

Company profile

Bellevue Group is an independent Swiss financial group listed on the SIX Swiss Exchange. Established in 1993, the Company employs 120 people and operates in the three business segments of Asset Management, Investment Banking and Wealth Management.

Asset Management offers a selective and distinctive range of actively managed investment solutions for institutional and intermediary clients. Its diverse offering of top-rate investment strategies reflects the clearly profiled and complementary investment competencies of the segment's two operating units, Bellevue Asset Management AG and StarCapital AG. The former is focused on highly specialized equity strategies with a fundamental, research-driven investment approach. The global healthcare sector has been its core area of specialization for more than 20 years. StarCapital's investment philosophy is characterized by a holistic approach incorporating proprietary capital market research and an anti-cyclical bias. Competency in all asset classes is offered.

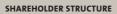
The business segments Investment Banking and Wealth Management operate within Bank am Bellevue AG, which has many years of experience in the Swiss equity and bond markets and offers top-quality Research and Corporate Finance services. Bellevue Investment Partners represents the Wealth Management segment, a new area of activity currently in the development stage. It offers premium services to entrepreneurial private clients, ranging from liquid and illiquid asset management to family offices. The offering is rounded out by a select range of classic banking services, including custodian and market-making services.



At a glance

CHF 1 000	1.131.12.2016	1.131.12.2015		Change
Profit and loss account				
Net interest income	1640	6288	-4648	-74%
Net fee and commission income	68 899	70 596	-1697	-2%
Net trading income	1480	398	+1082	+272%
Other income	-725	2736	-3461	-126%
Total operating income	71294	80 018	-8724	-11%
Total operating expenses	-70430	-79 504	+9 074	-11%
Group net profit	-1324	-818	-506	+62%
Balance sheet				
Total assets	463 710	356126	+107584	+30%
Total liabilities	304835	220166	+84669	+38%
Total shareholders' equity	158 875	135 960	+22 915	+17%
Ratios				
Earnings per share (in CHF)	-0.11	-0.08	-0.03	+38%
Undiluted earnings per share (in CHF)	-0.11	-0.08	-0.03	+38%
Diluted earnings per share (in CHF)	-0.10	-0.07	-0.03	+43%
Equity per share (in CHF)	11.80	12.99	-1.19	-9%
Cash distribution/dividend per share (in CHF)	1.00 1)	1.00	+0.00	+0%
Return on equity	-0.9%	-0.6%		-0.3%
Distribution/dividend yield ²⁾	6.4%	6.7%	_	-0.3%
Cost/income ratio ³⁾	79.9%	68.2%	_	+11.8%
Self-financing ratio	34.3%	38.2%	-	-3.9%
Assets with management mandate (in CHF mn)	7880	5330	+2550	+48%
Other assets under management (in CHF mn)	2670	1420	+1249	+88%
Total client assets (in CHF mn) 4)	10 550	6751	+3799	+56%
Number of staff (full-time equivalent) at cutoff date	111.3	86.9	+24.4	+28%
Annual average number of staff (full-time equivalent)	100.5	85.4	+15.1	+18%
Share price of Bellevue registered shares (in CHF) as per 31.12.	15.70	14.90	+0.80	+5%
Market capitalization (in CHF mn)	211	156	+55	+35%
Year high 5)	15.70	14.95	+0.75	-5%
Year low 5)	11.41	13.24	-1.83	-14%







shareholders: 49%

Proposal of the Board of Directors to the Annual General Meeting
 Calculated from share price as at 31.12.
 Defined as: business expenses (excluding depreciation and movement in provisions)/Total income (excluding income from the sale of participations, income from financial investments, and other financial assets

4) Before deduction of double counts

⁵⁾ End-of-day prices

Effective diversification of competencies

The successful integration of StarCapital AG diversified the range of investment solutions that Bellevue Group offers. Building on its strong position in the healthcare sector, the Group's existing competencies and product offering were significantly enhanced with StarCapital's multi-asset strategies, global equity and bond strategies, and ETF-based strategies. Bellevue Investment Partners also enhanced the Group's activities by adding a modern wealth management offering for entrepreneurial private clients that includes portfolio management services, asset consolidation, and family office services.

Sustainable increase in recurring revenues

The strategic concentration on recurring sources of revenue is producing increasing benefits. The percentage of total operating revenue from recurring sources rose to 81% in 2016. Higher earnings quality improves planning reliability and the viability of Bellevue Group's business model. Management attention will now focus more on increasing earnings quantity.

Assets under management at record high

Assets under management rose by 48% to a record high of CHF 7.9 billion in 2016. The Group's broader range of products and services attracted new institutional and private clients and resulted in a strong inflow of new money, up 6% versus the previous year. New money growth is targeted to grow by 5–10% p.a. and should enable the Group to pass the 10 billion mark in assets under management through primarily organic growth.

Successful IPO of BB Healthcare Trust

Bellevue's expertise as a healthcare investor was successfully transplanted to the UK with the listing (IPO) of BB Healthcare Trust on the London Stock Exchange. Investors' strong interest in Bellevue Asset Management's proven competencies in the healthcare universe is reflected in the BB Healthcare Trust's initial share issuance of CHF 191 million.

Attractive dividend policy

Bellevue Group reiterates its attractive and shareholder-friendly dividend policy. The Board of Directors will propose a tax-free cash distribution of CHF 1.00 per share from capital contribution reserves at the upcoming AGM.

ANNUAL AVERAGE NUMBER OF STAFF (FULL-TIME EQUIVALENT)

111.3

(2015: 86.9)

TOTAL CLIENTS ASSETS

CHF 10.6 bn

(2015: CHF 6.8 bn, before double counts)

PERFORMANCE STARCAPITAL STARPOINT FUND

19%

(in EUR)

NUMBER OF COMPLETED TRANSACTIONS CORPORATE FINANCE

6

(2016)

SHAREHOLDER'S EQUITIES

CHF 159 mn

(2015: CHF 136.0 mn)

DIVIDEND PER SHARE (PROPOSED)

CHF 1.00

(2015: CHF 1.00)

INCOME FROM RECURRING REVENUES

81%

(2015: 71%)

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Dear shareholders,

2016 was a turbulent year for both investors and asset managers. A correction in crude oil prices and signs of a slowdown in China's economic growth trajectory spooked global stock markets right at the beginning of the new year. The clouds that appeared early in 2016 did not go completely away as the year progressed, given the muted pace of global economic activity and geopolitical tension rippling outward from Russia and the Middle East. Investor confidence was hampered by the surprising outcome of the Brexit vote and the US presidential elections either, even though financial markets took these events in stride after an only brief period of adjustment. Monetary policy continued to act as a stimulating factor for the markets: Monetary spigots were kept wide open, especially at the European and Japanese central banks, while the Federal Reserve convinced the markets that its policy would finally be shifting course. What effects this divergence in monetary policy will have on financial markets remains to be seen.

Amid this very demanding market environment, Bellevue Group continued to execute its strategy of diversifying its income flows and focusing on recurring revenues and it also broadened its strategic footprint.

Bellevue Group's strategic business broadened

Bellevue Group selectively diversified its range of products and services last year through the successful acquisition and integration of the independent German asset manager StarCapital AG. Our clients now benefit from our enhanced investment expertise in non-healthcare sectors – we now offer investment solutions for multi-asset strategies, global equity and bond strategies, and ETF-based strategies. This strategic step forward was preceded by the first capital increase in the history of Bellevue Group. The placement

of close to three million new registered shares raised gross proceeds of CHF 32.9 million and reflects the trust our shareholders have in the forward strategy we have formulated for Bellevue Group.

In yet another strategic initiative, we began to establish a new wealth management offering for entrepreneurial private clients as a new core business area for Bellevue Group. Bellevue Investment Partners offers portfolio management, asset structuring and consolidation, and family office services for affluent families. We intend to grow this business primarily organically, but will also be screening and evaluating suitable acquisition targets.

Sustained increase of recurring revenues – stronger second half

Like all companies across the financial services industry, Bellevue Group was faced with global market downturns right from the beginning of the year. The downturns were particularly significant in the biotech and healthcare space. Thanks to an improved operating performance during the second half, supported by the acquired StarCapital AG, net fee and commission income, the Group's most important source of income, declined by only 2% to CHF 68.9 mn. While the Group's asset management business was able to increase its overall operating income slightly despite a decline in performance fees, Bank am Bellevue reported another steep drop in its operating income due to a contraction in business volumes. Recurring revenues as a percent of total Group revenues rose further to 81% (end 2015: 71%). As expected, strategic initiatives (the acquisition of StarCapital AG, launch of a wealth management service for private clients) contributed to approximately 9% higher costs at CHF 57.6 mn. These developments resulted in a 41% drop in consolidated operat-

Briefly

Group operating profit declines 41% to CHF 14.5 mn

Recurring revenues increase to 81% of total revenues

Assets under management up 48% at CHF 7.9 bn

Net new money of CHF 2.8 bn, of which CHF 341 mn organic

Profit before tax comes in just under CHF 1 mn, owing to the impairment and write-down announced in December of 2016

Tax-free cash dividend of CHF 1.00 per share proposed



Dr. Thomas von Planta

Dr. Mirjam Staub-Bisang

Dr. Daniel Sigg

ing profit. Taking into account the losses on seed capital and all depreciation, amortization and impairment charges, profit before tax amounted to CHF 0.9 mn.

The strategic progress the Group has made is momentarily obscured by impairments and write-downs and the resulting net loss reported for the year under review. We view the diversification of our earnings and steady increase in recurring revenues and the enlargement of our business model as a sturdy platform from which we will continue to execute our forward strategy and work towards a successful future of our Group.

TAX FREE CASH DISTRIBUTION

CHF 1.00

(proposed)

Asset Management: Assets under management at record high thanks to broad investment competencies

Asset Management is increasingly benefiting from the acquisition of StarCapital AG and the resulting diversification of its investment competencies as well as the enlarged offering of products and services. Fee and commission income rose by about 40% in the second half and assets under management grew by 47% to CHF 7.8 bn. The sharp increase in assets under management is solely attributed to new money inflows in the amount of CHF 2.8 bn. Besides the acquisition of Star-Capital, assets under management were boosted by organic net new money of CHF 320 mn, which represents an annualized growth rate of about 6%. Over CHF 190 mn of that inflow was from the successful listing of BB Healthcare Trust on the London Stock Exchange at the end of October. BB Healthcare Trust is an investment company that allows us to better address local investor needs in the UK. Our investment funds for non-healthcare themes are also drawing more attention,

first and foremost the BB Global Macro Fund. Its good fullyear performance attracted additional investors with the fund growing to well over CHF 300 mn in assets. BB Entrepreneur Switzerland (16%) and the BB Entrepreneur Europe Small (12%) funds both performed exceptionally well beating their benchmarks by a wide margin. StarCapital delivered excellent investment results across the asset classes, first and foremost its flagship fund Huber Strategy 1 (multi-asset, equity bias) with a performance of 20%, Winbonds plus (multi-asset, bond bias) up 12%, Starpoint (international equities) up 19% and Argos (international bonds) up 10%. The strong second half was not able to offset entirely the weakness from the first quarter of the year and segment operating profit for the year declined by 14% to CHF 21.4 mn. Our strong investment performance, the higher level of assets under management, and the resources we are investing in our investment expertise and product range will support future growth at Bellevue Asset Management.

Bank am Bellevue: Further erosion of earnings win core business, restructuring to address fundamentally changed environment

Earnings in the bank's core business continued to erode further. Brokerage activity had already subsided to a low level in the preceding year and it continued to decline in 2016 due to demanding structural and regulatory requirement. Corporate Finance earnings were substantially lower as well. The steep drop in interest income, which mostly reflects the now normalized dividend payout from SIX Group, additionally weakened the revenue base. As a result, operating income was 29% lower. Despite these developments, we will press ahead as planned with our efforts to launch wealth management operations for entrepreneurial private clients. The related investments added to the bank's cost base, resulting in an operating loss of CHF 3.6 mn.

In response to fundamental change in the Bank's operating environment (ongoing margin pressure, growing regulatory requirements, technology issues) and the resulting erosion of earnings in the Bank's core business activities, we intend to discontinue the Brokerage and Corporate Finance activities at the end of June 2017. Bank am Bellevue will continue to provide services for its custody, trading execution and market-making clients. None of the other operations at Bellevue Group will be affected by this planned restructuring.

Continuation of shareholder-friendly dividend policy

The Board of Directors reiterates its shareholder-friendly dividend policy and will propose a tax-free cash dividend of CHF 1.00 per share from capital contribution reserves at the Annual General Meeting on March 21, 2017. This proposal underscores the financial strength of Bellevue Group.

Extension of the Board of Directors

The Board of Directors will be extended by one additional member. Dr. Rupert Hengster will be proposed for election at the upcoming Annual General Meeting. Dr. Hengster is the managing partner of the firm Dr. Hengster, Loesch & Kollegen and holds a degree in law and economics. He has longtime experience in various leading positions in the asset management industry in Germany. His professional career includes positions with Commerzbank in Frankfurt, Westdeutsche Landesbank in Düsseldorf, Sal. Oppenheim in Cologne, and Edmond de Rothschild Asset Management in Frankfurt.

Outlook

The contours of the new Bellevue Group are becoming more discernible. Its focus on recurring sources of revenue will be maintained with the steady execution of our growth and diversification strategy. Our ability to adapt our business model to new realities in the financial sector and to identify and seize opportunities when they present themselves is manifested in Bellevue Asset Management's successful evolution. In the coming year, we will also focus our attention on the planned restructuring and realignment of Bank am Bellevue. In this respect, we will continue with our plans to set up innovative and best-in-class wealth management operations targeting entrepreneurial private clients who want active, personal advisory services.

The progress Bellevue Group is making can largely be traced to the hard work and highly appreciated skills and knowledge of our employees, and to the trust of our shareholders. On behalf of the Board of Directors and the Executive Board, we thank all our employees and shareholders for their great support. We also thank our clients, who inspire us every day to seek ways of creating value and meeting their needs.

Thomas von Planta

Chairman of the Board of Directors

T.P.L.





Board of Directors & Executive Board

Thomas von Planta has many years of international experience in investment banking. He initially held various executive positions at Goldman Sachs over a period of ten years and then joined Vontobel Group as Head Corporate Finance and a member of its extended executive board. In 2006 he founded CorFinAd AG, a consulting company for M&A and capital market financing transactions. Thomas von Planta earned a doctorate degree in law following his studies at the Universities of Basel and Geneva.

Dr. Mirjam Staub-Bisang, Member of the Board of Directors
Mirjam Staub-Bisang has served as CEO of Independent Capital Group AG, a Zurich-based asset management and real estate advisory firm with a focus on sustainable investments, since 2005. She previously held various executive positions in asset management, private equity, and corporate finance/M&A at Commerzbank and Merrill Lynch in London as well as at Swiss Life. An attorney-at-law, Mirjam Staub-Bisang also holds an MBA from INSEAD in Fontainebleau. She is a director at several companies, including V-Žug AG and INSEAD Fontainebleau, Singapore.

Daniel Sigg has held various senior management positions in asset management and consulting. At UBS, Daniel Sigg was Global Head of Institutional Asset Management. In 2000 he joined Times Square Capital Management in New York as President. He currently provides financial consultancy services through DHS International Advisors LLC and is a member of the Board of Directors of VP Bank, Vaduz, and Auerbach Grayson & Co. Daniel Sigg holds a doctorate degree in law from the University of Zurich and is a graduate of the Executive Management Program of Columbia University.

André Rüegg, CEO Bellevue Group and Bellevue Asset Management André Rüegg has held various executive positions in asset management since 1995. During his tenure at Julius Bär he set up global marketing and distribution activities, which he then headed for more than a decade, ultimately serving on the bank's extended management board. In 2009 he joined Bellevue Asset Management and played a key role in its strategic repositioning. Since 2012 he is responsible as CEO for Bellevue Asset Management and he was appointed to serve as CEO of Bellevue Group effective January 2016, a position he had already held on an interim basis since April 2015. André Rüegg holds a degree in economics, which he studied at the University of Zurich and at Columbia University.

Daniel Koller, CFO Bellevue Group

Daniel Koller began his career as an auditor for Ernst & Young. He subsequently joined Valartis Group, where he first served as Head Controlling and then Head Compliance. In 2008 he joined Bellevue Group. As CFO of Bellevue Group, he is responsible for all areas pertaining to finance, compliance, risk management, IT, HR and Investor Relations. Daniel Köller is a certified public accountant.

Serge Monnerat has been active in the field of Swiss equities research and brokerage for more than 20 years. He began his career at BZ Bank and then joined Bank am Bellevue in 2001, where he headed the research unit for ten years and assumed the position of CEO in 2010. Serge Monnerat holds a degree in economics from the University of Zurich.

«After the strong growth of the past two years we'll be guiding the asset management through a period of consolidation and want to reach out to new clients with our enlarged offering and grow organically.»



CEO Group interview

André Rüegg comments on Company's growth and successful diversification and the next steps ahead.

Mr. Rüegg, what would you say are the main takeaways from 2016?

Our efforts to put Bellevue Group on a wider footing and broaden its earnings base were successful, especially in Asset Management. This process of diversification began in 2015 when we bought Adamant Biomedical Investment. That acquisition enhanced our expertise in the biotech and healthcare space. In a second step, we secured access to new asset classes for our clientele through StarCapital AG and enlarged our investment competencies and product range at the same time. That transaction raised the Group's assets under management to a record high. The investment community appreciates and seeks out our expertise, and the significant organic growth in net new money is a reflection of that. Last but not least, we started to set up a wealth management service for private clients.

INCOME FROM RECURRING REVENUES

81%

(as at 12/31/2015: 71%)

Bellevue Group raised the percentage of total income stemming from recurring sources to 81%. Can that climb any higher?

In terms of planning reliability and the sustainable development of our business activities, we do want to generate as much of our revenues as possible from recurring sources. We made tremendous progress on this front in recent years and we'll maintain this strategic focus going forward. However, our earnings base will never be entirely recurring in nature. So raising the percentage of recurring earnings step by step is no longer the key issue; it's growing our earnings; that's more important now.

Asset Management was successfully realigned and expanded in recent years. What are the next goals for this unit?

We'll be guiding it through a period of consolidation after the strong growth of the past two years and we want to reach out to new clients with our enlarged offering and grow or-

ganically. Asset Management's annual organic growth target for net new money is 5% to 10%. This is ambitious, but it's also realistic. We want to pass the 10 billion mark in assets under management under our own power. That said, we will still be screening and evaluating interesting acquisition opportunities.

Bank am Bellevue remains the weak link at Bellevue Group. How do you plan to improve its earnings?

Yes, the bank's Brokerage and Corporate Finance business are definitely confronted with the steady erosion of their earnings base. Structural and regulatory changes have clearly shrunk the playing field for local brokers such as Bank am Bellevue. Unfortunately, the situation only got worse during the preceding year, despite the various measures we've taken to counteract it. We plan to hold on to the Bank, but a major strategic repositioning and revitalization effort is called for. We are not reluctant to invest in this project either, provided the investments we make help to restore the bank's profitability within a reasonable period of time. An initial step in this direction was taken with the start-up of a wealth management operation for entrepreneurial private clients. That alone will not be enough, however.

What is the difference between wealth management for entrepreneurial private clients and traditional wealth management?

Our team under the leadership of Christian Zenker is primarily targeting private clients who have become wealthy through their own business endeavors. This particular client segment seeks an experienced partner for wealth-related issues who can ideally address their specific needs. Comprehensive solutions are called for, not individual products. Therefore, besides investment solutions, our new business unit «Investment Partners» is also focusing on asset consolidation and family office services. Customized solutions will be provided drawing on the skills and resources available within Bellevue Group as well as through specialized third parties

When do you expect «Investment Partners» to start contributing to Group profits?

We are aware that it will take some time to scale up the new business operation and are therefore proceeding diligently, with calm and patience. We expect the «Investment Partners» venture to be operating at a profit in about three years' time.

What are Bellevue Group's priorities for the current year?

Revitalizing Bank am Bellevue will require much in the way of inspiration, strength, and financial resources. In the meantime, the Group will have to continue to lean on Asset Management's expanded earnings base, so maintaining and selectively bolstering its earnings power is also a priority. Organic growth is the primary objective for Bellevue Asset Management. Inorganic measures are possible in other areas of operation. We certainly won't get bored as the year goes by.

Asset Management – renewed strong growth

More progress towards the goal of broadening Asset Management's operational footprint was made during the past year and that had a positive effect on its operating results. Bellevue Asset Management's ongoing strategic evolution was evident on several fronts. Besides broadening its investment competencies, the product range was further diversified and its presence in several key markets strengthened.

After acquiring Adamant Biomedical Investments AG in 2015, Bellevue Group made another major acquisition during the year under review. The acquisition of StarCapital AG, a premier asset manager in Germany, enhanced our investment competencies and product portfolio with a range of multiasset strategies, global equity and bond funds, as well as ETF-based strategies. Germany was already a very important market for the Group before the acquisition and now, thanks to our new foothold in Oberursel/Frankfurt, StarCapital's home base, Germany has become our second domestic market. An important strategic step was also taken in the Anglo-Saxon market with the launch of BB Healthcare Trust plc, an investment company that was listed on the London Stock Exchange in 2016.

ASSET MANAGEMENT - NET NEW MONEY 2016

+ CHF 2.8 bn

(as of 12/31/2016)

Assets under management approaching 8 billion mark

Assets under management (AuM) rose 47% year-on-year to CHF 7.8 bn in 2016, which marks an all-time high. This substantial growth in the very basis of our business was fueled by the acquisition of CHF 2.5 bn in AuM from StarCapital as well as by organic net new money of CHF 320 mn, the first such inflow in several years. Investment funds and mandates attracted CHF 262 mn in new money, while the successful IPO of BB Healthcare Trust plc raised another CHF 191 mn in new AuM. BB Biotech AG, conversely, experienced a net outflow of CHF 133 mn in connection with the reduction in its share capital (cancellation of shares repurchased during 2013–2016). The market-induced negative performance contribution in the amount of CHF 270 mn diminished overall AuM growth only slightly.

Recurring sources of revenue strengthened

Performance fees for 2016 were significantly below the record level set in 2015 and a small unrealized loss on investments in own products was incurred. Nevertheless, segment income for 2016 was slightly higher at CHF 57.9 mn compared

to CHF 57.1 mn in 2015. This figure reflects the consolidated earnings of StarCapital for a period of seven months from the date of acquisition. Thanks to the continued increase in AuM, recurring revenues as a percent of total revenues also rose and now stand at 97% (2015: 93%). Although variable pay was reduced by 15%, total operating expenses rose from CHF 32.2 mn to CHF 36.5 mn. This increase of 13% was in line with expectations and mainly reflects the integration of StarCapital and outlays for ongoing growth initiatives. Operating profit of CHF 21.4 mn is less than the record-high figure of CHF 24.9 mn reported for the previous fiscal year. The cost/income ratio increased from 56% to 63%. This is a temporary increase and the ratio should fall below 60% again over the long term.

Strategic decisions crowned with success

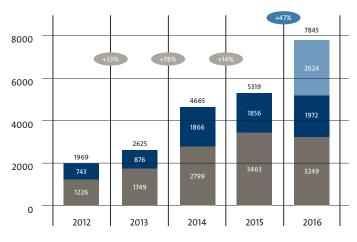
The capital increase conducted in the first half paved the way for the successful conclusion of the StarCapital acquisition. Asset Management strengthened its earnings base and achieved several important diversification-related strategic goals through this transaction: the equity bias in the product range was reduced through the inclusion of other asset classes that enhanced overall diversification and expertise in global investment strategies and themes were added to the Group's existing strong healthcare competencies.

A bridge was successfully built between Oberursel and Küsnacht: As already observed during the acquisition of Adamant Biomedical, there were no departures during the integration of StarCapital, be it employees or clients. StarCapital remains an independent organization and more personnel were recruited during the second half to strengthen its sales and portfolio management teams. We have laid the groundwork for generating further growth in Germany and other foreign markets through our new foothold in the country.

As with the acquisition of StarCapital AG, the expansion of our healthcare franchise into the UK marked another milestone in our corporate development. BB Biotech AG's excel-

DEVELOPMENT ASSETS UNDER MANAGEMENT 1)

(in CHF mn)



1) 1) Excluding assets under management at Bank am Bellevue

■ Investment trusts ■ Funds &mandates (incl. ventures)

StarCapital AG

lent performance track record has not gone unnoticed in the UK and that, along with the growing interest from local investors, set the stage for the successful listing of BB Healthcare Trust on the London Stock Exchange. This investment company gives investors access to the same proven investment expertise, but it covers the broader healthcare universe. The initial share placement raised no less than CHF 191 mn. The successful launch of this investment company was preceded by numerous meetings with investors across England, Ireland, Wales, and the Channel Islands, carried out by a highly dedicated team of professionals.

