ANNUAL REPORT
2015

valartisgroup+

KEY FIGURES AT A GLANCE

Key Figures – 2014 and 2015 shown as continued and discontinued operations

in CHF million	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Total operating income	**63.3**	**70.7**	**73.7**	**-31.7**	**-22.1**
Income from interest and dividend	41.2	18.3	17.5	1.0	-2.2
Income from commission and service fee	52.2	41.5	47.1	6.0	3.5
Income from trading book	-20.3	6.3	-3.6	-39.6	-3.5
Other ordinary income	-9.8	4.6	12.7	1.0	-19.8
Administrative expense	-81.7	-50.4	-52.0	-17.6	-20.9
Personnel expense	-50.4	-33.0	-34.1	-10.5	-8.4
General expense	-31.3	-17.4	-17.9	-7.2	-12.5
Gross (loss)/income	-18.4	20.3	21.7	-49.3	-42.9
Depreciation, valuation adjustments and provisions	-17.0	-15.9	-9.1	-12.0	-13.8
Income taxes	1.4	3.2	0.6	3.6	1.4
Net (loss)/profit from continued operations	**-34.0**	**7.6**	**13.2**	**-57.7**	**-55.3**
Net (loss)/profit from discontinued operations	**14.5**	**2.6**	**-12.8**	**-15.6**	**-3.1**
Net (loss)/profit	**-19.5**	**10.2**	**0.4**	**-73.3**	**-58.4**
attributable to shareholders of Valartis Group AG	-14.8	6.7	-2.5	-69.2	-57.2
attributable to non-controlling interests	-4.7	3.5	2.9	-4.1	-1.2
Total assets	2,631	3,175	3,027	2,886	2,207
Total liabilities	2,322	2,859	2,707	2,646	2,047
Total shareholders' equity (including non-controlling interests)	309	316	319	241	160
Total client assets	6,835	7,798	7,957	6,459	439
Continued operations	6,835	5,528	6,034	6,459	439
Discontinued operations		2,270	1,923	0	5,024
Employees, as full-time equivalents (FTE)	297	299	285	215	230
Continued operations		220	217	215	55
Discontinued operations		79	68	0	175
Closing price of VLRT bearer shares, in CHF	17.25	20.00	17.70	15.40	8.45
Dividend per share, in CHF	0.00	1.00	0.00	0.00	0.00
Dividend yield	n/a	5.0%	n/a	n/a	n/a

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The English Valartis Group Annual Report is a translation of the German original. Only the German original is legally binding.

LETTER TO SHAREHOLDERS

Dear shareholders

Gustav Stenbolt,
Chairman of the Board of Directors

In FY 2015, Valartis Group was faced with major challenges. Both Valartis Group AG and the Liechtenstein-based Valartis Finance Holding AG were compelled to apply for moratoria – debt relief – as a result of uncertainties arising out of the interpretation of new EU guidelines stipulated in the Capital Requirements Directive IV (CRD IV) from 27 June 20131. The 28 EU countries affected by CRD IV took differing approaches to its implementation and introduced it at different times. As a consequence of these resulting uncertainties of the interpretation, the Valartis Banks in Liechtenstein and Austria terminated their loans granted to Valartis Finance Holding AG, a holding company subject to consolidated banking supervision by the Financial Market Authority (FMA) in Liechtenstein, on short notice in 2015. These intra-Group loans had been an integral part of Valartis Group's financing structure ever since 2008. Intra-Group loans have, in the past, varied in scale, though, in FY 2015, they were at their lowest level since 2008. These events proved extremely cost-intensive and forced cancellation of most new business development projects. In addition, the holding companies, Valartis Group AG and Valartis Finance Holding AG, and the Valartis Banks in Liechtenstein and Austria had to bear high costs for legal advisory services, audit and transaction mandates and for other external specialist services. Furthermore, needing to implement and conclude two major sales' transactions in the framework conditions described was anything but ideal. In future, we will ensure that our cost structure is significantly more efficient, with considerably reduced need for services from external specialists.

Against this background, in 2015, the Board of Directors of Valartis Group AG and of Valartis Finance Holding AG resolved to restructure Group internal financing. This included, primarily, divestment of Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG. Provided that these two transactions are successfully concluded, income from the sales and the release of equity capital are expected to total over CHF 150 m. This will cover repayment of all internal and external Group liabilities in the amount of more than CHF 120 m.

A LOOK BACK

Intra-group financing in favour of the Swiss parent company, Valartis Group AG, and the Liechtenstein-based financial holding company, Valartis Finance Holding AG, which was introduced during the Valartis Group reorganisation in 2014, potentially conflicts with some of the provisions of the Directive described above. These regulations came into effect in Liechtenstein on 1 February 2015 while in Austria the transitional applies until 2028. With the termination of all outstanding loans in 2015, both Valartis Group AG and Valartis Finance Holding AG experienced difficulties in paying all outstanding financial obligations (liquidity shortage)[2].

Neither Valartis Group AG (individually and on a consolidated basis) nor Valartis Finance Holding AG are over-indebted. Both companies retain an adequate equity capital base and sufficient assets to enable them to implement current recovery plans within the appropriate period. The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG, as at 31 December 2015.

In 2015, the Board of Directors of Valartis Group AG and of Valartis Finance Holding AG pushed for divestment of the two private banks in Liechtenstein and Austria. Valartis Bank (Liechtenstein) AG was sold within the framework of a Share Purchase Agreement, end of March 2016. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, as well as other customary conditions for such sales' transactions. From a current viewpoint, closing can be expected mid-2016. In Austria, following fulfilment of all conditions precedent, closing took place with the takeover of all employees and the main business activities of Valartis Bank (Austria) AG by Wiener Privatbank SE on 1 April 2016, within the framework of an Asset Purchase Agreement.

1 Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation on prudential requirements for credit institutions and investment firms (CRR), both from 27 June 2013.

2 For more details, please refer to comments on business development on page 20 ff.

Stephan Häberle
Chief Executive Officer

The planned closing on the sale of the bank in Liechtenstein will take place only following expiry of the current, definitive moratorium, granted until 23 May 2016. Therefore, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. It may also be deemed necessary for Valartis Finance Holding AG to apply for an extension by 28 June 2016. These extensions ensure that the prerequisites for the successful completion of all recovery measures can be put in place. Successful conclusion of the two divestment transactions in Austria and Liechtenstein are a precondition for the successful recovery for Valartis Group AG in Switzerland and, thus, for lifting of the moratorium, or the bankruptcy deferment for Valartis Finance Holding AG in Liechtenstein. Successful conclusion of the recovery of these two Group companies, together with the introduction of a new strategic direction of the Group, represent the central objectives for the business year 2016.

CONSOLIDATED FINANCIAL STATEMENTS 2015

In FY 2015, Valartis Group comprised the business units Private Clients and Wealth Management at the two private banks in Liechtenstein and Austria, and Institutional Clients with Asset Management, Corporate Finance and Private Equity, and Real Estate Management. By resolving to divest Group core holdings, the Board of Directors of Valartis Group AG also determined to relinquish the private banking business model in order to focus strategically on management of holdings in the fields of banking services, real estate, and private equity. As a result of the above-mentioned divestments, the provisions of the International Financial Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5) apply for the 2015 Annual Report of Valartis Group.

The 2015 Valartis Group consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) and taking into consideration various non-recurring, exceptional factors, show a Group loss of CHF 58.4 m for continued and discontinued operations (previous year on a comparable basis: Group loss of CHF 73.3 m). This is made up of a loss amounting to CHF 3.1 m from discontinued operations resulting from the planned divestment of Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG, plus a loss from continued operations amounting to CHF 55.3 m.

Continued operations from an operational viewpoint

The loss from continued operations is largely attributable to impairments of goodwill positions and intangible assets amounting to CHF 9.6 m, reductions in value of real estate projects in Russia amounting to CHF 15.7 m, together with significantly higher business expenditure relating to the recovery plans for Valartis Group.

From a purely operational viewpoint, i.e., without taking non-recurring, exceptional factors into consideration, income from commission and services for continued operations was down on the previous year. Business expenditure rose to CHF 12.5 m, as a result of implementation of regulatory requirements, and project and advisory services costs arising in connection with recovery plans for Valartis Group (31.12.2014: CHF 7.2 m). In addition, income from interest was significantly lower: down from CHF 1.0 m to minus CHF 2.2 m. This loss can be attributed to considerably lower average investment volumes of the bond portfolio and continuing low market interest rates at unchanged external refinancing costs.

Business segments

Divestment of the two private banks in Liechtenstein and Austria, Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG, results in the Valartis Group' withdrawing from private banking. Correspondingly, the Private Clients segment has been dropped from continued operations. A breakdown of the annual results for Valartis Group's two remaining segments, Institutional Clients and Corporate Center, can be found on pages 24 ff. and in the Notes to the Consolidated Financial Statements in Note 43.

Discontinued operations

The loss from discontinued operations amounting to CHF 3.1 m includes the annual results for the two Valartis banks in Austria and Liechtenstein, impairment of goodwill positions and intangible assets amounting to CHF 12.0 m arising out of the acquisition of Valartis Bank (Austria) AG, plus value adjustments of CHF 3.8 m on deferred taxes.

Equity capital basis
The two holding companies both retain adequate equity capital bases. The core Tier 1 capital ratio amounts to 18.5 per cent for Valartis Finance Holding AG (previous year: 11.6 per cent in accordance with Basle III). The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG (previous year: 11.9 per cent), as at 31 December 2015. Valartis Group AG (individually and on a consolidated basis) and Valartis Finance Holding AG are not over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within an appropriate period.

A LOOK TO THE FUTURE – THE NEW BUSINESS MODEL

Upon successful recovery of Valartis Group AG and of Valartis Finance Holding AG, the remaining Group structure has to be adjusted and streamlined, and the new business model will be set up.

Valartis Group as an investment company
By resolving to divest Group core holdings, the Board of Directors of Valartis Group AG also determined to focus strategically on management of holdings in the fields of banking services, real estate, and private equity. The strategy of the new investment company is based on the two core competencies, banking and finance, plus real estate projects and comprises three operative approaches: active management of own participations, management of third-party assets and identification of new business opportunities.

THANK YOU

We would like to thank all our employees and to express our appreciation and respect for their extraordinary commitment and loyalty. We also want to thank you, our clients and shareholders, for your loyalty and for the understanding you have continued to show in a very difficult year. Careful planning and consistent actions are still required, and we will make determined use of the transitional years 2015/2016 to establish and develop the new business model, in order to return to a sustainable success.

Baar ZG, 17 May 2016

Gustav Stenbolt
Chairman of the Board of Directors

Stephan Häberle
Chief Executive Officer

VALARTIS GROUP

In 2015, Valartis Group comprised the business units Private Clients and Wealth Management at the two private banks in Liechtenstein and Austria and Institutional Clients with Asset Management, Corporate Finance and Private Equity, and Real Estate Management. In 2015, the Board of Directors of Valartis Group AG decided to divest Group core holdings and, thus, to relinquish the private banking business model in order to concentrate strategically in the future on the management of holdings in the fields of real estate, financial services and private equity. In 2015, due to the need for recovery of the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG decided to implement recovery plans for the two companies. The primary objective of these recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG (for details of recovery plans, see strategic goal and objectives, page 10 ff.).

Valartis Group currently has offices in Switzerland, in Vienna, in Liechtenstein, in Luxemburg and in Moscow as well as St. Petersburg (see the section below, 2015/2016 transformation years and fundamental realignment).

The parent company, Valartis Group AG is headquartered in Baar, canton Zug, Switzerland. The Valartis Group AG bearer shares are listed on the Swiss stock exchange, SIX Swiss Exchange (ISIN CH0001840450, see also page 166). The largest shareholder is MCG Holding SA, Baar, canton Zug, with 50.2 per cent of capital and voting rights as at 31 December 2015 (see Note 37). Valartis Group AG holds direct and indirect participations in several fully consolidated companies (see Note 45 and strategic goals and objectives, page 10 ff.).

In 2015, the parent company, Valartis Group, employed 230 full-time equivalent personnel in continued and discontinued operations (2014: 215 employees), of which 55 employees remain in continued operations (for more information, please refer to key employee data on page 19).

From private banking to investment company

2007 – 2010
Strategic orientation on Private Banking Plus
In 2007, the Board of Directors of Valartis Group resolved to focus strategically on asset management for wealthy clients and institutional investors. Between 2007 and 2010, the Group expanded its Private Banking Plus business model, despite the financial crisis which began in 2008 and the consistent tightening of regulatory requirements applying to financial institutions, by means of targeted acquisitions in the private banking segment in Austria, Liechtenstein and in Switzerland.

2010 – 2014
Focusing of business activities and cost management
The Group then systematically divested non-private banking activities (Valartis Bonus Card AG in 2011, Eastern Property Holdings Ltd. in 2012) in order to concentrate on its core business. At the same time, in 2012 and 2013, stringent cost-saving measures were implemented. In 2013, Valartis Bank AG, Switzerland was divested due to the fact that, despite the reorganisation of its front-office activities in 2012, the bank's acquisition performance did not fulfil expectations. In 2014, Valartis Group thereby acquired an important minority holding in Norinvest Holding SA, the listed parent company of Banque Cramer & Cie SA, the purchaser of Valartis Bank AG, Switzerland.

As the holding company for Valartis Group, Valartis Group AG fundamentally reorganised both the group structure and the internal financing structure following divestment of its Swiss bank in 2014. All material activities of the private banking and wealth management units in Liechtenstein and Austria, including the finance participations, together with the private equity segment, were brought together under Valartis Finance Holding AG in Liechtenstein. This financial holding was incorporated on 27 June 2014 in Liechtenstein during the course of the Valartis Group reorganisation and is subject to consolidated banking supervision by the Financial Market Authority (FMA) Liechtenstein.

2015 – 2016
Transformation years and fundamental realignment
During the course of FY 2015, it became clear that Valartis Group AG and the Liechtenstein-based financial holding company, Valartis Finance Holding AG, were in need of recovery due to a temporary lack of liquidity (for details on recovery plans, see strategic goals and objectives, page 10 ff.). The two companies are not over-indebted and both retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period. Due to the need for recovery of the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG decided to implement recovery plans for the two companies. The primary objective of these recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG. Valartis Bank (Liechtenstein) AG was sold, within the framework of a Share Purchase Agreement, end of March 2016.[1]

1 The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, due 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. From a current viewpoint, it may also be deemed necessary for Valartis Finance Holding AG to apply for an extension by 28 June 2016.

In Austria, closing took place with the takeover of all employees and the main business activities of Valartis Bank (Austria) AG by Wiener Privatbank SE on 1 April 2016, within the framework of an Asset Purchase Agreement. Conclusion of the two divestment transactions in Austria and Liechtenstein represent a precondition for the successful recovery for Valartis Group AG in Switzerland and, thus, for lifting of the moratorium, or the bankruptcy deferment for Valartis Finance Holding AG in Liechtenstein.

Core elements of the new business model

INVESTMENT MANAGEMENT	EXPERTISE
Banking & Finance Real Estate Projects	Corporate Finance Management of third-party assets Advisory and other services
CORPORATE CENTER	**EXPERTISE**
Group Accounting & Controlling Risk Management & Risk Controlling Corporate Communications & Marketing IT & Logistics	Corporate Services

By deciding to divest Group core holdings, the Board of Directors of Valartis Group AG also determined to relinquish the private banking business model in order to focus strategically on management of holdings in the fields of real estate, financial services and private equity (see strategic goals and objectives, page 10 ff.).

In this way, Valartis Group's focus will be on the company's expertise in the finance and real estate sectors, on the one hand, and its in-house services orientation and advisory competencies, supplemented wherever necessary by services from third parties, on the other.

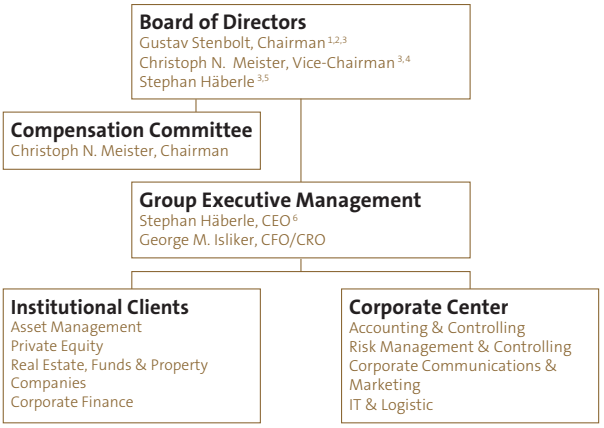
The strategy of the new investment company's based on the two core competencies, banking and finance, plus real estate projects and comprises three operative approaches: active management of own participations, management of third-party assets and identification of new opportunities. In the context of new investments, Valartis Group AG will be targeting earnings-oriented majority participations as well as minority participations in selected companies.

