–**
Purchases	158 941	5 155
Disposals	–153 886	–5 057
Balance as of 30.06.2011	5 055	98
Purchases	92 055	1 246
Disposals	–91 710	–1 273
Balance as of 31.12.2011	**5 400**	**71**
Treasury shares held by Bellevue Group AG		
Balance as of 01.01.2010	30 000	1 197
Purchases	–	–
Disposals	–	–
Balance as of 30.06.2010	30 000	1 197
Purchases	–	–
Disposals	–	–
Balance as of 31.12.2010	**30 000**	**1 197**
Purchases	–	–
Disposals	–	–
Balance as of 30.06.2011	30 000	1 197
Purchases	83 968	1 101
Disposals	–	–
Balance as of 31.12.2011	**113 968**	**2 298**

In connection with the share buyback program, Bellevue Group AG acquired the following shares through a second line of trading:
– In the first half of 2008, 25 000 shares at an average price of CHF 40.50
– In the first half of 2009, 5 000 shares at an average price of CHF 36.92

Bellevue Group AG acquired the shares shown below through ist first line of trading:
– 83 968 shares at an average price of CHF 13.11 in the second half of the year 2011

4.9 Assets pledged or assigned as collateral for own liabilities

CHF 1 000	31.12.2011		31.12.2010	
	Carring amount	Actual liability	Carring amount	Actual liability
Due from banks	41 063	–	55 784	–
Financial assets	25 997	–	35 994	–
Other assets	–	–	932	–
Total	**67 060**	**–**	**92 710**	**–**

5 Transactions with related parties

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

CHF	Full-year base salary	Full-year variable compensation	Share-based compensation	Social benefits	Total
Compensation paid to members of the Board of Directors					
Walter Knabenhans, Chairman	135 000	–	–	8 000	143 000
Daniel Schlatter, Vice Chairman	80 000	–	–	4 800	84 800
Thomas von Planta, Member	85 000	–	–	5 120	90 120
Daniel Sigg, Member	99 585	–	–	–	99 585
Total 01.01.–31.12.2011	**399 585**	**–**	**–**	**17 920**	**417 505**
Walter Knabenhans, Chairman	135 000	–	15 067	8 754	158 821
Daniel Schlatter, Vice Chaiman	80 000	–	15 067	5 629	100 696
Thomas von Planta, Member	85 000	–	15 067	5 942	106 009
Daniel Sigg, Member	96 209	–	15 067	6 642	117 918
Total 01.01.–31.12.2010	**396 209**	**–**	**60 268**	**26 967**	**483 444**

No compensation was paid to parties related to members of the Group Executive Board in 2011 or 2010.

CHF	Full-year base salary	Full-year variable compensation	Share-based compensation	Social benefits	Total
Compensation paid to members of the Exexutive Board					
Total 01.01.–31.12.2011	**967 870**	**94 500**	**220 500**	**320 799**	**1 603 669**
of which highest total compensation paid to: Hans-Peter Diener, CEO Bellevue Asset Management AG	279 630	21 000	49 000	92 360	441 990
of which paid to: Martin Bisang, CEO Bellevue Group AG	217 360	–	–	71 988	289 348
Total 01.01.–31.12.2010	**1 004 000**	**332 500**	**–**	**289 291**	**1 625 791**
of which highest total compensation paid to: Hans-Peter Diener, CEO Bellevue Asset Management AG	300 000	95 000	–	87 617	482 617
of which paid to: Martin Bisang, CEO Bellevue Group AG	264 000	–	–	74 210	338 210

No compensation was paid to parties related to members of the Group Executive Board in 2011 or 2010.

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

Anzahl	31.12.2011		31.12.2010	
	Shares	Call-Optionen[1)]	Shares	Call-Optionen[1)]
Share- and option-holdings of members of the Board of Directors				
Walter Knabenhans, Chairman	167 500	–	167 500	–
Daniel Schlatter, Vice Chairman	521 760	–	521 760	–
Thomas von Planta, Member	7 000	–	6 500	–
Daniel Sigg, Member	1 500	–	1 500	–
Share- and option-holdings of members of the Group Executive Board				
Martin Bisang, CEO	2 144 006	–	2 148 209	–
Daniel Koller, CFO	4 400	20 000	4 400	20 000
Serge Monnerat, CEO Bank am Bellevue	77 639	–	95 639	–
Hans-Peter Diener, CEO Bellevue Asset Management AG	18 702	–	18 702	–