Investment performance: Volatile markets but Bellevue funds deliver solid, or even stellar, returns

2016 was a turbulent year and the healthcare segment ranked at the very bottom of the sector performance rankings for the S&P 500. Stocks of biotechnology and generics companies were exceptionally weak at the start of the year, when they shed 20% to 30% of their value. The only companies within the healthcare space that performed well and ended the year in positive territory were in the medical technology and healthcare services sectors. Generally speaking, then, 2016 was not a banner year for healthcare stocks. For BB Biotech AG shareholders, however, the correction was more moderate. In fact, even excluding the dividend payout, BB Biotech shares ended the year with a slightly positive return. Besides the recovery in its share price over the course of the year, BB Biotech's stock performance was largely attributable to the progressive reduction and eventual elimination of the discount to NAV.

In Asset Management, the advantages yielded by our efforts to diversify the business are beginning to show. StarCapital delivered excellent results across the board in what was a challenging investment year. The performance of its four flagship funds is quite impressive: Huber Strategy 1 (multi-asset, equity bias) with a performance of 20%, Winbonds plus (multi-asset, bond bias) up +12%, Starpoint (equities) up +19%, and Argos (bonds) up +10%.

The Entrepreneur strategies also delivered an exceptionally strong performance compared to the total market as well as to competing investment funds. All funds managed to beat their benchmark index, in some cases by a wide margin. First and foremost, the BB Entrepreneur Switzerland Fund with a performance of +16% and the BB Entrepreneur Europe Small Fund with a gain of +12%. BB Entrepreneur Switzerland marked its ten year anniversary in April 2016 and has almost doubled in value since inception, compared to a total return of only 45% for the SPI.

The largest contribution to organic AuM growth came from the BB Global Macro Fund. Once again, it delivered on its goal of generating a stable and positive absolute return, regardless whether markets are advancing or declining, through the pursuit of global macro strategies. This defensive strategy delivered a return of 3% in CHF in 2016 with a very low annualized volatility of only 5%.

The fast-growing African market proved to be a more challenging investment field in 2016. Commodity prices rallied and commodity stocks benefited the most of course, while consumption- and infrastructure-oriented firms were held back by a wavering commitment to reforms in certain countries. The BB African Opportunities Fund is not focused on basic resources, but on structural investment opportunities beyond the «old economy». It therefore trailed the performance of the broader market in 2016, but still managed to close the year with a slightly positive return of 1% in euros.

«The advantages yielded by our efforts to diversify the business are beginning to show.»

Focus on consolidation and organic growth

Asset Management has obviously evolved and grown stronger during the past three years, through its own internal strength and through significant acquisition activity. Our specialist competencies in our traditional investment areas have been steadily fortified and now include complementary business areas as well. At the same time, we have greatly increased our regional presence and our market visibility. We now address three core markets. The first is our domestic market, Switzerland. The acquisition of StarCapital has made Germany, already an important market before the transaction, a second domestic market. Thanks to our strong track record with BB Biotech AG and the successful launch of BB Healthcare Trust in the UK, we have also established a firm foothold in a third core market, the UK, which we are now addressing from our office in London. Further, selective expansion is planned at all three of these sites. Thanks to the valuable support we receive from our business partners in Spain and South Korea, we are also capable of extending our presence to new secondary markets.

Further acquisitions are not ruled out, yet they are not a strategic priority at the present time. Our broader product range and market reach will enable us to generate organic growth in a variety of market scenarios. As we strive to reach the ten billion mark for assets under management in the coming years, we intend to grow AuM by 5% to 10% a year via new money inflows and performance-driven gains. We believe we can achieve this through internal growth. The ongoing development of our product and service quality will play an important role here, as will the optimization of operating structures and processes with the aim of capturing more income-relevant synergies. Having established a wider footprint for the business, we can now address specialized client needs in a more flexible and targeted manner.



The premier conference for investors in Germany, a core market. Heiko Ulmer, Bellevue Senior Sales Germany, and Alexander Brühl, Senior Sales Institutionals StarCapital, expect thousands of visitors.

London, a top financial center and a key market for Bellevue: Paul Major, Co-Portfolio Manager BB Healthcare Trust, and Claude Mikkelsen, Director Investor Relations, prepare the stock market listing of the Group's new investment company.





Bellevue Group and StarCapital join forces. Peter E. Huber, founder and executive board member of StarCapital, and André Rüegg, CEO of Bellevue Group, at the signing of the agreement in Oberursel. An investor event organized by the investment company BB Biotech. Dr. Daniel Koller, Head Investment Team BB Biotech, highlights investment opportunities in the biotechnology sector.

BB Bellevue Asset Manageme



Swiss Exchange in Zurich. Corporate Finance experts Kalina Scott, Managing Director, and Lukas Keuerleber, Associate Corporate Finance, in the heart of the Swiss capital market.



Challenging year for Bank am Bellevue

2016 was a difficult year for Bank am Bellevue. The challenges were reflected in the further erosion of the bank's earnings and the resulting operating loss of CHF 3.6 mn. Negative structural trends worsened, while the countermeasures taken did not produce the desired results. Stricter regulations imposed by MiFID II and their ongoing implementation continue to overshadow the general environment for the Brokerage operations. At the same time, actively managed investment funds are experiencing a steady stream of redemptions. Client activity was down from the previous year, as reflected in the 7% drop in trading turnover on the SIX. Corporate Finance successfully managed several M&A and capital market transactions, but its results were nevertheless well below the level from the previous year. Overall operating income declined, whereas operating expenses increased, the latter due to the establishment of the Bellevue Investment Partners unit and other factors.

In view of the contraction in the Brokerage unit's earnings base in 2016 and the downward revision of its estimated future earnings, the associated goodwill and other intangible assets of CHF 10.2 mn carried in the balance sheet was completely written off.

Bank am Bellevue products generate significant alpha

Our investment recommendations continued to perform very well. The aggregate performance for 2016 was 4.3%, which beat the SMI benchmark performance by 11.1 percentage points. In view of the sustained strong performance, we launched «Bellevue Top 5», a new structured product, on April 1, 2016. Bellevue Top 5 invests in our top five quarterly recommendations as determined by our fundamental investment research. The product delivered an excess return of 8.8% compared to the performance of the SPI benchmark. In the past three quarters, we achieved a performance of +17.8%

PERFORMANCE BB RESEARCH SELECT (LUX) 2016

6.8%

(as of 12/21/2016)

in absolute terms.

Our strong alpha generation is also reflected in Bank am Bellevue's equity fund (BB Research Select, ISIN: LU0865909997), which advanced 6.8% in 2016, beating its benchmark by 5.4 percentage points. This Luxembourg UCITS fund represents a basket of stocks that generally reflects an equally weighted selection of the current buy recommendations issued by Bank am Bellevue. Our research analysts make their recom-

mendations based on a fundamental assessment of the quality of a company's management, the positioning of its products and services relative to the competition, its return on invested capital, and the valuation of its shares on the stock market

Corporate Finance – successful management of six transactions

Bank am Bellevue's Corporate Finance unit confirmed its market position as a reliable partner for corporate finance transactions amid a volatile market environment. Corporate Finance successfully conducted a total of six transactions in 2016. The team was primarily occupied with internal mandates at the beginning of the year. We advised Bellevue Group on its acquisition of StarCapital and successfully conducted a capital increase for Bellevue Group, the first in its history, on our own without a syndicate of banks.

Despite the difficult market environment, we extended our leadership role in conducting capital market transactions for healthcare sector companies, examples of which were the successful placement of shares on behalf of Molecular Partner's management and the capital increase conducted for Probiodrug on Euronext. Several transactions were postponed due to adverse market conditions. In the real estate sector, we participated in the successful IPO of Investis SA, a real estate specialist based in French-speaking Switzerland that aims to play an active role in the consolidation of the real

COMPLETED TRANSACTIONS BY CORPORATE FINANCE 2016



(2015: 6)

estate services market.

The successful technical execution of the public takeover bid for Kuoni Travel Holding on behalf of EQT (98.02% acceptance rate) and the subsequent squeeze-out were further evidence of our competencies and experience in public M&A. Thanks to investments in our trading system, we were also able to win additional market-making mandates.

Bellevue Investment Partners – third business unit set up as planned

2016 was highlighted by the establishment and start-up of a new business unit active in wealth management: Bellevue Investment Partners. A team of professionals under Christian Zenker was gradually formed in the second quarter and subsequently occupied primarily with setting up the required infrastructure and profiling its range of services. Most of this startup work was completed according to plan by the end of the year, so client acquisition and advisory activity with a convincing portfolio of services and products will begin in earnest in January 2017.

Restructuring planned due to fundamentally changed environment

In response to fundamental change in the bank's operating environment (ongoing margin pressure, growing regulatory requirements, technology issues) and the resulting erosion of earnings in the bank's core business activities, we intend to discontinue the Brokerage and Corporate Finance activities at the end of June 2017. As communicated on February 21, 2017, Bank am Bellevue will continue to provide services for its custody, trading execution and market-making clients. None of the other operations at Bellevue Group will be affected by this planned restructuring.

«Our wealth management service for entrepreneurial private clients marks an important step forward in the diversification of our earnings.»

Our attention will now focus on the planned restructuring of the bank by the middle of 2017. At the same time, we will be occupied with the bank's realignment. We intend to press ahead with our plans to set up an innovative and best-inclass wealth management operation, targeting primarily entrepreneurial private clients who want active, personal advisory services.



Zurich Central Station. Martin Schuler, Head Trading & Execution, and Serge Monnerat, CEO Bank am Bellevue, on their way to a meeting with clients. A conference for investors in our domestic Swiss market. Patrick Fischli, Head Sales Bellevue, and Dr. Cyrill Zimmermann, Head Healthcare Funds & Mandates, go over the latest investment trends before doors open for investors.





After a company visit: Samuel Stursberg, Head Research Healthcare Funds & Mandates, and Oliver Kubli, Head Portfolio Management Healthcare Funds & Mandates, assess the business results of their portfolio company. Headquarter in Küsnacht. Christian Zenker, Head Bellevue Investment Partners and Nadine Maier, Partner, discuss the vast range of wealth management services for entrepreneurial private clients.





Office in Küsnacht. René Saner, Head Sales Bank am Bellevue, and Alessandro Foletti, Head Research Bank am Bellevue, discuss the current Top 5 Research recommendations of Bank am Bellevue.



StarCapital AG – broader diversification and stronger presence in Germany

A global asset manager with enhanced and complementary investment competencies in holistic and anti-cyclical asset management and in the management of rules-based ETF strategies has been created through the merger between StarCapital AG and Bellevue Group AG with retroactive effect to January 1, 2016. The Group's presence in Germany has been strengthened by StarCapital, operating out of Oberursel near Frankfurt.

StarCapital AG is a market-oriented asset manager that has developed and offered an evolving range of investment products for individual and institutional investors since 1992. We want our clients and business partners to have a thorough understanding of the investment strategies we offer and provide them with detailed, transparent performance data on a regular basis. We also strive to build a lasting relationship with all our clients as we seek to preserve and grow the value of the assets they have entrusted to us.

19 employees with a wealth of expertise

Our team consists of 19 highly qualified professionals, of whom nine are portfolio management and capital market research experts who are responsible for the execution of the investment strategies. Five well-experienced colleagues hold client advisory and business development roles. Rounding out this team are another five specialists who are responsible for administration, middle office and risk management operations. StarCapital manages approximately CHF 2.6 bn in assets on behalf of its clients.

Holistic investment process

Given our many years of experience and proven investment expertise, we confidently screen the entire range of available asset classes for our investment solutions: In addition to global equity and fixed income funds, we manage successful multi-asset funds. A diverse family of rules-based ETF strategies (ETF-based asset allocation) rounds out the holistic profile.

Proprietary capital market research

Our investment strategies are guided by a combination of experience and scientific methods. We draw on the decades of experience of our fund managers as well as on the analysis and findings of our internal capital market research activities. Research is focused on valuations, as empirical data shows that valuation variables are key to unlocking stock market value in the long run. We screen and analyze fundamental indicators such as the Shiller CAPE or price/book ratios and

The best of two worlds

The successful union of Bellevue Group and StarCapital rests on a strong foundation: A strong conviction in the benefits and advantages an active management style, implemented with a high level of discipline and passion.

Whether specialized or holistic, all investment strategies offered by both houses seek to create value for investors through an active management style.

Experience, proven investment competence and strong convictions help us to achieve a high «active share» with a moderate asset turnover ratio in comparatively well-focused portfolios.

more than ten other indicators as well as technical indicators such as relative strength.

We always view financial markets from a holistic perspective to ensure that the assets our clients have entrusted to us are optimally invested over a long-term horizon. According to our slogan: «Seeing the whole, taking the opportunity.»

«We always view financial markets from a holistic perspective to ensure that the assets our clients have entrusted us are optimally invested over a long-term horizon.»

A particular aspect of our investment philosophy is its anticyclical approach, the advantage of which has been demonstrated in numerous studies: investors that invest anticyclically in undervalued companies achieve above-average returns over the long run. Similarly, the investment returns of attractively valued regions are likely to be far better than those of expensively valued geographies. We take advantage of such factors in our global equity strategies by investing in undervalued value stocks from the most attractive countries and sectors, with a small allocation to turnaround and GARP stocks that show weak correlations with the core investment targets and can optimize the fund's risk/return profile.

The STARS Model

The STARS ETF strategies are a holistic solution for investors who want to profit from global financial market investments, but do not want to constantly monitor their investments and make all the necessary adjustments in response to market developments.

The STARS portfolios are rebalanced on a regular basis in response to market developments. This is done by means of a rules-based investment process in which the most promising markets and asset classes worldwide are identified and then captured via low-cost ETFs. These ETFs must meet high standards to qualify for inclusion in a STARS portfolio. The cost, transparency and tradability of an ETF are just as important for the ultimate investment return as the overall global diversification of the portfolio and constant risk management.

Enlarging StarCapital's target client

We intend to augment our longs-standing and successful global bond, equities and multi-asset strategies and to enlarge our current target client base by introducing new solutions that address the needs of institutional investors. An expanded offering in the value segment backed by our internal capital market research expertise is also planned.

The business development and client advisory team was strengthened in 2016 in preparation for the expansion of our product and client base. StarCapital's knowledge of Bellevue products and services was deepened to allow it to also address German institutionals on behalf of its Swiss partner. This action was also taken in light of increasingly demanding regulatory and reporting requirements. StarCapital is thus becoming an important hub within the German market for the entire Group.

FOUNDATION

(based in Oberursel)

MEMBER OF THE BELLEVUE GROUP SINCE

(Acquisition retroactive to January 1)

NUMBER OF STAFF

(of which 9 in portfolio management)

ASSETS UNDER MANAGEMENT

CHF 2.6 bn

(as of 12/31/2016)

PERFORMANCE FLAGSHIP EQUITY FUND IN 2016

(Starpoint, in EUR)



Alexander Gerstadt (CEO) Holger H. Gachot (Deputy CEO) Markus Kaiser (CIO ETF strategies)

200 180 160 140 120 100 2008 2012 2016 StarCapital Winbonds plus A-EUR Morningstar Peer Group Multi-Asset

Defensive, EUR





STARCAPITAL TOP FUNDS

StarCapital Winbonds plus: A good mix is half the work

The StarCapital Winbonds plus Fund is a holistic, safety-oriented asset management vehicle backed by the decades of experience of the professionals in the StarCapital fund management team under Peter E. Huber. This defensive fund takes an anti-cyclical approach to investing in fixed-income securities, primarily in euros, and maintains a small allocation to equities to optimize its risk/reward profile. Capital preservation is the primary aim of this defensive investment strategy, which is guided by the latest capital market research insights as well as other tools and data.

Fund category: Defensive investment funds WKN/ISIN: AOJ23B/LUO256567925 Inception date: June 12, 2006

Base currency: Euro Total assets: EUR 544.8 mn Morningstar: 5 Star

StarCapital Argos: Optimally capturing market efficiencies with anti-cyclical investment strategies

StarCapital Argos is an international bond fund that invests in fixed-income securities throughout the global bond universe with the objective of long-term capital preservation while also achieving above-average capital growth. An active interest rates strategy allows the maturity and credit rating profiles to be constantly adjusted in response to developments in the capital market. A portion of the fund's assets can also be invested in foreign currency and in low-rated debt securities, provided it helps to improve the fund's risk-reward profile.

Fund category: International bond fund WKN/ISIN: 805785/LU0137341789 Inception date: December 11, 2001 Base currency: Euro Total assets: EUR 563.2 mn Morningstar: 5 Star

StarCapital Starpoint: Sound judgment is the best recipe for success

StarCapital Starpoint is an anti-cyclical investment fund that invests in attractively valued companies and seeks to produce an excess return relative to its benchmark. Key investment themes are set in the most promising regions through active country and sector allocation, taking into consideration long-term growth trends. Portfolio safety is enhanced by flexibly adjusting the proportion of assets, by concentrating on liquid stocks and by broadly diversifying the fund's investments.

Fund category: International equity fund WKN/ISIN:940076/LU0114997082 Inception date: July 31, 2000 Base currency: Euro Total assets: EUR 198.3 mn

Performance in EUR since inception

Interview with Peter F. Huber CIO StarCanital

How can we make money with an anti-cyclical investment strategy nowadays?

As anti-cyclical investors, we deliberately focus on top-quality companies with low valuations that are generally shunned because many investors think they don't offer enough growth potential. These companies are often active in cyclical industries that are sensitive to economic developments. They are attracting more attention now that the world economy is gaining momentum and with Trump wanting to speed it up even more. So, after years of headwinds, we have witnessed a comeback by value stocks, and that has clearly helped the performance of our equity funds.

What countries and sectors do you consider particularly attractive?

We focus on valuations rather than projections so we are currently significantly underweighted in North America, our exposure in Europe is neutral and we are significantly overweighted in Asia. We prefer stocks from sectors that stand to benefit from an upturn in economic activity and rising inflation expectations: Basic resources and energy stocks, pulp/paper producers with large forest holdings, car manufacturers, selected financial stocks, manufacturing companies and turnaround situations in the healthcare sector.

What are the biggest challenges facing investors in 2017?

Mostly political issues. Rising protectionism, the possibility of a trade war between the US and China, the ascendency of anti-EU parties in the upcoming elections. Investors shouldn't get cold feet if the ride gets bumpy and should selectively build up positions instead. If markets tack on big gains, investors shouldn't let themselves be drawn into an over-extended rally; it's better to stick to a calm and patient approach.



Challenging 2016 for healthcare investors

The healthcare sector was confronted with a variety of challenges worldwide in 2016. From a long-term perspective, the most pressing issue is how to keep public healthcare systems properly funded as the world's population gets older. Worries about greater government regulation of drug prices, as proposed by Hillary Clinton, weighed heavily on stock prices in the health sector throughout the presidential campaigns of 2016. Especially stock prices of drug manufacturers in the USA, the world's largest healthcare market with the largest number of listed companies suffered during the US presidential elections.

Trump effect

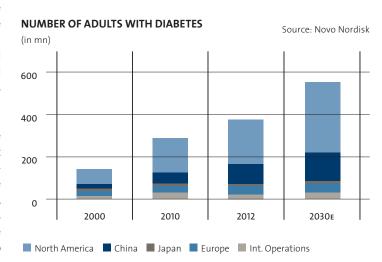
Donald Trump's surprising victory triggered an immediate surge in stock prices, following a campaign in which the Republican party candidate had said less about drug prices than his rival, Hillary Clinton. And although Trump seized on the topic in a populist touch toward the end of the year, government-imposed price controls are a very remote prospect with the Republican majority in Congress. Sweeping change to the healthcare reforms introduced under Obama or the outright repeal of Obamacare is more likely to dominate Trump's healthcare agenda. Corporation tax reform has been promised, a move that would also benefit biotech firms. And an associated repatriation of foreign profits parked abroad would give acquisition activities by pharma and biotech firms an additional boost.

However, given the current uncertainty surrounding the healthcare policy the Trump administration might pursue, it is not yet possible to say for sure whether the change of government is going to create a positive environment for the healthcare sector in the long term. In a meeting with CEOs, the new US president has said he intends to lower drug prices and shorten the pathways for regulatory approval. At the same time, he called upon pharmaceutical manufacturers to move whatever production assets they had in other countries to the United States. For manufacturers of drugs and medical devices, this could mean US import duties on the products of suppliers made in other countries in order to favor US companies.

Major changes also seem to be in store for healthcare service providers such as hospitals in the wake of Donald Trump's election victory. The current market environment calls for more flexible business models that meet the need for greater cost control while providing better-quality services. The greatest challenge will be how the ever-increasing financial burden of healthcare is distributed between the public sector, the insurance industry, and the insured. For hospital chain operators in the US, this development could lead to lower patient volumes.

Investors will have to contend with continued market volatility due to these factors of uncertainty. That said, we are confident that the healthcare sector will continue to perform well under the new administration and that it can live up to its status as a defensive anchor of stability in any investment portfolio, especially in the current market environment. Tailwind from three mega trends will help. As the world population ages, demand for medical treatments and services is growing. The second driver is the growing prevalence of unhealthy lifestyles in the wake of rising prosperity, which is fueling an alarming increase in diabetes and other lifestyle diseases. Thirdly, the growing middle class in emergingmarket countries, especially in Asia, is increasing the number of people who are willing and able to pay for better healthcare.

The current environment favors the kind of innovative therapies the biotech industry specializes in developing, particularly in areas like cancer, orphan diseases, and Alzheimer's where there is a vast unmet medical need for new therapies. Given these factors, the biotech industry is thought to have the greatest potential for growth of all the healthcare sectors. In view of the currently low valuations throughout the healthcare sector, investors have a choice of good entry points.



BB Biotech weathers a challenging market environment

Against the background of a turbulent year on financial markets, especially for biotech investors, BB Biotech ended the year with a slightly positive total return of 0.3% in CHF, significantly beating the performance of the Nasdaq Biotech Index. A combination of a stronger US dollar and the dissolution of the discount between BB Biotech AG's share price and Net Asset Value helped the shares to recover.

Attractive distribution policy maintained

Despite this difficult market environment, BB Biotech continued to build on its solid market position and is proposing a dividend of CHF 2.75 per share for 2016. This corresponds to a 5% dividend yield based on BB Biotech's average volume-weighted share price in December 2016.

DIVIDEND YIELD BB BIOTECH

5%

(CHF 2.75 per share, proposed)

Exciting 2017 as storms subside

BB Biotech expects an acceleration of important product approvals and milestone read-outs for the entire biotechnology industry and its own portfolio in 2017. Examples here are the launch of Ionis' Spinraza for spinal muscular atrophy and Niraparib for ovarian cancer and targeted cell-based cancer therapies. Looking ahead over the next few years, we believe mid-cap stocks are likely to be where the action is in

BB BIOTECH - PERFORMANCE SINCE INCEPTION

(indexed in %)





Healthy returns

One of our core areas of expertise dating back more than 20 years is the healthcare sector. We offer a diverse range of solutions to meet a large variety of investor needs and preferences, ranging from classic investment funds and customized mandates to investment trusts and even private equity.

So BB Biotech was joined by BB Healthcare Trust plc an investment company listed on the London Stock Exchange in 2016.

Bellevue's family of investment funds was enhanced with the launch of a UCITS version of the BB Adamant Healthcare Index, which addressed the growing demand for such a solution from continental European investors.

terms of innovative new therapeutic pathways. BB Biotech has addressed these prospects and in the final quarter of 2016 it built up its positions in smaller companies such as Intra-Cellular Therapeutics, Macrogenics, Juno Therapeutics, and Agios Pharmaceuticals.

We also expect the biotech sector to profit from positive signals on the regulatory front, one example of which is the passage of the 21st Century Cures Act by the US Congress in December 2016. With regard to drug pricing practices, payers have been exerting greater pressure on the pricing of newly approved drugs, especially those targeting diseases like diabetes, where the market is big and several products are already available. Conversely, oncology drug manufacturers are likely to have more power at the negotiating table in view of the significant unmet medical needs they are seeking to address. We also expect major clinical advancements in neurology.

Furthermore, the current low stock market valuations combined with the Trump administration's planned tax reforms, such as tax-friendly repatriation of foreign profits, suggest the major-league players in the biotech and pharma industries are likely to be riding a fresh wave of M&A deals in the near future. BB Biotech thus remains confident that the sector will continue to generate above-average growth and be a source of sound investment opportunities in 2017.

BB Healthcare Trust successful listing in London

With the successful listing of the investment company BB Healthcare Trust plc on the London Stock Exchange on December 2, 2016, Bellevue offers another premier investment vehicle, listed on Europe's largest stock exchange. A total of CHF 191 mn was raised in an initial offering by means of a share issuance program. This was only the third such transaction on the London Stock Exchange in 2016.