Our finance experts have many years of international experience and expertise and will offer shareholders access to a new participation portfolio, i.e., investments and participations by means of purchasing and selling in accordance with investment criteria and identification of new opportunities. The portfolios will be regularly reviewed and, if necessary, adjusted under consideration of the risks involved. Valartis Group will apply a bottom-up approach, based on the overriding corporate objectives which will be reflected in the strategy. Corporate objectives and their manifestation, the corporate strategy, are a product of a comprehensive analysis of framework conditions and the key decisions based thereon. These then form the basis for tactical implementation which are translated into specific investment decisions.

Board of Directors and Group Executive Management

During the course of the recovery process and general realignment, in spring 2015, Valartis Group aligned both the Board of Directors and Group Executive Management to the new situation, reducing the number of members to three, or two, respectively. Former Group CEO, Gustav Stenbolt, was elected as Chairman of the Board of Directors at the General Meeting on 2 June 2015. Christoph N. Meister, Vice-Chairman, and Stephan Häberle, Group CEO, are the other members of the Board of Directors.[2] Group Executive Management is currently made up of Stephan Häberle, Group CEO, and George M. Isliker, Group CFO & CRO.

Organisation Chart



1 Chairman of the Board of Directors since the Annual General Meeting on 2 June 2015 (prior to that Group CEO of Valartis Group)
2 Group Internal Audit reports directly to the Chairman of the Board of Directors
3 Member of the Compensation Committee
4 Audit Delegate
5 Member since the Extraordinary General Meeting on 15 January 2016
6 Group CEO since 3 June 2015; CEO of Valartis Finance Holding AG since March 2015.

2 Stephan Häberle, Group CEO, was elected as member of the Board of Directors at the Extraordinary General Meeting on 15 January 2016. He is expected to retain this double function until the next Ordinary General Meeting on 28 June 2016.

Segments

As a result of the decision taken in 2015 to divest the private banks in Austria (closing on 1 April 2016) and Liechtenstein (signing end of March 2016), in Valartis Group's reporting, the activities of the two banks are no longer allocated to the Private Clients segment but to discontinued operations, in accordance with International Financial Reporting Standards (IFRS, see discontinued operations, IFRS 5). Detailed reporting on this segment in FY 2015 is no longer applicable.

Continued operations comprise the business segment Institutional Clients and the Corporate Center. The Institutional Clients business segment comprises the business activities of Valartis Group's Asset Management, Private Equity and Real Estate Management units, together with Corporate Finance. Corporate Center is the internal service organisation which supports Group Executive Management and provides Group-wide services based on Service Level Agreements.It provides services in the fields of Accounting & Controlling, Risk Management & Risk Controlling and Corporate Communications & Marketing, and IT & Logistics. Further services which are required by the company (such as personnel administration and fiscal and legal advisory services) are outsourced to external providers. Income and expenditure that are not directly associated with the operating business segments, together with consolidation items, are allocated to Corporate Center (see also detailed segment reporting, page 24 ff. and Note 43).

Group companies and main holdings within the consolidation scope of Valartis Group are listed in the Notes to the Consolidated Financial Statements, in Note 45.

OUR HOLDINGS[3]

Private Equity Investments in Eastern Europe
Valartis Group holds 62.3 per cent of the investment company ENR Russia Invest SA (ENR), which is listed on the Swiss Stock Exchange, SIX Swiss Exchange (ISIN CH0034476959) that holds a stake of 49 per cent in Panariello Enterprises Ltd. ENR Russia Invest SA specialises in private equity, real estate investments and equity-related investments, as well as fixed-income investment instruments in Russia, the CIS states and the Baltic states (www.enr.ch).

Real Estate Funds and Investment Companies
In the real estate sector, we combine management of profitable business and residential real estate with investment in promising development projects, currently focusing on Russia and Algeria, as well as management of niche funds:

- Valartis German Residential Health Care SICAV for institutional investors as well as
- Darsi Group (45.95 per cent, real estate company)

Holdings in the financial services sector
- Valartis Finance Holding AG, Liechtenstein (100 per cent, finance holding company), www.valartisfinanceholding.li
- Valartis AG, Baar (100 per cent, holding company)
- Valartis International Ltd. (100 per cent, investment advisor)
- Valartis Advisory Services SA (100 per cent, investment advisor and corporate services)
- MCT Luxembourg Management Sàrl (100 per cent, investment advisor)
- Norinvest Holding SA, Geneva (SIX Swiss Exchange ISIN CH0013592248, minority holding of 25 per cent, www.norinvest.ch)

3 See also Main Group Companies, note 45.

STRATEGIC GOALS AND OBJECTIVES

THE LAST SEVEN YEARS

In 2007, Valartis Group focused strategically its business activities on asset management services for wealthy private clients and institutional investors. Over the course of the following three years, the Group expanded its private banking business through targeted acquisitions in Austria, Liechtenstein and Switzerland and continued to further focus on the private banking segment with systematic divestments of non-private banking activities (Valartis Bonus Card AG in 2011, Eastern Property Holdings Ltd in 2012) in order to concentrate on its core business. At the same time, in 2012 and 2013, stringent cost-saving measures were implemented. In 2013, Valartis Bank AG, Switzerland was divested due to the fact that, despite the reorganisation of its front-office operative activities in 2012, the bank's acquisition performance did not fulfil expectations. In 2014, Valartis Group thereby acquired an important minority holding in Norinvest Holding SA, the listed parent company of Banque Cramer & Cie SA, the purchaser of Valartis Bank AG, Switzerland.

As the holding company for Valartis Group, Valartis Group AG fundamentally reorganised both the group structure and the internal financing structure following divestment of its Swiss bank in 2014. All material activities of the private banking and wealth management units in Liechtenstein and Austria, including the finance participations, together with the private equity segment, were brought together under Valartis Finance Holding AG in Liechtenstein. This financial holding was incorporated on 27 June 2014 in Liechtenstein during the course of the Valartis Group reorganisation and is subject to consolidated banking supervision by the Financial Market Authority (FMA) Liechtenstein.

In the course of focusing on expansion of its private banking activities in the years 2011 to 2014, Valartis Group targeted its strategic core markets and concentrated on adapting products and services offerings to the demands of its international target clientele as well as on revising business models and structures to enable more stringent orientation towards profitability. The objective was to achieve a sustainable cost-income ratio of 65 to 70 per cent Group-wide. This measure was aimed, in the long term, at bringing segments with negative operating results back into the profit zone and at containing, as far as possible, the impact of exceptional factors by reducing the risk profile.

TRANSFORMATION YEARS 2015 AND 2016

During the course of FY 2015, it became clear that Valartis Group AG and the Liechtenstein-based financial holding company were in need of recovery due to a temporary lack of liquidity. Intercompany financing in favour of the Swiss parent company, Valartis Group AG, and the Liechtenstein-based financial holding company, Valartis Finance Holding AG, which was introduced during the Valartis Group reorganisation in 2014, potentially conflicts with the Capital Requirements Regulation (CRR) in Liechtenstein which came into effect on 1 February 2015.[1] Valartis Finance Holding AG is subject to the consolidated banking supervision by the Financial Market Authority (FMA) in Liechtenstein. As a consequence of these regulatory uncertainties, the Banks in Liechtenstein and Austria terminated the intercompany loans granted to Valartis Finance Holding AG on a short notice. Thus, both Valartis Group AG and Valartis Finance Holding AG experienced difficulties in paying all outstanding financial obligations during 2015 (liquidity shortage).

On 21 July 2015, Valartis Group AG applied to the Cantonal Court of Zug for a provisional, 4-month moratorium, which was granted on 24 July 2015. On 16 November 2015, Valartis Group AG applied to the Cantonal Court of Zug for a definitive, 6-month moratorium. This was approved on 23 November 2015. In both cases, the Court appointed Holenstein Attorneys-at-Law as the administrator.

On 18 September 2015, Valartis Finance Holding AG applied to the Princely Court of Liechtenstein for recognition of insolvency and bankruptcy deferment. This was granted on 28 October 2015. On 25 February 2016, the Princely Court deferred bankruptcy for a further four months, in accordance with the application, until 28 June 2016.

Valartis Group AG (individually and on a consolidated basis) and Valartis Finance Holding AG are not over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period. These holding companies have no employees. The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG, as at 31 December 2015.

Recovery plans

Due to the need for recovery of the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG resolved to implement recovery plans for both companies. The primary objective of these recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG.

Valartis Bank (Liechtenstein) AG was sold within the framework of a Share Purchase Agreement, end of March 2016. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions for such sales' transactions. From a current viewpoint, closing can be expected mid-2016. In Austria, following fulfilment of all conditions precedent, closing took place on the takeover of all employees and the main business activities of Valartis Bank (Austria) AG by Wiener Privatbank SE on 1 April 2016, within the framework of an Asset Purchase Agreement.

1 In Austria, the transition period applies until 2028.

As a result of the above-mentioned divestments, the provisions of the International Financial Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5) apply for the 2015 Annual Report of Valartis Group.

The recovery process 2015/2016

The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, granted until 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. From a current viewpoint, it may also be deemed necessary for Valartis Finance Holding AG to apply for an extension bankruptcy deferment by 28 June 2016. These deadline extensions mean that the prerequisites for the successful completion of all recovery measures are now in place. Conclusion of the two divestment transactions in Austria and Liechtenstein are a precondition for the successful recovery for Valartis Group AG in Switzerland and, thus, for lifting of the moratorium, or the bankruptcy deferment for Valartis Finance Holding AG in Liechtenstein. Successful conclusion of the recovery of the two Group companies, together with the introduction of the new strategic orientation of the Group, represent the pivotal objectives for FY 2016.

Valartis Bank (Austria) AG

As explained the banking operations of Valartis Bank (Austria) AG were acquired by Wiener Privatbank SE within the framework of an Asset Purchase Agreement which was signed on 18 December 2015. On 1 April 2016, transfer of assets was completed according to plan. Income and expenditure for Valartis Bank (Austria) AG are included in the 2016 Group income statement for three months on a pro rata basis. The sales price for Valartis Bank (Austria) AG and the proceedings from the liquidation correspond approximately to the carrying amount of the holding, on a Valartis Group level. Therefore, this has no effect on the income statement – with the exception of the negative exchange rate differences accumulated in equity capital, which will be transferred to the income statement in 2016 (see also consolidated equity capital development, pages 64/65). Following the divestment process, the sub-holding companies Valartis (Austria) GmbH and Valartis (Vienna) GmbH will be merged and absorbed into the remaining banking entity in Vienna and then liquidated once an offsetting situation has been established for existing intercompany loans. According to plans, this process should be completed during the first half-year of 2017, at the latest.

Valartis Bank (Liechtenstein) AG

The bank was divested end of March 2016. Closing is currently expected to take place mid-2016. For planning purposes, income and expenditure for Valartis Bank (Liechtenstein) AG are included in the 2016 Group income statement for six months on a pro rata basis. Profit of over CHF 20 m will be generated in 2016 out of the sales price of around CHF 77.4 m (Valartis Finance Holding AG holds 70 per cent of the capital). Following repayment of an intercompany loan granted by Valartis Bank (Liechtenstein) AG, liquidity is expected to amount to over CHF 20 m.

As a result of the divestment of the two banks in Austria and Liechtenstein, operating activities which are subject to supervisory requirements have been eliminated. It can therefore be expected that Valartis Finance Holding AG will be released from consolidated supervision by the Financial Market Authority (FMA) Liechtenstein at the end of 2016, at the latest.

THE NEW BUSINESS MODEL

By resolving to divest Group core holdings, the Board of Directors of Valartis Group AG also determined to relinquish the private banking business model in order to focus strategically on management of holdings in the fields of real estate, financial services and private equity.

The investment company

An investment company is one which focuses wholly, or in the main, on the acquisition, holding and sale of interests in other, independent companies in a range of industries. The main emphasis here is on equity participation as shareholder and not a holding company in the form of a Group, with Group subsidiaries which are managed in a uniform manner and consolidated in Group accounting.

A listed company has a number of advantages in comparison to other investment vehicles:

- Long-term investment horizons are possible
- No due dates or expiry dates
- No commitments involving fixed payments to investors
- Possibility of reinvesting earnings
- No limits on the number of participations
- Possibility of anticyclical investment patterns due to long-term participations
- No limits on the cash portion of the overall portfolio
- Possibility of payment of dividends
- Legal obligation of the Board of Directors to protect shareholders' interests
- Advantages of shares in comparison to share certificates from the investors' viewpoint

Valartis Group as an investment company

Valartis Group AG wants to present itself to its shareholders as an attractive investment company. The company will, therefore, not charge performance fees or fixed management fees in the form of per centages of participation portfolios. Instead, the only charges will be for services provided and to cover the actual costs arising in connection with the running of the company. In addition, the company should also be in a position to pay its employees performance-based, variable compensation which may also be paid in company shares.

Market and competitive environment

The competitive environment in which the new Valartis Group AG investment company finds itself is challenging and is characterised by demanding economic framework conditions as a result of the current yield curves and exchange rate fluctuations. In addition to positioning themselves in attractive niche markets, investment companies will increasingly have to underpin their future by cooperating with one another, and by breaking into new markets.

The financial management process

Within the framework of mid-term planning for 2016 to 2018, in eight meetings between November 2015 and May 2016, the Board of Directors has been occupied with the realignment of Valartis Group AG as an investment company, the potential investment portfolio and its structure and management process.

2015 and 2016 can be regarded as a transformation phase as a consequence of the withdrawal from core business activities and resulting structural adjustments. In 2017, the focus will be on implementing the investment management process based on existing sources of income and liquidity and rigorous cost control.

OBJECTIVES, MEASURES AND OUTLOOK

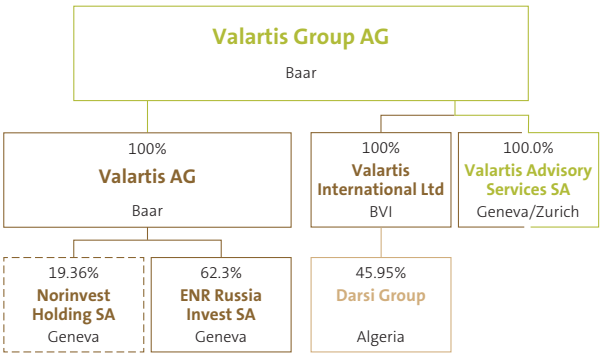
The new strategic direction

The strategy of the new investment company is based on the two core competencies, banking and finance, plus real estate projects and comprises three operative approaches: active management of own participations, management of third-party assets and identification of new opportunities.

In the context of new investments, Valartis Group AG will be targeting earnings-oriented majority participations and minority participations in selected companies.

Following completion of the two transactions described under the recovery process 2015/2016, the Group, will retain the following participations:

Planned Organisation Structure



Valartis Group AG financial planning for 2017 and 2018

Divestment of the current operative private banking units leads to the transformation of Valartis Group into an investment company. This company holds a majority participation (ENR Russia Invest SA) and two minority participations (Norinvest Holding SA and Darsi Group).

Organisational structure

The new organisational structure of Valartis Group requires a Board of Directors at Group level made up of at least three members, an operative Group Executive Management, plus 40 full-time positions. The 14 employees at Valartis International Ltd, Moscow, and the 14 employees at Valartis Advisory Services SA, Switzerland, as well as 12 employees in St. Petersburg provide services in the fields of real estate projects, investment projects, corporate finance and, within the framework of the Group services organisation, Group accounting and controlling, marketing and communications, and investment management. Further services which are required by the company (such as personnel administration and fiscal and legal advisory services) will be outsourced to external providers.

The next seven years

The future of Valartis Group lies in the design and management of a participation portfolio, i.e., an inventory of investments and participations by means of purchasing and selling in accordance with investment criteria which have still to be defined. Valartis Group will apply a bottom-up approach, based on the overriding corporate objectives which will be reflected in the strategy. Corporate objectives and their manifestation, the corporate strategy, are a product of a comprehensive analysis of framework conditions and the key decisions based thereon. These then form the basis for tactical implementation which is then translated into specific investment decisions.

Elements of traditional portfolio management processes such as portfolio design (asset allocation, monitoring, review) and portfolio controlling (performance measurement, attribution) are used in selecting investment targets. The disciplined implementation of these individual steps contributes to attaining the objective: a consistent focus on profitability with a favourable risk-return ratio. The business model of Valartis Group as an international investment company is based on the two core competencies, banking and finance, plus real estate projects and comprises three operative approaches: active management of own participations, management of third-party assets and identification of new opportunities.