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

5.3 Transactions with related companies and persons

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

CHF 1 000	Key management personnel [1]	Major shareholders [2]	Associated companies	Other related companies and persons [3]	Total
2011					
Due from clients	–	605	–	–	605
Due to clients	12 612	3 641	–	90	16 343
Interest income	–	5	–	–	5
Interest expense	–	–	–	–	–
Fee and commission income	34	293	262	1	591
2010					
Due from clients	6 164	–	–	–	6 164
Due to clients	20 827	30 942	–	105	51 874
Interest income	150	1	–	–	151
Interest expense	–	–	–	–	–
Fee and commission income	65	453	503	1	1 022

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

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

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

Loans to related parties are generally Lombard loans secured by pledged assets (securities portfolios).
The following conditions appied:

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

5.4 Employee share purchase plan

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

Number	Employees		Members of the Board of Directors and Group Executive Board	
	2011	2010	2011	2010
Holdings of restricted shares on January 1	328 912	334 898	38 602	141 602
Shares purchased with holding period	–	–	–	2 000
Shares for which the holding period has lapsed	–34 900	–	–	–105 000
Shares of employees/members who have left the Group and transfers (reduction)	–82 309	–5 986	–500	–
Holdings of restricted shares on December 31	211 703	328 912	38 102	38 602

CHF 1 000	Employees		Members of the Board of Directors and Group Executive Board	
	1.1.–31.12.2011	1.1.–31.12.2010	1.1.–31.12.2011	1.1.–31.12.2010
Expenses recognized under Personnel expenses for shares purchased at a discount	911	958	160	512
Market value of restricted shares on December 31	2 932	10 624	528	1 247
Average price of discounted shares at the time of purchase (in CHF)	n/a	n/a	n/a	38.04

6 Risk related to balance sheet positions

6.1 Balance sheet by currency

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2011					
Cash	122 731	–	–	–	122 731
Due from banks	110 445	6 161	1 712	511	118 829
Due from clients	13 349	76	75	–	13 500
Trading portfolio assets	4 929	417	–	–	5 346
Positive replacement values	1 371	198	75	–	1 644
Other financial assets at fair value	28 505	17 589	17 127	–	63 221
Accrued income and prepaid expenses	2 840	–	140	43	3 023
Financial investments	53 493	1 235	–	–	54 728
Associated companies	–	–	1	–	1
Property and equipment	1 252	–	1	–	1 253
Goodwill and other intangible assets	58 568	–	–	–	58 568
Current tax assets	6 774	–	2	–	6 776
Deferred tax assets	891	–	–	–	891
Other assets	1 363	–	134	–	1 497
Total on-balance-sheet assets	**406 511**	**25 676**	**19 267**	**554**	**452 008**
Delivery claims from spot and forward forex transactions and from forex options transactions	31 369	2 308	–	–	33 677
Total assets	**437 880**	**27 984**	**19 267**	**554**	**485 685**
Due to banks	16 160	–	–	–	16 160
Due to customers	216 975	4 343	500	73	221 891
Negative replacement values	1 371	126	63	–	1 560
Accrued expenses and deferred income	8 419	22	118	–	8 559
Current tax liabilities	2 609	–	245	–	2 854
Deferred tax liabilities	6 176	–	–	–	6 176
Provisions	2 460	–	–	–	2 460
Other liabilities	1 721	–	–	–	1 721
Equity	183 542	–	7 085	–	190 627
Total on-balance-sheet liabilities	**439 433**	**4 491**	**8 011**	**73**	**452 008**
Delivery claims from spot and forward forex transactions and from forex options transactions	2 308	17 635	13 734	–	33 677
Total liabilities and shareholders' equity	**441 741**	**22 126**	**21 745**	**73**	**485 685**
Net position per currency		**5 858**	**–2 478**	**481**	