Presence in key UK market strengthened

After the successful establishment of BB Biotech AG in the UK, this listing provides investors with access to an investment company that covers all sub-segments of the healthcare industry.

IPO PLACEMENT VOLUME

CHF 191 mn

(BB Healthcare Trust, ISIN: GBooBZCNLL95)

The portfolio management team under Daniel Koller and Paul Major has years of expertise that help them to identify the most compelling investment ideas. The five largest segments targeted by the portfolio are biotechnology, medtech and services and specialty pharma with 20% each. The rest of the portfolo consists of pharma, clinical care, and others. Like BB Biotech, BB Healthcare Trust will have a high-conviction portfolio consisting of no more than 35 positions. A single position should not account for more than 10% of total portfolio assets. The management team is aiming to generate a double-digit return for investors over a rolling three-year period.

«A high-conviction investment company, focused on listed companies in the global healthcare sector.»

A distinguishing aspect of BB Healthcare Trust plc compared to other listed investment companies in Great Britain is that it intends to pay a dividend of 3.5 pence per share in its first year of business. This dividend will be generated to a large extent from its assets under management. In the years following its first year of business, BB Healthcare Trust plc will target an annual dividend yield of 3.5% based on the company's Net Asset Value.

Healthcare Index Fund now available for the broader investment community

April 2017 marked the ten-year anniversary of the Adamant Global Healthcare Index. That was reason enough to launch a sister fund under Luxembourg law. The BB Adamant Healthcare Index (Lux) Fund was registered for public distribution in Germany, Austria, Switzerland, and Luxembourg at the end of 2016. With this launch, Bellevue has addressed growing demand from investors in other countries and added yet another piece to its diverse range of sound investment vehicles for the healthcare sector.

The Adamant Global Healthcare Index was created in April 2007 to capture the attractive prospects that the global healthcare market offers to investors. The index is composed of the 40 most attractive healthcare stocks in the global universe. It is reviewed every six months in April and October and adjusted if necessary. Since inception, the index has produced an excess return of 153% relative to the MSCI World Index and of 98% relative to the MSCI World Health Care Index. The absolute performance since its launch is 188% (in USD). The success of the Adamant Healthcare Index led to the 2011 launch of a Swiss investment fund for institutional investors that replicates the index. This Swiss fund is now being followed by a Luxembourg-based fund that has been approved for sale to retail investors in Germany, Switzerland, Austria, and Luxembourg.

All growth segments in one fund

The fund effectively covers all of the high growth segments within the promising healthcare industry on a global scale. The BB Adamant Healthcare Team continuously screens about 600 of the world's 3000 listed companies in the healthcare sector based on eight criteria. Four quantitative and four qualitative parameters are applied. The qualitative parameters measure the quality and track record of a company's management team, product pipeline, and operating risks as well as country-related risks, while the quantitative parameters provide information on stock valuations. There are four regions, Western Europe, North America, Japan/Australia, and Emerging Markets, and the index is composed of the ten best stocks from each region.

Europe – great opportunities for small-cap investors

Family-run companies are not only the backbone of the European economy, they also qualify as a special asset class for investors. Entrepreneurs think in generations, not in quarters. This long-term perspective pays off in the form of higher profitability over the course of the economic cycle compared to the typical company with non-family management. Particularly in today's market environment, this strategy offers enticing investment opportunities that the Entrepreneur Team skillfully captures. Bellevue's family of Entrepreneur funds has received multiple awards of distinction.

Family-run companies have special qualities that make them stand out from other companies in the broader investment universe. These range from a well-defined business model, short chains of command, sustainable business practices, and strong balance sheets to a company culture that is conducive to strong employee identification. These characteristics are associated with innovation efficiency, high product quality and high customer retention rates, all of which are demonstrably good for a company's share price.

High conviction approach

With this in mind, our portfolio management team are constantly screening the universe of promising family-led companies from a fundamental bottom-up perspective. We seek a thorough, holistic understanding of these companies and their respective competitive position and setting, after which we extensively model their overall prospects based on sales growth, earnings potential, and cash flows. We have also developed an entrepreneurial due diligence scoring model that rates entrepreneur-specific qualitative factors. The team holds more than 350 meetings a year with executives from these companies so it is always abreast of the latest developments. These meetings can produce important insights that can't be gleaned by perusing an annual report, for example.

NUMBER OF COMPANY VISITS OF THE ENTREPRENEUR TEAM

350

(annually)

The small-cap opportunity

We focus our search for compelling investment stories for the BB Entrepreneur Europe Small Fund on stocks with a market cap of less than EUR 2 bn. European small caps are particularly attractive and they have been a steady source of outperformance for the past months. The MSCI Europe Small Index has produced a cumulative return of 33% during the

Top-Picks 2016

A Norwegian E&P company that turned over a new leaf after the renegotiation of its bank loans two years earlier under in extremis conditions.

A salmon producer on the Faroe Islands tha boasts the best margins in the industry.

An Austrian supplier of refractory materials to steel and cement producers that is a global leader and targeting new pockets of profitable growth.

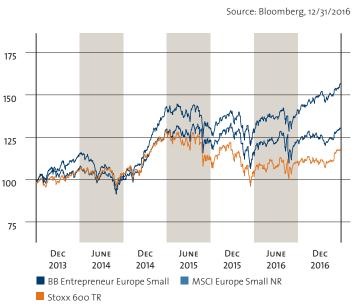
A Geneva-based transducer specialist that generates half of its sales in Asia and is benefiting from the global trend towards electrification.

A German factory automation equipment provider at the cutting edge of image-processing systems and growing its top line at an impressive rate.

past three years compared to +20% for the broader market tracked by the Stoxx 600 TR Index. The BB Entrepreneur Europe Small Fund stands out with a stellar performance of 59% and it recently received the prestigious Best Equity Fund Europe Small & Mid Caps over the 3-year period from Thomson Reuters Lipper. The BB Entrepreneur Switzerland Fund is also proud to be the top-ranked fund in the Equity Switzerland category for the 10-year period. Bellevue's family of Entrepreneur funds grew during the past year. In response to increased investor demand, Bellevue launched a Luxembourg-based copy of the Swiss BB Entrepreneur Switzerland fund and registered it in Germany, Switzerland, and Austria. The new fund is a sister fund of the Swiss Entrepreneur fund that was launched more than ten years ago and it rounds out our offering of Entrepreneur strategies, which includes the BB Entrepreneur Europe Fund and the BB Entrepreneur Europe Small Fund.

BB ENTREPRENEUR EUROPE SMALL - 3-YEAR-PERFORMANCE

(in EUR, indexed in %)



BB Global Macro's recipe for success also enhances overall portfolio stability

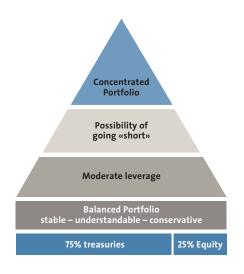
The objective of many investors today is to achieve a positive return in absolute terms at the end of every year regardless of the market environment. Absolute return strategies have the requisite flexibility to profit from both declining and advancing markets. Despite difficult market conditions, the BB Global Macro Fund achieved a performance of 3.7% on low annualized volatility of 5.2%. Its recipe for successful investment results also drew in new capital, raising the fund's total assets well above the CHF 300 mn mark.

Positive returns – regardless of what direction the market is moving

Many investors want to achieve consistently positive returns on their investments from one year to the next. That may seem a rather modest goal but it is definitely challenging in an age of negative interest rates. It used to be that government bonds produced a reliable and attractive flow of income but now many of the bonds issued by Western governments are trading on a negative yield. Investors apparently have no choice but to invest in stocks if they want a positive return on their investments.

Direct exposure to equities is not suitable for every investor, however, given the higher risks that entails. Absolute return strategies within a UCITS fund vehicle are a viable alternative for investors with conservative investment styles and profiles. The BB Global Macro (Lux) Fund has consistently achieved attractive returns across very divergent market environments. Its approach to asset management makes posi-

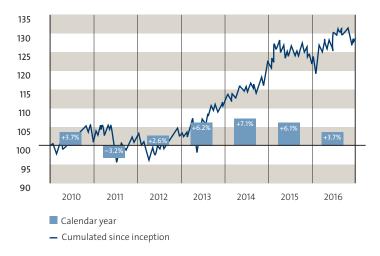
INVESTMENT STRATEGY - EXTENDED BALANCED PORTFOLIO



BB GLOBAL MACRO - PERFORMANCE SINCE INCEPTION

(in EUR, indexed in %)

Source: Bloomberg, 12/31/2016



tive returns a reality, regardless of the general sentiment and environment on financial markets.

A flexible, market-neutral, multi-asset portfolio with a high degree of stability

BB Global Macro is not bound by a specific benchmark. This gives its managers considerable latitude as to how they manage the market-neutral portfolio, consisting of 25% equities and 75% fixed income. They can seek out the most promising stock and bond markets around the world and can also short individual markets depending on the market situation. A generally conservative positioning has been maintained for the fund's market-neutral multi-asset portfolio along with a high degree of stability. Furthermore, with today's low interest rates, leverage can be added to the portfolio at low cost. Typically limited to a range of 20 to 50%, adding leverage to the portfolio can boost annual returns by 1 to 2 percentage points. Equities, global government bonds, foreign exchange, and commodities are the building blocks that are used to create the fund's flexible multi-asset portfolio.

Asset allocation supported by a proprietary «Risk Engine»

Risk management constitutes an integral part and determinant of the overall investment process. Bellevue has developed a proprietary risk management software program and various quantitative models have been integrated into this «risk engine». The investment universe is large. The software analyzes stocks listed in more than 50 countries and bonds denominated in ten currencies. The portfolio management team identifies investment ideas that are congruent with a specific risk profile. These are then simulated in the risk model to determine their impact on existing portfolio positions. Portfolio risk is kept constant over time by adhering to and monitoring explicit daily risk levels. There are also clear guidelines regarding portfolio diversification.



Klaus Mudra

Simon Lutz

Bellevue Investment Partners – independent partner for entrepreneurial wealth

Bellevue Group was established in 1993 by entrepreneurs who were committed to developing innovative and sound investment ideas for institutional clients. From day one, our hallmark as a truly independent Swiss financial boutique has been an investment culture that is shaped and guided by entrepreneurial innovation.

A few years ago, in our ongoing efforts to build on this sturdy foundation, we identified affluent and high net-worth clients as a potential new business field. In 2016, the foundation stone was laid with the creation of a team of professionals who share the conviction that an independent and highly innovative and agile organization is imperative when offering wealth advisory services for the affluent, given the many changes that have swept through the wealth management industry and with more to come on the horizon.

We believe our setup is conducive to growing long-lasting relationships rooted in trust where clients can say with confidence that their best interests always come first and that they are engaged in an inspiring interaction with their advisors. The Bellevue Investment Partners unit endeavors to create value for the client from an objective standpoint, be it by deploying its own best-in-class solutions or by working with an impartial selection of third-party providers who have excelled against the competition.

Order execution and trading infrastructure has to a large extent been outsourced to custodian banks that are cost-efficient thanks to their economies of scale, which, in turn, benefits our clients, too. The services Bellevue Investment Partners offers

- 1) We manage liquid and illiquid assets
- 2) We establish and oversee family offices

Bellevue Investment Partners as a wealth manager

Clients without the need for comprehensive advisory services can entrust us with the management of their financial assets, in part or whole. We make use of the entire spectrum of asset classes when managing client assets. If necessary, we will also engage external specialists who meet our strict selection criteria to perform specific tasks. Our services in this field are likewise based on Bellevue's successful active, high-conviction investment philosophy, and we will diverge from the broad market indices in the quest for attractive risk-adjusted returns. Individual client needs are important parameters for the overall portfolio structure and will be duly taken into consideration.

Bellevue Investment Partners as a family office

Our positioning as an independent boutique makes us an ideal partner for setting up and maintaining a family office on behalf of clients. The strategic dialog that we conduct

Establishement and operation of a family office

Project start

Start of a strategic dialog to map the status quo and determine the optimal setup

Initial setup & structure

Build a strategic roadmap Define the appropriate tax structures

Provide guidance/training for family members

Design expedient legal structures

Investments

Evaluate and select wealth managers ("beauty contest")

Prepare second opinions, price negotiations

Launch Investment Office/ Committee

Controlling

Establish a consolidated wealth reporting system for controlling purposes and as decision-making platform

Manage record keeping/ accounting system

Liquidity planning
Role as «virtual CFO»
Liquidity planning

Services

Providing services with respect to:

- Administration
- Project management/ support
- Concierge

...



Patrick Jung Nadine Maier Christian Zenker Michael Wahren

with clients from the very beginning and at every step thereafter is a vitally important part of this offering. Together with our clients, we produce a «strategic roadmap» that serves as a compass for all parties and clarifies client views, goals, and guidelines, thereby ensuring that we never lose sight of what's important for the client.

We provide our clients with comprehensive assistance in setting up long-term solutions for the management of their assets and the related administrative tasks and processes in accordance with their wishes. We can also engage a network of competent external specialists for specific tasks and projects upon request.

Our guiding principles

Our relationship with clients:

- Partnership: Our relationships with clients are imbued with a spirit of partnership on an equal footing. We seek to build and maintain multi-generational relationships as we help our clients reach their specific strategic goals.
- Common interests: We want to act solely in the best interests of our clients. This begins with a transparent schedule of fees that is free of any conflicts of interest. Performance-based fees may be charged if appropriate.
- Independence: We want to be intellectually independent and form our opinions without any distractions from product factories or dysfunctional incentives. We discourage a herd mentality by promoting a culture of free expression and a competitive «marketplace of ideas».

Our investment approach:

- Risk-adjusted return: The risk-adjusted return is the paramount aspect of our active, high-conviction investment culture. As business professionals, we believe risks should only be taken given the prospect of an adequate reward.
- An affinity for innovation: We know no boundaries in our quest for innovation. We will also work with young, innovative newcomers provided they meet our quality standards.
- Agility: Direct and short lines of communication enhance our agility as we contend with constantly changing conditions

The platform from which we operate:

- Technology: We strongly believe technology is essential for client satisfaction. We use technology to develop solutions that support our clients in the management of their assets and contribute to value creation, be it in the monitoring of the progress made towards the given objectives or in the monitoring of risk, or to create sound decision-making tools or simple and secure communications channels.
- Solidity: As a company that is largely in the hands of its founders and employees, we abide by the strictest of regulatory standards. To protect our clients, corporate stability risks are deliberately minimized through custodian bank diversification and by maintaining a very solid capital base.

Investment solutions

Investment policy

Documentation of investment guidelines to ensure attainment of individual goals for preserving or growing investment assets

Multi Asset Class Portfolios

Strategies for attaining individual risk/reward goals over various time horizons:

- · For preserving capital
- For growing capital

Our portfolios do not track any specific benchmarks unless explicitly so requested.

Listed stocks

«High conviction» portfolios focused on global/regional equities or investment themes

Sustainable and responsible investment criteria (ESG/SRI) can be adhered to

Unlisted assets

Loans: Diversified direct lending to CH/D SMEs (direct/collective)

Investment ideas for private equity and real estate (direct/collective)

Impact investing



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Information relating to corporate governance

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

Law and regulations

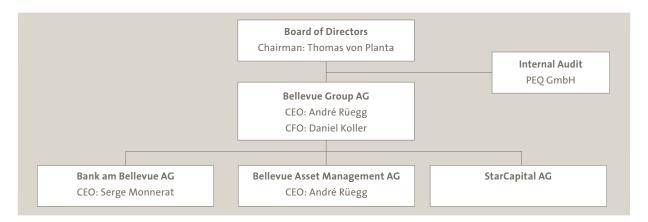
Bellevue Group is governed by Swiss law, specifically the laws on banking, shareholding and the stock market, and the regulations of the Swiss stock exchange (the SIX Swiss Exchange).

The SIX Swiss Exchange AG issued a "Directive on Information relating to Corporate Governance", which entered into effect on 1 July 2002. The following information meets the requirements of this directive (in the current version of 1 September 2014) and takes account of the SIX commentary last updated on 20 September 2007. If information required by this directive is published in the Notes to the financial statements, a reference indicating the corresponding section of the notes is given.

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

Group structure and shareholders

Corporate structure as of 31 December 2016



Scope of consolidation

The companies consolidated by Bellevue Group are listed, together with information regarding their domicile and share capital and the interest held by the Group, in the notes to the consolidated financial statements, note 9 «Major subsidiaries» on page 100.

Major shareholders

Based on the notifications received and published by Bellevue Group AG or the information of the share register, the following parties hold a significant voting rights:

Shareholder or beneficial owner	Voting rights held	31.12.2016 Number of shares held	Voting rights held	31.12.2015 Number of shares held
Martin Bisang, Küsnacht	20.43%	2750000	20.06%	2100006
Jörg Bantleon, München (Germany)	10.35%	1392890	n/a	n/a
Jürg Schäppi, Rapperswil-Jona	7.04%	947 283	9.05%	947 175
Daniel Schlatter, Herrliberg	3.93%	529 200	4.98%	521760

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

Cross-shareholdings

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

Capital structure

Capital

The company's share capital amounts to CHF 1346 143, consisting of 1346 1428 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.

Conditional capital and authorized capital

Information on the Details of conditional and authorized capital is given in note 4.9 on page 79.

Capital changes

Information on the composition of capital and the changes of the past three years and on conditional and authorized capital is given in the statement of shareholder's equity on page 55 and in note 4.9 on page 79. For information on earlier periods, please refer to the relevant annual reports.

Restriction of the transferability and nominee registrations

The transfer restrictions and the rules regarding nominee registrations are based on Article 5 of the Articles of Association.

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

Board of Directors

The Board of Directors of Bellevue Group AG consists of the following persons as per 31 December 2016:

Name	Function	Nationality	Member of Board Committee 1)	First elected	Elected until
Dr. Thomas von Planta ²⁾	Chairman	СН	CC ^{3),} AC ⁴⁾	2007	2016
Dr. Daniel H. Sigg ²⁾	Member	CH	CC, AC ³⁾	2007	2016
Dr. Mirjam Staub-Bisang ²⁾	Member	CH	CC, AC	2015	2016

 $^{^{\}scriptsize{\parallel}}$ Further information on the committees is given below under «Internal organization»

CC: Compensation Committee

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

Dr. Thomas von Planta, born 1961

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

Dr. Daniel H. Sigg, born 1956

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

Dr. Mirjam Staub-Bisang, born 1969

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

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

³⁾ Chairman

AC: Audit Committee

⁴⁾ Membership in AC required due to minimum size according to AC rules 3

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.

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

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

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

Internal organization

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

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

Compensation Committee (CC)

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

Audit Committee (AC)

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

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

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

Internal Audit

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

Definition of powers of authorization

Board of Directors

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

Group Executive Board

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

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

Information and control instruments relating to the Group Executive Board

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

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

Group Executive Board

The Group Executive Board comprised the following persons as at 31 December 2016:

Name	Function	Nationality	
A 170"	CEO Bellevue Group	CII	
André Rüegg	CEO Bellevue Asset Management	CH	
Daniel Koller	CFO	CH	
Serge Monnerat	CEO Bank am Bellevue	CH	

Additional information on the members of the Group Executive Board:

André Rüegg, born 1968

- Business and economics degree, University of Zurich
- Since 2009 with Bellevue Group, Head Sales & Marketing, since 1 January, 2012 CEO Bellevue Asset Management AG,
- since 1. January 2016 in addition CEO Bellevue Group 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.
 - Chairman of the Board of Directors, Bellevue Funds (Lux) SICAV

Daniel Koller, born 1970

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

Serge Monnerat, born 1969

- Business and economics degree, University of Zurich
- Since 2001 with Bellevue Group, Head Research Bank am Bellevue AG, since March 30,
- 2010 CEO of Bank am Bellevue AG
- 1994–2000 with BZ Group

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

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

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

Compensations, shareholdings and loans

Information on compensation, shareholdings and loans can be found in the Compensation Report on page 38.

Participatory rights of shareholders

Voting rights restrictions and shareholder representation

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

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

Statutory quorums

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

Notice convening the general meeting of shareholders

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

Placing items on the agenda

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

Registration on the share register

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

Change of control and defense measures

Mandatory public offer («opting out»)

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

Change of control clause

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

Statutory auditor

Duration of mandate and term of office of Head auditor

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

Fees paid to auditor

CHF 1000	1.131.12.2016	1.131.12.2015
Auditing fees billed by PwC	587	517
Additional fees billed by PwC for audit-related services	-	202

The additional fees in the previous year primarily concern services in connection with projects and audit-related services. These services provided by the auditor are compatible with its auditing duties as external auditor.

Instruments for supervising and monitoring the auditors

The Board of Directors is responsible for the supervision and control of the statutory auditor and the Group auditor and it is supported in this function by the Audit Committee (AC). The AC receives and evaluates reports from representatives of the external auditors on a regular basis. It confers regularly with the Head Auditor about the effectiveness of the internal control systems taking into consideration Bellevue Group's risk profile. In addition, the AC reviews the scope of the auditing work, the quality of the work performed and the independence of the external auditors. The external auditors have direct access to the AC at all times. The external auditors usually attend meetings of the Audit Committee (AC) twice a year. The external auditors attended meetings of the AC in February, June and December of the reporting year. The internal auditors attend meetings of the AC once or twice a year. In the reporting year, the internal auditors attended the AC meeting on 21 June 2016.

Information policy

As a company listed on the stock exchange, Bellevue Group AG pursues a consistent and transparent information policy in relation to its shareholders, clients and employees as well as to the financial community and the general public. Its regular reporting activities and venues comprise the publication of the annual and semi-annual reports and letters to shareholders as well as a media conference on the annual results and the general meeting of shareholders. When important events occur, the above-mentioned stakeholders will be concurrently informed by way of press releases. Contact addresses are listed on page 120 of the annual report.

Information to shareholders

21.03.2017: Annual General Meeting

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

General information for investors

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

News Center

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

Newsletter

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



Compensation Report 2016

General compensation principles

1.1 Principles

This compensation report refers to the 2016 reporting year. It provides information on the compensation system and discloses the compensation paid to the Board of Directors and Executive Board in 2016. The content and scope of the compensation report is based on articles 13-17 of the Ordinance Against Excessive Remunerations in Listed Companies Limited by Shares (VegüV), articles 663c (3) of the Swiss Code of Obligations (OR) and the Directive Corporate Governance (DCG) of the SIX Swiss Exchange.

The Articles of Association regulate compensation in articles 26-31. The Articles of Association can be downloaded at the following link: http://www.bellevue.ch/de/investor-relations/corporate-governance/Statuten.pdf

The compensation at Bellevue Group AG has been deliberately designed to

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

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

1.2 Fixed compensation components

The decision-making basis is prepared by the Compensation Committee. It reviews the compensation concepts for marketability and appropriateness and proposes appropriate adjustments of the overall sum for the attention of the Board of Directors and the Annual General Meeting which provides the final approval.

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

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

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

1.3 Variable compensation components

The variable compensation for the members of the Board of Directors and the Executive Board is fixed during the course of the first quarter by the Compensation Committee based on key figures of the financial statements of the previous reporting year as well as individual goal achievement. This is then submitted to the Board of Directors for final approval at the Annual General Meeting.

Compensation of the Board of Directors and the Executive Board 2

2.1 Board of Directors

2.1.1 Fixed compensation

Each member of the Board of Directors receives a fixed and equally high (with the exception of the chairman) base compensation, which is agreed in advance. The higher base compensation for the chairman is due to his stronger involvement in the strategic management of the company. The amount of the base compensation is defined taking the general compensation principles (see section 1.1 above) into account, with discretion.

Surcharges for membership of the Boards of Directors of subsidiaries and associated companies, committees and committee chairs are paid in addition to the base compensation. This distinction thus takes the responsibility and individual functions of the members of the Board of Directors into account.

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

2.1.2 Variable compensation

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

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

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

The ratio of fixed compensation to variable compensation (in percent) for the Board of Directors overall is 83% fixed compensation and 17% variable compensation (previous year: 83% fixed compensation and 17% variable compensation).

2.1.3 Attendance fees

No attendance fee is paid out.

2.1.4 Allowances

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

2.1.5 Shares and options

The members of the Board of Directors receive as part of their variable compensation shares of Bellevue Group AG (see section 2.1.2). They do not take part in any employee stock ownership plans and have not participated in any previous plans. There are no option programs in place nor have there been in the past.

2.1.6 Termination benefits

No termination benefits are effective.

2.1.7 Loans, credits, discounts

Loans and credits are granted at usual market conditions. As of 31 December 2016, there are neither ongoing loans and credits, nor guaranteed limits. As of 31 December 2015, a credit limit of CHF 100,000 granted to Mirjam Staub-Bisang had been in place. As of 31 December 2015, this limit had not been used.