Focus on growth

One of the main challenges in the design of an investment portfolio lies in solving the conflict of interests between optimisation of income which can be expected within a given period of time (increase in value including interest and dividends, less costs), on the one hand, and limitation of downside risk, on the other. The guiding parameters must be defined within the framework of implementation of strategy. Typically, the structure of an investment portfolio will begin to show a certain degree of constancy over a period of time and this implies anticyclical behaviour, with the associated opportunities, as well as risks. Procyclical behaviour would trigger major, annual changes in the composition of investments, which would lead to increased transaction costs.

Measures to raise income and control costs

All the Group's front-office operating units have introduced current, or newly designed, programmes aimed at raising income or lowering costs, in order to achieve the targeted increase in efficiency and profitability as quickly as possible. Group Executive Management, in particular, is actively working towards enhancing short-term flexibility – despite tightening requirements and the challenges of constructing an investment portfolio – in order to make the business model more scalable and to maintain control over costs. A balanced approach to risks and a focus on the criteria governing risk-bearing capability remain core principles. The internal control system (ICS) is consistently being enhanced to enable efficient management of operational risks. For details, please also see Valartis Group Risk Management, page 28 ff./82 ff.).

Rise in commission income

In addition to the design and management of an investment portfolio, Valartis Group is also focusing on raising income from services. This means that commission income must be raised in order for all operating costs to be sustainably covered and, in addition, to generate positive income contributions in the medium term. These income contributions open up opportunities, not only to counter increasing costs, but also to develop and implement joint investment projects. With this in mind, Valartis Group is in regular contact with partners for the mutual exchange of experiences, in order to take advantage of, and to optimise, existing resources.

Outlook

The focus for the front-office operating units for 2016 and 2017 lies on the successful implementation of new activities, together with the further development of current projects, with the target of significantly enhancing profitability. The business units will hone their market activities and adjust their services offering to requirements. The service organisation will resume standard operating activities end-2016 in contrast to the exceptional circumstances in which it found itself during the recovery phase. Group structure will be restructured to the new situation, demands and the range of services, which will require adjustments in Group organisation and infrastructure. From strategic and tactical viewpoints, 2017 will be characterised by the design and management of an investment portfolio in accordance with Valartis Group's strategic guiding principles (to be defined).

VALARTIS GROUP MILESTONES

2015 Divestment of Valartis Bank (Austria) AG (Asset Purchase Agreement) and Valartis Bank (Liechtenstein) AG (Share Purchase Agreement, 2016)

2014 Minority Participation in Norinvest Holding SA

Divestment of Valartis Bank AG, Switzerland, and of its asset management company

2012 Divestment of holding in Eastern Property Holdings Ltd.

Branch of Valartis Bank AG, Switzerland established in Lugano

2011 Divestment of Valartis Bonus Card AG

2010 Establishing of a representative office in Singapore, Asia

Raising holding in Jelmoli Bonus Card AG to 100 per cent and renaming as Valartis Bonus Card AG

2009 Acquisition of Hypo Investment Bank (Liechtenstein) AG and renaming as Valartis Bank (Liechtenstein) AG

2008 Strategic reorientation to “Private Banking Plus”

Acquisition of Anglo Irish Bank (Austria) AG and renaming as Valartis Bank (Austria) AG

2007 Group rebranded as Valartis Group

2006 OZ Bankers AG becomes a member of Visa Europe minority holding in Jelmoli Bonus Card AG

2005 Merger of OZ Group with MCT companies (MCG Holding acquires 50 per cent of share capital and voting rights in OZ Holding AG)

CORPORATE SUSTAINABILITY

SUSTAINABLE CORPORATE MANAGEMENT

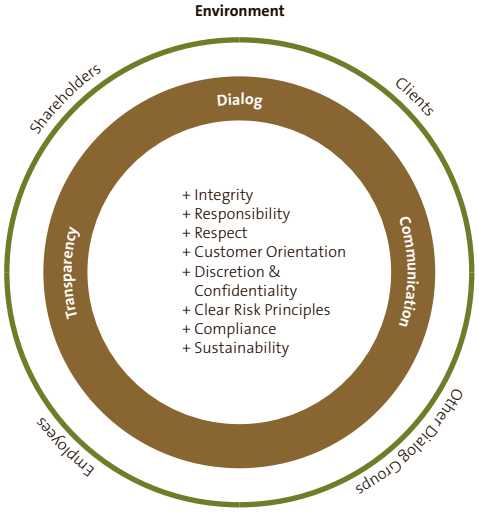
Valartis Group is an international company with a broad network and we are conscious of the diversity and high level of importance of our international and local stakeholders. To achieve sustainable and successful business development – again after the crisis – it is therefore crucially important that we know exactly what they require and what their interests are and that we take these into consideration in determining our strategy, and in its implementation. In addition to purely economic criteria, we also integrate social and ecological aspects into our daily thoughts and actions, in order to reflect our corporate responsibility. Our ethnic and professional values, such as integrity, respect, trust, client and dialogue orientation, cooperation and transparent communication, together with our strong sense of responsibility, are collected in our Code of Conduct (see also under Corporate Governance, page 36 ff.).

"Sustainable business practices and related profitability are core to our long-term success. We integrate ecological and social aspects into our business decision making, management of our resources and into our infrastructure. We want to achieve continuous sustainability for our internal and external stakeholders." [1]

1 Valartis Group Code of Conduct, Sustainability

A primary function of our Code of Conduct is to make all the people working for the company suitably aware of relevant legal stipulations and company policies and to heighten their alertness to risks in their daily work. The Code of Conduct summarises laws and other regulations which are of particular relevance for Valartis Group and provides orientation guidelines. These guidelines, which are binding, dictate legally conform and ethically responsible behaviour and also define the standards for correct and responsible behaviour towards business partners and the public, and towards other employees in the company. Everyone in the company – employees, Group Executive Management and the Board of Directors – are duty-bound to uphold the principles listed in the Code of Conduct. Valartis Group conducts open, transparent dialogue and aspires to a partnership based on trust and responsibility with clients, partners, investors and colleagues (see chart on the right hand side). As a listed company, we understand the central significance of good corporate governance for the success of our business, and work accordingly to ensure rigid implementation of recognised standards (see also Corporate Governance, page 36 ff.).

Corporate Responsibility



VALUE RETENTION AND PARTNERSHIP

We are dedicated to our traditional values of trust, partnership, risk and responsibility consciousness, dialogue and innovation, coupled to competence, know-how and our many years of experience. Our core competencies – banking & finance, and real estate management – are the prerequisites and the foundation of our new orientation.

Diligent and prudent operative risk management and compliance

We regard to risk management and compliance as being of pivotal significance – from the viewpoints of conformity with regulations, i.e., with laws and with guidelines, but also with voluntary codes. Compliance is charged with observance of legal responsibility and for ensuring adherence to all relevant internal and external regulations, together with timely implementation of all new regulatory stipulations. Our business activities are grounded in a disciplined, prudent approach to risks. We only assume risks which we can assess, evaluate and carry within our risk appetite. In the interests of, and in order to protect our stakeholders, the Group also places a high level of emphasis on independent risk management, compliance and audit procedures (see also Risk Management, pages 28 ff. and 82 ff.).

FOR OUR SHAREHOLDERS – TRANSPARENT AND SUSTAINABLE CORPORATE DEVELOPMENT

As a listed company, Valartis Group AG's public shareholders, with a free float of 44.1 per cent of shares and the majority shareholder, MCG Holding SA, in Baar, Canton Zug, which holds 50.2 per cent of capital and voting rights (see Bearer Share, page 166 or Note 37) represent important stakeholders. The remaining shares are held directly by the company.

We consider ourselves as being obligated to our majority and minority shareholders sustainably to generate profit. This not only enables targeted reinvestment in business activities, but also permits the establishment of reserves for economically difficult periods. The Group also wants to award their shareholders appropriate interest on the capital they have made available by paying them dividends.

For sustainable business development – value-driven management

2011 we established a holistic corporate management approach centered on a systematic, multi-level financial planning management process using a dual control concept, with a clear separation between decentralised control of front-office operating activities and a centralisation of the service organisation, including the Group's own financial investments and hedging strategies.

Board of Directors and Group Executive Management

Determination of the mid- and long-term strategic orientation of Valartis Group is the responsibility of the three-member Board of Directors who, stemming from their professional backgrounds, all have vast experience and expertise in finance and banking, finance and accounting, risk management, internal control systems and commercial law (see also Corporate Governance, page 28 ff.). The strategic mandates issued by the Board of Directors are implemented by Group Executive Management. This body is also responsible for the operative management of Valartis Group and its results (see Corporate Governance, page 36 ff.). In its role as a decision-making body, it defines gross profit performance targets for the coming three years as part of the rolling, operational mid-term planning, and determines the core tactical approach on Group level.

The Heads of the Institutional Clients segment which comprises Private Equity, Real Estate Management and Corporate Finance, report to the Group Chief Executive Officer (CEO). Based on a detailed annual plan, they each independently determine the risk and return budgets for the coming year and decide on the appropriate use of funds. In this way, they are free to decide whether they want to attain the operating net income level which has been set by raising returns, or by reducing costs. Non-operating, taxable returns and expenditure, such as trading or valuation gains, however, are not included in mid-term planning. Close monitoring of results and discussion on a monthly basis facilitate rapid implementation of any necessary countermeasures, without disruption of operations, particularly if significant deviation from the set budget occurs. At the same time, appropriate information and risk management systems make it possible to maintain control over operating risk, at all times (see Risk Management, page 28 ff.). The three-year capital plan represents conclusion of the financial management process.

For our employees – empowering success

We are proud to have employees who are willing to accept a challenge and overcome obstacles and who are committed to their work for the Group as a whole, even in difficult periods. Our international orientation demands a high level of professionalism, expertise, knowledge of people and cultures as well as observance of our values. In return – whenever possible – we offer our employees flexibility so that they can balance their working lives and their private lives. We follow a value-driven management approach which comprises management based on partnership; a working climate based on cooperation and camaraderie; attractive, market-conform basic salaries; performance-related compensation; progressive social benefits, plus incentives for further development. Our value-driven management approach forms the basis for Valartis Group to be perceived as a good employer-of-choice.

Reconciliation of working life and family, or an adequate work-life balance, is a fundamental prerequisite for long-term employee performance capability. For that reason, the Group offers leave and public holiday provisions which are inline with the market and aligned regionally, together with the possibility to work flexible hours. We are also open to the concept of Home Office in as far as it is in accordance with operating requirements.

Sustainable employee development – future-driven

Qualified and committed employees are the most important capital for a company and, particularly in critical phases of company development as the transformation years 2015/2016 show, they can mean the difference between success and failure. Our employees not only possess the necessary specific expertise, experience and pronounced, solution-oriented mindset, but also a high level of personal commitment. They contribute significantly to Valartis Group being able to remain focused and future-driven in order to quickly get back on a successful course, despite the extremely difficult economic situation in 2015. Demands on employees in the financial services sector are intensifying due to increasing complexity in the finance sector as a consequence of changing framework conditions, tightened regulations and new products. In order to remain fit and competitive in the market, and to ensure sustainable success for the company, education and further training for employees, in particular in the fields of local and international markets, products, compliance and regulatory provisions, are essential. For that reason, we retain our policy of continuous, targeted development of our intellectual capital by offering internal and external training and further training programmes for our employees. In addition, we also promote intensive knowledge transfer among our interdisciplinary teams.

OUR PROMISE TO THE EMPLOYEES

Accept social responsibility	Sustainable employee development – future-driven	Value-driven compensation system – target-oriented, appreciation	Values – trust, responsibility, cooperation
We want all our employees to enjoy an adequate work/life balance, i.e., a favourable ratio between career and family and a suitable balance of work and leisure time, exercise and nutrition. For that reason, the Valartis companies offer holidays and holiday provisions which are in line with the market and aligned regionally.	We promote and enable personal and professional development within the Group. We have institutionalised internal and external training and further training.	We offer compensation which is in line with the market in all our locations (for details please see Compensation Report, p. 46 ff.). The compensation system provides incentives which promote a performance, team and risk-aware culture and entrepreneurial thinking and action which strengthen Valartis Group as a whole.	We pursue the principle of equality, in particular in determining salaries. Female specialists who work in the same location and have the same qualifications and experience as their male colleagues always receive the same salary as their male colleagues. The percentage of women in the Group as a whole is around 48 per cent, of whom 19 per cent are in the senior management (one level below local Executive Management). We offer to, and expect from, our employees an open attitude to, and respect of, all nationalities, cultures, mindsets, age groups and needs.

Value-driven compensation system – target-oriented and appreciative

We are committed to a fair, balanced and performance-oriented compensation policy and offer employees in all Group companies progressive social benefits, on top of attractive basic salaries which are inline with the market, and an incentive-driven bonus system, which honours above-average performances. Our value-driven compensation system is intended to support the Group's long-term economic success and sustainable competitiveness (see Valartis Group Compensation Report, page 46 ff.). We promote a performance, team and risk-aware culture and encourage independent, entrepreneurial thinking and action in the interests of the Group. In addition to targeted employee support and development, market-conform salaries and progressive social benefits, Valartis Group also offers its employees a range of fringe benefits, such as tokens of appreciation for different periods of employment with the company, weddings and births, as well as discounts at external partners.

For society – commitment in the fields of culture, sports and social affairs

As a socially responsible company, Valartis Group supports a range of local charitable organisations and is also involved in sporting and cultural engagements, although only to a modest degree owing to the small size of the company. We intend to develop a new concept in conjunction with further developing the brand and the new strategic alignment and positioning of Valartis Group as an investment company.

For the environment – future-driven, long-term balance

In managing the business, we are guided by the fundamental principle of achieving an adequate and future-driven, long-term balance between our economic, social and ecological responsibilities as a company.

With regard to sustainability issues, as an investment company, we will continue to focus on the efficient use of resources because we are convinced that this will remain a deciding factor in the long-term success of our company and our investment portfolio. Stakeholders will continue in future to intensify their demand for concerted action in connection with sustainable use of non-renewable resources, together with further enhanced resource efficiency and increased use of renewable energy sources.

Systematic recording and evaluation of ecologically relevant information are currently not viable on the grounds of our limited size and capacity. But we will continue to give due consideration to social and ecological factors in strategy development, budgeting and overall business activities.

KEY EMPLOYEE DATA 2015

Company **per 31.12.2015**	Valartis Advisory Services SA	Valartis International SA	Valartis Group (continued business activities)*
Number of employees (full-time equivalents)	23	20	55
Average age	45	43.8	
Average number of years in the company	5.6	6.6	
Nationalities	7	2	
Number of women	11	10	
Number of women in management positions (of all women)	18%	20%	
Number of women in management positions (of all employees)	8%	9%	

* including staff in St. Petersburg

We reduce our ecological footprint, for example by:

- Always using public transport for business trips (free multi-trip tickets are made available, employees may travel by train in first class)
- Challenging every flight: Plane travel to visit clients abroad is limited to the absolutely necessary
- Using new technology for meetings (online or video conferences)
- Increasing the efficiency of electricity for computer systems and other appliances
- Optimising use of paper. The 2015 Valartis Group Annual Report is only available online
- Updating online communication tools and platforms and offering more user-friendly versions: microsite and apps for Annual Reports and publications
- Constructing cooling ceilings in our offices which provide a comfortable climate in summer and in winter
- Collecting used paper and appropriate disposal
- Purchasing beverages for clients and employees in returnable bottles which are returned to the dealer after use

COMMENTS ON BUSINESS DEVELOPMENT

The 2015 Valartis Group consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) and taking into consideration a range of non-recurring, exceptional factors, shows a Group loss of CHF 58.4 m for continued and discontinued operations (previous year on a comparable basis: Group loss of CHF 73.3 m). This is made up of a loss amounting to CHF 3.1 m from discontinued operations resulting from the planned divestment of Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG, plus a loss from continued operations amounting to CHF 55.3 m.

The loss from continued operations is largely attributable to impairment of goodwill positions and intangible assets amounting to CHF 9.6 m, reductions in value of real estate projects in Russia amounting to CHF 15.7 m, together with significantly higher material expenditure in connection with recovery plans for Valartis Group.

From a purely operational viewpoint, i.e., without taking non-recurring, exceptional factors into consideration, income from commission and services for continued operations was down on the previous year. Material expenditure rose to CHF 12.5 m, as a result of implementation of regulatory requirements, and project and advisory services costs arising in connection with recovery plans for Valartis Group (31.12.2014: CHF 7.2 m). In addition, income from interest was significantly lower: down from CHF 1.0 m to minus CHF 2.2 m. This loss can be attributed to considerably lower average investment volumes in the bond portfolio and continuing low market interest rates at unchanged refinancing costs.