6 Risk related to balance sheet positions

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

6.2 Maturity structure of assets and liabilities

CHF 1 000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 4 years	Due after 5 years	Total
31.12.2011							
Assets							
Cash	122 731	–	–	–	–	–	122 731
Due from banks	118 829	–	–	–	–	–	118 829
Due from clients	13 500	–	–	–	–	–	13 500
Trading portfolio assets	5 346	–	–	–	–	–	5 346
Positive replacement values	–	–	747	897	–	–	1 644
Other financial assets at fair value	63 221	–	–	–	–	–	63 221
Accrued income and prepaid expenses	–	–	2 926	97	–	–	3 023
Financial investments	–	–	5 000	14 003	34 490	1 235	54 728
Associated companies	–	–	–	–	–	1	1
Property and equipment	–	–	127	492	634	–	1 253
Goodwill and other intangible assets	44 000	–	–	2 285	6 583	5 700	58 568
Current tax assets	–	–	–	6 776	–	–	6 776
Deferred tax assets	–	–	–	891	–	–	891
Other assets	454	–	762	86	165	30	1 497
Total assets	**368 081**	**–**	**9 562**	**25 527**	**41 872**	**6 966**	**452 008**
Liabilities							
Due to banks	1 660	–	14 500	–	–	–	16 160
Due to customers	221 478	–	413	–	–	–	221 891
Trading portfolio liabilities	–	–	–	–	–	–	–
Negative replacement values	–	–	633	927	–	–	1 560
Accrued expenses and deferred income	–	–	4 945	3 614	–	–	8 559
Current tax liabilities	–	–	–	2 854	–	–	2 854
Deferred tax liabilities	–	–	108	401	4 801	866	6 176
Provisions	–	–	–	2 460	–	–	2 460
Other liabilities	–	–	1 721	–	–	–	1 721
Total liabilities	**223 138**	**–**	**22 320**	**10 256**	**4 801**	**866**	**261 381**
Liabilities							
Contingent liabilities							
Credit guarantees	–	164	16 000	–	–	–	16 164
Irrevocable commitments							
Rental commitments	5	–	512	1 449	933	–	2 899
Undrawn irrevocalbe credit facilities	–	212	–	–	–	–	212

6 Risk related to balance sheet positions

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

6.3 Fair Value of financial instruments

CHF 1 000		31.12.2011			31.12.2010	
	Book value	Fair Value	Deviation	Book value	Fair Value	Deviation
Assets						
Cash	122 731	122 731	–	126 998	126 998	–
Due from banks	118 829	118 829	–	137 498	137 498	–
Due from clients	13 500	13 500	–	18 178	18 178	–
Subtotal receivables	**255 060**	**255 060**	**–**	**282 674**	**282 674**	**–**
Financial assets	34 993	36 309	1 316	44 990	46 728	1 738
Financial assets at amortized cost	**290 053**	**291 369**	**1 316**	**327 664**	**329 402**	**1 738**
Trading portfolio assets	5 346	5 346	–	2 612	2 612	–
Positive replacement values	1 644	1 644	–	12 987	12 987	–
Other financial assets at fair value	63 221	63 221	–	96 084	96 084	–
Financial assets	1 235	1 235	–	–	–	–
Subtotal other financial assets at fair value through profit and loss	**71 446**	**71 446**	**–**	**111 683**	**111 683**	**–**
Financial assets	18 500	18 500	–	16 500	16 500	–
Financial assets at fair value	**89 946**	**89 946**	**–**	**128 183**	**128 183**	**–**
Liabilities						
Due to banks	16 160	16 160	–	28 299	28 299	–
Due to customers	221 891	221 891	–	217 247	217 247	–
Financial liabilities at amortized cost	**238 051**	**238 051**	**–**	**245 546**	**245 546**	**–**
Trading portfolio liabilities	–	–	–	–	–	–
Negative replacement values	1 560	1 560	–	9 897	9 897	–
Financial liabilities at fair value	**1 560**	**1 560**	**–**	**9 897**	**9 897**	**–**

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

CHF 1 000

31.12.2011	Level 1	Level 2	Level 3	Total
Determination of fair value				
Trading portfolios	736	4 610	–	5 346
Derivative financial instruments	102	1 542	–	1 644
Financial assets at fair value	–	62 489	732	63 221
Financial investments available for disposal	–	19 735	–	19 735
Total assets at fair value	**838**	**88 376**	**732**	**89 946**
Derivative financial instruments	40	1 520	–	1 560
Total liabilities	**40**	**1 520**	**–**	**1 560**

31.12.2010	Level 1	Level 2	Level 3	Total
Determination of fair value				
Trading portfolios	2 612	–	–	2 612
Derivative financial instruments	243	12 744	–	12 987
Financial assets at fair value	–	95 150	934	96 084
Financial investments available for disposal	–	16 500	–	16 500
Total assets at fair value	**2 855**	**124 394**	**934**	**128 183**
Trading portfolio liabilities	–	–	–	–
Derivative financial instruments	–	9 897	–	9 897
Financial investments available for disposal	–	–	–	–
Total liabilities at fair value	**–**	**9 897**	**–**	**9 897**

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

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

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

No instruments were reclassified during the period under review. There were also no level 3 transactions. All changes at level 3 were therefore attributable to changes in fair value.