The Board of Directors does not benefit from any discounts.

2.1.8 Consulting services

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

2.2 Executive Board

2.2.1 Fixed compensation

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

2.2.2 Variable compensation

The variable compensation of the members of the Executive Board is based on a performance appraisal, based on annually agreed objectives and expectations. This takes into account the role, experience and personal performance. These elements are weighted at an individual level.

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

Variable compensation is fundamentally structured and paid out as follows:

Position	% share in the reporting year	% share in the previous year
Short-term variable compensation in cash	46%	32%
Short-term variable compensation in blocked shares	18%	10%
Short-term variable compensation in blocked shares with vesting period and clawback right	22%	20%
Other short-term variable compensation	13%	4%
Long-term variable compensation	0%	33%
Total variable compensation	100%	100%

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

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

Position	% share in the reporting year	% share in the previous year
Fixed compensation	46%	34%
Variable compensation	54%	59%
Other compensation	0%	7%
Total compensation	100%	100%

2.2.3 Allowances

The lump sum expense regulation was abolished on 1 January 2015; since then only effective expenses are settled.

2.2.4 Shares and options

The members of the Executive Board receive as part of their variable compensation shares of Bellevue Group AG (see section 2.2.2). With the following exceptions, they do not currently take part in any employee stock ownership plans. Option programs do not and have not existed.

The CEO of Bellevue Asset Management AG participates in an employee stock ownership plan, which exists in connection with the asset management mandate of BB Biotech AG. Under this program the CEO of Bellevue Asset Management AG receives an entitlement to a maximum number of BB Biotech AG shares. The effective number of shares depends on various conditions. There is a three-year vesting period starting from the allocation date. In addition, the effective number of shares depends on the achievement of performance targets over the next three fiscal years in connection with the BB Biotech AG mandate. The claim to the maximum number of shares only exists if the absolute performance of BB Biotech AG surpasses 10% p. a. and the relative performance exceeds the Nasdaq Biotech Index and Swiss Performance Index in the following three years. If the absolute performance in the three-year period is less than 5% p. a. and neither of the two indices is exceeded, the claim is forfeited.

The Board of Directors established a so-called «Blocked Share Program» for the previous CEO of the Group. He was thereby allocated 307062 shares of Bellevue Group AG in May 2012 with a market value of CHF 3093000. The shares were blocked until May 2017. There was a pro-rata repayment obligation (except in the event of a change of control). In return, the Group CEO waived the participation in other bonus programs for a five year period and committed himself to acquiring a substantial participation in Bellevue Group AG during 2012.

The former CEO of the Group left Bellevue Group AG on 30 June 2015. The clawback right of Bellevue Group AG was exercised in connection with this. Shares to the value of CHF 1142 897 (valued at the market rate at the time of their redemption) were taken over by Bellevue Group AG.

In the preceding year, the Board of Directors approved a long-term incentive plan for employees of Bank am Bellevue AG and Bellevue Group AG. Bellevue Group AG shares subject to a four-year blocking period were allocated for this. They are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. Pursuant to the clawback right clause, 100% of the shares are reclaimed in the following cases: i) breach of the risk policy and/or internal guidelines, ii) for violation of legislation, iii) deception or theft and iv) general company-damaging behaviour. The Board of Directors decides on the application of the clawback right clause at its own discretion and conclusively. Members of the Executive Board have also participated in this long-term incentive plan. The relevant amount is shown in the column «Long-term variable compensation» in the table in section 3.2. As the approval mechanism regarding the long-term variable compensation for the Executive Board approved by the shareholders at the 2015 Annual General Meeting provided that this would also be approved prospectively for the financial year following the Annual General Meeting, the long-term variable compensation for the Executive Board for 2015 has not yet been approved by the Annual General Meeting.

2.2.5 Termination benefits

No termination benefits are provided for.

2.2.6 Loans, credits, discounts

Loans and credits are granted at usual market conditions. As of 31 December 2016, a credit limit of CHF 650 000 has been granted to André Rüegg, CEO of Bellevue Asset Management AG and Bellevue Group AG. As of 31 December 2016, CHF 575 000 of this credit limit had been claimed. As of 31 December 2015, this credit limit was CHF 350 000 and CHF 316 000 had been claimed.

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

2.3 Advisory committee

No advisory committee exists.

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

3.1 Payments made to members of the Board of Directors

CHF	Thomas von Planta	Daniel Sigg	Mirjam Staub-Bisang	Total
1.131.12.2016				
Fixed compensation in cash	150 000	80 000	80 000	310 000
Fixed compensation in cash for work in committees	30 000	40 000	25 000	95 000
Fixed compensation in cash for work in subsidiaries and associated companies	25 000	50 108	25 000	100 108
Subtotal	205 000	170 108	130 000	505 108
Social insurance contributions for fixed compensation	14 045	-	-	14 045
Total fixed compensation	219 045	170 108	130 000	519 153
Approved by the 2016 Annual General Meeting				533 000
Variable compensation in cash	_	_	-	_
Variable compensation in blocked shares ¹⁾	40 000	40 000	40 000	100 000
Social insurance contributions for variable compensation	3 000	-	3 000	6 000
Total variable compensation	43 000	40 000	43 000	126 000
To be approved at the 2017 Annual General Meeting				126 000
Honoraria for consulting services	54 000	-	-	54 000
To be approved at the 2017 Annual General Meeting				54 000
Total compensation	316 045	210 108	173 000	699 153

 $^{^{\}dag} \ \ From \ these \ amounts \ the \ costs \ incurred \ for \ employee \ contributions \ to \ statutory \ social \ insurance \ are settled \ in \ cash \ and \ not \ in \ shares.$

The members of the Board of Directors received fixed compensation totalling CHF 505 108 for the 2016 financial year. In addition, employer contributions to the statutory insurance of CHF 14 045 were paid.

The Board of Directors proposes a variable compensation of CHF 120 000 for the 2016 financial year for approval by the Annual General Meeting, plus employer contributions to statutory social insurance to a value of CHF 6 000. The payment – subject to approval – will be in shares of Bellevue Group AG at market value. A cash component to cover any employee contributions to statutory social insurance will be offset. The market value of the shares will be calculated based on weighted prices of 10 days prior to the relevant date of allocation. The shares will be blocked for four years from the day of allocation.

With the exception of Thomas von Planta, no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors. For the period from 1 January to 31 December 2016, Thomas von Planta invoiced Bellevue Group AG the amount of CHF 54 000 (excl. 8% VAT) for consulting services.

CHF	Thomas von Planta	Daniel Sigg	Mirjam Staub-Bisang	Total
1.131.12.2015				
Fixed compensation in cash	150 000	80 000	80 000	310 000
Fixed compensation in cash for work in committees	30 000	35 000	25 000	90 000
Fixed compensation in cash for work in subsidiaries and associated companies	25 000	45 182	25 000	95 182
Subtotal	205 000	160 182	130 000	495 182
Social insurance contributions for fixed compensation	13 992		9 151	23 143
Total fixed compensation	218 992	160 182	139 151	518 325
Approved by the 2015 Annual General Meeting				520 000
Variable compensation in cash	_	_	_	_
Variable compensation in blocked shares ¹⁾	20 000	40 000	40 000	100 000
Social insurance contributions for variable compensation	2 000		3 000	5 000
Total variable compensation	22 000	40 000	43 000	105 000
Approved by the 2016 Annual General Meeting				105 000
Actually paid				103 434
Honoraria for consulting services	61 200			61 200
To be approved at the 2017 Annual General Meeting				61 200
Total compensation	302 192	200 182	182 151	684 525

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

The members of the Board of Directors received for the 2015 financial year fixed compensation totalling CHF 495182. In addition, employer contributions to statutory social insurance to the value of CHF 23143 were paid.

The Board of Directors received variable compensation of a total of CHF 100 000 for the 2015 financial year. In addition, employer contributions to the statutory social insurance were paid. The payment was made in shares of Bellevue Group AG at market value. A cash component to cover any employee contributions to statutory social insurance was offset. The market value of the shares was calculated based on the weighted prices of 10 days prior to the date of allocation. The shares were blocked for four years from the time of allocation.

With the exception of Thomas von Planta, no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors. For the period of 1 January to 31 December 2015, Thomas von Planta invoiced Bellevue Group AG the amount of CHF 61200 (excl. 8% VAT) for consulting services.

3.2 Compensation to members of the Executive Board

CHF	of which the highest compensation is paid to: André Rüegg ¹⁾	Total
1.131.12.2016		
Fixed compensation in cash	300 000	900 000
Social insurance contributions for the fixed compensation in cash ²⁾	78 044	234 132
Total fixed compensation in cash	378 044	1 134 132
Approved by the 2016 Annual General Meeting		1 140 000
Short-term variable compensation in cash	300 000	575 000
Social insurance contributions for the short-term variable compensation in cash ³⁾	22 000	42 000
Total short-term variable compensation in cash	322 000	617 000
Chart town unichla componention in blacked shows 4	100 000	230 000
Short-term variable compensation in blocked shares 4) Social insurance contributions for the short-term variable compensation in blocked shares 3)	7 000	16 000
-		
Total short-term variable compensation in shares	107 000	246 000
Short-term variable compensation in blocked shares with vesting period and clawback right 4) 5)	200 000	275 000
Social insurance contributions for the short-term variable compensation in blocked shares with vesting period and clawback right ³⁾	14 000	20 000
Total short-term variable compensation in blocked shares with vesting period and clawback right	214 000	295 000
Other short town unish a componentian (i)	161 000	161 000
Other short-term variable compensation 6	12 000	161 000
Social insurance contributions for other short-term variable compensation 4)		12 000
Total other short-term variable compensation	173 000	173 000
Short-term variable compensation	761 000	1 241 000
Social insurance contributions for short-term variable compensation ³⁾	55 000	90 000
Total short-term variable compensation	816 000	1 331 000
To be approved at the 2017 Annual General Meeting		1 331 000
Long-term variable compensation		
Social insurance contributions for long-term variable compensation		
Total long-term variable compensation		
Approved by the 2016 Annual General Meeting		1 000 000
Approved by the 2010 Annual General Meeting		1 000 000
Other compensation	-	-
Social insurance contributions for other compensation	-	-
Total other compensation	-	-
Total compensation	1 194 044	2 465 132

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

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

The variable compensation is broken down as follows:

- CHF 575 000 to be paid in cash. This amount needs to be approved by the Annual General Meeting.
- CHF 230 000 to be paid in the form of shares of Bellevue Group AG and blocked for four years from the date of allocation. This amount needs be approved by the Annual General Meeting.
- CHF 275 000 also to be paid in the form of shares of Bellevue Group AG and subject to a one-year vesting period (service period) and a one-year right of clawback right. This amount needs be approved by the Annual General Meeting.
- The rest of the variable compensation consists of an entitlement to BB Biotech AG shares to the value of CHF 161 000 (market value at 1 January 2016). This amount needs be approved by the Annual General Meeting.

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

³⁾ A rate of 7% is prospectively charged on variable compensation for employer contributions to statutory social insurance and rounded up. The actual amounts charged (in the following year) may be lower.

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

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

⁶⁾ Maximum entitlement to shares in BB Biotech AG, valued according to their market value on the date of allocation (1 January 2016).

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

For a better understanding, a reconciliation of the figures in the notes of the financial statements, of section 5.1 Compensation of the members of the Board of Directors and the Executive Board (see page 81), is listed below:

CHF 1.131.12.2016	amount according to compensation report	IFRS reconciliation	compensation according to consolidated financial statements
Fixed compensation in cash	900 000	_	900 000
Social insurance contributions for the fixed compensation in cash	234 132	_	234 132
Total fixed compensation in cash	1 134 132	_	1 134 132
<u> </u>			
Short-term variable compensation in cash	575 000	_	575 000
Social insurance contributions for the short-term variable compensation in cash	42 000	-	42 000
Total short-term variable compensation in cash	617 000	-	617 000
Short-term variable compensation in blocked shares	230 000	-	230 000
Social insurance contributions for the short-term variable compensation in blocked shares	16 000	-	16 000
Total short-term variable compensation in shares	246 000	-	246 000
Short-term variable compensation in blocked shares with vesting period and clawback right Social insurance contributions for the short-term variable compensation blocked shares	275 000	106 016	381 016
with vesting period and clawback right	20 000	7 219	27 219
Total short-term variable compensation in blocked shares with vesting period and clawback right	295 000	113 235 ¹⁾	408 235
Other short-term variable compensation	161 000	-112 606	48 394
Social insurance contributions for other short-term variable compensation	12 000	-8612	3 388
Total other short-term variable compensation	173 000	-121 218	51 782
	2.0000		52.762
Long-term variable compensation	_	266 666	266 666
Social insurance contributions for the long-term variable compensation	_	18 666	18 666
Total long-term variable compensation	_	285 332 ²⁾	285 332
Other compensation	_	_	_
Social insurance contributions for other compensation	-	-	-
Total other compensation	-	-	-
Total compensation	2 465 132	277 349	2 742 481

 $^{^{}ij}$ In the future, this amount will be recognised in accordance with IFRS as an expense over the vesting period (service period).

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

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

CHF	of which the highest compensation is paid to: André Rüegg ¹⁾	Total
1.131.12.2015		
Fixed compensation in cash	300 000	1 150 000
Social insurance contributions for the fixed compensation in cash 2)	78 932	300 988
Total fixed compensation in cash	378 932	1 450 988
Approved by the 2015 Annual General Meeting		1 540 000
Short-term variable compensation in cash	512 500	775 000
Social insurance contributions for the short-term variable compensation in cash ³⁾	35 875	54 250
Total short-term variable compensation in cash	548 375	829 250
Short-term variable compensation in blocked shares ⁴⁾	100 000	250 000
Social insurance contributions for the short-term variable compensation in blocked shares ³⁾	7 000	17 500
Total short-term variable compensation in blocked shares	107 000	267 500
Short-term variable compensation in blocked shares with vesting period and clawback right ^{2) 4)}	412 500	475 000
Social insurance contributions for the short-term variable compensation in blocked shares with vesting period and clawback right ^{3) 5)}		33 250
Total short-term variable compensation in blocked shares with vesting period and clawback right	441 375	508 250
Other short-term variable compensation 6)	88 000	88 000
Social insurance contributions for other short-term variable compensation ³⁾	7 000	7 000
Total other short-term variable compensation	95 000	95 000
Short-term variable compensation	1 113 000	1 588 000
Social insurance contributions for the short-term variable compensation 4)	78 750	112 000
Total short-term variable compensation	1 191 750	1 700 000
Approved by the 2016 Annual General Meeting		1 700 000
Long-term variable compensation ⁴⁾	_	800 000
Social insurance contributions for the long-term variable compensation	-	56 000
Total long-term variable compensation		856 000
Other compensation	_	300 000
Social insurance contributions for other compensation	_	19 823
Total other compensation 7)		319 823
Total compensation	1 570 682	4 326 811
Additional comments: Income from exercising the clawback right ⁸⁾		
Long-term variable compensation		-1062894
Social insurance contributions for the long-term variable compensation		- 80 003
Total income from exercising the clawback right		-1142897

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

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

³⁾ A rate of 7% is prospectively charged on the variable compensation for employer contributions to statutory social insurance and rounded up. The actual amounts charged (in the following year) may be lower.

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

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

⁶⁾ Maximum entitlement to shares in BB Biotech AG, valued according to their market value on the date of allotment (1 January 2015).

This position forms an amount of CHF 319,823 which, owing to a contractual obligation existing before the entry into force of the VegüV (employment contract $valid\ under the\ previous-law),\ had\ to\ be\ paid\ to\ the\ previous\ CEO\ of\ the\ Group\ upon\ his\ departure\ during\ the\ reporting\ year.$

⁸⁾ See the comment in section 2.2.4. The amount was booked to «Extraordinary income» in Bellevue Group AG's separate financial statements. In the consolidated financial statements in accordance with IFRS, the amount was deducted in the item «Personnel expenses». The amount is recognised in the IFRS reconciliation.

For the 2015 financial year, the members of the Executive Board received fixed compensation totalling CHF 1150 000. This includes all surcharges; lump sum expenses were abolished on 1 January 2015.

The variable compensation is broken down as follows:

- CHF 775 000 paid in cash.
- CHF 250 000 paid in the form of shares of Bellevue Group AG and blocked for four years.
- CHF 475 000 also paid in the form of shares of Bellevue Group AG and subject to a one-year vesting period (service period) and a one-year clawback right (each from the time of allocation).
- The rest of the variable compensation consisted of a maximum entitlement in the form of BB Biotech AG shares to the amount of CHF 88 000 (market value as at 31 December 2015).

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

For a better understanding, a reconciliation of the figures in the notes of the financial statements, of section 5.1 Compensation of the members of the Board of Directors and the Executive Board (see page 81), is listed below:

CHF	amount according to compensation report	IFRS reconciliation	compensation according to consolidated financial statements
1.131.12.2015			
Fixed compensation in cash	1 150 000		1 150 000
Social insurance contributions for the fixed compensation in cash	300 988	<u> </u>	300 988
Total fixed compensation in cash	1 450 988		1 450 988
Short-term variable compensation in cash	775 000		775 000
Social insurance contributions for the short-term variable compensation in cash	54 250	=	54 250
Total short-term variable compensation in cash	829 250		829 250
Short-term variable compensation in blocked shares	250 000	_	250 000
Social insurance contributions for the short-term variable compensation in blocked shares	17 500	_	17 500
Total short-term variable compensation in blocked shares	267 500	_	267 500
Short-term variable compensation in blocked shares with vesting period and clawback right	475 000	- 235 650	239 350
Social insurance contributions for the short-term variable compensation blocked shares with vesting period and clawback right	33 250	- 15 234	18 016
Total short-term variable compensation in blocked shares with vesting period and clawback right	508 250	- 250 884 ¹⁾	257 366
Other short-term variable compensation	88 000	_	88 000
Social insurance contributions for other short-term variable compensation	7 000		7 000
Total other short-term variable compensation	95 000		95 000
Long-term variable compensation	800 000	- 367 764	432 236
Social insurance contributions for the long-term variable compensation	56 000	- 69 708	-13 708
Total long-term variable compensation	856 000	- 437 472 ²⁾	418 528
Other compensation	300 000	_	300 000
Social insurance contributions for other compensation	19 823		19 823
Total other compensation	319 823		319 823
Total compensation	4 326 811	- 688 356	3 638 455

 $^{^{}ij}$ In accordance with IFRS, this amount will be recorded as an expense over the vesting period (service period) in the future.

In the previous year, compensation was paid neither to parties related to the members of the Executive Board nor to former members of the Executive Board.

²⁾ This amount represents the costs incurred in the financial year for the blocked share program described in section 2.2.4. This amount is also recognised in accordance with IFRS as an expense over the vesting period (service period). In addition, as a result of the departure of the former CEO of the Group, the sum of the future costs still to be booked were booked as an immediate expense. In return, the exercising of the clawback rights (as also described in section 2.2.4) were taken into account as income. Furthermore, the effects on the individual long-term incentive program (as also described in section 2.2.4) were taken into $account. \ The corresponding \ amount \ was \ deducted \ and \ recorded \ as \ an \ expense \ over \ the \ future \ vesting \ period \ (service \ period).$

Compensation to be approved at the 2017 Annual General Meeting for the Board of Directors and Executive Board

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

The Board of Directors has reviewed its own fixed compensation. This will not fundamentally change per person. However, the Board of Directors intends to amend the composition of the disbursements. In addition, it will be proposed to the Annual General Meeting to appoint a further member to the Board of Directors. Therefore the fixed compensation for the Board of Directors from the 2017 Annual General Meeting until the 2018 Annual General Meeting will be adjusted as follows:

- the fixed compensation in cash should now be a maximum of CHF 390 000 (previous year: CHF 310 000);
- the fixed compensation in cash for work on committees should now be a maximum of CHF 100 000 (previous year: CHF 95 000);
- the fixed compensation in cash for work in subsidiaries should now be a maximum of CH 97,000 (previous year: CHF 102 000);

Additional costs of a maximum of CHF 34,000 for the employer contributions to statutory social insurance apply to these amounts

The Board of Directors proposes the approval of a maximum amount of fixed compensation for the Board of Directors of CHF 621000 for the term of office until the conclusion of the next Annual General Meeting.

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

The way in which variable compensation provided to members of the Board of Directors is calculated is disclosed under section 2.1.2 and 3.1. Additionally, costs of up to CHF 6000 for employer contributions to the statutory social insurance will be charged.

The Board of Directors proposes the approval of the total amount of variable compensation for the Board of Directors of CHF 126 000 for the 2016 financial year.

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

Thomas von Planta invoiced Bellevue Group AG a total of CHF 61200 (excl. 8% VAT) for consulting services for the period from 1 January to 31 December 2015. Payment is subject to the approval of the Annual General Meeting.

The Board of Directors proposes the approval of a total amount of variable compensation for consulting services by the Board of Directors of CHF 61200 for the 2015 financial year.

Thomas von Planta invoiced Bellevue Group AG a total of CHF 54 000 (excl. 8% VAT) for consulting services for the period from 1 January to 31 December 2016. Payment is subject to the approval of the Annual General Meeting.

The Board of Directors proposes the approval of a total amount of compensation for consulting services by the Board of Directors of CHF 54 000 for the 2016 financial year.

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

The Board of Directors has reviewed the fixed compensation for the Executive Board. No adjustments were made and the amount of fixed compensation for the current members of the Executive Board will not be changed. Additional costs are charged for the fixed compensation to a total of CHF 240 000 for employer contributions to statutory social insurance, for other insurances and for pension fund benefits. The proposed amount of fixed compensation for the Executive Board for the 2017 financial year is thus CHF 1140 000.

As part of the Bellevue Group's future development, the Board of Directors wishes to make any long-term incentive plans more flexible. This may affect both existing and new members of the Executive Board. These kinds of long-term incentive plans generally include the allocation of shares, which are blocked for a specified number of years. Such shares are also always subject to a pro-rata vesting period (service period) and a clawback right. The proposed amount of CHF 1360 000 also includes the costs for employer contributions to the statutory social insurance.

The Board of Directors proposes the approval of a maximum total amount of fixed and long-term variable compensation for the Executive Board of CHF 2500000 for the 2017 financial year.

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

The components and calculation of the variable compensation for the Executive Board are described and disclosed in sections 2.2.2 and 3.2. Additionally, costs of up to CHF 90000 for employer contributions to the statutory social insurance will be charged.

The Board of Directors proposes the approval of a total amount of short-term variable compensation for the Executive Board of CHF 1331000 for the 2016 financial year.

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

We have audited the compensation report of Bellevue Group AG for the year ended 31 December 2016.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report of Bellevue Group AG for the year ended 31 December 2016 complies with Swiss law and articles 14-16 of the Ordinance.