The loss from discontinued operations amounting to CHF 3.1 m includes the annual results for the two Valartis banks in Austria and Liechtenstein, impairment of goodwill positions and intangible assets amounting to CHF 12.0 m arising out of the acquisition of Valartis Bank (Austria) AG, plus value adjustments of CHF 3.8 m to deferred taxes.

OVERVIEW OF 2015

In FY 2015, Valartis Group operated with the business segments Private Clients and Wealth Management at the two private banks in Liechtenstein and Austria, and Institutional Clients with Asset Management, Corporate Finance and Private Equity, and Real Estate Management. However, during the course of the financial year, it became clear that Valartis Group AG and the Liechtenstein-based financial holding company were in need of recovery due to a temporary lack of liquidity. Intragroup financing in favour of the Swiss parent company, Valartis Group AG, and the Liechtenstein-based financial holding company, Valartis Finance Holding AG, which was introduced during the Valartis Group reorganisation in 2014, potentially conflicts with the Capital Requirements Regulation (CRR) in Liechtenstein which came into effect on 1 February 2015[1]. On the basis of this regulatory uncertainties, intercompany lenders exercised their legal rights to call in the entire amount of the intercompany loans, amounting to over CHF 100 m, on short notice during 2015. In addition, Valartis Group AG had an obligation to an external creditor amounting to approximately EUR 18 million that could not be paid. Thus, both Valartis Group AG and Valartis Finance Holding AG experienced difficulties in paying outstanding financial obligations during 2015 (liquidity shortage).

On 21 July 2015, Valartis Group AG applied to the Cantonal Court of Zug for a provisional, four-month moratorium, which was approved on 24 July 2015. On 16 November 2015, Valartis Group AG applied to the Cantonal Court of Zug for a definitive, six-month moratorium. This was approved on 23 November 2015. In both cases, the Court appointed Holenstein Attorneys-at-Law as administrator.

On 18 September 2015, Valartis Finance Holding AG applied to the Princely Court of Liechtenstein for recognition of insolvency and bankruptcy deferment. This was approved on 28 October 2015. On 25 February 2016, the Princely Court deferred bankruptcy for a further four months, in accordance with the application, to 28 June 2016.

Valartis Group AG (individually and on a consolidated basis) and Valartis Finance Holding AG are not over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period. These holding companies have no employees. The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG and 25.9 per cent for Valartis Group (on a consolidated basis), as at 31 December 2015.

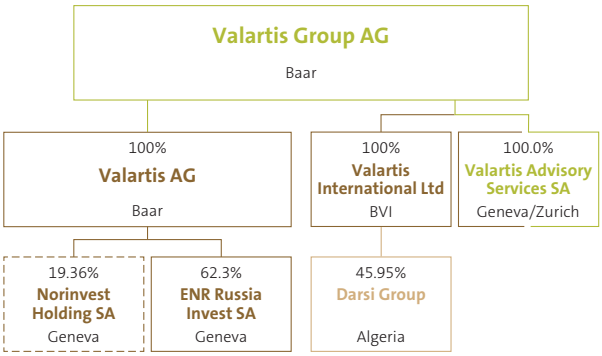
Due to the need for recovery of the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG resolved to divest the two private banks in Liechtenstein and Austria – Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG – with a view to implementing the recovery plans. Valartis Bank (Liechtenstein) AG was sold within the framework of a Share Purchase Agreement, end of March 2016. The sale's transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions for this type of transaction. From a current viewpoint, closing can be expected mid-2016. In Austria, following fulfilment of all conditions precedent, closing took place on the takeover of all employees and the main business activities of Valartis Bank (Austria) AG by Wiener Privatbank SE, according to plan, on 1 April 2016, within the framework of an Asset Purchase Agreement.

1 In Austria, the transition period applies until 2028.

The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, due 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. It may also be deemed necessary for Valartis Finance Holding AG to apply for an extension of the bankruptcy deferment by 28 June 2016.

The Board of Directors of Valartis Group AG's decision to divest core holdings also represents relinquishment of the private banking business model by Valartis Group. The company will concentrate strategically in future on its holdings in the fields of private equity, real estate management and financial services and its position as a holding company. After completion of the ongoing transactions, the Group will comprise, in the main, the following participations (see strategic goals and objectives, page 10 ff. for more details):

Planned Organisation Structure



Discontinued operations

As a result of the above-mentioned divestments, the provisions of the International Financial Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5) apply for the 2015 Annual Report for Valartis Group. The 2015 Consolidated Annual Statements for Valartis Group show a Group loss amounting to CHF 55.3 m for continued operations (previous year on a comparable basis: Group loss of CHF 57.7 m) and a Group loss of CHF 3.1 m for discontinued operations (previous year on a comparable basis: Group loss of CHF 15.6 m).

INCOME STATEMENT

Total operating income

The continuing downward trend in market interest rates in 2015, together with the lack of reinvestment opportunities for bonds, negatively influenced interest income on the bond portfolio. As a result, income from interest was down from CHF 1.0 m to minus CHF 2.2 m for 2015 due to unchanged refinancing costs.

Income from commission and services for continued operations results from earnings from management services. Elimination of a one-off commission in 2014 leads to reduced income from commission and services 2015 at CHF 3.5 m in comparison to 2014 at CHF 6.0 m.

The trading performance for 2015, however, closed significantly higher than the previous year. In 2014, Valartis Group felt the effects of value adjustments on Eastern Property Holdings Ltd. (EPH) real estate projects arising out of sales agreements made in 2012. The crisis in Russia effected the net calculation of project earnings for the EPH Escrow Accounts which Valartis Group posted from the sale of EPH on 28 December 2012, and necessitated a corresponding correction for 2014. In 2015, value adjustments on the EPH Escrow Accounts continued to influence Valartis Group's trading performance. However, the effect was significantly less stark at CHF 5.1 m, so that the overall loss amounts to CHF 3.5 m (previous year: loss of CHF 39.6 m).

Other ordinary income includes net rental income from property in the amount of CHF 6.9 m, related financing costs of minus CHF 2 m and value adjustments on real estate projects of minus CHF 15.7 m. Furthermore, losses from associated companies of CHF 9.5 m are included, so that total other ordinary income amounts to minus CHF 19.9 m for 2015 (previous year: income of CHF 1.0 m).

In summary, in 2015, operating loss amounted to CHF 22.1 m and gross loss amounted to CHF 42.9 m, in comparison to business loss amounting to CHF 31.7 m and gross loss amounting to CHF 49.3 m in 2014.

Administrative expenses
Administrative expenditure rose significantly over the previous year by 19 per cent from CHF 17.6 m to CHF 20.9 m. Material expenditure rose to CHF 12.5 m, as a result of implementation of regulatory requirements, and project and advisory services costs arising in connection with recovery plans for Valartis Group (31.12.2014: CHF 7.2 m).

As at end-2015, Valartis Group employed 55 full-time equivalent employees in continued operations, and personnel expenditure was reduced by 20 per cent from CHF 10.5 m to CHF 8.4 m.

Depreciation, value adjustments, provisions and losses
Depreciation and amortisation remained on the same level as in the previous year, amounting to a total of CHF 1.0 m (previous year: CHF 1.1 m).

Net loss
The 2015 Consolidated Financial Statements for Valartis Group show a consolidated loss of CHF 58.4 m for continued and discontinued operations, taking into consideration non-recurring, exceptional factors (previous year: consolidated loss of CHF 73.3 m).

Business segments
Divestment of the two private banks in Liechtenstein and Austria – Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG – results in Valartis Group's withdrawing from private banking. Correspondingly, the Private Clients segment has been dropped from continued operations. A breakdown of the annual results for Valartis Group's two remaining segments, Institutional Clients and Corporate Center, can be found on pages 24 ff. and in the Notes to the Consolidated Financial Statements in Note 43.

RISK DEVELOPMENT AND EQUITY CAPITAL

In FY 2015, Group risk management was faced with major challenges caused by materializing business risks (changes of business environment). As a result of uncertainties arising out of interpretation of new EU guidelines stipulated in the Capital Requirements Directive IV (CRD IV), implemented in Liechtenstein in 2015, Valartis Finance Holding AG adjusted its risk appetite and decreased its risk exposures (de-risking) with the objective to retain the risk-bearing capacity on a high level. Thus, an adequate equity capital base and sufficient assets could be retained to enable the implementation of recovery plans within the appropriate period. See also Risk Managemnt on page 30 ff.

Valartis Finance Holding Group applies the Basle III standard approach to economic risk capital for credit and market risks and the Basle III basic indicator approach for operational risks. Valartis Finance Holding AG in Vaduz, Liechtenstein, which was incorporated in summer 2014, is subject to consolidated banking supervision by the Finanical Market Authority (FMA) in Liechtenstein. On 31 December 2015 – other than on 31 December 2014 – risks were subject to the Basle III regime rather than Basle II. Valartis Group is not subject to any consolidated banking supervision.

As of 31 December 2015, Valartis Group's business activities required equity capital amounting to CHF 39.5 m (previous year: CHF 95.0 m). Eligible capital amounted to CHF 127.6 m (previous year: CHF 194.0 m). The core capital ratio was thus 24.8 per cent as at 31 December 2015 (previous year: 15.8 per cent). The total capital ratio in accordance with Basle III was 25.9 per cent as at 31 December 2015 (previous year: 16.4 per cent). Valartis Group does not include any hybrid capital in its eligible capital and, in accordance with IFRS, does not offset any assets or liabilities (balance sheet contraction). Thus, Valartis Group's equity capital is not diluted and can still be considered as good. Further information be found in the Risk Management Report on page 28 ff. and 82 ff.

CALCULATION OF RISKS-BREARING CAPACITY

Risk-bearing capacity is the ability of a company, as a whole, to absorb losses arising out of any risks that materialise, without endangering its continued existence. Risk-bearing capacity depends on the company's equity base and its current level of profitability.

The risk appetite of a company is the extent to which its Board of Directors is willing to take risks, and it must conform with the risk-bearing capacity and the strategic objectives of the company as a whole. The Board of Directors determines risk appetite within the framework of the annual budgeting process, by defining the amount of risk capital included in the freely available equity capital in the form of an overall bank risk limit, which must be lower than the maximum loss which could potentially be absorbed.

Risk coverage potential is calculated on the basis of a guarantee of the continued existence of the company as a whole, even in the event of a significantly negative impact; i.e., the company as a whole would still have sufficient capital to absorb extraordinarily high losses from an improbable, extreme event and still remain able to continue operative business activities in an appropriate manner. Accordingly, the entire amount of freely available equity capital is not used to cover economic capital requirements, a portion is retained as a risk buffer. This is to guarantee that risk-bearing capacity is not endangered even in the event of non-quantifiable risks, which are not covered by regulatory or economic capital, materialising, for example, from general business risks.

Business risks result, amongst other things, from unexpected changes in market and framework conditions which negatively impact earnings or equity capital. Events in 2015 are considered as such business risks. Valartis Group AG (individually and on a consolidated basis) and Valartis Finance Holding AG are not over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period.

BALANCE SHEET POSITIONS

Total assets as at 31 December 2015 amounted to CHF 2.2 bn including all assets classified as held for sale discontinued operations – a significant reduction of 24 per cent (31 December 2014: CHF 2.9 bn). On the liabilities side, amounts due to clients decreased by CHF 0.6 bn due to the net new money outflow from the two Valartis banks and currency effects. This was reflected on the assets side. Group equity capital at end-2015 amounted to CHF 159.6 m (end-2014: CHF 240.6 m), while Valartis Group AG's shareholder equity was at the new level of CHF 117.9 m (end-2014: CHF 186.6 m).

INSTITUTIONAL CLIENTS

In FY 2015, the Institutional Clients business segment comprised the business activities of Valartis Group's Asset Management, Private Equity and Real Estate Management units, together with Corporate Finance. This segment is managed by Group Executive Management, headed by Group CEO, Stephan Häberle.

The two fund administration companies in Austria and Liechtenstein, Valartis Asset Management (Austria) Kapitalanlagegesellschaft mbH and Valartis Fund Management (Liechtenstein) AG are no longer integrated into this segment. The two companies are wholly owned subsidiaries of the two Valartis banks in Austria and the Principality of Liechtenstein, which have been divested. In accordance with International Financial Reporting Standards, these are now allocated to discontinued operations (IFRS 5) (see also Comments on f Business Development, page 20 ff.).

The business activities of the following operating units are currently integrated into the Institutional Clients segment:

Asset Management
- Valartis Advisory Services SA
- Valartis International Ltd.
- MCT Luxembourg Management Sàrl

Private Equity
- ENR Russia Invest SA, Russia/Eastern Europe, which holds a stake of 49 per cent in Panariello Enterprises Ltd.

Real estate portfolios
- Valartis German Residential Health Care SICAV for institutional investors
- Société des Centres Commerciaux d'Algérie SPA (20 per cent, real estate company), held by Darsi Investment Ltd (32.4 per cent, real estate company

Corporate Finance
- Corporate Finance/Mergers and Acquisitions

Continued operations in the Institutional Clients segment currently manage assets amounting to CHF 439 m (on a comparable basis 2014: CHF 364 m) and the headcount is 41 full-time equivalent employees (on a comparable basis 2014: 33 employees). For more details, please refer to Note 43.

Activities

Private equity investments in Russia and Eastern Europe
ENR Russia Invest SA
Our range of investment products specifically tailored for Russia and Eastern Europe is complemented by ENR Russia Invest SA (ENR), an investment company of which Valartis AG and Valartis International Ltd together hold around 62.3 per cent. ENR holds a stake of 49 per cent in Panariello Enterprises Ltd. and is listed on the Swiss stock exchange, SIX Swiss Exchange (ISIN CH0034476959). Our experts in Geneva and Moscow provide management services for ENR Russia Invest SA, which specialises in private equity, real estate investments and equity-related investments, as well as fixed-income investment instruments in Russia, the CIS states and the Baltic states. Over the next few years, ENR Russia Invest SA is planning further selected investment in other attractive prospects. ENR's market expertise in the field of private equity provides our private and institutional clients with investment opportunities in unlisted companies with private equity capital in Russia and the Eastern European market (see also www.enr.ch).

Real estate portfolio
German Residential Health Care SICAV Fund
With an annual rental income of around EUR 1.8 m, Valartis German Residential Health Care SICAV Fund continues to perform well. The Fund has invested around EUR 25 m in three, top-quality, German residential care homes and continues to benefit from increasingly accentuated demographic changes in the population. The Fund distributed 7.5 per cent to shareholders in the past year. Further expansion and development are planned.

Shopping centre in North Africa
The Société des Centres Commerciaux Algérie SPA (SCCA) and its parent company, Darsi Investment Ltd., in which Valartis Group has a holding of around 45.95 per cent, is the first-ever shopping mall in Algeria. The 100,000-square-metre complex opened in 2010 and comprises a shopping and leisure centre with around 100 stores and restaurants, together with a business centre. In FY 2015, the shopping mall recorded 7.7 m visitors (2014: 7.5 m visitors). In addition to Inditex Group's Zara, Zara Home and Bershka, further brands which belong to the same Group, such as Oysho, Pull&Bear and Stradivarius also opened, together with a bowling hall with ten alleys and a fitness centre with spa. In 2015, the business centre welcomed three new tenants (plus 1'500 square metre). Sales and marketing activities remain focused on optimum occupation levels for the rentable space.

Corporate Finance

The Valartis Group Corporate Finance team provides services in the fields of corporate finance, and mergers and acquisitions, but focuses primarily on advisory services for listed and nonlisted, medium-sized companies in Germany, Austria and Switzerland as well as in Central and Eastern Europe. Our independence from larger institutions means that our clients are able to discuss their visions and strategies with specialists at a level of confidentiality which other companies are unable to offer. In addition, the well established relationships with selected European private equity firms and wealthy private investors make it possible for the corporate finance specialists to create value-growing transaction concepts and opportunities for businesses, and for management teams in MBO or MBI situations.

Highlights 2015

On 18 December 2015, the Corporate Finance team successfully divested the banking activities of Valartis Bank (Austria) AG in Vienna, its holding in the investment company and real estate at Rathausstrasse 20 to Wiener Privatbank SE, within the framework of an asset deal. Closing on the transaction took place on 1 April 2016. Valartis Bank (Austria) AG is an indirect, wholly owned subsidiary of Valartis Finance Holding AG, Liechtenstein, which is a wholly owned subsidiary of Valartis Group AG. Implementation of recovery plans for Valartis Finance Holding AG and Valartis Group AG foresaw divestment of the two Valartis Group private banks in Liechtenstein and Austria (see Media Release of 16 November 2015). The Corporate Finance team also provided support for the process of divesting the private bank in Liechtenstein. Signing on this transaction took place end of March 2016.