7 Off-balance sheet and other information

7.1 Off-balance sheet

CHF 1 000	31.12.2011	31.12.2010
Contingent liabilities		
Credit guarantees	16 164	164
Total	**16 164**	**164**
Irrevocable commitments		
Rental commitments	2 899	4 951
Undrawn irrevocable credit facilities	212	258
of which payment obligation to “Einlagensicherung”	212	258
Total	**3 111**	**5 209**
Fiduciary transactions		
Fiduciary placements with third-party banks	–	25 248
Fiduciary credits	–	–
Total	**–**	**25 248**
Derivative financial instruments		
Positive replacement values	1 644	12 987
Negative replacement values	1 560	9 897
Negative replacement values	79 023	330 782
Securities lending and pension transactions		
Book value of liabilities from cash deposits in securities lending and repurchase transactions	–	–
Book value of own holdings of securities lent in securitites lending or provided as collateral in securities borrowing, and transferred in repurchase transactions	11 905	12 184

CHF Mio.	31.12.2011	31.12.2010
Assets under management		
Assets with management mandate	1 859	2 467
Other assets under management	1 743	2 125
Total assets under management (including double counts)	**3 602**	**4 592**
of which double counts	–392	–490
Total assets under management (net)	**3 210**	**4 102**
Net inflow/outflow of new assets	–330	–526

7.2 Employee benefit plans

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

With regard to the employee pension plans in Switzerland, contributions are paid by the employer and the employees. Under IAS 19 Swiss pension plans are regarded as defined benefit plans because they have a guaranteed interest rate and a stipulated conversion rate. With regard to pension plans that include elements of a defined benefits plan, the present value of pension obligations is determined using actuarial calculations based on the projected unit credit method. These calculations performed by independent experts are based on the number of years of service and the projected insured salary at a specified age or when entitlement to insured benefits arises (death, invalidity, termination). The most recent acutarial calculation was conducted as of December 31, 2011.

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

CHF 1 000	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Consolidated balance sheet					
Fair Value of plan assets	31 097	35 966	32 301	23 602	27 702
Present value of pension obligations	−35 588	−41 722	−38 103	−29 807	−28 438
Funding surplus/shortfall	**−4 491**	**−5 756**	**−5 802**	**−6 205**	**−736**
Unrecognized actuarial gains/losses	3 931	4 720	4 762	5 484	−286
Net pension obligations	**−560**	**−1 036**	**−1 040**	**−721**	**−1 022**
Experience adjustments on plan assets	−15.32%	−0.12%	−2.13%	−14.49%	−0.64%
Experience adjustments on plan liabilites	15.43%	−0.04%	3.93%	−7.88%	−7.21%

CHF 1 000	1.1.–31.12.11	1.1.–31.12.10	1.1.–31.12.09	1.1.–31.12.08
Consolidated income statement				
Actuarial service cost	−2 982	−2 698	−2 644	−2 185
Interest cost	−872	−1 334	−1 043	−995
Expected return on plan assets	1 654	1 486	992	1 163
Actuarial gains/losses recognized	−59	−102	−269	–
Gains/losses on elimination of discontinued business activities	–	–	–	–
Service cost for subsequent set-off	–	−124	–	–
Net pension cost for the period	**−2 259**	**−2 772**	**−2 964**	**−2 017**
Employee contributions	287	333	320	300
Expense recognized in the income statement	**−1 972**	**−2 439**	**−2 644**	**−1 717**

CHF 1 000	2011	2010	2009	2008
Movement in net assets or liabilities				
Net pension obligations at January 1	−1 036	−1 040	−721	−1 022
Expense recognized in the income statement	−1 972	−2 439	−2 644	−1 717
Employer contributions	2 448	2 443	2 325	2 018
Net pension obligations at December 31	**−560**	**−1 036**	**−1 040**	**−721**