PricewaterhouseCoopers AG

Rolf Birrer Audit expert Auditor in charge

Roland Holl Audit expert

Zürich, 27 February 2017



Consolidated financial statements 2016

Consolidated income statement

CHF 1000	Note	1.131.12.2016	1.131.12.2015		Change
Interest income		429	551	-122	-22%
Dividend income		1 980	6 366	-4 386	-69%
Interest expense		-214	-168	-46	+27%
Other financial expenses		-555	-461	-94	+20%
Net interest income		1 640	6 288	-4 648	-74%
Fee and commission income		70 500	70 946	-446	-1%
Fee and commission expense		-1 601	-350	-1 251	+357%
Net fee and commission income	3.1	68 899	70 596	-1 697	-2%
Securities trading		1 258	894	364	+41%
Foreign exchange trading		222	-496	718	-145%
Net trading income		1 480	398	1 082	+272%
Income from associated companies			-532	532	-100%
Income from other financial assets at fair value		-835	3 194	-4 029	-126%
Other ordinary income		110	74	36	+49%
Other income		-725	2 736	-3 461	-126%
Total operating income		71 294	80 018	-8 724	-11%
Personnel expenses	3.2	-41 191	-36 474	-4717	+13%
Other operating expenses	3.3	-16 459	-16 252	-207	+1%
Depreciation	3.4	-2 780	-4 846	2 066	-43%
Valuation adjustments and provisions	3.5	-10 000	-21 932	11 932	-54%
Total operating expenses		-70 430	-79 504	9 074	-11%
Profit before tax		864	514	350	+68%
Tront before tax		804			+00%
Taxes	3.6	-2 188	-1 332	-856	+64%
Group net profit		-1 324	-818	-506	+62%
Basic earnings per share (in CHF)	3.7	-0.11	-0.08	-0.03	+38%
Diluted earnings per share (in CHF)	3.7	-0.10	-0.07	-0.03	+43%

Consolidated statement of comprehensive income

CHF 1000	1.131.12.2016	1.131.12.2015		Change
Group net profit in the income statement	-1 324	-818	-506	+62%
Other comprehensive income (net of tax)				
Items that may be reclassified subsequently to net income				
Currency translation adjustments	-846	-17	-829	+4876%
Items that will not be reclassified subsequently to net income				
Gains and losses arising on revaluation of financial assets at fair value through other comprehensive income	1 148	-246	+1 394	-567%
Remeasurement of post employment benefit obligations IAS 19	-685	900	-1 585	-176%
Total comprehensive income	-1707	-181	-1 526	+843%

Consolidated balance sheet

CHF 1000	Note	31.12.2016	31.12.2015		Change
Cash		122 815	90 573	+32 242	+36%
Due from banks	4.1	112 500	81 589	+30 911	+38%
Due from customers	4.1	17 979	22 332	-4 353	-19%
Trading portfolio assets	4.2	64 358	41 228	+23 130	+56%
Positive replacement values	4.2	1 197	9 331	-8 134	-87%
Other financial assets at fair value	4.2	27 969	26 595	+1 374	+5%
Accrued income and prepaid expenses		11 089	8 076	+3 013	+37%
Financial investments	4.3	24 120	22 841	+1 279	+6%
Associated companies	4.5	-			_
Property and equipment	4.6	1 395	1 616	-221	-14%
Goodwill and other intangible assets	4.7	70 188	40 017	+30 171	+75%
Current tax assets	3.6	2 121	3 846	-1 725	-45%
Deferred tax assets	3.6	1 081	520	+561	+108%
Other assets		6 898	7 562	-664	-9%
Total assets		463 710	356 126	+107 584	+30%
Due to banks		16 176	5 310	+10 866	+205%
Due to customers		197 327	165 846	+31 481	+19%
Negative replacement values	4.2	1 286	9 472	-8 186	-86%
Financial liabilities designated at fair value	4.2	26 590	4 422	+22 168	+501%
Accrued expenses and deferred income		44 656	24 370	+20 286	+83%
Current tax liabilities		4 669	2 157	+2 512	+116%
Deferred tax liabilities	3.6	10 460	6 511	+3 949	+61%
Provisions	4.8	3 011	1 656	+1 355	+82%
Other liabilities		660	422	+238	+56%
Total liabilities		304 835	220 166	+84 669	+38%
Share capital	4.9	1 346	1 047	+299	+29%
Capital reserves		58 974	27 250	+31 724	+116%
Unrealized gains and losses recognized in other					
comprehensive income		20 593	20 130	+463	+2%
Currency translation adjustments		-1 231	-385	<u>-846</u>	+220%
Retained earnings		79 370	91 564	-12 194	-13%
Treasury shares	4.10	-177	-3 646	+3 469	-95%
Total shareholders' equity		158 875	135 960	+22 915	+17%
Total liabilities and shareholders' equity		463 710	356 126	+107 584	+30%

Statement of shareholders' equity

CHF 1000	2016	2015
Share capital		
On January 1	1 047	1 047
Share capital reduction	299	_
On December 31	1 346	1 047
Capital reserves		
On January 1	27 250	27 250
Change during period under review	31 724	_
On December 31	58 974	27 250
Unrealized gains and losses recognized in other comprehensive income		
On January 1	20 130	19 476
Change in unrealized gains and losses on financial instruments	1 148	-246
Remeasurement of post employment benefit obligations IAS 19	-685	900
On December 31	20 593	20 130
On January 1 Change during period under review	-385 -846	-368 -17
Change during period under review	-846	-17
On December 31	-1 231	-385
Retained earnings		
On January 1	91 564	102 227
Group net profit	-1 324	-818
Dividends and other cash distributions	-10 466	-10 470
Income from the sale of own shares and derivatives	545	32
Employee stock ownership plan	-949	593
On December 31	79 370	91 564
Treasury shares		
On January 1	-3 646	-21
	-11 416	-8 432
Purchases		4 807
Disposals	14 885	7 007
	14 885 -177	
Disposals On December 31		
Disposals		-3 646

Consolidated cash flow statement

Trading positions and replacement values net Accrued income, prepaid expenses and other assets Accrued income, prepaid expenses and other assets Due to banks Due to banks Due to customers Financial liabilities designated at fair value Accrued expenses, deferred income and other liabilities Accrued expenses, deferred income and other liabilities 4.2 20477 Taxes paid Cash flow from operating activities Investment in other financial assets at fair value Divestment of other financial assets at fair value Divestment of other financial assets at fair value Divestments of financial assets at fair value Divestment of other financial assets at fair value 5 104 Divestments of financial assets at anortized cost ——Purchase of property and equipment 4.6 —56 Payments for acquisitions of controlled entities, net of cash Net cash flow from investing activities Cash flow from investing activities Proceeds from capital increases 3 2023 Dividends paid —10466 —Net cash flow from investing activities Post cash flow from investing activities Proceeds from capital increases 3 469 Net cash flow from investing activities — 25 2026 — 4846 Net increase/decrease in cash and cash equivalents Further information Cash received as interest — Cash paid as interest	Cash flow from financing activities	Note	1.131.12.2016	1.131.12.2015
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Non-cash positions in Group results: Depreciation of fixed assets 4.6 537 Amortization of intangible assets 4.7 10874 Impairment of goodwill Impairment of associated companies 4.5 - Change in provisions 4.8 509 Tax expense/benefit 33100 Deferred tax expense/benefit 33504 Other non-cash items Change in fair value of financial assets and other financial assets at fair value 3804 Other non-cash items Net increase/decrease in operating assets Due from banks -30931 Due from clients 4.1 435313991 Due from clients 4.1 435330911 Trading positions and replacement values net 4.1 -23182 Accrued income, prepaid expenses and other assets 4.2 -2349 Net increase/decrease in labilities Due to banks Due to customers Due to customers Due to customers Financial liabilities 4.2 20477 Taxes paid Accrued expenses, deferred income and other liabilities 4.2 20477 Taxes paid 7777 Cash flow from operating activities Investment in other financial assets at fair value Divestment for financial assets at fair value Divestment of other financial assets at amortized cost Divertions of associated companies Divertions of associated companies Divertions of associated companies Divertions of controlled entities, net of cash Divertions of associated companies Divertions of associated companies Divertions of associated companies Divertions of financial assets at amortized cost Divertions of associated companies Div	Reconciliation to net cash flow from operating activities			
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Cash flow from operating activities Cash flow from investing activities Investment in other financial assets at fair value Divestment of other financial assets at fair value Divestments of financial assets at amortized cost		4.2	20 477	9 2 2 5
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Investment in other financial assets at fair value	Cash flow from operating activities		34003	-39066
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Purchase of property and equipment Payments for acquisitions of controlled entities, net of cash Payments for acquisitions of controlled entities, net of cash Net cash flow from investing activities Proceeds from capital increases Proceeds from capital increases Dividends paid Posterial increases Dividends paid Posterial increases and derivatives on own shares Net cash flow from investing activities Proceeds from capital increases Dividends paid Proceeds from capital increases	Divestments of financial assets at amortized cost	-	_	_
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Net cash flow from investing activities Cash flow from financing activities Proceeds from capital increases 32 023 Dividends paid -10 466 Net movements in treasury shares and derivatives on own shares 3 469 Net cash flow from investing activities 25 026 Currency translation effects -846 Net increase/decrease in cash and cash equivalents 32 242 Further information Cash received as interest Cash paid as interest 555 Cash received as dividends on equities 2 300			-22136	-423
Proceeds from capital increases Dividends paid Dividends paid Net movements in treasury shares and derivatives on own shares Net cash flow from investing activities Currency translation effects -846 Net increase/decrease in cash and cash equivalents 32 242 Further information Cash received as interest - Cash paid as interest 555 Cash received as dividends on equities			-25941	-1576
Proceeds from capital increases Dividends paid Dividends paid Net movements in treasury shares and derivatives on own shares Net cash flow from investing activities Currency translation effects -846 Net increase/decrease in cash and cash equivalents 32 242 Further information Cash received as interest - Cash paid as interest 555 Cash received as dividends on equities				
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Net increase/decrease in cash and cash equivalents Further information Cash received as interest Cash paid as interest 555 Cash received as dividends on equities 2 300				-14095
Further information Cash received as interest — Cash paid as interest 555 Cash received as dividends on equities 2300	Currency translation effects		-846	-17
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Cash paid as interest 555 Cash received as dividends on equities 2300	Cash received as interest		-	_
Cash received as dividends on equities 2 300	Cash paid as interest		555	201
Cash at the beginning of the year 90 573	-		-	6 4 6 2
Lash at the beginning of the year 90573	Cosh addle havinging of the ways		20.552	44200
	casn at the beginning of the year		90 573	145 327
Cash at the end of the year 122815	Cash at the end of the year		122815	90 573



Notes to the consolidated financial statements

Accounting principles

1.1 Basis of interpretation

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

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

1.2 Changes in accounting principles and presentation

1.2.1 Implemented standards and interpretations

The following new or revised standards and interpretations became mandatorily applicable for the first time in fiscal year 2016 and could potentially have an impact on the annual consolidated financial statements of Bellevue Group AG:

- Amendments to IFRS 11 «Accounting for Acquisitions of Interests in Joint Operations»: The additional guidance clarifies that the acquisition of an interest in a joint operation that meets the definition of a business under IFRS 3 is not a business combination as the acquiring party does not obtain control. Despite this, IFRS 3 business combination accounting should be applied including IFRS 3 disclosure requirements.
- Amendments to IAS 1 «Presentation of Financial Statements»: The amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.
- Amendment to IAS 16 and IAS 38 «Clarification of Acceptable Methods of Depreciation and Amortisation»: IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.
- Amendments to IFRS 10, IFRS 12, IAS 28 «Investment entities applying consolidation exception»: The amendments clarify the relief from consolidation which is available to entities in group structures involving investment entities and are likely to reduce the number of entities which produce consolidated financial statements. The amendments also provide relief to non-investment entity investors in associates and joint ventures, who would otherwise incur practical difficulties or additional costs in unwinding fair value measurements and performing additional consolidations.
- Amendment to IAS 27 «Separate financial statements», effective for annual periods beginning on or after 1 January 2016 (retrospective application, earlier application permitted): The amendments restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. An entity can now account for investments in subsidiaries, joint ventures and associates in its separate financial statements:
 - a. at cost; or
 - b. in accordance with IFRS 9; or
 - c. using the equity method as described in IAS 28.
- The IASB has also clarified the definition of separate financial statements as those produced in addition to:
 - consolidated financial statements by an entity with subsidiaries; or
 - financial statements prepared by an entity which has no subsidiaries but has investments in associates or joint ventures required to be equity accounted under IAS 28.
- Annual improvements 2012-2014 cycle: The annual improvements 2012-2014 cycle include amendments to four IFRS standards: IFRS 5 - «Non-current Assets Held for Sale and Discontinued Operations», IFRS 7 - «Financial Instruments: Disclosures» IAS 19 – «Employee Benefits» and IAS 34 – «Interim Financial Reporting».

Bellevue Group has analysed the impact of the above mentioned standards and interpretations. The application of those amendments had no significant impact on the consolidated financial statements.

Bellevue Group early applies IFRS 9 «Financial instruments» (version 2010) since the annual reporting period 2010. This version of IFRS 9 comprises requirements on the classification and measurement of financial assets and liabilities; it defines two classification categories for debt instruments: amortised cost and fair value through profit or loss («FVPL»). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading.

1.2.2 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 2017, or later. With the exception of the above mentioned early adoption of IFRS 9, Bellevue Group is not availing itself of the possibility of early application of these innovations:

- IFRS 9 «Financial Instruments» (Version 2014 effective for annual periods beginning on or after 1 January 2018, earlier application permitted): The complete version of IFRS 9 «Financial Instruments» includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortised cost, fair value through other comprehensive income («FVOCI») and fair value through profit or loss («FVPL»). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses (ECL) model is a «three-stage» model for impairment based on changes in credit quality since initial recognition. It is primarily financial assets measured at amortized cost or financial assets where changes in fair value are recognized in other comprehensive income that fall within the scope of the new impairment model. In addition, the new standard contains amendments to general hedge accounting that will enable entities to reflect better their risk management activities in their financial statements.
- Amendments to IFRS 10, «Consolidated financial statements» and IAS 28, «Investments in associates and joint ventures»: These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss will be recognised by the investor where the nonmonetary assets constitute a «business». If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests, even if these assets are held by a subsidiary. The amendments only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.
- IFRS 15 «Revenue from Contracts with Customers» (effective for annual periods beginning on or after 1 January 2018, earlier application permitted): The new standard on the recognition of revenue from contracts with customers applies to all contracts with customers except those that are financial instruments, leases or insurance contracts.
 - IFRS 15 is based on a five step approach: - 1) Identify the contract with the customer
 - 2) Identify the separate performance obligations in the contract
 - 3) Determine the transaction price
 - 4) Allocate the transaction price to separate performance obligations
 - 5) Recognize revenue when a performance obligation is satisfied.

The new standard will require entities to redefine their revenue recognition, and consider adjustments to the invoicing and accounting systems and consider renegotiating contracts with their clients. Entities currently using industry-specific guidance may be more significantly affected. In addition, the amount of revenue-related disclosures will increase.

IFRS 16 – «Leases» (effective for annual periods beginning on or after 1 January 2019, earlier application permitted if IFRS 15 is applied at least at the same time) Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. IFRS 16 is likely to have a significant impact on the financial statements of a number of lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendment to IAS 7 «Statements of Cash Flows» (effective for annual periods beginning on or after 1 January 2017, earlier application permitted): The amendment is introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 «Income Taxes» (effective for annual periods beginning on or after 1 January 2017, earlier application permitted): These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Amendments to IFRS 2 «Share-based payment» (effective for annual periods beginning on or after 1 January 2018, earlier application permitted): The amendment clarifies the accounting treatment of:
 - (a) The valuation of effects of vesting and non-vesting conditions on the measurement of cash-settled shared-based payments is not in scope of IFRS 13;
 - (b) Share-based payment transactions with a net settlement feature for withholding tax obligations; and
 - (c) Modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

1.3 Important accounting principles

1.3.1 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.

Business combinations

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

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

1.3.2 General principles

Foreign currency translation

The items included in the financial accounts of each of the Group's company are measured using the currency of the primary economic environment, in which the company operates (functional currency). The consolidated financial statements are presented in Swiss Francs, which is 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 equivalents in the cash flow statement include liquid assets (cash, balances in postal checking and giro accounts, or sight deposits at the Swiss National Bank as well as clearing balances at recognized giro regional banks and clearing banks).

Accrual of income

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

Negative interest rates

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

1.3.3 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

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

Trading portfolio assets and financial liabilities designated at fair value

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

Issued structured products and certificates are stated under the item «Financial liabilities designated at fair value». Management; valuation and reporting of issued structured products and certificates are carried out on a Fair Value basis.

Financial investments at amortized costs

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

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

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

Other financial assets at fair value

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

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

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

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

Loans

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

Securities lending and borrowing

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

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

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

Derivative financial instruments

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

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 recognized in the income statement.

No hedge accounting was applied as per 31 December 2016 and as per 31 December 2015.

1.3.4 Other principles

Own shares and derivatives on own shares

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

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

Share-based payments

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

Property and equipment

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

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

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

Goodwill and other intangible assets

Goodwill arises from the acquisition of subsidiaries and represents the future economic benefits from other assets acquired in a business combination that are not individually identified and are recognised separately. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs (cash generating unit) or group's of CGUs, that is expected to benefit for synergies of combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill is capitalized and tested for impairment at least on an annual basis, or if events or changed circumstances indicate a potential impairment. The test is carried out more frequently to determine whether the book value exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the book value exceeds the recoverable amount an impairment 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 amortized on a straight-line basis over their useful life of not more than 5 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 not be recoverable. If the carrying amount exceeds the realizable amount, an impairment loss is charged. Any reversals of impairments at later date will be recognized in the income statement. At present, there are no other intangible assets with an indefinite useful life capitalized in Bellevue Group's balance sheet.

Income taxes

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

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

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.

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

Pension cost is composed of three components:

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

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

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

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

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

Assets under management and net inflows / outflows of new money

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

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

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

1.4 Estimates, assumptions and the exercising of discretion by management

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

Income taxes

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

Provisions

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

Level 3 Financial Instruments (Fair Value)

Level 3 Financial instruments are valued based on the inputs that are not based on observable market data. For details to the valuation methods applied for level 3 Financial instruments refer to the notes to the consolidated financial statements, note 6.3 «Fair Value Financial Instruments» on page 89 ff.

Pension plan

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

Review of goodwill and other intangible assets for impairment

For the methods used, please see the note in the annexe to the consolidated financial statements, details on the consolidated balance sheet, item 4.7 «Goodwill and other intangible assets» on page 76.

Risk management and risk control

2.1 Risk evaluation and risk policy

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

2.2 Credit risk

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

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

Credit lending activities are very limited in scope and credit is granted generally on a collateralized basis (marketable securities). Credit risks are limited by means of approval procedures commensurate with the various management levels as well as by authorization limits, the enforcement of appropriate lending margins and the periodic revaluation of long-term loans. Authorized limits and lending margins are monitored on a daily basis using appropriate instruments and reports. In dealings with professional counterparties (banks, brokers and institutional clients) and when investing in bonds, credit risks are assumed only with counterparties that have high (investment grade) credit standings. Adherence to guidelines on concentration of risk at Group level is monitored by an independent risk control body. New counterparties in securities and forex trading transactions must first be approved by the competent executive boards. The maximum risk of credit default is reported in the corresponding values carried in or off the balance sheet. As per 31 December 2016 and 2015, there are neither past due nor impaired positions. For further information on items that entail credit risks, please refer to the notes to the consolidated financial statements, sections 4.1, 4.2 and 4.3 (pages 72–73 ff).

2.3 Market risk

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

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

Trading portfolio

Proprietary trading is basically limited to stocks and stock options. All positions in trading portfolios are carried at fair value. Wherever possible, market prices are automatically retrieved and used for valuation purposes. OTC options for which no observable market prices are available are valued using appropriate valuation models. The adequacy of the carrying value of these positions is assured through independent controls. The positions are monitored directly by the executive board and/or independent risk control staff. Average trading portfolio assets (twelve end-month values), including the corresponding derivatives, amounted to CHF 52.7 million (previous year: CHF 27.7 million). Every change in prices is recognized in full in Group profit or equity. A 10% change in fair value with respect to the year-end value would correspond to a +/- TCHF 6 436 (previous year: +/-TCHF 4 123). Securities trading is conducted primarily through SIX.

Foreign exchange positions result mainly from client transactions. The Group does not engage in commodities trading. A presentation of the balance sheet by currency is given in section 6.1, «Balance sheet by currency», in the notes to the consolidated financial statements on page 85. The net positions are given below:

CHF 1000	CHF	EUR	USD	Other
Net position on 31.12.2016		18 362	6 770	7 163
10% change in fair value	+/- 3 230			
Net position on 31.12.2015		6 244	9 985	636
10% change in fair value	+/-1687			

Other financial assets at fair value

This position consists exclusively of units held in a collective investment instrument whose assets are selectively invested by Bellevue Group within the scope of its seed financing strategy. A 10% change in fair value with respect to the year-end value would correspond to a TCHF 2797 million change in equity (previous year: TCHF 2659 million), which would be P&L-effective.

Financial investments

The composition of the financial investments is defined and monitored by the respective Executive Boards or by the Group Executive Board. A 10% change in market value, in relation to the end-of-year figure, would result a change of equity of TCHF 2412 (previous year: TCHF 2284) for the financial investment calculated at fair value. Thereof, TCHF 60 (previous year: TCHF 74) would be P&L-effective.

For the period under review a positive change in value in the amount of TCHF 1148 (net of tax) was recognized in the «other comprehensive income» (previous year: negative change in value in the amount of TCHF 246, net of tax).

Liabilities from other financial instruments at fair value

The self-issued structured products are recorded via the item «financial liabilities designated at fair value». The realised result and the unrealised result are recorded via the item «securities trading».

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

- The financial instruments are valued on the basis of the fair value and comply with the documented risk management and investment strategy, which ensure the identification, measurement and reduction of the various risks involved.
- The use of fair value valuation largely neutralises the effect on the income statement of the economic hedging relationship that exists between the financial instruments on the asset side and those on the liabilities side.
- Any effect of a change in own credit rating on the fair value after the first-time recognition is neutralised in the income statement.

Balance sheet structure

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

- Bellevue Group is not active in the traditional lending and deposit business.
- Long-term loans at fixed rates are granted only in exceptional cases.
- Bellevue Group does not perform any proprietary trading in the area of foreign exchange.
- Foreign-currency loans with a fixed term are usually refinanced with matching maturities.

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

2.4 Liquidity risk and refinancing

The CFO of Bellevue Group is responsible for managing liquidity and financing risks. Financing risks refer to the risk of Bellevue Group or one of its operating units being unable to refinance its current or anticipated obligations on an ongoing basis at acceptable conditions. Liquidity risks refer to the risk of Bellevue Group or one of its operating units being unable to fulfil its payment obligations when due. Whereas financing risks relate to the ability to finance business operations at all times, liquidity risks primarily concern the ability to ensure sufficient liquidity 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 87.

2.5 Operational risk

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

Legal and compliance risks

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

2.6 Capital

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

Capital management

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

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

Regulatory requirements

The scope of consolidation used for the calculation of capital in the year under review, as in the previous year, was the same as the scope of consolidation used for accounting purposes. Please refer to section 9, «Major subsidiaries», of the notes to the consolidated financial statements on page 100 for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of funds or equity capital within Bellevue Group.

CHF 1 000			31.12.2016	31.12.2015
Eligible capital 1)2)			64609	72 642
Required capital 1)				
Credit risk			8111	8 5 1 9
Non-counterparty related risks			112	129
Market risk			7 2 4 2	6733
Operational risk ³⁾			12153	9517
Minimum capital (Art. 42 CO)			27618	24898
Capital buffer (Art. 43 CO)			8631	7 781
Additional capital (Art. 45 CO)			_	4668
Total erforderliche Eigenmittel			36 249	37 347
Risk-weighted positions			345 225	311 225
Ratios 1)				
CET1 capital ratio			18.7%	23.3%
T1 capital ratio			18.7%	23.3%
Total capital ratio			18.7%	23.3%
CET1 requirements in accordance with CO			5.1%	4.5%
of which capital buffer in accordance with CO			0.6%	0.0%
Available CET1 to meet the minimum and buffer requirements after de requirements met by CET1	duction of the AT1 ar	nd T2	15.2%	19.8%
CET1 target rate			7.0%	7.0%
Available CET1 to meet the requirement and the anticyclical capital but	ffer after deduction		7.070	7.070
of the AT1 and T2 requirements met by CET1	ner arter deddetion		15.2%	19.8%
T1 target rate			8.5%	8.5%
Available T1 to meet the requirement and the anticyclical capital buffer of the T2 requirements met by T1 $$	r after deduction		16.7%	21.3%
Target for the regulatory capital according to FINMA-RS 11/2 plus the a	nticyclical capital buf	fer	10.5%	10.5%
Available regulatory capital			18.7%	23.3%
Leverage ratio in accordance with FINMA Circular 15/3 ¹⁾				
Net eligible tier 1 capital in CHF mn			64.6	72.6
Total leverage ratio exposure in CHF mn			464.4	357.9
Leverage ratio (unweighted capital ratio in accordance with Basel III)			13.9%	20.3%
•	44h O	2-1012016	2-10	1-1-012016
Average	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016
Liquidity Coverage Ratio in accordance with FINMA Circular 15/2 1)				
Total stock of high quality liquid assets (HQLA) in CHF mn	126.6	120.9	103.4	81.3
Total net cash outflows in CHF mn	104.8	93.1	66.4	60.3
Liquidity Coverage Ratio LCR	120.8%	129.8%	155.6%	134.8%
Average	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015
Total stock of high quality liquid assets (HQLA) in CHF mn	101.9	115.8	109.6	128.9
Total net cash outflows in CHF mn	82.0	43.2	43.4	46.1
Liquidity Coverage Ratio LCR	124.3%	268.1%	252.5%	279.6%
¹) unaudited		200.176	232.370	215.076
^a unaudited ^{a)} after dividend payment				

after dividend payment

The disclosures for capital adequacy, leverage ratio and liquidity coverage ratio are in accordance with FINMA Circular 08/22. The values used to calculate the liquidity coverage ratio are simple month-end averages of each year as indicated. The basis to calculate average values is taken from the monthly liquidity status reports submitted to FINMA and SNB. For 2016 the liquidity coverage ratio has to exceed 70%. The main factors with a relevant impact on the liquidity coverage ratio of Bellevue Group are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows.