Outlook

In 2016 and 2017, the focuses for the front-office operating units will lie in the successful implementation of new activities, together with the further development of current projects, with the target of significantly enhancing profitability. The business units will hone their market activities and adjust their services offering to requirements.

CORPORATE CENTER

Corporate Center is a service organisation which supports Group Executive Management in the overall management of the Group. It comprises the following units, which also assume Group-wide responsibilities and provide Group-wide services based on Service Level Agreements:

- Accounting & Controlling
- Risk Management and Risk Controlling
- Corporate Communications & Marketing
- IT & Logistics

Further services which are required by the company (such as personnel administration and fiscal and legal advisory services) will be outsourced to external providers. At Group level and from an administrative viewpoint, Internal Audit is allocated to the Services Center, but reports directly to the Group Board of Directors.

Corporate Center is allocated to Valartis Advisory Services SA. Valartis Advisory Services SA currently has offices in Geneva and Zurich. In addition to the front-office operating organisation (Asset Management, Private Equity, Real Estate Portfolios and Corporate Finance), it also comprises Valartis Group's Service Organisation. The complexity and scope of responsibilities and services have not lessened as a result of the reorganisation of Valartis Group arising from the implementation of recovery plans in 2015/2016. In 2015, the headcount was reduced to 14 (2014: 16) regardless.

Income and expenditure that are not directly associated with the operating business segment Institutional Clients, together with consolidation items are allocated to Corporate Center. Head of Corporate Center is George M. Isliker, Group Chief Financial Officer and Group Chief Risk Officer (CFO/CRO). For more information, please refer to Note 43.

Selected activities

During the reporting period, on top of daily operating business activities, Valartis Group's service organisation was mainly involved in the following areas:

Recovery planning and implementation of recovery plans for Valartis Group AG and Valartis Finance Holding AG, Liechtenstein[1]

- Administrative and organisational support for divestment of Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG and the corresponding deconsolidation
- Administrative support for the Valartis Group AG administrator (moratorium) and the Valartis Finance Holding AG commissioner (bankruptcy deferment)
- Strategic reorientation and reorganisation of Valartis Group on behalf of the Group Board of Directors

Additional enhancement of the risk system

The effectiveness of monitoring processes was further enhanced as a result of regulatory policy (new «Credit Risk Cockpit»), as was continued unification of the systematic capture and reporting of Group-wide operational risks for additional Group companies, under consideration of all legal stipulations.

Outlook

The service organisation will resume standard operating activities end of 2016, in contrast to the exceptional circumstances in which it found itself during the recovery phase. Group structure will be restructured based on the new situation, demands and the range of services, which will require adjustments in Group organisation and infrastructure. From strategic and tactical viewpoints, 2017 and 2018 will be characterised by the design and management of an investment portfolio in accordance with Valartis Group's strategic guiding principles (to be defined).

1 see also comments on business development, page 20 ff. and strategic goals and objectives, page 10 ff.)

VALARTIS GROUP RISK MANAGEMENT

RISK MANAGEMENT 2015

Valartis Finance Holding AG in Vaduz, Liechtenstein, was incorporated in summer 2014, is subject to consolidated banking supervision by the Finanical Market Authority (FMA) in Liechtenstein. On 31 December 2015 – other than on 31 December 2014 – risks were subject to the Basle III regime rather than Basle II. Valartis Group is not subject to any consolidated banking supervision. For that reason, the following information has been compiled on the basis of interpretations of International Reporting Standards (disclosure requirement IFRS 7). IFRS 7 requires disclosure of a range of financial positions, amongst others, equity capital.

In FY 2015, Group risk management was faced with major challenges caused by materializing business risks (changes of business environment). As a result of uncertainties arising out of interpretation of new EU guidelines stipulated in the Capital Requirements Directive IV (CRD IV), implemented in Liechtenstein in 2015, Valartis Finance Holding AG adjusted its risk appetite and decreased its risk exposures (de-risking) with the objective to retain the risk-bearing capacity on a high level. Thus, an adequate equity capital base and sufficient assets could be retained to enable the implementation of recovery plans within the appropriate period. See also Risk Management on page 30 f.

INTERNAL CONTROL SYSTEM

Valartis Group defines its internal control system (ICS) as comprising all the activities, methodologies and measures mandated by the Board of Directors and Group Executive Management which are aimed at protecting business assets; enhancing operating efficiency and, thus, profitability; guaranteeing the reliability of financial control and reporting and assuring compliance with internal guidelines and legal stipulations.

Valartis Group understands risk management as being a systematic process to identify any relevant business risks as early as possible, to evaluate them, to control them actively and in an objective-oriented manner and to consistently monitor them. The focus here lies in assuring a controlled assumption of risks and the guarantee, at all times, of adequate capitalisation. That is the case when the Group has sufficient risk coverage, at all times, to absorb losses from risks that materialise, without endangering the continued existence of the company (risk-bearing capacity). Thus, risk management is an integral part of the internal control system. In addition, it forms the basis for the central controlling processes: strategy, mid-term and capital planning, annual planning and financial reporting.

THREE LINES OF DEFENCE

Group-wide risk management uses the so called «Three Lines of Defence Model». The first line is represented by the Group companies in the performance of their operating activities and in their perception of their responsibility within the framework of legal and supervisory stipulations, and internal requirements and principles.

The second line of defence comprises the Group functions Risk Management, Risk Controlling, Group Controlling, Group Accounting and Compliance. From an organisational viewpoint, these functions are separated from the Group companies, act as independent controls and supply decisionmakers at Group and finance holding level, and the supervisory authorities, with objective information and reporting regarding the risk position. These functions increasingly occupy an advisory role in connection with the respective legal and regulatory requirements.

Due to changes in the regulatory environment «Capital Requirements Directive IV» several actions plans where developed in an early stage, which resulted in mitigation plans and the reduction of the existing risk exposure (de-risking). Hence, neither Valartis Group AG (individually and on a consolidated basis) nor Valartis Finance Holding AG are over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period (CRD IV; see letter to the shareholders page 2 and comments on business development on page 20 ff.).

The third line of defence is formed by internal audit and the external auditors. They monitor the cross function effectiveness of internal controls.

ORGANISATION

Valartis Group in its entirety is no longer subject to any regulatory monitoring. However, its risk management still is lead – as up to now – by professional principles of a value oriented Corporate Governance, which includes active risk taking and professional risk management.

The Board of Directors is responsible for the risk management of Valartis Group. It determines risk policy and risk control systems and also monitors consolidated risk management. The Board also drafts the guidelines governing risk management and determines the procedures governing responsibility for authorising business which carries risk. It is responsible for setting the annual risk budget, setting certain limits and the maximum risk tolerance (quantitative and qualitative) in relation to the Group's overall risk capacity. In addition, once per year, it evaluates the suitability and efficiency of risk control systems and determines any mandatory adjustments. The former Audit Committee (until November 2015), or, respectively, the current Audit Delegate, given a Board of Directors with only three members (as of November 2015), oversees controls relating to corporate governance and the internal control system, including financial management and income and risk controlling.

Group Executive Management is responsible for implementing risk principles as well as the risk budget approved by the Board of Directors. Within the Group companies, the respective Executive Management is responsible for compliance with risk principles and the mandated limits for the operative business segments. Country-specific, legal risk principles and stipulations apply to Group companies, compliance with which is monitored by the local Board of Directors, the local Executive Management and their local control organisations.

The Group Investment Committee is made up of members of the Group Executive Management. It is responsible for overall risk management and for the implementation of the Group risk principles in line with the investment policy governing the Group's own financial investments. Group Risk Management actively manages financial risks at Group level.

At local level, the Asset & Liability Committees (ALCO) and the Credit Committees are responsible for implementing the risk principles with respect to securing and investing liquidity, and for actively managing and controlling the respective loan portfolio.

Group Risk Controlling monitors compliance with the risk policy, risk principles and annual risk budget drawn up by the Board of Directors. Group Risk Management and Group Risk Controlling report directly to the Group Chief Financial Officer/Group Chief Risk Officer (CFO/CRO). Reporting is integral to the ordinary monthly meetings of the Group Executive Management of Valartis Group and the ordinary quarterly meetings of the Board of Directors.

OVERVIEW OF RISK PROFILE

In FY 2015, Valartis Group comprised the business units Private Clients and Wealth Management at the two private banks in Liechtenstein and Austria, Institutional Clients with Asset Management, Corporate Finance and Private Equity, and Real Estate Management. Changes to the risk profile in 2015 are mainly attributable to altered regulatory framework conditions regarding the permissible intra-group financing structure. For that reason, in order to significantly lower its risk exposure, Valartis Group implemented derisking in all types of risk. This was effected mainly by reducing interbank investments and corporate bonds and a simultaneous increase in risk-neutral US government bonds.

In 2015, it became clear that Valartis Group AG and the Liechtenstein-based financial holding company needed to recover from a temporary lack of liquidity. Intra-group financing in favour of the Swiss parent company, Valartis Group AG, and the Liechtenstein-based financial holding company, Valartis Finance Holding AG, which was introduced during the Valartis Group reorganisation in 2014, potentially conflicts with the Capital Requirements Regulation (CRR) in Liechtenstein which came into effect on 1 February 2015. On the basis of these regulatory uncertainties, intercompany lenders exercised their legal rights to call in the entire amount of Group financing, amounting to over CHF 100 m, at short notice during 2015. In addition, Valartis Group AG had an obligation to an external creditor amounting to approximately EUR 18 m that could not be paid.[1] Thus, both Valartis Group AG and Valartis Finance Holding AG experienced difficulties paying its outstanding financial obligations (squeeze in liquidity).

On 21 July 2015, Valartis Group AG applied to the Cantonal Court of Zug for a provisional, 4-month moratorium, which was approved on 24 July 2015. On 16 November 2015, Valartis Group AG applied to the Cantonal Court of Zug for a definitive, 6-month moratorium. This was approved on 23 November 2015. In both cases, the Court appointed Holenstein Attorneys-at-Law as administrators.

On 18 September 2015, Valartis Finance Holding AG applied to the Princely Court of Liechtenstein for recognition of insolvency and bankruptcy deferment. This was approved on 28 October 2015. On 25 February 2016, the Princely Court deferred bankruptcy for a further four months, in accordance with the application, to 28 June 2016.

Valartis Group AG (individually and on a consolidated basis) and Valartis Finance Holding AG are not over-indebted. Both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period. These holding companies have no employees. The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG and 25.9 per cent for Valartis Group (on a consolidated basis), as at 31 December 2015.

1 For details, see comments on business development, page. 20 ff.

Due to the need for recovery of the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG resolved to divest the two private banks in Liechtenstein and Austria – Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG – with a view to implementing recovery plans. Valartis Bank (Liechtenstein) AG was sold within the framework of a Share Purchase Agreement end of March 2016. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions for such sales' transactions. From a current viewpoint, closing can be expected mid-2016. In Austria, following fulfilment of all conditions precedent, closing took place on the takeover of all employees and the main business activities of Valartis Bank (Austria) AG by Wiener Privatbank SE on 1 April 2016, within the framework of an Asset Purchase Agreement.

The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, due 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. From a current viewpoint, by 28 June 2016, it may also be deemed necessary for Valartis Finance Holding AG to apply for an extension.

After closing of these transactions, the Group will essentially retain the qualified holding in Norinvest Holding SA, some real estate, or real-estate-related holdings, and ENR Group's Russian corporate bonds.

CALCULATION OF RISK-BEARING CAPACITY

Risk-bearing capacity is the ability of an overall company to absorb losses arising out of any risks that materialise without endangering its continued existence. Risk-bearing capacity depends on the overall company's equity base and its current level of profitability.

The risk appetite of a company is the extent to which its Board of Directors is willing to take risks and must conform to the risk-bearing capacity and the strategic goals of the company as a whole. The Board of Directors determines risk appetite within the framework of the annual budgeting process. The Board determines the amount of risk capital included in the bank's freely available equity capital and sets an overall group risk limit which must be lower than the maximum loss which could potentially be absorbed.

Risk coverage potential is calculated on the basis of a guarantee of the continued existence of the whole Group even in the event of a significantly negative impact; i.e., the whole Group would still have sufficient capital to absorb extraordinarily high losses from an improbable extreme event and nevertheless remain able to continue operative business activities in an organised manner. Accordingly, the entire amount of freely available equity capital is not used to cover economic capital requirements; a portion is retained as a risk buffer. This is to guarantee that risk coverage potential is not endangered even in the event of non-quantifiable risks, which are not covered by regulatory or economic capital, materialising, for example, business risks. Business risks result, among other things, from unexpected changes in market and framework conditions which negatively impact earnings performance or equity capital, for example as a result of uncertainties in the interpretation of regulatory guidelines, as we experienced in 2015. Due to the sufficient risk-bearing capacity, both holding companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within the appropriate period.

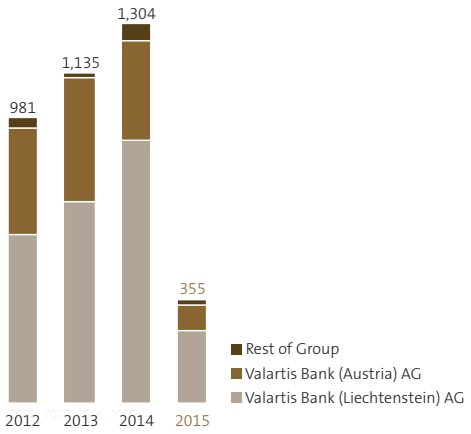
INTERBANK PLACEMENTS[2]

The Group's interbank placements are collateralised, or placed with banks that have an external rating of A or higher. Exceptions are individually assessed by the Group Investment Committee on a monthly basis, and approved subject to a detailed evaluation if necessary. The Group Investment Committee comprises the members of Group Executive Management, Group Risk Management and Group Risk Controlling in their respective advisory roles.

The easing of tension on the interbank market, which was noticeable over the last two years, continued in 2015. The current monetary policy pursued by the major central banks worldwide means that risks on the interbank market are currently low. Nevertheless, Valartis Group maintains its high standards, for example, in terms of the creditworthiness of its counterparties in the interbank business. Based on altered regulatory framework conditions (for further details, see Overview of Risk Profile, above), Valartis Group implemented de-risking. After sustained de-risking, interbank risks are now at a very low level.

2 Valartis Finance Holding AG in Vaduz, Liechtenstein, was incorporated in summer 2014 and is subject to consolidated banking supervision by the Finanical Market Authority (FMA) in Liechtenstein. Valartis Group is not subject to any consolidated banking supervision. In the following charts the two private banks in Liechtenstein and Austria are included in order to increase the validity for 2015.

Development of due from banks in CHF m

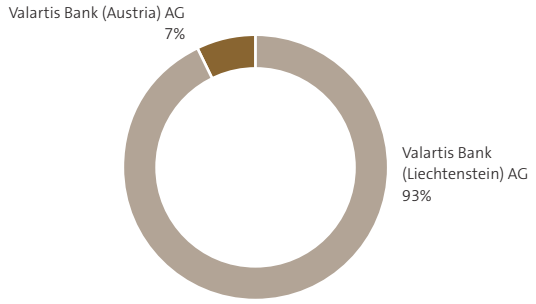


The reduction in interbank placements amounting to almost CHF 1 bn, is the result of the macroeconomic, low interest rate environment and subsequently unattractive risk compensation potential. In contrast, investments in capital markets offer more attractive risk/income ratios (for details, see Bond portfolio, below).

LENDING BUSINESS[2]

Following successful completion of the previous year's restructuring, the Group's lending business in 2015 comprises Lombard loans to private banking clients. In line with the Group's lending policy, only collateralised loans are granted.

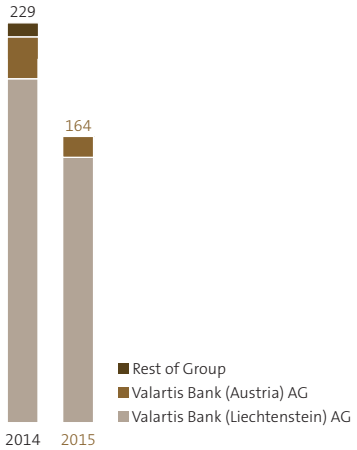
Loan portfolio by business units



The chart above gives a breakdown of the Group's loan portfolio by business segment as at 31 December 2015, with a total volume of CHF 164 m (100 per cent). See also the chart below, showing development of the loan portfolio by business segment.