CHF 1 000	2011	2010	2009	2008
Development of pension obligations				
At January 1	−41 722	−38 103	−29 807	−28 438
Service cost	−2 982	−2 698	−2 644	−2 185
Interest cost	−872	−1 334	−1 043	−995
Pension payments and portable benefits paid	5 759	4 824	2 918	7 938
Additions from admissions and voluntary contributions	−1 264	−4 271	−6 715	−3 777
Profit allocation	–	−124	–	–
Actuarial gains/losses	5 493	−16	−812	−2 350
At December 31	**−35 588**	**−41 722**	**−38 103**	**−29 807**
Development of plan assets				
At January 1	35 966	32 301	23 602	27 702
Expected return on plan assets	1 654	1 486	992	1 163
Employee contributions	287	333	320	300
Employer contributions	2 448	2 443	2 325	2 018
Pension payments and portable benefits paid	−5 759	−4 824	−2 918	−7 938
Additions from admissions and voluntary contributions	1 264	4 271	6 715	3 777
Actuarial gains/losses	−4 763	−44	1 265	−3 420
At December 31	**31 097**	**35 966**	**32 301**	**23 602**
Actual return on plan assets	**−1 508**	**1 442**	**2 259**	**−2 957**

	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Allocation of plan assets				
Equities	35.4%	43.4%	25.8%	15.3%
Bonds	50.4%	38.7%	51.6%	52.8%
Real estate	0.8%	0.0%	0.0%	0.0%
Other	13.4%	17.9%	22.6%	31.9%
Actuarial assumptions				
Biometric assumptions	BVG 2011	BVG 2010	EVK 2000	EVK 2000
Discount rate	2.40%	3.00%	3.50%	3.50%
Expected net return on plan assets	3.00%	4.60%	4.20%	4.20%
Expected rate of salary increases	1.50%	2.50%	2.50%	2.50%
Expected rate of pension increases	0.50%	0.50%	0.50%	0.50%

The expected return on plan assets is based on the long-term historical performance of the individual asset classes and projections of future market performance. Full payment of lump-sum capital is expected in non-madatory plans.

Estimated contributions by the employer for the 2012 business year amount to CHF 2.5 million.

7 Off-balance sheet and other information

7.3 Major foreign exchange rates

The following exchange rates were used for the major currencies:	2011		2010	
	Year-end rate	Average rate	Year-end rate	Average rate
EUR	1.21475	1.23184	1.24960	1.36970
USD	0.93855	0.88510	0.93405	1.03807

7.4 Events after the balance sheet date

No events have occured since the balance sheet date of December 31, 2011 that would have a material impact on the 2011 consolidated financial statements.

7.5 Dividend payment

The Board of Directors will propose a dividend of CHF 1.20 per registered share at the general meeting of shareholders of Bellevue Group AG on March 19, 2012. This corresponds to a total payment of CHF 12.5 millions.[1)]

[1)] Shares entitled to a dividend as of December 31, 2011, excluding own shares held directly by Bellevue Group AG.

7.6 Cash contribution

The Board of Directors will propose a cash distribution of CHF 2.13 per registered share at the general meeting of shareholders of Bellevue Group AG on March 21, 2011. This corresponds to a total payment of CHF 22.1 millions. [1)]

[1)] Shares entitled to a dividend as of December 31, 2011, excluding own shares held directly by Bellevue Group AG.

7.7 Approval of the consolidated financial statements

The Audit Committee discussed and approved the consolidated accounts during its meeting on February 23, 2012, the Board of Directors during its meeting on February 24, 2012. They will be submitted for approval at the general meeting on March 19, 2012.

8 Segment reporting

CHF 1 000	Bank am Bellevue	Asset Management	Group	Total
1.1.–31.12.2011				
Net interest income	2 533	–552	460	2 441
Net fee and commission income	22 285	15 115	–1	37 399
Net trading income	–2 095	239	4	–1 852
Other ordinary income	219	–7 505	–2 534	–9 820
Service from/to other segments	–3	451	–448	–
Total operating income	**22 939**	**7 748**	**–2 519**	**28 168**
Personnel expenses	–11 821	–12 552	–1 349	–25 722
Other operating expenses	–7 640	–6 413	–2 297	–16 350
Service from/to other segments	165	–165	–	–
Depreciation	–1 248	–2 640	–3	–3 891
thereof on intangible assets	–1 200	–2 202	–	–3 402
thereof due to impairment	–	–1 000	–	–1 000
Valuation adjustments and provisions	–29 000	–18 042	–	–47 042
thereof due to impairment	–29 000	–18 000	–	–47 000
Total operating expenses	**–49 544**	**–39 812**	**–3 649**	**–93 005**
Profit before tax	**–26 605**	**–32 064**	**–6 168**	**–64 837**
Taxes	–432	566	–11	123
Group net profit	**–27 037**	**–31 498**	**–6 179**	**–64 714**
Further information				
Segments assets [1]	344 141	98 133	9 734	452 008
Segments liabilities	236 154	21 301	3 926	261 381
Assets under management (CHF m) [2]	1 771	1 831	–	3 602
Net new money (CHF m)	–216	–114	–	–330
Capital expenditure	169	226	3	398
Number of staff (full-time equivalent) at cutoff date	39.0	43.6	2.6	85.2
Annual average number of staff (full-time equivalent)	40.4	49.2	3.4	93.0