³⁾ using the Basic Indicator Approach

Details on the consolidated income statement

3.1 Net fee and commission income

CHF 1000	1.131.12.2016	1.131.12.2015
Brokerage and Corporate Finance	9 493	11 930
Asset Management – management fees	56 921	53 551
Asset Management – performance fees	2 447	4 105
Other commission income	1 639	1 360
Fee and commission expense	-1601	-350
Net fee and commission income	68 899	70 596

3.2 Personnel expenses

CHF 1000	1.131.12.2016	1.131.12.2015
Salaries and bonuses	35 352	30 512
Pension cost ¹⁾	2 607	2 860
Other social benefits	2 540	2 677
Other personnel expenses	692	425
Total Personnel expenses	41 191	36 474

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

3.3 Other operating expenses

CHF 1000	1.131.12.2016	1.131.12.2015
Premises	2 465	2 149
IT, telecommunications and other equipment	5 242	4 751
Travel and representation, PR, advertising	3 989	3 450
Consulting and audit fees	2 087	3 649
Other operating expenses	2 676	2 253
Total Other operating expenses	16 459	16 252

3.4 Depreciation

CHF 1000	1.131.12.2016	1.131.12.2015
Depreciation of property and equipment	536	288
Depreciation of intangible fixed assets	2 244	4 558
Total Depreciation	2 780	4 846

3.5 Valuation adjustments and provisions

CHF 1000	1.131.12.2016	1.131.12.2015
Value adjustment Goodwill (Impairment)	10 000	22 000
Release/additions of other provisions	-	-68
Total Valuation adjustments and provisions	10 000	21 932

3.6 Taxes

CHF 1000	1.131.12.2016	1.131.12.2015
Current income taxes	3 170	1 667
Deferred income taxes	-982	-335
Total	2 188	1 332
Pre-tax result	864	514
Expected rate of income tax	19%	19%
Expected income tax	164	98
Reasons for higher/lower amounts:		
Difference between applicable local tax rates and assumed Swiss tax rate	-257	-1 847
Non-deductible expenses	2 537	4 594
Tax income unrelated to accounting period	-256	-351
Participation exemption on dividend income	_	-1162
Total income taxes	2 188	1 332
Swiss tax balance	2 121	3 840
Foreign tax balance	_	6
Total current tax receivable	2 121	3 846
CHF 1000	1.131.12.2016	1.131.12.2015
Intangible assets	4 951	1 179
Unrealised profits on financial instruments	4 230	3 978
Other deferred tax liabilities	1 279	1 354
Total deferred tax liabilities ¹⁾	10 460	6 511
Actuarial BVG provisions	572	315
Other deferred tax assets	509	205
Total deferred tax assets 1)	1081	520

¹⁾ Deferred taxes are determined by temporary differences deriving from valuations which vary between the financial statements based on IFRS and fiscal financial statements.

3.7 Earnings per share

CHF 1 000	1.131.12.2016	1.131.12.2015
Group net profit	-1 324	-818
Weighted average number of issued registered shares	12 543 510	10 470 000
Less weighted average number of treasury shares	-98 165	-115 009
Weighted average number of shares outstanding (undiluted)	12 445 345	10 354 991
Weighted average number of shares outstanding (diluted)	12 616 234	10 905 877
Undiluted earnings per share (in CHF)	-0.11	-0.08
Diluted earnings per share (in CHF)	-0.10	-0.07

The number of outstanding shares increased by 2991428 during the financial year. The figures for the previous year have been adjusted accordingly.

Details on the consolidated balance sheet

4.1 Due from banks and clients

CHF 1000	31.12.2016	31.12.2015
Due from banks	112 500	81 589
of which from securities transaction processing	5 575	983
Total	112 500	81 589
Due from banks, by type of collateral		
Unsecured	112 500	81 589
Total	112 500	81 589
Due from customers	17 979	22 332
of which private customers	12 135	20 668
of which corporate customers	5 844	1 664
Total	17 979	22 332
Due from customers, by type of collateral		
Other collateral ¹⁾	17 181	21 575
Unsecured	798	757
Total	17 979	22 332

¹⁾ Securities only

4.2 Financial instruments at fair value through profit and loss

CHF 1000	31.12.2016	31.12.2015
Trading portfolio assets		
Equity instruments (incl. funds)		
Listed	64 358	41 228
Total	64 358	41 228
Total trading portfolio assets	64 358	41 228
of which repo-eligible	-	41 228
of which lent or delivered as collateral	-	

CHF 1000	Positive	Negative	Contract
	replacement value	replacement value	volume
Open derivative instruments			
Foreign currency as at 31.12.2015			
Forward contracts (OTC) ²⁾	3	92	10 343
of which hedge purpose 3)	3	92	10 343
Equity investments as at 31.12.2015			
Futures 1)	-	-	2 947
of which hedge purpose 3)	-	-	2 947
Options (OTC) ²⁾	1 194	1 194	46 702
of which hedge purpose 3)	-	-	-
Total	1 197	1 286	59 992
Foreign currency as at 31.12.2014			
Forward contracts (OTC) ²⁾	_	141	8 025
of which hedge purpose 3)		141	8 025
Equity investments as at 31.12.2014			
Futures 1)		=	1 226
of which hedge purpose 3)		=	1 226
Options (OTC) ²⁾	9 331	9 331	91 693
of which hedge purpose 3)		_	_
Total	9 331	9 472	100 944

¹⁾ Level 1: listed on an active market

³⁾ Whereas no hedge accounting as defined under IFRS is applied

CHF 1000	31.12.2016	31.12.2015
Other financial assets at fair value through profit and loss		
Investment funds subject to Luxembourg law	16 207	10 805
Other investment funds	11 761	15 790
Total other financial assets at fair value through profit and loss	27 969	26 595
	31.12.2016	31.12.2015
Financial liabilities designated at fair value		
Structured products	26 590	4 422
Total Financial liabilities designated at fair value	26 590	

4.3 Financial investments

CHF 1000	31.12.2016	31.12.2015
Valued at fair value		
Debt instruments	604	741
of which unlisted	604	741
Equity instruments 1)	23 516	22 100
of which unlisted	23 516	22 100
Total financial investments	24 120	22 841
Total financial investments	24 120	22 841
of which repo-eligible securities	-	_

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

In the year under review, financial investments amounting to CHF 1.4 million (previous year: CHF 0.3 million) were revalued without affecting net income. On it CHF 0.25 million (previous year: CHF 0.05 million) of deferred taxes were considered.

 $^{^{\}mbox{\tiny 2)}}$ Level 2: valuated on the basis of models with observable input factors

4.4 Business combination

On 6 June 2016, Bellevue Group AG acquired a 100% interest in StarCapital AG. The Group expects to continue to increase its market presence through the combination of this business with the existing Asset Management business segment of Bellevue Group AG. The goodwill of CHF 28.3 million from this acquisition can be attributed in particular to the synergies and economies of scale expected to arise from the merger of these businesses. As expected, it will not be possible to amortise the recorded goodwill for tax purposes.

The following table summarises the consideration paid for StarCapital AG, the fair value of asset acquired and liabilities assumed at the acquisition date:

CHF 1000	06.06.2016
Cash	22 137
Conditional component of the purchase price	21 906
Total consideration transferred	44 043
	•
Cash	6 950
Receivables	1 622
Property, plant & equipment	261
Intangible assets	15 490
Liabilities	- 8 536
Total recognised amounts of identifiable asset acquired and liabilities assumed	15 787
Goodwill	28 256

The above-mentioned amounts represent the allocation of the purchase price. With the exception of the costs of the increase in capital, the acquisition-related costs in the amount of CHF 0.3 million for the 2016 financial year were recorded as operating expenses in the income statement. Costs of CHF o.9 million that were directly attributable to the increase in capital were posted directly to shareholders' equity. The acquisition-related costs of CHF o.4 million that arose in 2015 were recorded as operating expenses in the income statement for the same period.

The conditional component of the purchase price is a liability owed by the Group to the sellers, and is due in three equal instalments on the first three anniversaries starting from the acquisition date. The fair value of the conditional component of the purchase price will depend on the profits generated by StarCapital AG from 2016 to 2018, which, at the same time, represent the main input parameter underlying the valuation (Level 3). The estimate used for the 2016 year report assumes a profit of EUR 7.0 million per year. Where the actual profit deviates from the estimated profit by +/- 1%, the fair value of the conditional component of the purchase price will also change by a corresponding +/- 1%. The conditional component of the purchase price could vary within a range of +/- EUR 10.0 million.

In the course of the merger on 6 June 2016, Bellevue Group AG entered into a liability in the amount of EUR 1.0 million to the executives, management and employees of StarCapital AG to secure a sustainable transaction value. At the time of the acquisition, this liability was recorded as an additional component of the purchase price as the distribution to the relevant entitled parties had not yet been finally determined. Following the final identification of the entitled parties, Bellevue Group AG is of the opinion that this agreement is rather to be regarded as a separate transaction than as a part of the merger, and has consequently entered this agreement as a separate transaction on the balance sheet. The amortised costs of StarCapital AG and the goodwill have thus been adjusted accordingly in the consolidated financial statements as of 31 December 2016; this adjustment has already been implemented in the table above.

There is no need to write down the gross amounts.

The fair value of the acquired intangible assets (customer base and brand) was CHF 15.5 million, based on a «discounted cash flow» calculation. The cost of equity amounts to 9.7%.

The Group acquired control of StarCapital AG on 6 June 2016 (closing date). As of this date, an operating income of 9.1 million and a profit of 4.0 million was recognised in the consolidated income statement. In the period from 1 January 2016 to the assumption of control, StarCapital AG generated a profit of CHF 2.5 million which was immediately reflected in the net asset value.

4.5 Associated companies

CHF 1000	31.12.2016	31.12.2015
Balance at the beginning of the year	-	548
Impairment	-	-532
Translation differences	-	-16
Total as at the balance sheet date	-	_

Subsidiary consolidated using the equity method

			-		Into	erest held in %
	Domicile	Activity	Currency	Share capital/ Nominal capital 1 000	31.12.2016	31.12.2015
Auerbach Grayson and Company, LLC.	New York	Brokerage	USD	10 200	7.2	7.2

Auerbach Grayson and Company, LLC («Auerbach») acts as US introducing broker for Bank am Bellevue. A representative of Bellevue Group is member of the Board of Directors of Auerbach Grayson.

4.6 Property and equipment

CHF 1000	IT equipment	Other fixed assets	Total
Acquisition cost			
Balance as of 01.01.2015	1 007	5 082	6 089
Additions	1 676	=	1 676
Balance as of 31.12.2015	2 683	5 082	7 765
Additions	63	258	321
thereof changes in the scope of consolidation	25	235	260
Disposals	-	-6	-6
Balance as of 31.12.2016	2 746	5 334	8 080
Accumulated depreciation Balance as of 01 01 2015			
Balance as of 01.01.2015	-879	-4 986	-5 865
Additions		-89	-287
Disposals		3	3
Balance as of 31.12.2015		-5 072	-6 149
Additions	-467	-70	-537
Disposals	_	9	9
Foreign currency impact	-1	-7	-8
Balance as of 31.12.2016	-1 545	-5 140	-6 685
Net carrying values 31.12.2015	1 606	10	1 616
Net carrying values 31.12.2016	1 201	194	1 395

4.7 Goodwill and other intangible assets

CHF 1000	Bank am Bellevue	Asset Management	Total
Goodwill			
Acquisition cost			
Balance as of 1.1.2015	97 374	74 298	171 672
Additions		423	423
Balance as of 31.12.2015	97 374	74 721	172 095
Additions		28 256	28 256
thereof changes in the scope of consolidation		28 256	28 256
Foreign currency effect		-874	-874
Balance as of 31.12.2016	97 374	102 103	199 477
Accumulated valuation adjustments Balance as of 1.1.2015			
Dalatice as of 1.1.2015			-116 289
Additions	-65 374 -22 000	-50 915 -	-116 289 -22 000
Additions	-22 000		-22 000
Additions Balance as of 31.12.2015	-22 000 -87 374		-22 000 -138 289
Additions Balance as of 31.12.2015 Additions	-22 000 -87 374 -10 000	- -50 915 -	-22 000 -138 289 -10 000
Additions Balance as of 31.12.2015 Additions Balance as of 31.12.2016	-22 000 -87 374 -10 000	- -50 915 -	-22 000 -138 289 -10 000
Additions Balance as of 31.12.2015 Additions Balance as of 31.12.2016 Net carrying values	-22 000 -87 374 -10 000 -97 374	-50 915 -50 915	-22 000 -138 289 -10 000 -148 289

The reported goodwill as of 1 January 2015 for the Bank am Bellevue and Asset Management business segments stems from the acquisition of Bank am Bellevue AG and Bellevue Asset Management AG by Bellevue Group AG (formerly Swissfirst AG) in 2005, and from the acquisition of the 100% interest in Adamant Biomedical Investments AG («Adamant») in 2014. The additions in the 2015 financial year are also due to the acquisition of the 100% interest in Adamant. Details of the merger with Adamant are listed in section 1.4 on page 11 of the 2015 half-year report and in section 4.4 on page 67 of the 2014 annual report. The additions in the 2016 financial year are due to the acquisition of a 100% interest in StarCapital AG. Details of the merger with StarCapital AG are provided in section 4.4 on page 74.

Bellevue Group will assess the goodwill value every six months, basing valuations on the projected recoverable amount for each business segment. The recoverable amount is calculated using the discounted cash flow method. The projected free cash flows for the respective cash-generating units are estimated based on five-year financial plans. The business plans of the respective segments serve as the basis for these estimates of projected free cash flows. These cash flows are discounted to present value.

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

- income on the average assets under management and the expected return on assets (management- and performance fees)
- brokerage fees based on the expected average turnover
- other operating income and expenses

In view of the lower volume of business activities and the reduced revenues from Bank am Bellevue's brokerage unit, the Board of Directors and the Executive Board reassessed the unit's future earnings. On the one hand, the five-year financial plan on which these estimates are based was adjusted on the basis of income in the first 11 months of 2016. On the other hand, variables and assumptions in respect of the general development of the brokerage area as well as Bank am Bellevue's market position were taken into account as well. As a result, the remaining position «goodwill» of Bank am Bellevue had to be fully adjusted in the amount of CHF 10 million. Bellevue Group issued a media release informing of this matter immediately after the resolution was passed on 12 December 2016.

Impairment tests were conducted again at the end of December of 2016. The discount rate used in these calculations was 8.3% (previous year: 8.2%) and the assumed growth rate was 1% (previous year: 1%). No additional impairment losses were identified.

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

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

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

CHF 1 000	Client base	Brand	Other	Total
Other intangible assets				
Acquisition cost				
Balance as of 1.1.2015	84 838	1 274	3 262	89 374
Balance as of 31.12.2015	84 838	1 274	3 262	89 374
Additions	15 207	279	4	15 490
thereof changes in the scope of consolidation	15 207	279	4	15 490
Foreign currency effect		-8	_	-457
Balance as of 31.12.2016	99 596	1 545	3 266	104 407
Accumulated valuation adjustments				
Balance as of 1.1.2015	-74 159	-1184	-3 262	-78 605
Additions	-4 539	-19	=	-4 558
thereof due to impairment	-2 700	=	-	-2 700
Balance as of 31.12.2015	-78 698	-1 203	-3 262	-83 163
Additions	-2 192	-51	-1	-2 244
thereof due to impairment	-597	=	-	-597
Balance as of 31.12.2016	-80 890	-1 254	-3 263	-85 407
Net carrying values				
Balance as of 1.1.2015	10 679	90		10 769
Balance as of 31.12.2015	6 140	71	=	6 211
Balance as of 31.12.2016	18 706	291	3	19 000

The intangible assets for «Brand» and «Client base» as per 1.1.2015 stem from the acquisition of the Bank am Bellevue and Bellevue Asset Management by Bellevue Group (formerly Swissfirst AG) in 2005, and from the acquisition of the 100% interest in Adamant Biomedical Investments AG in 2014, which merged with Bellevue Asset Management AG in 2015. These intangible assets are amortized over a period of 5 to 15 years and are likewise tested for impairment in the procedure describe above under «Goodwill».

The additions during fiscal year 2016 resulted from the acquisition of a 100% interest in the StarCapital AG. The details of the business combination are listed in section 4.4 on page 74. The intangible assets will be amortized over a period of 5 to 10 years and tested for impairment in the procedures described above under «Goodwill».

We have further adjusted our estimate for future expected profits on the acquired customer base of Bank am Bellevue, due to the continued adverse environment. As a result, we had to write off an additional CHF 0.24 million (as per 30 June 2016: CHF 0.36 million) of the related intangible assets. Bellevue Group issued a media release informing of this matter immediately after the resolution was passed on 12 December 2016.

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

2017	2 172
2018	2 170
2019	2 165
2020	2 151
2021	2 119
2022	2 097
2023	2 097
2024	1 941
2025	1 475
2026	613
Total	19 000

4.8 Provisions

CHF 1 000	Note	Actuarial BVG provisions	Other	2016 Total	2015
Balance at the beginning of the year		1 656	_	1 656	2 281
Utilization in conformity with intended purpose			=	-	-332
New charge to profit and loss account			=	-	_
Write-backs credited to profit and loss account		_	=	-	-68
Remeasurement of post employment benefit obligations IAS 19		1 355	_	1 355	-225
Total as at the balance sheet date		3 011	_	3 011	1 656

Bellevue Group may be involved in litigation and is making provisions for current and impending proceedings if the competent sections think that payments or losses on the part of the Group companies are likelier to occur than not, and if their amount can be reliably estimated.

Details regarding the 2015 data are provided in section 4.7 on page 76 of the 2015 annual report.

4.9 Share capital/Conditional capital/Authorized capital

	Number of shares	Par value CHF 1 000
Share Capital (registered shares)		
Balance as of 1.1.2015	10 470 000	1 047
Balance as of 31.12.2015	10 470 000	1 047
Change during period under review	2 991 428	299
Balance as of 31.12.2016	13 461 428	1 346
Conditional capital		
Balance as of 1.1.2015	1 000 000	100
Balance as of 31.12.2015	1 000 000	100
Balance as of 31.12.2016	1 000 000	100

The intended purpose (in total) is as follows:

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

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

	Number of shares	Par value CHF 1 000
Authorized capital		
Balance as of 1.1.2015	1 500 000	150
Balance as of 31.12.2015	1 500 000	150
Change during period under review	8 572	1
Balance as of 31.12.2016	1 508 572	151

At the Annual General Meeting held on 22 March 2016, it was resolved to replace the existing authorised capital with new authorised capital in a higher amount and for a restricted purpose. For the purposes of financing acquisitions of companies by share swaps or for financing or refinancing the acquisition of companies, parts of companies or shareholdings, the Board of Directors was authorised to increase the share capital, at any time, by a maximum amount of CHF 450 000 until 22 March 2018 by issuing no more than 4500 000 fully paid registered shares with a nominal value of CHF 0.10 per share. The increases may be underwritten, including by transfer or subscription by Bank am Bellevue AG, or they may be effected in partial amounts. The issue price, the time of dividend entitlement and the type of contribution will be determined by the Board of Directors. After their acquisition, the newly issued registered shares will be subject to the transfer limitations pursuant to Article 5 of the Articles of Association.

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

In connection with the acquisition of a 100% interest in StarCapital AG, the Board of Directors of Bellevue Group AG resolved at its meeting on 10 April 2016 to increase the capital in the amount of CHF 299142.80 from the authorised share capital. Details of the merger with StarCapital AG are provided in section 4.4 on page 74. The increase in capital resulted in a premium of CHF 32 606 565 million, which was entered in the capital reserves. Costs of CHF 881796 that were directly attributable to the increase in capital were posted directly to shareholders' equity.

4.10 Treasury shares

	Anzahl	CHF 1 000
Own shares in trading portfolio of Bank am Bellevue		
Balance as of 1.1.2015	1 516	21
Purchases	117 883	1 714
Disposals	-116 399	-1 693
Balance as of 30.6.2015	3 000	42
Purchases	396 432	5 575
Disposals	-189 477	-2 661
Balance as of 31.12.2015	209 955	2 956
Purchases	565 876	7 982
Disposals	−758 528	-10 695
Balance as of 30.6.2016	17 303	243
Purchases	58 539	843
Disposals	-64 996	-933
Balance as of 31.12.2016	10 846	153
Treasury shares held by Bellevue Group AG	.	
Balance as of 1.1.2015		
Purchases	81 345	1 143
Disposals		
Balance as of 30.6.2015	81 345	1 143
Purchases	<u> </u>	_
Disposals		-453
Balance as of 31.12.2015	49 107	690
Purchases	17 500	261
Disposals	-65 983	-941
Balance as of 30.6.2016	624	10
Purchases	_	_
Disposals	_	_
Balance as of 31.12.2016	624	10
Treasury shares held by Bellevue Asset Management AG Balance as of 1.1.2015		
Purchases		
Disposals		
Balance as of 30.6.2015		_
Purchases Disposals		
Balance as of 31.12.2015 Purchases	156 000	2 330
Disposals	-155 095	-2 316
Balance as of 30.6.2016	905	
	905	14
Purchases		
Disposals		
Balance as of 31.12.2016	905	14

4.11 Assets pledged or assigned as collateral for own liabilities

CHF 1 000	Carring amount	31.12.2016 Actual liability		31.12.2015 Actual liability
Due from banks	52 611	-	40 655	-
Other assets	5	-	_	_
Total	52 616	_	40 655	

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

5 Transactions with related parties

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

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

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance. In the previous year, these amounts were listed under «other compensation».

With the exception of Thomas von Planta no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors. During the reporting year Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 54 000 (excl. 8% VAT) for consulting services.

CHF	Fixed compensation paid in cash	Variable compensation paid in cash	Variable compensation paid in shares	Other compensation	Total
Compensation paid to members of the Board of Directors					
Thomas von Planta, Chairman	218 992	=	22 000	61 200	302 192
Daniel Sigg, Member	160 182	=	40 000	=	200 182
Mirjam Staub-Bisang, Member	139 151		43 000		182 151
Total 1.131.12.2015	518 325	_	105 000	61 200	684 525

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance. In the previous year, these amounts were listed under «other compensation».

With the exception of Thomas von Planta no compensation was paid to parties related to members of the Board of Directors or to former members of the Board of Directors in 2015. During the reporting year Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 61200 (excl. 8% VAT) for consulting services.

CHF	Fixed	Variable	Variable	Variable	Share-based	Ohter	Other	Total
· · ·	compensa-	compensa-	compensa-	compensa-	payments	payments	compen-	10141
	tion paid	tion paid	tion paid	tion paid	from LTI's	from LTI's	sation	
	in cash	in cash	in shares	in cash				
Compensation paid to member	's							
of the Executive Board								
Total 1.131.12.2016	1 134 132	617 000	246 000	408 235	51782	285 332	-	2742481
Total 1.131.12.2015	1 450 988	829 250	267 500	257 366	95 000	418 528	319 823	3 638 455

The listed amounts for the fixed and variable compensation each contain any employer contributions to statutory social insurance. In the previous year, these amounts were listed under «other compensation».

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

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

	31.12.2016					
Number of shares	Call-Options 1)	Number of shares	Call-Options 1)			
25 714	-	18 888	-			
28 832	-	20 345	-			
2 550	-		=			
	31.12.2016		31.12.2015			
Number of shares	Call-Options 1)	Number of shares	Call-Options 1)			
167 585	-	105 000	-			
69 936	-	46 319	-			
117 584		92 858	_			
	25 714 28 832 2 550 Number of shares 167 585 69 936	Number of shares	Number of shares Call-Options ¹⁾ Number of shares 25 714 — 18 888 28 832 — 20 345 2 550 — — Number of shares 167 585 — 105 000 69 936 — 46 319			

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

5.3 Transactions with related companies and persons

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

CHF 1 000	Key management personnel ¹⁾	Major shareholders ²⁾	Associated companies	Other related companies and persons ³⁾	Total
2016					
Due from customers	575	-	=	-	575
Due to customers	6 419	26 793	-	-	33 212
Credit guarantees	2 500	-	-	-	2 500
Interest income	10	-	-	-	10
Interest expense	-	-	-	-	-
Fee and commission income	10	887	-	-	897
Fee and commission	-	-	67	-	67
Other operating expenses	5	-	-	-	5
2015					
Due from customers	316		_	_	316
Due to customers	16 719	19 740		_	36 459
Interest income	2			_	2
Interest expense	=		=	=	_
Fee and commission income	9	617	48	=	674
Other operating expenses	61			_	61

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

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

The following conditions are applied:

- Interest rate charged loans: 0.50%-2.00% (previous year: 0.50%-2.00%), interest rate earned 0.00% (previous year: 0.00%)
- Commission rates: 0.205% (previous year: 0.205%)

The credit guarantees serve as collateral for loans from third-party banks to members of the Group management.