Loans are approved and monitored directly at local level, based on the segregation of functions between Group and individual Group companies, as stated above. This makes it possible to take local aspects into account in the loan approval process, thereby ensuring the best possible service for their clients. Credit risk is monitored at the consolidated level using the concept of economic risk capital. Standardised processes are used to monitor compliance with risk requirements.

Development of loan portfolio by business unit in CHF m



In comparison to the previous year, the loan portfolio was reduced by CHF 65 m (–28 per cent) to CHF 164 m. The major factor in this change can be attributed to outflows at the two banks.

BOND PORTFOLIO[2]

Investment strategy

Since 2010, Valartis Group has maintained its established investment strategy. Valartis Group's bond portfolio follows two different strategies:

For the Group's short-term liquidity management, repo-eligible bonds with short terms to maturity are held in the trading book and also in the portfolio as available for sale (AFS). This facilitates precise cash management, whereby liquidity flows are matched and rapid access to funding on the international money markets is assured.

Medium-term investments are held in the banking book as held to maturity (HTM) or available for sale (AFS) positions and are intended to optimise returns on medium-term cash holdings.

Local Asset & Liability Committees manage liquidity for each bank in accordance with the guidelines provided by the Group Investment Committee based on input from Group Risk Management. Group Risk Controlling monitors the implementation of these strategies.

2 see on page 30

Investment in mid-term bonds

Investments in bonds with medium maturities are a way to optimise the return on mid-term cash holdings. The maturities in this portfolio are also in line with Group-wide liquidity planning.

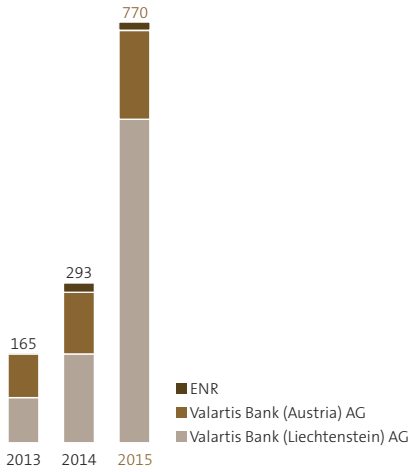
Valartis Group also sets high standards with respect to generating liquidity in this investment strategy. As in the short-term bond portfolio, a significant proportion of the bonds in the mid-term portfolio are also repo-eligible.

Overall portfolio

At the end of FY 2014 and in early FY 2015, a move was made to rebuild the bond portfolio in line with the original strategy. Based on altered regulatory framework conditions though, for further details, see Overview of Risk Profile, above, Valartis Group implemented de-risking in all types of risk. This was done mainly by reducing interbank investments and corporate bonds and a simultaneous increase in risk-neutral government bonds. The portfolio's average residual maturity is currently six months.

Following the planned divestment of the two banks, Valartis Group will retain an investment in a bond portfolio amounting to CHF 15 m in its holding in the ENR Russia Invest Group. This comprises exclusively Russian corporate bonds, denominated in USD and CHF. The residual maturity on this subportfolio is two-and-a-half years. It is managed exclusively by the ENR Russia Invest Group.

Development of the bond portfolio according to business segment in CHF m



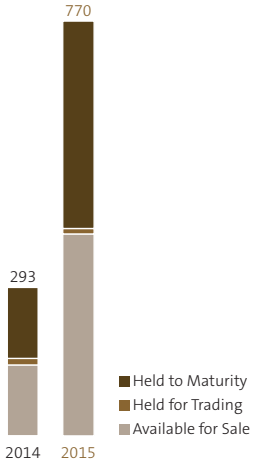
Diversification

The diversification of Valartis Group's bond portfolio by balance sheet category, credit quality, geography, currency and industry sector is outlined below.

Balance sheet category

Approximately 2 per cent of the Valartis Group bond portfolio is held in the trading book (classified as Trading) while 50 per cent are classified as Held to Maturity and 48 per cent as Available for Sale.

Development of the bond portfolio by balance sheet category in CHF m



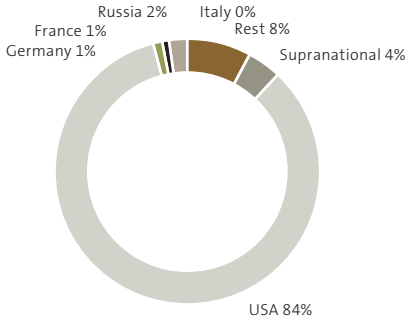
Credit standing

By expanding investment in US government bonds with AAA rating and the simultaneous reduction of investments with poorer ratings, the credit standing of the bond portfolio was once again improved over the previous year. This means that the proportion of bonds with an external rating of A, or higher, rose from 82 per cent to 97 per cent.

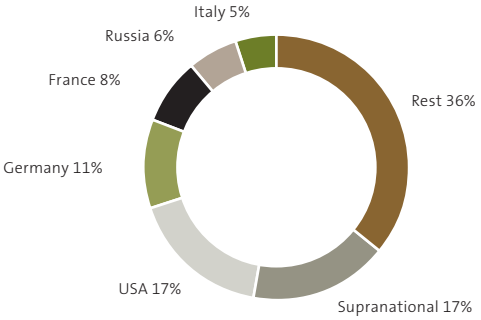
Geography and currency

Around 8 per cent of the Valartis Group bond portfolio comprises investments in Europe and around 2 per cent of investments are in Russia. Other interest-bearing capital investments are mainly from US or supranational issuers. The change over the previous year is based on the increased investment in US government bonds. Investment in bonds issued by GIIPS countries (Greece, Italy, Ireland, Portugal and Spain) were completely eliminated in FY 2015, either through sale or maturity.

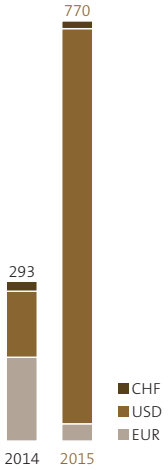
Bond portfolio by country
2015



Bond portfolio by country
2014



The concentration of USD securities results in an increase of purchase of US government bonds in CHF m

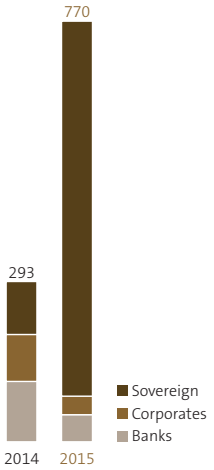


End-2015, all investments were held in USD, EUR and CHF. The proportion held in USD was the highest at 94 per cent. This regrouping is due to the expansion of investments in favour of US government bonds – as explained above. The reduction in interbank investments and corporate bonds was offset by the simultaneous increase in risk-neutral US government bonds at a significantly lower level of risk.

Classification

The bond portfolio is made up of around 90 per cent in investments in government titles, followed by banking titles at 6 per cent and corporate bonds held in other sectors, at 4 per cent. These changes also reflect the regrouping of investments in favour of US government bonds – as explained above.

Bond portfolio by classification



EQUITY CAPITAL MANAGEMENT[2]

Development of equity capital

The fundamental goal of Valartis Group's Group Risk Management is to generate an operative risk-adjusted return on invested capital, in compliance with legal stipulations and under consideration of internal objectives and the requirements of banking clients and shareholders. To achieve this goal, Valartis Group seeks to identify advantageous risk-return ratios when managing equity capital at all levels: the banks, the finance holding and the Group as a whole. In doing so, the Group manages all risks within the risk budget set by the Board of Directors. When managing capital, the Group assesses both the required capital (minimum capital amount to cover risks on the basis of supervisory requirements) as well as the available eligible capital (available capital calculated according to the supervisory authorities' criteria) and evaluates the development of both as part of its capital planning.

2 see also page 30

Capital ratios

Equity capital requirements apply to the regulated segments of Valartis Group. Following reorganisation in 2014, these segments are all part of Valartis Finance Holding and are subject to consolidated supervision by the Financial Market Authority (FMA) Liechtenstein. Valartis Finance Holding AG now presents its key figures under consideration of the stipulations of Basle III which came into effect in Liechtenstein on 1 February 2015. The two banks, however, remain subject to the individual supervisory stipulations of the Financial Market Authorities in Liechtenstein and Austria.

The total capital ratio in accordance with Basle III amounts to 19.7 per cent for Valartis Finance Holding AG and on a consolidated basis 25.9 per cent for Valartis Group AG (regulatory requirement: 10.5 per cent), as at 31 December 2015. Both companies retain adequate equity capital bases and sufficient assets to enable it to overcome the 2015/2016 crisis and to implement current recovery plans within the appropriate period without ever endangering, or threatening the banking relationships of our clients during this period.

Equity capital requirements and management of equity capital

In accordance with Basle III, there are a range of approaches for calculating equity requirements for credit risks, market risks and operational risks. In order to comply with supervisory equity capital requirements, Valartis Finance Holding Group uses the Liechtenstein standard approach (SA-FL) to calculate credit risks, the standard approach for market risks and the basic indicator approach for operational risks. In calculating eligible equity, amongst other things, goodwill and intangible assets are deducted. All the charts containing information on equity capital requirements are based on the SA-FL approach.

Regulatory equity capital requirements and equity capital are calculated and managed on individual bank level and Valartis Finance Holding Group level. To calculate equity capital, Valartis Finance Holding Group weights all positions based on ratings from external agencies, in accordance with Art. 32 para. 4 ERV-FL (Capital Adequacy Ordinance in Liechtenstein). If no such ratings are available, the respective positions retain the rating category "No rating".

Capital requirements as well as Tier 1 and Tier 2 capital for the financial holding are set on the basis of the IFRS consolidated financial statements, but with a stricter definition of core capital. Any appreciation gains on either associated companies or financial investments which, under local accounting rules, must be recorded at the lower of cost or market are eliminated.

In order to guarantee comparability with the last two reporting periods, the figures for the previous year have been re-determined in accordance with Basle III requirements, which have been in place since February 1, 2015.

Eligible capital

As at 31 December 2015, Valartis Finance Holding's eligible capital amounted to CHF 91.2 m (previous year: CHF 110 m). The decrease, amounting to CHF 19 m, can be attributed to the reduction in disclosed reserves. At year-end, Valartis Finance Holding AG retained a long-term, second-tier liability which fulfils the requirements of Art. 18 ERV-FL. This comprises the private placement of Valartis Bank (Liechtenstein) AG of a subordinated five-year loan amounting to EUR 10 m in 2013. At CHF 5.3 m as at the end of the year, this is allocated to lower tier 2 and corresponds to 6 per cent of eligible capital.

Required equity capital

As at 31 December 2015, required equity capital amounted to CHF 37 m (previous year: CHF 74 m). Tightened, local-level required equity capital stipulations for the banks led to significant de-risking amounting to CHF 37 m at that level, and this will impact the consolidated Group levels for the overlying holding company. De-risking was effected in the main by reducing interbank investments and corporate bonds and a simultaneous increase in risk-neutral US government bonds.

Capital required to cover credit risks amounts to CHF 24 m, or 64 per cent of total required equity capital, and thus, the largest position. Credit risks mainly comprise loans to clients, amounts due from banks, financial investments and, since mid-2015, non-counterparty-related risks.

Capital required to cover market risks amounts to CHF 5.5 m (previous year: CHF 12 m), or 15 per cent of required equity capital (previous year: 16 per cent). Currency risk coverage decreased, mainly due to amortisation of participations held in foreign currency.

Capital required to cover operational risks amounts to CHF 7.8 m (previous year: CHF 5.6 m), or 21 per cent of required equity capital – calculated in accordance with the basic indicator approach, i.e., 15 per cent of the average total operating income over the last three years.

Capital adequacy

Against the background of the challenging environment which has characterised the last few years, Valartis Finance Holding AG focused on successfully strengthening its capital adequacy at all levels of the company. As a result, equity capital ratios greatly exceed the regulatory minimum. The total capital ratio for the regulated segment, Valartis Finance Holding AG, is a comfortable 19.7 per cent (minimum: 10.5 per cent) and CET-1 ratio, at 18.5 per cent, is over twice the regulatory specification (minimum 7 per cent).

Capital adequacy of Valartis Finance Holding AG

in CHF 1,000	31.12.2015	31.12.2014
Eligible capital		
Paid-in capital	20,000	20,000
Disclosed reserves	89,379	115,664
Annual loss	-25,239	-19,659
Non-controlling interests	16,688	21,450
Deduction for treasury shares	0	0
Deduction for dividends according to BoD	0	0
Deduction for goodwill and intangible assets	-8,982	-25,093
Other adjustments	-5,990	-4,576
Tier 1 capital (CET1)	**85,856**	**107,787**
Additional Tier 1 capital (AT1)	0	
Eligible Tier 1 capital (Tier1)	**85,856**	**107,787**
Tier 2 capital (T2)	5,319	7,215
Other deductions from supplementary capital, additional capital and total capital	-	-4,576
Total eligible equity capital (T1+T2)	**91,175**	**110,427**
Required capital		
Credit risk	23,761	56,694
thereof due from banks	6,709	30,816
thereof non-counterparty-related risks	7,060	7,125
Non-counterparty-related risks	-	0
Market risk	5,522	12,002
Operational risk	7,800	5,550
Total required equity capital	**37,097**	**74,246**
Ratio of eligible capital to equired capital	**2.46**	**1.49**
CET1 capital ratio	**18.51%**	**11.61%**
CET1 minimum ratio	**7.00%**	**7.00%**
Tier 1 capital ratio	**18.51%**	**11.61%**
Tier 1 minimum ratio	**8.50%**	**8.50%**
Total capital ratio	**19.66%**	**11.90%**
Total capital minimum ratio	**10.50%**	**10.50%**
Return on equity (Annual income/average balance sheet total)	–1.1%	

Disclosure (see chart above) means that Valartis Finance Holding AG fulfils the requirements of the altered Banking Ordinance on Additional Annual Disclosures (since 1 February 2015).

Valartis Finance Holding AG in Vaduz, Liechtenstein, was incorporated in summer 2014, is subject to consolidated banking supervision by the Finanical Market Authority (FMA) in Liechtenstein. Valartis Group is not subject to any consolidated banking supervision.

CORPORATE GOVERNANCE

Valartis Group regards solid corporate governance as a key factor in ensuring the sustainable commercial success of the Group. For that reason, Valartis Group rigorously implements acknowledged standards in corporate governance in order to adequately protect the interests of all stakeholders. Valartis Group provides all groups of stakeholders with a transparent and tailored representation of Group corporate governance which enables them to evaluate the executive abilities of management and the relationship between leadership and control of the Group. Valartis Group regards all stakeholders, i.e., shareholders, clients, employees and media representatives, as equal partners and treats them accordingly.

LEGAL GUIDELINES AND PRINCIPLES

Valartis Group adheres to the principles and recommendations of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse and, in particular, to the Appendix containing recommendations relating to compensation for the Board of Directors and Group Executive Management (see Compensation Report, page 46 ff. Valartis Group is listed on the Swiss stock exchange, SIX Swiss Exchange (SIX) and is also subject to the SIX Exchange Regulations, accordingly. Valartis Group's management principles comply with the Directive on Corporate Governance (DCG) from 1 September 2014, issued by SIX, and with the Duty of Disclosure in accordance with Art.s 663b, up to and including Art. 663c, para. 3 of the Swiss Code of Obligations (OR). Unless otherwise indicated, all information is as of 31 December 2015.