[1] Including associated companies

[2] Including double counts

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

[1] Including associated companies

[2] Including double counts

Segment "Bank am Bellevue"

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

Segment "Asset Management"

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

"Group"

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

9 Major subsidiaries

					31.12.2011		31.12.2010	
				Share capital/	Share of		Share of	
Company	Domicile	Purpose	Currency	Nominal capital	directly	indirectly	directly	indirectly
Fully consolidated companies								
Bellevue Group AG	Kusnacht, CH	Holding	CHF	1 050 000	Parent company		Parent company	
Bank am Bellevue AG	Kusnacht, CH	Bank	CHF	25 000 000	100%	100%	100%	100%
BAB Management N.V.	Curaçao	Investment Advisor	USD	6 001	100%	100%	100%	100%
Bellevue Asset Management AG	Kusnacht, CH	Asset Management	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset Management	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
Bellevue Capital N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BEK Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BW Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
BB BIOTECH Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Steeple Partners N.V.	Curaçao	Investment Advisor	CHF	1 000	100%	100%	100%	100%
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	100%	100%	100%	100%

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 (true and fair view) are:

Under IFRS, realized gains and losses on financial assets that are valued at amortized cost and that are sold or repaid prior to final maturity are immediately recorded in the income statement. Under Swiss GAAP, such gains and losses are amortized to the stated maturity of the financial assets sold or repaid. In addition, changes in the fair value of financial investments available-for-sale are directly recognized in equity. Under Swiss GAAP , such investments are recorded at the lower of cost or market, with any changes in value recordet in the income statement.

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

Under IFRS, treasury shares are deducted from equity in the balance sheet. Gains or losses resulting from treasury shares are not recorded in the income statement; instead they are directly set off against equity. Under Swiss GAAP, own shares not held for trading purposes are reported under Financial investments and corresponding reserves tor treasury shares are declared. Gains and losses resulting from the sale of own shares are recorded in the income statement.

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

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

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

Report of the statutory auditor on the consolidated financial statements

pwc

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Bellevue Group AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 14 to 57), for the year ended 31 December 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Thomas Romer
Audit expert
Auditor in charge

Daniela Rey
Audit expert

Zürich, 24 February 2012

Bellevue Group AG

Profit and loss account

CHF 1 000	1.1.–31.12.2011	1.1.–31.12.2010
Interest income	513	677
Dividend income	–	1 200
Interest expense	–	–4
Net interest income	**513**	**1 873**
Commission income	–	–
Commission expense	–	–65
Net fee and commission income	**–**	**–65**
Securitites trading	–	–40
Net trading income	**–**	**–40**
Net income from financial assets	–755	–133
Dividend income from associated companies	–	12 000
Other ordinary income	2	8
Other ordinary expenses	–	–5
Other income	**–753**	**11 870**
Total operating income	**–240**	**13 638**
Personnel expenses	–1 290	–1 907
Other operating expenses	–2 198	–2 505
Total operating expense	**–3 488**	**–4 412**
Depreciation	–89 493	–
Profit before tax	**–93 221**	**9 226**
Taxes	–96	–96
Profit for the year	**–93 317**	**9 130**

Balance sheet

CHF 1 000	31.12.2011	31.12.2010
Assets		
Current assets		
Due from group banks	65	31 719
Due from other banks	7 390	10 438
Total cash and cash equivalent	7 455	42 157
Due from group companies	21 853	33 709
Other receivables	136	–
Net receivables	21 989	33 709
Own shares	1 101	–
Total securities	1 101	–
Total prepaid expenses and accrued income	778	456
Total current assets	**31 323**	**76 322**
Non-current assets		
Financial investments	732	934
Participations	187 799	277 294
Own shares – second line	416	969
Total non-current assets	**188 947**	**279 197**
Total assets	**220 270**	**355 519**
Due from group companies	21 918	65 428