During the reporting year Thomas von Planta has invoiced Bellevue Group AG for a total of CHF 54 000 (excluding 8% VAT) for his consultancy services (previous year: CHF 61200). Thereof CHF 48600 was posted directly to shareholders' equity as transaction costs connected with the increase in share capital.

Off-balance-sheet transactions:

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

²⁾ Major shareholders: see Corporate Governance, section Group structure and shareholders, page 28

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

5.4 Employee share purchase plan

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

The total amount of variable compensation is determined at the operating segment levels. In order to do this, the adjusted segment results take into account the proportionate costs of the Group and the interest on the allocated capital. On the contrary, amortization of intangible assets, the costs of taxes and any other non-controllable influence are eliminated. The adjusted earnings are subsequently associated with a certain percentage to the available bonus pool for variable compensation per segment. The calculated pool for the year 2016 was CHF 2.8 million (previous year: CHF 4.5 million).

At the same time a minimum bonus pool for the segment Bank am Bellevue is calculated based on the operating revenues. If the bonus pool as described above does not reach the minimum amount, the minimum bonus pool is used as basis. For the year 2016 CHF 1.2 million were calculated (previous year: CHF 1.4 million).

For the segment Group, the bonus pool was CHF o.6 million (previous year: CHF 1.2 million), which is determined on discretionary basis at its discretion.

Contractual obligations exist for the portfolio manager in the Asset Management segment in order to determine the variable compensation. The compensation depends on the success of the managed product through them. The individual teams participate with the collected net income of the respective product accordingly. The amount of the compensation is based among others on the quality of the performance compared to relevant indices and market offerings. On «Seed Capital», which is invested in the products, no compensation is paid. For the year 2016 variable compensation in the amount of CHF 8.0 million were calculated (previous year: CHF 10.7 million).

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

For the payment of variable compensation the following regulation apply:

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

The employees in the BB Biotech AG portfolio management team have, in addition, been participating in an employee stock ownership plan, which is part of this asset management mandate, since April 2014. Under this plan, the team receives an entitlement to a maximum number of shares. The actual number of shares depends on various conditions. The shares are subject to a three-year vesting period (service period) as of the date of allocation. In addition, the effective number of shares depends on the achievement of performance targets over the next three fiscal years in connection with the BB Biotech AG mandate. A right to receive the maximum number of shares only exists if BB Biotech AG's absolute performance during the following three-year period is greater than 10% p.a. and it exceeds the relative performance of the Nasdaq Biotech Index and the Swiss Performance Index. If the absolute performance in the three-year period is less than 5% p.a. and neither of the two indices are exceeded, the entitlement will be forfeited. During the year under review, CHF 1.9 million was recognised pro rata as expense (previous year: CHF 1.1 million). As of 31 December 2016, the value of the entitlement based on its fair market value is CHF 4.9 million (previous year: CHF 3.6 million).

The Board of Directors approved a long-term incentive plan worth CHF 1.2 million for the employees of StarCapital AG, which is part of the Asset Management segment and was acquired during the reporting year. For this purpose, Bellevue Group AG shares with a fair market value of CHF 0.3 million were allocated in the reporting year. The shares are not blocked.

In the reporting year, the Board of Directors approved a long-term incentive plan for employees of the Bank am Bellevue AG. Bellevue Group AG shares with a fair market value of CHF 1.8 million and subject to a four-year blocking period were allocated for this. This amount contains a cash component to cover any employee contributions to statutory social insurance. These shares are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. Members of the Executive Board have also participated in this long-term incentive plan.

In the preceding year, the Board of Directors approved a long-term incentive plan for employees of the Bank am Bellevue AG and Bellevue Group AG. Bellevue Group AG shares with a fair market value of CHF 3 million and subject to a four-year blocking period were allocated for this. This amount contains a cash component to cover any employee contributions to statutory social insurance. These shares are subject to a three-year pro-rata vesting period (service period) and a three-year clawback right. Members of the Executive Board have also participated in this long-term incentive plan.

In addition, the Board of Directors established what is known as a blocked share program for the previous CEO of the Group. As a result, 307062 shares in Bellevue Group AG with a market value of CHF 3093000 were allocated in May 2012. The shares were blocked until May 2017 and included a pro-rata repayment obligation (except in the event of a change of control). In return, the CEO of the Group waived participation in any other bonus programs for a five-year period and committed himself to the acquisition of a substantial amount of Bellevue Group AG shares in 2012. The former CEO of the Group left Bellevue Group AG as of 30 June 2015, whereupon Bellevue Group AG exercised its clawback right. It redeemed shares with a total value of CHF 1.1 million (fair market value at the time of their redemption).

Blocked Shares

Number		Employees		e Board of Directors oup Executive Board
	2016	2015	2016	2015
Holdings of blocked shares on January 1	224147	36130	136215	360 593
Shares purchased with holding period 1)	105410	141 823	-	51 582
Restricted shares purchased from the bonus accrual for the previous year ¹⁾	122512	46 194	52 653	54515
Shares for which the holding period has lapsed	-12023	_	-	-15716
Shares of employees/members who have left the Group and transfers (reduction)	-	=	-	-314759
Holdings of restricted shares on December 31	440 046	224147	188 868	136 215

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

	1.131.12.2016	1.131.12.2015	1.131.12.2016	1.131.12.2015
Expenses recognized under Personnel expenses for shares purchased at a discount	2004	650	691	34
Expenditure on acquisition of discounted shares debited against bonus accrual for previous year	1832	640	787	755
Expenditure on acquisition of discounted shares debited	14.95	13.85	14.95	13.85
Market value of restricted shares on December 31	6909	3 340	2965	2 0 3 0

6 Risk related to balance sheet positions

6.1 Balance sheet by currency

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2016					
Cash	122 811	4	-	_	122 815
Due from banks	88 928	17 899	3 219	2 454	112 500
Due from customers	15 257	2 717	5	-	17 979
Trading portfolio assets	50 041	526	13 791	-	64 358
Positive replacement values	1 197	-	-	-	1 197
Other financial assets at fair value	6 884	6 973	8 104	6 008	27 969
Accrued income and prepaid expenses	6 600	4 090	233	166	11 089
Financial investments	23 500	604	-	16	24 120
Associated companies	-	-	-	-	-
Property and equipment	1 159	236	-	-	1 395
Goodwill and other intangible assets	28 680	41 508	-	-	70 188
Current tax assets	2 121	-	-	-	2 121
Deferred tax assets	572	-	439	70	1 081
Other assets	6 025	5	502	366	6 898
Total on-balance-sheet assets	353 755	74 562	26 293	9 080	463 710
Delivery claims from spot and forward forex transactions and from	10 343		_	_	10 343
forex options transactions	10 343				
Total assets	364 118	74 562	26 293	9 080	474 053
		74 562	26 293	9 080	474 053
		74 562 3 754	26 293 514	9 080 567	474 053 16 176
Total assets	364 118				
Total assets Due to banks	364 118 11 341	3 754	514	567	16 176
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value	364 118 11 341 188 934	3 754	514	567	16 176 197 327
Due to banks Due to customers Negative replacement values	364 118 11 341 188 934 1 286	3 754	514 1 149	567	16 176 197 327 1 286
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value	11 341 188 934 1 286 12 662	3 754 5 514 - -	514 1 149 - 13 928	567 1730 - -	16 176 197 327 1 286 26 590
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income	11 341 188 934 1 286 12 662 17 078	3 754 5 514 - - - 24 483	514 1 149 - 13 928 2 274	567 1730 - - - 821	16 176 197 327 1 286 26 590 44 656
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities	11 341 188 934 1 286 12 662 17 078 1 892	3 754 5 514 - - 24 483 2 368	514 1 149 - 13 928 2 274 50	567 1730 - - - 821	16 176 197 327 1 286 26 590 44 656 4 669
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities	11 341 188 934 1 286 12 662 17 078 1 892 6 382	3 754 5 514 - - 24 483 2 368 4 025	514 1 149 ————————————————————————————————————	567 1730 - - 821 359	16 176 197 327 1 286 26 590 44 656 4 669 10 460
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011	3 754 5 514 ————————————————————————————————————	514 1 149 ————————————————————————————————————	567 1730 - - 821 359 -	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions Other liabilities	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011 503	3 754 5 514 ————————————————————————————————————	514 1 149 — 13 928 2 274 50 53 —	567 1730 - - 821 359 - - 43	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011 660 158 875
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions Other liabilities Equity Total on-balance-sheet liabilities Delivery claims from spot and forward	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011 503 116 600	3 754 5 514 - - 24 483 2 368 4 025 - 114 49 449	514 1 149 - 13 928 2 274 50 53 - - -5 571	567 1730 - - 821 359 - - 43 -1603	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011 660
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions Other liabilities Equity Total on-balance-sheet liabilities Delivery claims from spot and forward forex transactions and from forex	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011 503 116 600	3 754 5 514 - - 24 483 2 368 4 025 - 114 49 449 89 707	514 1 149 - 13 928 2 274 50 53 - - -5 571 12 397	567 1730 - - 821 359 - - 43 -1603	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011 660 158 875
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions Other liabilities Equity Total on-balance-sheet liabilities Delivery claims from spot and forward	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011 503 116 600	3 754 5 514 - - 24 483 2 368 4 025 - 114 49 449	514 1 149 - 13 928 2 274 50 53 - - -5 571	567 1730 - - 821 359 - - 43 -1603	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011 660 158 875
Due to banks Due to customers Negative replacement values Financial liabilities designated at fair value Accrued expenses and deferred income Current tax liabilities Deferred tax liabilities Provisions Other liabilities Equity Total on-balance-sheet liabilities Delivery claims from spot and forward forex transactions and from forex	11 341 188 934 1 286 12 662 17 078 1 892 6 382 3 011 503 116 600	3 754 5 514 - - 24 483 2 368 4 025 - 114 49 449 89 707	514 1 149 - 13 928 2 274 50 53 - - -5 571 12 397	567 1730 - - 821 359 - - 43 -1603	16 176 197 327 1 286 26 590 44 656 4 669 10 460 3 011 660 158 875

CHF 1 000	CHF	EUR	USD	Other	Total
31.12.2015					
Cash	90 573		_	_	90'573
Due from banks	67 851	9 335	4 151	252	81 589
Due from customers	22 269	33	30		22 332
Trading portfolio assets	41 228		_	_	41 228
Positive replacement values	9 331		_	_	9 331
Other financial assets at fair value	8 836	6 873	10 801	85	26 595
Accrued income and prepaid expenses	7 061	821	187	7	8 076
Financial investments	22 100	741		_	22 841
Associated companies			_	_	_
Property and equipment	1 616		_	_	1 616
Goodwill and other intangible assets	40 017		_	_	40 017
Current tax assets	3 840		6	_	3 846
Deferred tax assets	315		205		520
Other assets	7 390		130	42	7 562
Total on-balance-sheet assets	322 427	17 803	15 510	386	356 126
Delivery claims from spot and forward forex transactions and from forex options transactions	8 025				8 025
Total assets	330 452	17 803	15 510	386	364 151
Due to banks	5 310	_	_	=	5 310
Due to customers	155 123	8 293	2 314	116	165 846
Trading portfolio liabilities	9 472	_	-	-	9 472
Negative replacement values	4 422		_	_	4 422
Financial liabilities designated at fair value	20 827		3 099	444	24 370
Accrued expenses and deferred income	1 589	_	295	273	2 157
Current tax liabilities	6 511			<u> </u>	6 511
Deferred tax liabilities	1 656		_	_	1 656
Provisions	414			8	422
Other liabilities	141 993	-	-4 942	-1091	135 960
Equity	347 317	8 293	766	-250	356 126
Delivery claims from spot and forward					
forex transactions and from forex		2.255	4.750		0.005
options transactions		3 266	4 759		8 025
Total liabilities and shareholders' equity	347 317	11 559	5 525	-250	364 151
Net position per currency		6 244	9 985	636	

6.2 Maturity structure of assets and liabilities

CHF 1 000	On demand	Subject to notice	Due within 3 months	3 to 12	Due between 1 and 5 years	Due after 5 years	Total
31.12.2016							
Assets							
Cash	122 815	-	-	-	-	-	122 815
Due from banks	96 635	15 700	-	132	33	-	112 500
Due from customers	17 898	-	55	26	-	-	17 979
Trading portfolio assets	64 358	-	-	-	-	-	64 358
Positive replacement values	-	-	3	1 194	-	-	1 197
Other financial assets at fair value	16 285	-	-	_	11 684	-	27 969
Accrued income and prepaid expenses	-	-	11 089	_	-	-	11 089
Financial investments	16	-	-	-	23 500	604	24 120
Property and equipment	-	-	138	412	845	-	1 395
Goodwill and other intangible assets	51 188	-	_	2 173	8 604	8 223	70 188
Current tax assets	-	-	-	2 121	-	-	2 121
Deferred tax assets	-	-	-	1 081	-	-	1 081
Other assets	1 190	-	412	52	5 244	-	6 898
Total assets	370 385	15 700	11 697	7 191	49 910	8 827	463 710
Liabilities Due to banks	8 176	_	5 000	3 000	_	_	16 176
Due to customers	197 109		218	3 000			197 327
Negative replacement values	197 109		92	1 194			1 286
Financial liabilities designated at fair value	26 590		92	1 194			26 590
Accrued expenses and deferred income	26 390		44 656				44 656
Current tax liabilities			44 030	4 669			4 669
Deferred tax liabilities				4 313	5 822	325	10 460
Provisions	1			4 313	3 011		3 011
Other liabilities		_	660	_	3011	_	660
Total liabilities	231 876		50 626	13 176	8 833	325	304 835
Total liabilities	231 870		30 020	13 170	8833	323	304 833
Liabilities							
Contingent liabilities							
Credit guarantees	11 000	_		_	_	_	11 000
Irrevocable commitments	11 000						11 000
Rental commitments			566	1 581	1 448	_	3 595
Undrawn irrevocable credit facilities			142	1 301			142
Onaravvii incevocable cicuit facilitics	_		1+2				142

CHF 1 000	On demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due between 1 and 5 years	Due after 5 years	Total
31.12.2015							
Assets							
Cash	90 573	_	_	-	_		90 573
Due from banks	81 458			131	_	_	81 589
Due from customers	22 192		95	45			22 332
Trading portfolio assets	41 228			_	_		41 228
Positive replacement values		-	9 276	55	_	_	9 331
Other financial assets at fair value	12 851	-	_	-	13 744	_	26 595
Accrued income and prepaid expenses		_	8 076	-	_		8 076
Financial investments		-	-	-	22 100	741	22 841
Property and equipment		-	114	343	1 159	-	1 616
Goodwill and other intangible assets	33 806	-	_	788	3 089	2 334	40 017
Current tax assets		_	_	3 846	_	_	3 846
Deferred tax assets		-	-	520	-	-	520
Other assets	1 789	-	430	231	5 112	=	7 562
Total assets	283 897	-	17 991	5 959	45 204	3 075	356 126
Liabilities							5.240
Due to banks	1 310			1 000	3 000		5 310
Due to customers	165 195		651				165 846
Negative replacement values			9 417	55			9 472
Financial liabilities designated at fair value	4 422						4 422
Accrued expenses and deferred income	46		24 324				24 370
Current tax liabilities				2 157			2 157
Deferred tax liabilities				367	5 701	443_	6 511
Provisions					1 656		1 656
Other liabilities			422				422
Total liabilities	170 973		34 814	3 579	10 357	443	220 166
Liabilities							
Contingent liabilities							
Credit guarantees	6 000						6 000
Irrevocable commitments							
Rental commitments	5		455	1 317	3 130		4 907
Undrawn irrevocable credit facilities			150				150

6.3 Fair value of financial instruments

CHF 1 000	D l l	Fair Value	31.12.2016	D. alasadas	F-1-M-1	31.12.2015 Deviation
	Book value	Fair Value	Deviation	Book value	Fair Value	Deviation
Assets						
Cash	122 815	122 815	-	90 573	90 573	_
Due from banks	112 500	112 500	-	81 589	81 589	-
Due from clients	17 979	17 979	-	22 332	22 332	_
Subtotal receivables	253 294	253 294	-	194 494	194 494	_
Financial assets at amortized cost	253 294	253 294	-	194 494	194 494	_
Trading portfolio assets	64 358	64 358	_	41 228	41 228	
Positive replacement values	1 197	1 197	_	9 331	9 331	
Other financial assets at fair value	27 969	27 969	-	26 595	26 595	_
Financial investments at fair value	604	604	_	741	741	_
Subtotal other financial assets at fair value through profit and loss	94 128	94 128	-	77 895	77 895	-
Financial investments	23 516	23 516	-	22 100	22 100	_
Financial assets at fair value	117 644	117 644	-	99 995	99 995	-
Liabilities						
Due to banks	16 176	16 176	_	5 310	5 310	
Due to customers	197 327	197 327	-	165 846	165 846	_
Financial liabilities at amortized cost	213 503	213 503	-	171 156	171 156	-
Trading nortfalia liabilities	_	_				
Trading portfolio liabilities						
Negative replacement values	1 286	1 286		9 472	9 472	
Financial liabilities designated at fair value	26 590	26 590		4 422	4 422	
Financial liabilities at fair value	27 876	27 876	_	13 894	13 894	_

Valuation methods of financial instruments

31.12.2016	Level 1 CHF 1 000	Level 2 CHF 1 000	Level 3 CHF 1 000	Total
Assets				
Cash	122 815	-	-	122 815
Due from banks	_	112 500	-	112 500
Due from customers	_	17 979	-	17 979
Financial assets at amortized cost	122 815	130 479	-	253 294
Trading portfolio assets	12 675	51 683		64 358
Trading portfolio assets Positive replacement values	12 8/3	1 197		1 197
Other financial assets at fair value	78	16 208	11 683	27 969
Financial investments at fair value	76	604	23 516	24 120
Financial assets at fair value	12 753	69 692	35 199	117 664
Total financial assets	135 568	200 171	35 199	370 938
Liabilities Due to banks	_	16 176	_	16 176
Due to customers		197 327		197 327
Financial liabilities at amortized cost		213 503		213 503
i ilianciai liabilicies at alliortizeu cost		213 303	_	213 303
Negative replacement values	-	1 286	-	1 286
Financial liabilities designated at fair value	-	26 590	-	26 590
Financial liabilities at fair value	-	27 876	-	27 876
Total financial liabilities	-	241 379	-	241 379
31.12.2015	Level 1 CHF 1 000	Level 2 CHF 1 000	Level 3 CHF 1 000	Total CHF 1 000
Assets				
Cash	90 573			90 573
Due from banks		81 589	_	81 589
Due from customers		22 332		22 332
Financial investments				
Financial assets at amortized cost	90 573	103 921		194 494
Trading portfolios	11 699	29 529	_	41 228
Positive replacement values		9 331		9 331
Financial assets at fair value 1)		12 851	13 744	26 595
Financial investments ¹⁾	=	741	22 100	22 841
Financial assets at fair value 1)	11 699	52 452	35 844	99 995
Total financial assets	102 272	156 373	35 844	294 489
Liabilities				
Due to banks		5 310		5 310
Due to customers	_	165 846	_	165 846
Financial liabilities at amortized cost		171 156	-	171 156
Trading portfolio liabilities				_
Negative replacement values		9 472		9 472
Negative replacement values		4 422		4 422
Financial liabilities at fair value		13 894		13 894
Takal Sugar sial Babilities		105.050		405.050
Total financial liabilities	<u> </u>	185 050		185 050

No transfers between levels of the fair value hierarchy took place in 2016 or the previous year.

Level-1-instruments

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

Level-2-instruments

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

Level-3-instruments

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

6.4 Level-3-financial instruments

CHF 1 000			31.12.16			31.12.2015
		investments at fair value	Total	financial	investments at fair value	Total
Assets						
Holdings at the beginning of the year	13 744	22 100	35 844	11 741	22 400	34 141
Investments	271	16	287			-
Redemptions	-1586	-	-1 586	-231		-231
Losses recognized in the income statement	-649	-	-649	-290		-290
Losses recognized as other comprehensive income	-97	-	-97	_	-300	-300
Gains recognized in the income statement	-	-	-	2 524		2 524
Gains recognized as other comprehensive income	-	1 400	1 400			_
Total book value at balance sheet date	11 683	23 516	35 199	13 744	22 100	35 844
Total profit/loss of Level 3 instruments, which were held on 31. December.	-1 417	_	-1 417	2 524	_	2 524

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

Key assumptions	Changes in key assumption	Change in fair value in CHF 1 000
Net Asset value	+ 5 percentage points	-593
	– 5 percentage points	593
Reduction for illiquidity	+ 5 percentage points	-1 385
	– 5 percentage points	1 385

6.5 Netting agreements

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

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

31.12.2016	Amount before balance sheet offsetting CHF 1 000	Balance sheet offsetting CHF 1 000		Financial instruments not offset CHF 1 000	Collateral received/ provided CHF 1 000	Unsecured amount CHF 1 000
Financial assets						
Positive replacement values	1 197	-	1 197	786	348	63
Total financial assets	1 197	-	1 197	786	348	63
Financial assets						
Negative replacement values	1 286	-	1 286	786	-	500
Total financial assets	1 286	_	1 286	786	_	500
31.12.2015	Amount before balance sheet offsetting CHF 1 000	Balance sheet offsetting CHF 1 000		Financial instruments not offset CHF 1 000	Collateral received/ provided CHF 1 000	Unsecured amount CHF 1 000
31.12.2015 Financial assets	before balance sheet offsetting	sheet offsetting		instruments not offset	received/ provided	amount
	before balance sheet offsetting	sheet offsetting		instruments not offset	received/ provided	amount
Financial assets	before balance sheet offsetting CHF 1 000	sheet offsetting CHF 1 000	CHF 1 000	instruments not offset CHF 1 000	received/ provided CHF 1 000	amount CHF 1 000
Financial assets Positive replacement values	before balance sheet offsetting CHF 1 000	sheet offsetting CHF 1 000	9 331	instruments not offset CHF 1 000	received/ provided CHF 1 000	amount CHF 1 000
Financial assets Positive replacement values Total financial assets	before balance sheet offsetting CHF 1 000	sheet offsetting CHF 1 000	9 331	instruments not offset CHF 1 000	received/ provided CHF 1 000	amount CHF 1 000
Financial assets Positive replacement values Total financial assets Financial assets	before balance sheet offsetting CHF 1 000	sheet offsetting CHF 1 000	9 331 9 331	instruments not offset CHF 1 000	received/ provided CHF 1 000 4 090 4 090	amount CHF 1 000 5 147 5 147

7 Off-balance sheet and other information

7.1 Off-balance sheet

CHF 1 000	31.12.2016	31.12.2015
Contingent liabilities		
Credit guarantees	11 000	6 000
Total	11 000	6 000
Irrevocable commitments		
Rental commitments due within 1 year	2 148	1 777
Rental commitments due between 1 and 5 years	1 447	3 130
Undrawn irrevocable credit facilities	142	150
of which payment obligation to the protection of deposits	142	150
Total	3 737	5 057
Securities lending and pension transactions		
Book value of own holdings of securities lent in securities lending or provided as collateral in		
securities borrowing, and transferred in repurchase transactions	11 261	11 647
CHF Mio.	31.12.2016	31.12.2015
Assets under management		
Assets with management mandate	7 880	5 330
Other assets under management	2 670	1 421
Total assets under management (including double counts)	10 550	6 751
of which double counts	-56	-254
Development of managed assets		
Total managed assets (including double counting) at beginning	6 751	6 190
+/- net new money inflow or net new money outflow	1 578	-222
+/- price gains/losses, interest, dividends and currency gains/losses	-259	783
+/- other effects	2 480	
Total managed assets (including double counting) at end	10 550	6 751

Calculation in accordance with table 31 of the guidelines issued by the Swiss Financial Markets Supervisory Authority FINMA concerning accounting standards for financial institutions.

7.2 Employee benefit plans

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

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

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

When determining the benefits, the minimum requirements of the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and its implementing provisions must be considered. The LOB defines minimum insured salary and minimum retirement assets. The Federal Council determines the minimum interest on these minimum retirement assets at least every two years. In 2016, it amounts to 1.25% (previous year: 1.75%).