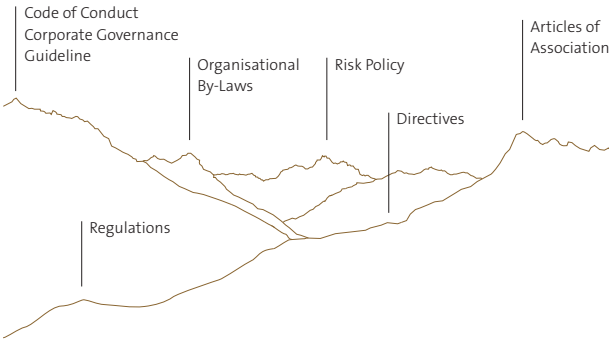
Valartis Group Corporate Governance Guidelines

Valartis Group's corporate governance guidelines clearly define the roles, competencies and areas of responsibility of management and supervisory bodies, govern balances distribution of these and provide appropriate control of adherence to them. All principles and guidelines referring to corporate governance are binding for the organisation and management of Valartis Group. The following documents constitute the corporate governance guidelines of Valartis Group and include the following elements:

- The Articles of Association define the corporate objective and the overall organisational framework requirements of Valartis Group[1]
- The Code of Conduct of Valartis Group defines the ethical and professional core values such as integrity, respect, client and dialogueorientation and fairness, as well as transparent communication and sustained sense of accountability
- The internal organisational Rules of Procedure define Valartis Group's responsibilities and competencies[1]
- The regulations of the Board of Directors' Committees – Audit and Compensation Committees[1] – define the duties and responsibilities of the committees and individual members (see also pages 38 ff.)
- Valartis Group's compensation policy defines the fundamental elements and principles of an appropriate system of compensation for members of the Board of Directors and Group Executive Management (see Compensation Report 2015, page 46 ff.)[1]
- Risk management: The Board of Directors determines Valartis Group's risk policy and monitors its implementation, see page 28 ff.[1]

1 These documents are available on www.valartisgroup.ch under Corporate Governance or General Meeting of Shareholders

Corporate Governance



CORPORATE STRUCTURE AND SHAREHOLDERS

Corporate structure

Valartis Group is a public limited company in accordance with Swiss law, based in Baar, Canton Zug, Switzerland. The bearer shares of Valartis Group AG (ISIN CH0001840450) are listed on the Swiss stock exchange, SIX Swiss Exchange. As of 31 December 2015, market capitalisation of Valartis Group amounted to CHF 42.3 m which corresponds to CHF 8.45 per share of the total of 5,000,000 issued. As of 31 December 2015, 5.7 per cent, or 283,158 shares are held by the Group.

The organisational chart on page 7 shows the operating structure of Valartis Group and its division into business segments. Business activities are allocated to the segments Institutional Clients and service activities to the Corporate Center. Segment reports, notes and further information can be found on page 24 ff. and Note 43.

Consolidation

The operative Group companies and major holdings which are consolidated under Valartis Group AG (scope of consolidation) are listed in detail in Note 45 to the Consolidated Financial Statement together with information on company name, domicile, purpose, share capital, participation quota, share of capital and voting rights. Associated companies are listed and described in Note 19 to the Consolidated Financial Statement.

The following major holding in the scope of consolidation is listed on the Swiss stock exchange, SIX Swiss Exchange: ENR Russia Invest SA, Geneva (Switzerland), ISIN CH0034476959.

Major shareholders
MCG Holding SA, Baar, Canton Zug, Switzerland, directly holds 50.2 per cent of the capital and voting rights of Valartis Group. Beneficial owners of MCG Holding SA are: Gustav Stenbolt, Geneva, Philipp LeibundGut, Zurich, Pierre Michel Houmard, Geneva and Tudor Private Portfolio LLC, Greenwich, USA. In addition, INTEGRAL Stiftung für die berufliche Vorsorge (occupational benefits foundation), Thusis, Canton Grisons, holds 5.1 per cent of capital and voting rights in Valartis Group AG. No other shareholders are known with holdings of over 3 per cent of shares with voting rights. Detailed information on shareholder structure can be found in Note 37. There are no shareholder agreements in place.

Cross-shareholdings
There are no cross-shareholdings of capital or voting rights between Valartis Group AG and its subsidiaries and other companies.

CAPITAL STRUCTURE

Capital
The share capital of Valartis Group AG amounts to CHF 5,000,000 divided into 5,000,000 bearer shares with dividend and voting rights at a face value of CHF 1.00 each. All bearer shares in Valartis Group AG are fully paid in and listed in the main segment of the Swiss stock exchange, SIX Swiss Exchange. As of the closing date for financial year 2015, there are no financial instruments outstanding which could result in dilution of the company's equity.

Recording in share register
There are no registered shares.

Conditional capitall
Valartis Group AG has no conditional capital.

Authorised capital
Valartis Group AG has no authorised capital.

Changes to capital
There were no changes to the share capital of Valartis Group AG in financial year 2015. Changes to overall share capital are listed on page 64 in the table Consolidated Statement of Changes in Equity.

Participation certificates
Valartis Group AG has no participation certificates.

Limitation of transferability and nominee registrations
There are no registered shares. There are therefore no limitations on transferability or nominee registrations.

Convertible bonds and options
Valartis Group AG has issued no convertible bonds.

BOARD OF DIRECTORS

Member of the Board of Directors[1]

Name	Function	Nationality	Elected to	Initial election
Gustav Stenbolt	Chairmant[2]	Norwegian	2016	2015
Christoph N. Meister	Deputy Chairman[3]	Swiss	2016	2011
Stephan Häberle	Member[4]	Swiss	2016	2016

1 Members Rolf-Müller-Senn (since 2011) and Stephan Häberle (since 2014) were no longer available for re-election. Stephan Häberle took up office as Group CEO as of 3 June 2015. Urs Maurer-Lambrou, member since 2011, withdrew on 15 June 2015. Jean-François Ducrest, member since 2008, withdrew on 2 November 2015
2 Group CEO until election as Chairman of the Board of Directors at the General Meeting on 2 June 2015; member of the Compensation Committee since 20 August 2015.
3 Deputy Chairman and Chairman of the Compensation Committee since 26 November 2015 and Chairman of the Audit Committee since 2014.
4 Re-election as member at the Extraordinary General Meeting on 15 January 2016 up to the 2016 Ordinary General Meeting and election as member of the Compensation Committee.

Board of Directors 2015
At the Ordinary General Meeting of 2 June 2015, Gustav Stenbolt (up to that point Group CEO) was elected as Chairman of the Board of Directors.

Urs Maurer-Lambrou (up to General Meeting 2015 Chairman of the Board of Directors), Jean-François Ducrest and Christoph N. Meister were reaffirmed as members of the Board of Directors. Former Vice-Chairman Rolf Müller-Senn and Stephan Häberle were no longer available for re-election. Following the General Meeting 2015, Stephan Häberle took up the function of Group CEO of Valartis Group.

The majority of the members of the Board of Directors fulfilled stipulations on independence in 2015. No member of the Board of Directors was in the Group Executive Management of any company belonging to the Valartis Group. Urs Maurer-Lambrou (withdrew on 15 June 2015) and Jean-François Ducrest (withdrew on 2 November 2015) performed tasks for companies belonging to Valartis Group, amongst others, in their function as Attorneys-at-Law. These activities conflicted in no way with their function as independent members of the Board of Directors. In selecting candidates to occupy open positions on the Board of Directors, the main focus is on the specialist competencies, expertise and international experience of those candidates.

Current Board of Directors

Due to the early departure of two members of the Board of Directors (Urs Maurer-Lambrou and Jean-François Ducrest), the number of members of the Board of Directors and the Compensation Committee fell below the minimum statutory membership of three. Stephan Häberle, Group CEO, was elected as member of the Board of Directors at the Extraordinary General Meeting 2016. He will assume dual responsibilities as member of the Board of Directors and as Group CEO up to the next Ordinary General Meeting on 28 June 2016.

Currently, Gustav Stenbolt is Chairman of the Board of Directors and Christoph N. Meister and Stephan Häberle are members of the Board of Directors of Valartis Group.

Gustav Stenbolt, born 1957

Lic. rer. pol. University of Fribourg. Chairman of the Board of Directors since 2015 and from 2007 to 2015 Group CEO of Valartis Group AG. Chairman of the Board of Directors of Valartis Advisory Services SA since 2014. He was Chairman of the Executive Board of Jelmoli Holding from 2004 to 2007. In 1996, he founded MCT Group in Geneva and was CEO up to 2004. MCT merged with OZ Holding in 2005. The merged entity was renamed Valartis Group in 2007. From 1983 to 1996, CIO of Unifund for Asia, Latin America and Eastern Europe and CIS. Gustav Stenbolt is member of the Board of ENR Russia Invest SA, Eastern Property Holdings Ltd, and the Anglo Chinese Group Ltd, Hong Kong.

Christoph N. Meister, born 1953

Business economist HWV and Swiss Certified Auditor; former partner at Ernst & Young AG, Switzerland. Since 2011, he is member of the Board of Directors of Valartis Group AG and since 2015, Deputy Chairman of the Board of Directors as well as member of the Audit Committee (since 2011) and Chairman of the Compensation Committee (since 2015). He also sits on the Board of Directors of Valartis Finance Holding AG (Liechtenstein). He was member of the Board of Directors of Valartis Bank (Liechtenstein) AG to end of 2015 and member of the Supervisory Board of Valartis Bank (Austria) AG to January 2016. From January 1979 to November 2010 (from April 1993 as partner), Christoph N. Meister held various positions in the auditing profession – mainly in the banking and finance sector – as lead auditor recognised by the Swiss Financial Supervisory Authority (FINMA) and Financial Market Authority (FMA) Liechtenstein.

Stephan Häberle, born 1960

Banking professional. Group CEO and CEO of Valartis Finance Holding AG since 2015 and since 15 January 2016, member of the Board of Directors of Valartis Group AG. Member of the Board of Directors from 2014 to 2015. Between 2013 and 2015, CEO of MediBank in Zug. From 2009 to 2012, he was CEO of Centrum Bank in Liechtenstein and from 2010, Group CEO. In 2006, he worked at the private banking and asset management group LGT in Liechtenstein as Head Private Banking International and member of the Senior Management. He was also member of the management of LGT (Switzerland) AG. Prior to that, from 1998 to 2006, he worked at UBS AG, Wealth Management International, where, as Regional Market Manager, he was in charge of Austria and Central Europe. From 1980 to 1998, Stephan Häberle worked in a number of positions at Bank Leu, Zurich, in Private Banking in Switzerland and abroad. In 1996, he was appointed as Chief of Staff and led various projects.

General Meeting of Shareholders 2015

Board of Directors

At the constituent meeting of the Board of Directors on 2 June 2015, Gustav Stenbolt was elected as Chairman. The former Chairman, Urs Maurer-Lambrou, together with Jean-François Ducrest and Christoph N. Meister, were reaffirmed as members of the Board of Directors. Rolf Müller-Senn and Stephan Häberle were no longer available for re-election. Following the General Meeting 2015, Stephan Häberle took up the post of Group CEO of Valartis Group. Urs Maurer-Lambrou withdrew from the Board of Directors on 15 June 2015 and Jean-François Ducrest withdrew on 2 November 2015.

Extraordinary General Meeting of Shareholders 2016

Due to the early departure of two members of the Board of Directors, the number of members of the Board of Directors and the Compensation Committee fell below the minimum statutory membership of three. At an Extraordinary General Meeting on 15 January 2016, shareholders elected Stephan Häberle as member of the Board of Directors up to the next Ordinary General Meeting on 28 June 2016, by a considerable majority (see also Board of Directors, page 37).

Amendments to the Articles of Association

At the General Meeting, 2 June 2015, the amendments to the Articles of Association were unanimously endorsed (see also www.valartisgroup.ch, Investor Relations, General Meeting 2015).

Since the Annual General Meeting of 14 May 2013, each member is elected individually. Re-election is admissible. Should a member withdraw prior to the end of their term of office, a replacement is elected at the next Annual General Meeting. If the number of members of the Board of Directors falls below three, an Extraordinary General Meeting must be held within a reasonable period of time to conduct election of replacement members. A member elected as a replacement completes the term of office of their predecessor. The date of first election is in accordance with the guidelines in the section Members of the Board of Directors. The Board of Directors constitutes itself, elects a Chairman and Vice-Chairman from among its members and designates a Secretary, who need not be a member of the Board of Directors.

Internal organisation

The Board of Directors is the highest governing body of Valartis Group AG. It is responsible to the shareholders for the Group's overall management and decides on all matters that are not delegated to the Annual General Meeting by law or under the Articles of Association.

Main duties

The Board of Directors is responsible for the overall management, supervision and control of Group Executive Management. The Board assumes responsibility for all obligations allocated in accordance with law, Articles of Association or internal regulations, in as far as these have not been assigned to any other bodies. In addition to the obligations listed in the Articles of Association, the Board of Directors is responsible for the following irrevocable and non-transferable obligations and duties:

- Determining and periodically reviewing mid- and long-term corporate strategy and provision of resources required to achieve corporate goals
- Harmonising strategy, risks and financing
- Determining organisation
- Determining guidelines governing personnel and compensation policy (see also Compensation Committee, page 46 ff.)
- Structuring accounting, financial controls and financial planning, together with approval of the annual budget
- Nominating members of the Audit and Compensation Committees from among its members
- Nominating and dismissing persons entrusted with executive management

- Supervising persons entrusted with executive management, in particular with regard to compliance with law, Articles of Association, regulations and directives
- Responsibility for the content of Annual Reports, preparation for Annual General Meetings and implementation of resolutions
- Drafting motions to be submitted to the Annual General Meeting in connection with compensation for the Board of Directors and Group Executive Management, as well as in connection with drafting of the Compensation Report
- Examining and approving reports from internal and external audit, as well as special regulatory reports

Further exclusive obligations

- Regular exchange of information relating to business and any special events; in particular profitability, financial situation, liquidity, equity capital requirements and risk status
- Determining risk policy and risk control systems as well as monitoring consolidated risk management (see also Risk Management and Status Report, page 28 ff. and 82 ff.)
- Drafting of guidelines or regulations governing risk management and responsibility and procedures for authorising business which carries risk
- Taking decisions regarding acquisition or divestment of holdings in other companies and the foundation or liquidation of subsidiaries
- Taking decisions regarding setting-up and closing of companies, branch offices and representative offices
- Determining credit approval powers and taking decisions regarding major engagements (incl. cluster risks) and loans to management/supervisory bodies
- Determining of Group and overall position limits
- Ensuring timely measures are taken and informing the authorities
- Appointing Head of Internal Audit of the Group
- Taking decisions regarding employees' assumption of supplementary employment

With the exception of non-transferrable and inalienable duties, parts of the duties of the Board of Directors may be transferred to individual members (delegates), to a group of members (committees), or to third parties. The Audit Committee was created in 2011 and the Compensation Committee in 2014. In 2015, Christoph N. Meister was Chairman of the Audit Committee and Jean-François Ducrest was Chairman of the Compensation Committee up to his withdrawal from the Board of Directors on 2 November 2015. On 26 November 2015, the Board of Directors elected Christoph N. Meister as Chairman of the Compensation Committee.

The Board of Directors is convened by the Chairman, or, if he/she is unable to do so, by the Vice-Chairman, as often as business requires, or at the request of one of its members or the auditors. The Board of Directors passes its resolutions by means of an absolute majority vote of members present. In the event of a tied vote, the Chairman has the casting vote. The minutes of the meetings of the Board of Directors are kept and must be signed by the Secretary of the Board of Directors and by the Chairman.

Information and control instruments

A range of information and control instruments are available to the Board of Directors, its Audit Committee and Compensation Committee as support in the overall fulfilment of its management and supervisory duties towards Group Executive Management. Such instruments include the strategy process, medium-term plan, annual planning process and internal and external financial reporting.

The members of the Board of Directors receive a reporting package on a quarterly basis, in particular management and controlling reports, liquidity as well as risk reports and periodic financial results (consolidated and individual financial statements on a quarterly, semi-annual and annual basis). These include quantitative and qualitative information such as budget deviations, benchmark comparisons, prior-period and multi-year comparisons, key performance indicators and risk analyses for the Group companies and the Group as a whole.

These reports enable the Board of Directors to keep abreast of major developments and the risk situation within Valartis Group at all times. Reports falling under the responsibility of the Audit Committee, or Compensation Committee, are discussed by the Committee and forwarded to the Board of Directors with a request for approval. The latest reports are discussed in depth at each meeting of the Board of Directors. The Chairman of the Board of Directors and the Chairman of the Audit Committee also receive minutes of the meetings of the Group Executive Management. Additionally, the Chairman of the Board of Directors regularly exchanges information with the Group CEO and the other members of Group Executive Management.

The Board of Directors meets as often as the business of the Company requires, but at least once per quarter. In 2015, six ordinary meetings and 30 extraordinary meetings were held. These meetings are also attended by the Group CEO and Group Chief Financial Officer and Chief Risk Officer as well as other individuals, where required.

AUDIT COMMITTEE

The Audit Committee is made up of three members of the Board of Directors and is chaired by Christoph N. Meister. After the withdrawal of Messrs Rolf Müller-Senn and Jean-François Ducrest as of 2 June and 2 November 2015, respectively the Audit Committee was terminated as the number of members of the Board of Directors had dropped below the minimum number required. Since then, Christoph N. Meister was assigned as Audit Delegate. He has experience and expertise in finance, accounting, risk management, and internal control systems by virtue of its professional background.

In the past, the Audit Committee constituted itself with reference to representation and organisation of work to be performed and held at least four meetings per year. 2015 however, only two meetings took place as a consequence of the specific circumstances (see also Comments on Business Development on page 20 ff.)