CHF 1 000	31.12.2011	31.12.2010
Liabilities and shareholders' equity		
Liabilities		
Other liabilities	6	53
Acrrued expenses and deferred income	2 459	2 463
Total current liabilities	2 465	2 516
Total liabilities	**2 465**	**2 516**
Shareholders' equity		
Share capital	1 050	1 050
General reserves	2 135	24 347
Reserves from capital contributions	22 212	41 880
Reserves for own shares	2 369	1 197
Total statutory reserves	26 716	67 424
Total other reserves	17 419	18 591
Profit brought forward	265 938	256 808
Profit for the year	–93 317	9 130
Total disposable profit	172 621	265 938
Total shareholders' equity	**217 805**	**353 003**
Total liabilities and shareholders' equity	**220 270**	**355 519**
Due to group companies	–	–

	Anzahl	CHF 1 000
Own shares in trading portfolio of Bank am Bellevue		
Balance as of 01.01.10	5 000	175
Purchases	182 739	6 669
Disposals	–185 831	–6 776
Balance as of 30.06.10	1 908	68
Purchases	107 004	3 428
Disposals	–108 912	–3 496
Balance as of 31.12.10	**–**	**–**
Purchases	158 941	5 155
Disposals	–153 886	–5 057
Balance as of 30.06.11	5 055	98
Purchases	92 055	1 246
Disposals	–91 710	–1 273
Balance as of 31.12.11	**5 400**	**71**

Treasury shares of Bellevue Group AG		
Balance as of 01.01.10	30 000	1 197
Purchases	–	–
Disposals	–	–
Balance as of 30.06.10	30 000	1 197
Purchases	–	–
Disposals	–	–
Balance as of 31.12.10	**30 000**	**1 197**
Purchases	–	–
Disposals	–	–
Balance as of 30.06.11	30 000	1 197
Purchases	83 968	1 101
Disposals	–	–
Balance as of 31.12.11	**113 968**	**2 298**

In connection with the share buyback program, Bellevue Group AG acquired the following shares through a second line of trading:
– In the first half of 2008, 25 000 shares at an average price of CHF 40.50
– In the first half of 2009, 5 000 shares at an average price of CHF 36.92

Bellevue Group AG acquired the shares shown below through ist first line of trading:
– 83 968 shares at an average price of CHF 13.11 in the second half of the year 2011

Reserves for own shares	
Balance as of 31.12.10	1 197
Balance as of 31.12.11	**2 369**

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

Company	Domicile	Purpose	Currency	Share capital/ Nominal capital	31.12.2011 Share of directly	31.12.2011 Share of indirectly	31.12.2010 Share of directly	31.12.2010 Share of indirectly
Participations								
Bellevue Group AG	Kusnacht, CH	Holding	CHF	1 050 000	Parent company		Parent company	
Bank am Bellevue AG	Kusnacht, CH	Bank	CHF	25 000 000	100%	100%	100%	100%
BAB Management N.V.	Curaçao	Investment advisor	USD	6 001	100%	100%	100%	100%
Bellevue Asset Management AG	Kusnacht, CH	Asset managment	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset managment	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
Bellevue Capital N.V.	Curaçao	Investment advisor	CHF	1 000	100%	100%	100%	100%
BEK Partners N.V.	Curaçao	Investment advisor	CHF	1 000	100%	100%	100%	100%
BW Partners N.V.	Curaçao	Investment advisor	CHF	1 000	100%	100%	100%	100%
BB Biotech Ventures G.P.	Guernsey	Investment advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Steeple Partners N.V.	Curaçao	Investment advisor	CHF	1 000	100%	100%	100%	100%
BRF Partners N.V.	Curaçao	Investment advisor	CHF	1 000	100%	100%	100%	100%
BJ Partners N.V.	Curaçao	Holding	CHF	1 000	100%	100%	100%	100%
Medhealth N.V.	Curaçao	Holding	CHF	1 000	100%	100%	100%	100%
Medsource N.V.	Curaçao	Holding	CHF	1 000	100%	100%	100%	100%
Medcare N.V.	Curaçao	Holding	CHF	1 000	100%	100%	100%	100%
Medgrowth N.V.	Curaçao	Holding	CHF	1 000	100%	100%	100%	100%
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	100%	100%	100%	100%

Notes to the financial statements

CHF 1 000	Number of Shares	Par Value
Share capital (registered shares)		
Balance as of 01.01.2010	10 500 000	1 050
Balance as of 31.12.10	**10 500 000**	**1 050**
Balance as of 31.12.11	**10 500 000**	**1 050**

CHF 1 000	Number of Shares	Par Value
Conditional capital		
Balance as of 01.01.2010	1 000 000	100
Balance as of 31.12.10	**1 000 000**	**100**
Balance as of 31.12.11	**1 000 000**	**100**

The intended purpose of the conditional created at the general meeting of shareholders on December 15, 2006 is as follows:
– up to a sum of CHF 50 000 through the exercise of option rights granted to shareholders;
– up to a sum of CHF 50 000 through the exercise of option rights granted to employees and members of the Board of Directors;
No such optional rights had been granted as of the balance sheet date.