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

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

CHF 1 000	31.12.2016	31.12.2015
Consolidated balance sheet		
Fair value of plan assets	48 202	45 054
Present value of pension obligations	-51 213	-46 710
Funding surplus/shortfall	-3 011	-1656
Unrecognised actuarial gains/losses	-	_
Net (pension obligation)/plan assets	-3 011	-1656
CHF 1 000	1.131.12.2016	1.131.12.2015
Pension cost recognised in the income statement		
Service cost		
Compart complex cost	2.607	2 442

CHF 1 000	1.131.12.2016	1.131.12.2015
Revaluation components recorded in other income		
Actuarial gains/losses		
Arising from changes in demographical assumptions	1 520	_
Arising from changes in economic assumptions	-2 670	-581
Arising from experience	-638	-154
Return on plan assets (excluding amounts included in net interest expenses)	963	1 861
Effects from curtailments	_	_
Total of amounts recognised in other income	-825	1 126
Total pension costs	-3 488	-2 210
CHF 1 000	2016	2015
Development of pension obligations		
At 1 January	-46 710	-41 729
Current service cost	-2 607	-2 442
Employee contributions	-295	-280
Interest expenses on the present value of the obligations	-510	-502
Pension payments and vested benefits	3 048	2 256
Additions from admissions and voluntary contributions	-2 351	-2 437
Plan amendments	_	-841
Liabilities assumed in a business combination	_	_
Actuarial gains/losses	-1788	-735
At 31 December	-51 213	-46 710
Development of plan assets		
At 1 January	45 054	39 848
Interest income	505	496
Plan participants' contribution	295	280
Company contributions	2 133	2 435
Pension payments and vested benefits	-3 048	-2 256
Additions from admissions and voluntary contributions	2 351	2 437
Return on plan assets (excluding amounts in net interest)	963	1 861
Assets assumed in a business combination		
Administration expense	-51	-47
At 31 December	48 202	45 054
Actual return on plan assets	1 468	2 357
CHF 1 000	31.12.2016	31.12.2015
Allocation of plan assets		
Equities		
Listed investments	20 226	18 971
Non-listed investments	_	_
Bonds		
Listed investments	8 530	10 194
Non-listed investments	_	
Real estate		
Directly invested	_	
Investments in funds	1 546	1 521
Alternative investments	3 314	3 131
Qualified insurance policies		J 131
Other	14 586	11 237
Liquidity	14 300	11 237
Total	48 202	45 054
10141	40 202	45 034

The plan assets as at 31 December 2016 as well as at 31 December 2015 do not include shares of Bellevue Group AG. The foundation board issues investment guidelines for the investment of plan assets. These guidelines include tactical asset allocation and benchmarks for comparing the results with a general investment universe. The plan assets are well diversified. In terms of diversification and security, the Swiss pension plan is subject to the provisions of the OPA. As a rule, bonds receive at least a rating of A.

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

Defined-benefit obligations are distributed as follows:

CHF 1 000	31.12.2016	31.12.2015
Active workforce	51 213	46 710
Pensioners	_	_
Total	51 213	46 710

The maturity of the obligation is 22.0 years as at 31 December 2016 (previous year: 22.3 years). The expected employer's contributions for 2017 are estimated at CHF 2.2 million (previous year: CHF 2.4 million).

CHF 1 000	31.12.2016	31.12.2015
Changes to the present value of a defined-benefit obligation	+ 0.25%	+ 0.25%
Assumed interest rate	-2 636	-2 277
Salary development	467	463
Interest on pension assets	1 1 4 5	927
	+ 1 Jahr	+ 1 Jahr
Development of life expectancy	960	784
Actuarial assumptions		
Biometric assumptions	OPA 2015GT	OPA 2010GT
Life expectancy at the age of 65		
Year of birth	1951	1 950
Men	22.26	21.49
Women	24.32	23.96
Year of birth	1971	1 970
Men	24.18	23.24
Women	26.22	25.67
Discount rate	0.70%	1.10%
Expected rate of salary increases	1.50%	1.50%
Expected rate of pension increases	0.00%	0.00%
	1.00% (mandatory); 0.70%	1.25% (mandatory); 1.10%
Interest on pension assets	(super-mandatory)	

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

7.3 Major foreign exchange rates

The following exchange rates were used for the major currencies:

	2016			2015
	Year-end rate	Average rate	Year-end rate	Average rate
EUR	1.07245	1.08998	1.08855	1.06901
USD	1.01812	0.98520	1.00195	0.96310

Events after the balance sheet date

Bellevue Group issued a media release on 21 February 2017 announcing the restructuring measures planned for Bank am Bellevue AG. The Board of Directors intends to discontinue all Brokerage and Corporate Finance services of the Bank, which would involve the loss of up to 25 jobs. Consultation procedures were initiated immediately with all employees affected by the restructuring measures. The discontinuation of all associated business activities is scheduled for completion by mid-2017 as part of a carefully controlled process, and will involve a number of one-off restructuring costs. These restructuring costs will be charged in full to the income statement for the 2017 financial year. Serge Monnerat left his position as CEO of the Bank on 21 February 2017; he was replaced ad interim by André Rüegg, who is also CEO of the Group. The Bank will continue to provide its remaining clients with a full range of services, including trading activities. The planned restructuring measures will have no effect on any other business activities of Bellevue Group.

7.5 Cash contribution

The Board of Directors will propose a cash distribution of CHF 1.00 per registered share at the general meeting of shareholders of Bellevue Group AG on March 21, 2017. This corresponds to a total payment of CHF 13.46 millions.

7.6 Approval of the consolidated financial statements

The Audit Committee discussed and approved the consolidated financial statements during its meeting on February 20, 2017, the Board of Directors during its meeting on February 21, 2017. They will be submitted for approval at the general meeting on March 21, 2017.

Segment reporting

CHF 1 000	Bank am Bellevue	Asset Management	Group	Intercompany	Total
1.131.12.2016					
Net interest income	1 676	32	-68		1 640
Net fee and commission income	11 664	57 629	-	-394	68 899
Net trading income	1 276	207	-3		1 480
Other ordinary income	14	-656	-83		-725
Service from/to other segments	35	-25	-10		-
Total operating income	14 665	57 187	-164	-394	71 294
_					
Personnel expenses	-11 149	-27 804	-2 238		-41 191
Other operating expenses	-6 906	-8 464	-1 483	394	-16 459
Service from/to other segments	-237	-276	513		
Depreciation	-1 081	-1 695	-4		-2 780
thereof on intangible assets	-696	-1 548	_		-2 244
thereof due to impairment	-597	_	-		-597
Valuation adjustments and provisions	-10 000	_	-		-10 000
thereof due to impairment	-10 000	_	-		-10 000
Total operating expenses	-29 373	-38 239	-3 212	394	-70 430
Profit before tax	-14 708	18 948	-3 376	-	864
Taxes	191	-2 623	244		-2 188
Group net profit	-14 517	16 325	-3 132	-	-1 324
Founds an information					
Further information Segments assets 1)	316 700	144 306	2 704		463 710
Segments liabilities	241 054	37 334	26 447		304 835
Assets with management mandate (CHF m) 2)	35	7 845	20 447		7 880
Net new money (CHF m)	21	2 800	_		2 821
Other assets under management (CHF m) ²⁾	2 670		_		2 670
Net new money (CHF m)	1 237 3)		_		1 237
Total client assets (CHF m) ²⁾	2 705	7 845	_		10 550
Net new money (CHF million)	1 258	2 800	_		4 058
Capital expenditure		321	_		321
Number of staff (full-time equivalent) at cut-off date	41.8	65.3	4.2		111.3
Annual average number of staff (full-time equivalent)	38.4	58.0	4.1		100.5

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

42% of revenue is allocated to Switzerland and 58% to other countries.

²⁾ Including double counts

³⁾ New net money inflow resulted primarily from a transaction executed by Corporate Finance and is of a temporary nature. Without this transaction, net new money outflow would amount to CHF 145 million.

CHF 1 000	Bank am Bellevue	Asset Management	Group	Intercompany	Total
	am benevae	Management			
1.131.12.2015					
Net interest income	6 417	-129	_		6 288
Net fee and commission income	13 719	57 297		-420	70 596
Net trading income	431	-42	9		398
Other ordinary income	7	3 078	-349		2 736
Services from/to other segments	29	-19	-10		_
Total operating income	20 603	60 185	-350	-420	80 018
Personnel expenses	-9 3 56	-24 468	-2 650		-36 474
Other operating expenses	-7 040		-2 132	420	-16 252
Services from/to other segments	-64		317		_
Depreciation	-3 242	-1 601	-3		-4 846
thereof on other intangible assets	-3 103	-1 455			-4 558
thereof due to impairment	-2 700				-2 700
Valuation adjustments and provisions	-21 932				-21 932
thereof due to impairment	-22 000				-22 000
Total operating expenses	-41 634	-33 822	-4 468	420	-79 504
Profit before tax	-21 031	26 363	-4 818	<u> </u>	514
Taxes	1 009	-2 347	6		-1 332
Group net profit	-20 022	24 016	-4 812	_	-818
Further information					
Segments assets 1)	259 726	95 123	1 277		356 126
Segments liabilities	187 345	31 472	1 349		220 166
Assets with management mandate (CHF m) 2)	11	5 319			5 330
Net new money (CHF m)	_	-68	_	 -	-68
Other assets under management (CHF m) ²⁾	1 421	_	_		1 421
Net new money (CHF m)	-154				-154
Total client assets (CHF m) ²⁾	1 432	5 319	_		6 751
	-154	-68		<u> </u>	-222
Net new money (CHF million)					1 676
Net new money (CHF million) Capital expenditure	1 461	215	_		10/0
	1 461	49.5	3.0		86.9

¹⁾ Including associated companies; the sum of long-term assets in Switzerland, including Goodwill and excluding Other financial assets at fair value, amounts to CHF 63.7 million, in all other countries amounts to CHF 1.3 million.
²⁾ Including double counts

50% of revenue was allocated to Switzerland and 50% to other countries.

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». Non-domestic sales are negligible.

Segment «Asset Management»

The Asset Management business segment consists of Bellevue Asset Management AG and its foreign subsidiaries (Bellevue Asset Management Group) and StarCapital AG, which was acquired in June 2016 (cf. section 4.4 «Business Combination»). Bellevue Asset Management Group is an independent, highly specialised asset management boutique focusing on management of equity portfolios for selected regional and sector strategies, and on institutional assets. It has consistently outperformed the benchmark indices and has assets under management exceeding CHF 4.5 billion in healthcare products. This makes Bellevue Asset Management Group one of the world leaders in this specialised sector. The acquisition of StarCapital AG has made it possible to extend and broaden the offering of global pension, equity and mixed funds as well as ETF strategies in a targeted manner. Bellevue Asset Management Group's entire investment philosophy focuses purely on active asset management, based on a bottom-up, research-driven approach to stock picking. This business segment is oriented towards both institutional as well as retail clients.

«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.

Major subsidiaries

Company name	Domicile	Purpose	Currency	Share capital-/ nominal capital	31 Capital	.12.2016 Share of voting right	Capital	.12.2015 Share of voting right
Fully consolidated companies								
Bellevue Group AG	Küsnacht, Schweiz	Holding	CHF	1 346 143	Parent o	company	Parent	company
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	100%	100%	100%	100%
Bank am Bellevue AG	Küsnacht, Schweiz	Bank	CHF	25 000 000	100%	100%	100%	100%
Bellevue Asset Management AG	Küsnacht, Schweiz	Asset Management	CHF	1 750 000	100%	100%	100%	100%
Asset Management BaB N.V.	Curaçao	Asset Management	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
BB Biotech Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Advisors Limited	London, UK	Investor relations, distribution	GBP	50 000	100%	100%	100%	100%
Companies fully consolidated for the	e first time							
StarCapital AG	Oberursel, Deutschland	Asset Management	EUR	540 000	100%	100% 1)	0%	0%

¹⁾ The company was acquired on 6.6.2016.

10 Statutory banking regulations

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

The main differences between IFRS and Swiss GAAP are:

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

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

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

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

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bellevue Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 52 to 68 and 70 to 101) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach Overview

Overall Group materiality: CHF 800 000

Materiality Audit scope Key audit

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

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

Our audit scope addressed 97% of the net sales and 99% of the total assets of the Group. Additionally, analytical audit procedures were concluded at a further four reporting units in three countries, which cover a further 3% of net sales and 1% of the total assets of the Group:

- Bellevue (USA) Inc., USA
- Bellevue Research Inc., USA
- BB Biotech Ventures G.P., Guernsey
- Bellevue Advisors Limited, UK

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

Audit scope

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

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

Materiality

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

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

Overall Group materiality	CHF 800 000
How we determined it	5% of the average (based on the previous 3 years) and before impairment adjusted profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 40000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Impairment of goodwill and other intangible assets

Key audit matter

Goodwill in the amount of TCHF 51188 and other intangible assets in the amount of TCHF 19 000 stemming from the acquisition of group companies has been recognised in the financial statements under «Goodwill and other intangible assets».

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

We consider the assessment of the impairment of goodwill and other $% \left\{ 1,2,...,n\right\}$ intangible assets as a key audit matter because the Board of Directors has to apply significant judgement in setting the assumptions relating to future business results and the discount rate to be applied on the forecasted cash flows; moreover, goodwill and other intangible assets represent a significant amount on the balance sheet (15% of

Please refer to pages 65–66 (Estimates, assumptions and the exercise of judgement by Management) and pages 76–78 (Goodwill and other intangible assets).

How our audit addressed the key audit matter

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

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

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

We compared Management's assumptions concerning revenue growth and longterm growth rates with economic and industryspecific developments. We compared the discount rate with the cost of capital of the Group and of comparable enterprises, taking into account countryspecific particularities.

The assumptions used are in line with our expectations.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclo-
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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



PricewaterhouseCoopers AG

Rolf Birrer Audit expert Auditor in charge Roland Holl Audit expert

Zurich, 27 February 2017



Financial statements 2016 of Bellevue Group AG

Profit and loss account

CHF 1 000	1.131.12.2016	1.131.12.2015
Interest income	9	58
Interest expense	-26	-10
Net interest income	-17	48
Net fee and commission income	-	
Net trading income	671	9
Net income from financial assets	-70	171
Dividend income from associated companies	22 000	13 000
Other ordinary income	13	36
Other income	21 943	13 207
Total operating income	22 597	13 264
Personnel expenses	-1565	-2 475
Other operating expenses	-1 928	-2 030
Total operating expense	-3 493	-4 505
Amortization/depreciation and impairment losses on non-current assets	-15 800	-34 446
Extraordinary, non-recurring or prior period income	_	1 143
Extraordinary, non-recurring or prior period expenses	_	-2 198
Profit before tax	3 304	-26 742
Direct taxes	145	-95
Profit/loss for the year	3 449	-26 837

Balance Sheet

CHF 1 000	31.12.2016	31.12.2015
Assets		
Current assets		
Cash and cash equivalent	18 465	469
Other short-term receivables	346	-
Prepaid expenses and accrued income	128	356
Total current assets	18 939	825
Non-current assets		
Financial investments	210	401
Participations	166 643	138 185
Total non-current assets	166 853	138 586
Total assets	185 792	139 411
	100 102	
Liabilities and shareholders' equity		
Short-term liabilities		4 202
Short-term interest-bearing liabilities		1 397
Other short-term liabilities	7 413	60
Accrued expenses and deferred income	847	961
Total short-term liabilities	8 260	2 418
Long-term liabilities		
Other long-term liabilities	14 299	
Total long-term liabilities	14 299	
Shareholders' equity		
Share capital	1 346	1 047
Reserves from capital contributions	32 278	_
Legal capital reserves	32 278	-
General legal retained earnings reserves	2 225	2 225
Reserves for treasury shares 1)	167	2 956
Legal retained earnings	2 392	5 181
Voluntary retained earnings	19 339	16 550
Profit brought forward	104 439	141 742
Profit/loss for the year	3 449	-26 837
Total disposable profit	107 888	114 905
Treasury shares	-10	-690
Total shareholders' equity	163 233	136 993
Total liabilities and shareholders' equity	185 792	139 411

¹⁾ for shares held by subsidiaries

Notes to the financial statements

Accounting Principles

General approach

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

Cash, due from and due to banks and customers

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

Participations

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

Accruals and deferrals

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

Treasury shares

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

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

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

Notes to the financial statements

CHF 1 000	31.12.2016	31.12.2015
Cash and cash equivalent		
The cash and cash equivalents comprise the following:		
Due from group banks	16 161	
Due from other banks	2 304	469
Total	18 465	469
Other short-term receivables		
The other short-term receivables comprise the following:		
Due from group companies	346	
Total	346	_

pany	Domicile	Purpose	Currency	Share capital / Nominal capital	31 Capital	.12.2016 Share of Voting rights	31 Capital	.12.2015 Share of Voting rights
Beteiligungen								
Bellevue Group AG	Küsnacht, Schweiz	Holding	CHF	1 346 143	Parent o	company	Parent	company
Bellevue (USA) Inc.	Wilmington, USA	Holding	USD	10	100%	100%	100%	100%
Bank am Bellevue AG	Küsnacht, Schweiz	Bank	CHF	25 000 000	100%	100%	100%	100%
Bellevue Asset Management AG	Küsnacht, Schweiz	Asset Managment	CHF	1 750 000	100%	100%	100%	100%
StarCapital AG	Oberursel, Deutschland	Asset Managment	EUR	540 000	100%	100% 1)	0%	0%
Asset Management BaB N.V.	Curação	Asset Managment	USD	6 001	100%	100%	100%	100%
Bellevue Research Inc.	Boston, USA	Research	USD	100	100%	100%	100%	100%
BB Biotech Ventures G.P.	Guernsey	Investment Advisor	GBP	10 000	100%	100%	100%	100%
Bellevue Advisors Limited	London, UK	Investor relations, distribution	GBP	50 000	100%	100%	100%	100%

 $^{^{\}scriptscriptstyle 1\! \! \!)}$ The company was acquired on 6.6.2016.

CHF 1 000	31.12.2016	31.12.2015
Short-term interest-bearing liabilities		
The short-term interest-bearing liabilities comprise the following:		
Due to group companies	_	1 397
Total	_	1 397
Other short-term liabilities		
The other short-term liabilities comprise the following:		
Due to group companies	254	_
Due to third parties	7 159	60
Total	7 413	60

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

Other long-term liabilities

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

Reserves from capital contributions

The reserves from capital contributions include the premium from capital increase in the year 2016.

Treasury Shares (inventory and movement)

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

	Number	CHF 1 000
Treasury shares in trading portfolio of Bank am Bellevue AG Balance as of 1.1.2015	1516	
		21
Purchases	117 883	1 714
Disposals		-1 693
Balance as of 30.6.2015	3 000	42
Purchases	396 432	5 575
Disposals		-2 661
Balance as of 31.12.2015	209 955	2 956
Purchases	565 876	7 982
Disposals	-758 528	-10 695
Balance as of 30.6.2016	17 303	243
Purchases	58 539	843
Disposals	-64 996	-933
Balance as of 31.12.2016	10 846	153
Treasury shares of Bellevue Group AG		
Balance as of 1.1.2015		_
Purchases	81 345	1 143
Disposals	<u> </u>	
Balance as of 30.6.2015	81 345	1 143
Purchases	_	_
Disposals	-32 238	-453
Balance as of 31.12.2015	49 107	690
Purchases	17 500	261
Disposals	-65 983	-941
Balance as of 30.6.2016	624	10
Purchases	_	_
Disposals	_	_
Balance as of 31.12.2016	624	10
Treasury shares of Bellevue Asset Management AG		
Balance as of 1.1.2015		
Purchases		
Disposals		
Balance as of 30.6.2015	_	
Purchases		
Disposals		
Balance as of 31.12.2015		
Purchases	156 000	2 330
Disposals	-155 095	-2 316
Balance as of 30.6.2016	905	14
Purchases	-	-
Disposals	-	-
Balance as of 31.12.2016	905	14
Reserves for treasury shares Balance as of 31.12.2015		2.050
		2 956
Balance as of 31.12.2016		167

Amortization/depreciation and impairment losses on non-current assets

The lower volume of business activities and the reduced revenues from Bank am Bellevue's brokerage unit lead to an adjustment of the participation book value of Bank am Bellevue AG as per 31.12.2016. Accordingly, the participation in Bank am Bellevue AG was impaired by CHF 15.8 Mio.

Additional Informations

Company name, legal form and domicile

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

Declaration on FTEs

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

CHF 1 000	31.12.2016	31.12.2015
Total amount of collateral provided for third-party liabilities	11 000	6 000

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

	31.12.2016			31.12.2015
	Shares	Call-Options	Shares	Call-Options
Share- and option-holdings of members of the Board of Directors				
Thomas von Planta, Chairman	25 714	-	18 888	
Daniel Sigg, Member	28 832	-	20 345	
Mirjam Staub-Bisang, Member	2 550	-		

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

André Rüegg, CEO and CEO Bellevue Asset Management	167 585	-	105 000	_
Daniel Koller, CFO	69 936	-	46 319	
Serge Monnerat, CEO Bank am Bellevue	117 584	-	92 858	_

Events after the balance sheet date

Bellevue Group issued a media release on 21 February 2017 announcing the restructuring measures planned for Bank am Bellevue AG. The Board of Directors intends to discontinue all Brokerage and Corporate Finance services of the Bank, which would involve the loss of up to 25 jobs. Consultation procedures were initiated immediately with all employees affected by the restructuring measures.

The discontinuation of all associated business activities is scheduled for completion by mid-2017 as part of a carefully controlled process, and will involve a number of one-off restructuring costs. These restructuring costs will be charged in full to the income statement for the 2017 financial year. Serge Monnerat left his position as CEO of the Bank on 21 February 2017; he was replaced ad interim by André Rüegg, who is also CEO of the Group.

The Bank will continue to provide its remaining clients with a full range of services, including trading activities. The planned restructuring measures will have no effect on any other business activities of Bellevue Group.

Information on major shareholders

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

Aktionär bzw. wirtschaftlich Berechtigter		31.12.2015		
	Voting rights held	Number of Shares	Voting rights held	Number of Shares
Martin Bisang, Küsnacht	20.43%	2 750 000	20.06%	2 100 006
Jörg Bantleon, München (Germany)	10.35%	1 392 890	n/a	n/a
Jürg Schäppi, Rapperswil-Jona	7.04%	947 283	9.05%	947 175
Daniel Schlatter, Herrliberg	3.93%	529 200	4.98%	521 760

Proposal to the annual General Meeting

CHF 1 000	31.12.2016	31.12.2015
The Board of Directors proposes to the annual General Meeting of shareholders on March 21, 2017 the following allocation of profit:		
Profit/loss for the year	3 449	-26 837
Balance brought forward from previous year	104 439	141 742
Total Profit	107 888	114 905
Dividend on eligible capital ¹⁾	-	-10 466
Allocation to other reserves ²⁾	-	_
Balance carried forward to new financial year	107 888	104 439
CHF 1 000	31.12.2016	31.12.2015
At the annual general meeting on March 21, 2017 the Board of Directors will propose the following cash contribution from the reserve formed from capital contribution:		
Reserve formed from capital contributions	32 278	_
Cash distribution as a repayment from the reserve formed from contributions to authorised capital ¹⁾	- 13 461	_
Reserve formed from capital contributions after cash distribution	18 817	_

 $^{^{\}mbox{\tiny 1)}}$ Including treasury shares possibly held directly by Bellevue Group AG

Upon approval of this proposal, the cash distribution of CHF 1.00 per registered share of CHF 0.10 will be paid without deductionof federal withholding tax.

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bellevue Group AG, which comprise the balance sheet as of 31 December 2016, the income statement and notes for the year then ended, including a summary of significant accounting policies (pages 108 to 114).

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 653 000



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

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

Audit scope

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

Materiality

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

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

Overall materiality	CHF 653 000
How we determined it	o.4% of the equity of the company
Rationale for the materiality	We chose equity as the benchmark because the company considered for itself is conducting
benchmark applied	limited operational activities and, in our view, the equity is a generally accepted benchmark
	for holding companies.

We agreed with the Board of Directors that we would report to them misstatements above CHF 33 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

Impairment of participations

Key audit matter

The shares of the capital of subsidiaries held by the Company are recognised in the financial statements under 'Participations' (TCHF 166 643).

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

Bellevue Group AG uses the discounted cash flow method in order to test whether any impairments are necessary. The valuation is calculated based on the expected future cash flows to the equity investor.

We consider the assessment of the impairment of participations as a key audit matter because the Board of Directors has to apply significant judgement in setting the assumptions relating to future business results and the discount rate to be applied on the forecasted cash flows; moreover, participations represent a significant amount on the balance sheet (90% of total assets).

We refer to page 110 (Accounting principles) and page 112 (Amortization/depreciations and impairment losses on non-current assets)

How our audit addressed the key audit matter

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

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

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

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

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

The assumptions used are in line with our expectations.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 89o, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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



PricewaterhouseCoopers AG

Rolf Birrer Audit expert Auditor in charge

Zurich, 27 February 2017

Roland Holl Audit expert

Investor Relations and Addresses

Investor Relations

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