CHF 1 000	Number of Shares	Par Value
Authorised capital		
Balance as of 01.01.2010	–	–
Balance as of 31.12.10	**–**	**–**
Balance as of 31.12.11	**–**	**–**

Information on major shareholders

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

Shareholder or beneficial owner	31.12.2011		31.12.2010	
	Voting rights held	Number of Shares	Voting rights held	Number of Shares
Martin Bisang, Kusnacht	20.42%	2 144 006	20.46%	2 148 209
Jürg Schäppi, Rapperswil-Jona	9.66%	1 014 016	9.19%	965 175
Hans-Jörg Graf, Wollerau	8.66%	908 985	8.57%	900 000
Dieter Albrecht, Erlenbach	6.36%	667 500	6.37%	669 000
Daniel Schlatter, Herrliberg	4.97%	521 760	4.97%	521 760
Integralstiftung für berufliche Vorsorge	3.46%	363 500	–	–

Notes to the finanical statements

CHF 1 000	31.12.2011	31.12.2010
Additional information		
Liabilities to pension funds	–	–
Total amount of guarantees and pledges in favor of third parties	16 000	–
Total amount of assets assigned or pledged as security for own liablitities including assets to which title has been reserved	–	–
Total amount of off-balance sheet lease liabilities	–	–
Fire insurance value of tangible fixed assets	850	850

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

This information is given in the notes to the consolidated financial statements of Bellevue Group AG, article 5 “Transactions with related parties”, beginning on page 40.

Risk evaluation process

Information about the risk evaluation process is given in the notes to the consolidated financial statements of Bellevue Group AG, article 2 “Risk management and risk control”, beginning on page 27.

Proposal to the annual General Meeting

CHF 1 000	31.12.2011	31.12.2010
The Board of Directors proposes to the annual General Meeting of shareholders on March 19, 2012 the following allocation ot profit:		
Profit for the year	−93 317	9 130
Balance brought forward from previous year	265 938	256 808
Total Profit	**172 621**	**265 938**
Cash distribution from capital contribution reserves on eligible capital [1]	−12 463	–
Allocation to other reserves [2]	–	–
Balance carried forward to new financial year	**160 158**	**265 938**

Upon approval of this proposal, the dividend of CHF 1.20 per registered share of CHF 0.10 will be paid less the federal withholding tax of 35%

[1] Including shares held directly by Bellevue Group AG

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

The Board of Directors undertook the following transfer postings within the statutory reserves:		
General Reserves before transfer	24 347	66 227
Transfer to reserve formed from capital contributiones as per 31 December 2010	–	−41 880
Transfer to reserve formed from capital contributiones as per 16 March 2011	−22 212	–
General Reserves	**2 135**	**24 347**

At the annual general meeting on 19 March 2012, the Board of Directors will propose the following cash contribution from the reserve formed from capital contribution:		
Reserve formed from capital contributions before transfer		–
Transfer from general reseves as per 31 December 2010 3)	–	41 880
Transfer from general reseves as per 16 March 2011 3)	22 212	–
Reserve formed from capital contributions	**22 212**	**41 880**
Cash distribution as a repayment from the reserve formed from contributions to authorised capital [1]	−22 122	−41 880
Reserve formed from capital contributions after cash distribution [3]	**90**	**–**

[3] The Swiss Federal Tax Administration approved CHF 64 091 923 as a contribution to equity in a letter dated 14 March 2011. Reclassification was carried out on the basis of this notice with effect as of 16 March 2011.

Uppon aproval of this proposal, the cash distribution of CHF 2.13 per registered share of CHF 0.10 will be paid without deduction of federal withholding tax.

pwc

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Bellevue Group AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Thomas Romer	Daniela Rey
Audit expert	Audit expert
Auditor in charge	

Zürich, 24 February 2012

1

Investor Relations and Contacts

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