Duties
The Audit Committee prepares documents for decision making, supports the Board of Directors in an advisory capacity and supports the Board in the fulfilment of the duties allocated to it by law, Articles of Association and regulations, in particular in connection with:
- Supervision and control, specifically with regard to compliance with laws, the Articles of Association, regulations and directives
- Implementation of the financial and risk policies as well as appropriate financial and risk management
- Internal and external auditing and the internal control system (ICS)
- Analysis of the annual and interim financial statements of Valartis Group AG and the Group as a whole

The duties of the Audit Committee were listed in the corresponding Audit Committee regulations.

COMPENSATION COMMITTEE

The Compensation Committee was created in 2014 and consists of at least three members of the Board of Directors, each of whom is elected individually at the Annual General Meeting for a term of one year, i.e., up to and including the first Ordinary Annual General Meeting following their election. Re-election is permissible. If one or more members withdraw, or if the Compensation Committee is not complete, the Board of Directors designates replacements from among its members for the period to the end of the next Annual General Meeting. Due to the early withdrawal of two members of the Compensation Committee, Urs Maurer- Lambrou on 15 June 2015 and Jean-François Ducrest on 2 November 2015, the Extraordinary General Meeting of 15 January 2016 elected Gustav Stenbolt, Christoph N.. Meister and Stephan Häberle as members of the Compensation Committee.

The Compensation Committee constitutes itself and designates a member as Chairman. The Compensation Committee meets as often as business requires, but at least three times per year. In 2015, only two meetings took place as a consequence of the changes within the Board of Directors in the second half-year 2015.

Duties
The Compensation Committee performs its duties and competencies as a joint and collective body. Members have no personal powers and therefore, cannot issue any instructions. The Compensation Committee may propose motions to the Board of Directors in connection with all issues concerning compensation.

The Compensation Committee supports the Board of Directors in its duties and responsibilities in the field of personnel policy. These include, but are not limited to:
- Preparing, drafting and periodic reviewing of compensation policy and performance goals for management positions
- Periodic reviewing and implementing of compensation policy
- Annual review of compensation for the individual members of Group Executive Management
- Annual assessment of the members of Group Executive Management
- Planning successors and their nomination for positions in Group Executive Management
- Preparing choices of candidates for election or re-election to the Board of Directors

Compensation for the Board of Directors and Group Executive Management
The Compensation Committee determines the respective total amount of compensation for the Board of Directors and Group Executive Management (incl. Group CEO), to be submitted by the Board of Directors to the Annual General Meeting for approval (for details, see Compensation Report, page 46 ff.).

Compensation Report
The Compensation Committee compiles the Compensation Report and submits it to the Board of Directors for approval.

Insurance and employee benefits
The Compensation Committee periodically evaluates appropriate insurance coverage for the members of the Board of Directors and Group Executive Management, with the assistance of specialists, and recommends adjustments to the Board of Directors. The Compensation Committee requests information on employee benefits for all employees from Group Executive Management at least every three years.

The duties of the Compensation Committee are defined in detail in a separate regulation and published on the website (www.valartisgroup.ch under Corporate Governance).

GROUP INTERNAL AUDIT

A further important instrument for the Board of Directors' performance of its supervision and control function is Group Internal Audit, which consists on Group level of six team members at the three locations in Switzerland, Austria, and Liechtenstein. The purpose, authority, and responsibility of Internal Audit are defined in a separate policy, and the internal auditors work in accordance with local versions of the international standards of the Institute of Internal Auditors (IIA). Acting independently, Internal Audit audits in particular the internal steering and control system, governance and risk management.

Group Internal Audit ensures that all risk-relevant business activities are covered by a multi-year plan and defines a risk-based annual audit programme. The Chairman of the Board of Directors or the Audit Delegate may also assign special tasks in addition to the standard auditing work to Group Internal Audit. The efficiency of Group Internal Audit is enhanced by coordinating its activities with those of the external auditors.

COMPLIANCE

Since the reorganisation of Valartis Group in 2015, compliance issues have been assigned to external service providers. The compliance officers of the individual Group companies ensure the corresponding reporting to Group Executive Management and the Board of Directors.

The main responsibilities of the compliance function are:
- Identification and evaluation of compliance risks (risk of violation of provisions, regulations and standards with the corresponding, potential legal and regulatory sanctions, financial losses or damage to reputation) within the Group
- Organisation and coordination of (de)centralised compliance controls within the Group
- Control and supervision of all measures to minimise compliance risks within the Group
- Suitable reporting to Group Executive Management and the Board of Directors
- Advisory support for the Board of Directors, Group Executive Management and employees in all compliance issues

The Board of Directors can issue compliance function regulations and the compliance reporting directive.

GROUP EXECUTIVE MANAGEMENT

Members of Group Executive Management

Name	Function	since	Nationality
Stephan Häberle	Group Chief Executive Officer (CEO)*	2015	Swiss
George M. Isliker	Group Chief Financial Officer and Chief Risk Officer (CFO/CRO)	2011	Swiss

* Gustav Stenbolt was Group CEO up to election as Chairman of the Board of Directors at the General Meeting on 2 June 2015. Stephan Häberle was member of the Board of Directors up to the 2015 General Meeting and took up office as Group CEO following the General Meeting 2015.

Organisation of Group Executive Management
Group Executive Management is responsible for the management of Valartis Group's business activities, except for those duties incumbent upon the Board of Directors by law or under the Articles of Association or the organisational regulations. The Group CEO heads Group Executive Management, which decides on business development. Specifically, Group Executive Management is responsible for the development and implementation of the Group's strategy and its results. The Group CEO is responsible for overall management and comprehensive coordination. The members of Group Executive Management meet at least once a month. Further meetings on strategy, corporate development, annual planning, budgeting and other topical issues also take place.

Realignment of Group Executive Management
During the course of realisation of the new Valartis Group organisation following divestment of the Swiss bank in 2014, Group Executive Management was realigned to the new framework conditions in 2015, and, following election of Gustav Stenbolt as Chairman of the Board of Directors by the 2015 General Meeting on 2 June 2015 temporarily reduced to two members. Group Executive Management of Valartis Group is made up of Stephan Häberle, Group CEO , and George M. Isliker, Group CFO and CRO. As of 3 June 2015, the Board of Directors designated Stephan Häberle as Group CEO. He was elected as member of the Board of Directors by the Extraordinary General Meeting on 15 January 2016 and will have dual responsibilities as Group CEO and member of the Board of Directors from then up to the next Ordinary General Meeting.

Vincenzo di Pierri, former Deputy Group CEO of Valartis Group AG and former CEO of the divested Valartis Bank AG, Switzerland, withdrew from Group Executive Management as of 3 June 2015.

Management contracts
Valartis Group and its subsidiaries have not delegated any management tasks to third parties.

Further activities and vested interests
Further activities and vested interests of individual members of Group Executive Management are cited in the following short biographies:

COMPENSATION, HOLDINGS AND LOANS

Information on Valartis Group's compensation system, together with compensation for members of the Board of Directors and Group Executive Management for the financial year 2015 can be found in the separate Compensation Report (see page 46 ff.) and in Note 42 of the Notes to the Consolidated Financial Statements. Details of the holdings of the Board of Directors and Group Executive Management and loans made to members are disclosed on page 54 ff. and Note 42.

SHAREHOLDERS' PARTICIPATION RIGHTS

Restrictions on voting rights and proxies
The shareholders' rights of participation correspond to the statutory regulations of the Swiss Code of Obligations. There are no limitations on voting rights. Each bearer share gives entitlement to one vote at the Annual General Meeting of Valartis Group AG. A shareholder may exercise his/her voting right in person or be represented by their legal representative or request the independent shareholder proxy to vote on their behalf at the Annual General Meeting. Power of proxy may only be issued for one General Assembly.

Stephan Häberle, born 1960

Banking professional. Group CEO and CEO of Valartis Finance Holding AG since 2015 and since 15 January 2016, member of the Board of Directors of Valartis Group AG. Member of the Board of Directors from 2014 to 2015. Between 2013 and 2015, CEO of MediBank in Zug. From 2009 to 2012, he was CEO of Centrum Bank in Liechtenstein and from 2010, Group CEO. In 2006, he worked at the private banking and asset management group LGT in Liechtenstein as Head Private Banking International and member of the Senior Management. He was also member of the management of LGT (Switzerland) AG. Prior to that, from 1998 to 2006, he worked at UBS AG, Wealth Management International, where, as Regional Market Manager, he was in charge of Austria and Central Europe. From 1980 to 1998, Stephan Häberle worked in a number of positions at Bank Leu, Zurich, in Private Banking in Switzerland and abroad. In 1996, he was appointed as Chief of Staff and led various projects.

George Marc Isliker, born 1964

Certified Public Accountant (CPA), Trust and Estate Practitioner (TEP), studied law at the University of St. Gallen (HSG). Chief Financial Officer and Chief Risk Officer of Valartis Group since 2011 and member of the Board of Directors of Valartis Advisory Services SA as well as trustee of the pension fund of Valartis Group since 2014. He was previously Head of Group Finance & Risk at VP Bank Group (Vaduz, Liechtenstein, 2004 to 2010). He took a sabbatical in 2003. Before that, George M. Isliker was Head of Finance and of the Credit Department at Hottinger & Cie, Banquiers, private banking group Zurich (from 1995 to 2002) and an auditor with KPMG, Zurich (from 1992 to 1995).

Quorums prescribed by the Articles of Association

There are no regulations that deviate from Article 704 of the Swiss Code of Obligations. Accordingly, no special quorums prescribed by the Articles of Association have been defined.

Convening of the Annual General Meeting

There are no provisions in the Articles of Association that deviate from the statutory provisions governing the convening of the Annual General Meeting. The Annual General Meeting is convened by the Board of Directors at least 20 days before the day of the meeting; details of the agenda and proposals are given at the same time. The meeting is called by publishing a single notice in the company's official organ of publication. This publication is currently the Swiss Official Gazette of Commerce, the "Schweizerisches Handelsamtsblatt" (SHAB). An Extraordinary General Meeting may also be called by one or more shareholders who together represent at least one tenth of the share capital. This must be done in writing and include details of the agenda and proposals.

Agenda

The Articles of Association provide that one or more shareholders who together represent at least three per cent of the share capital may propose an agenda item for the Annual General Meeting in writing explaining the proposed matter and motions; the proposed agenda item must be received by the Company at least 45 days before the Annual General Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

Opting-out
Under the Articles of Association, an acquirer of shares of the Company is not obliged to offer to acquire all the equity securities pursuant to Articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

Change of control clauses
Exit compensation for members of the Board of Directors and employees is explicitly excluded by regulations.

AUDITORS

The external audit mandate is performed by Ernst & Young AG, Zurich, Switzerland. The external auditors are appointed at the Ordinary Annual General Meeting for a period of one year.

Duration of mandate and period of office of the lead auditor
Ernst & Young AG was first appointed in 1988. The current lead auditor is Stefan Schmid, who has exercised this function since financial year 2015.

Auditor's fee
Ernst & Young AG charged Valartis Group CHF 1.5 m (2014: CHF 1.8 m) in financial year 2015, for services in connection with the regulatory audits and with auditing the annual financial statements and the consolidated financial statements of Valartis Group and the Valartis Group companies.

Additional fees
In addition, Ernst & Young AG charged Valartis Group CHF 0.1 m (previous year: CHF 0.1 m) for other services in the fields of legal issues, taxes, projects and IT.

Supervisory and control instruments relating to Auditors
Control of the external auditors and the Group auditor is the responsibility of the Board of Directors. This responsibility includes examining the reports by the internal and external auditors and it is supported in this by the Audit Committee.

INFORMATION POLICY

All legal reporting obligations of Valartis Group are met through official Swiss publications, currently the Swiss Official Gazette of Commerce ("Schweizerisches Handelsamtsblatt", SHAB). Valartis Group provides shareholders and capital market participants with open, extensive, simultaneous and prompt information. Its information policy is based on the principle of equal treatment of all capital market participants. As a company listed on the Swiss stock exchange, SIX Swiss Exchange, Valartis Group AG is subject, in particular, to the duty of immediate disclosure of share price-relevant events (SIX Exchange Regulation Ad hoc Publicity RLAhP). Valartis Group published 14 ad-hoc-publicity media releases in 2015.

Regular reporting includes annual and half-year reports, which are prepared according to International Financial Reporting Standards (IFRS), media releases on the latest developments, the annual press and analysts' conference and the Annual General Meeting. Due to the definitive moratorium of Valartis Group AG the annual press and analysts' conference will take place on 24 May 2016 and the 2016 Annual General Meeting on 28 June 2016 (see also comments on business development on page 20 ff.).

In addition to the dispatch of media releases and reports by e-mail, the Annual Report can be downloaded from the homepage www.valartisgroup.ch. For costs reasons, the Annual Report 2015 will be available as a online or pdf version on the Valartis Group website only. The Corporate Governance Regulations documents are also available on the website under Corporate Governance (see page 36).

Agenda 2016

Results media and analysts' conference	24 May 2016
General Meeting 2016	28 June 2016
Half-year results	30 August 2016

Investor Relations

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Valartis stock market information

Exchange listing:	SIX Swiss Exchange
Securities symbol:	VLRT
Reuters:	VLRT.S
Bloomberg:	VLRT SW
ISIN:	CH0001840450

www.valartisgroup.ch

COMPENSATION REPORT

Dear Shareholders

We are pleased to present the detailed 2015 Compensation Report for Valartis Group. This report is intended to fulfil our stakeholders' entitlement to information concerning the transparency, comprehensibility and plausibility of the Valartis Group compensation policy and compensation system. In the 2015 Compensation Report, we show how performance components are linked to actual compensation. The report comprises the following sections:

- Compensation Committee: Organisation, duties and areas of responsibility
- Compensation guidelines for the Board of Directors, Group Executive Management and employees
- Determining compensation
- Compensation for the Board of Directors
- Compensation for Group Executive Management
- Compensation for employees
- Overview: loans, shares and options held by members of the Board of Directors and Group Executive Management as at end of 2015

The 2015 Compensation Report fulfils current Corporate Governance requirements and is based on the stipulations of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse, the SIX Swiss Exchange Corporate Governance guideline, Art. 663 bbis of the Transparency Law in accordance with the Swiss Code of Obligations and the Swiss constitutional article in accordance with the Ordinance against excessive compensation in listed companies (VegüV).

On 2 June 2015, in a consultative vote, the General Meeting endorsed the 2014 Compensation Report with a large majority.

Value-driven compensation system

Valartis Group's compensation system is an instrument to harmonise the interests of shareholders and employees. Our aim is to offer incentives to achieve corporate goals, market-driven and competitive compensation and, at the same time, to protect the interests of shareholders. Valartis Group is committed to a fair, balanced and performance-oriented compensation system. In addition to progressive social benefits, we offer employees throughout the Group attractive basic salaries which are in line with the market, binding employees to the company, where appropriate, by means of a medium-term bonus system.

Valartis Group's value-driven compensation system is aimed at achieving the long-term economic success and sustainable competitiveness of the Group (see also the information on corporate sustainability on page 16 ff.). It aligns the interests of shareholders and employees by offering incentives that promote a performance, team and risk-conscious culture, as well as corporate thinking and action which strengthens the Group as a whole. For example, over and above a certain amount, members of management receive a portion of their variable performance component exclusively in Valartis Group AG shares (distributed over a period of up to three years).

We review our compensation policy and compensation system on a regular basis and develop it with a view to the consistent harmonisation of the interests of our shareholders and employees.

On behalf of the Board of Directors

Christoph N. Meister

COMPENSATION COMMITTEE: ORGANISATION, DUTIES AND AREAS OF RESPONSIBILITY

Organisation of the Compensation Committee and its duties are defined in accordance with Art. 24 of the Articles of Association of 2 June 2015 and Art. 3.10 (a) of the Organisation Regulations for the Board of Directors of Valartis Group AG as follows:

Organisation

The Compensation Committee consists of at least three members of the Board of Directors, each of whom is elected individually at the Annual General Meeting for a term of one year, i.e., up to and including the first Ordinary General Meeting following their election. Re-election is admissible. If one or more members withdraw, or if the Compensation Committee is not complete, the Board of Directors designates replacements from amongst its members for the period up to completion of the next Annual General Meeting.

On 2 June 2015 the General Meeting elected Jean-François Ducrest and Urs Maurer-Lambrou as members of the Board of Directors' Compensation Committee, each for a term up to the conclusion of the next Ordinary General Meeting. Following the withdrawal of Urs Maurer-Lambrou on 15 June 2015, the Board of Directors elected Gustav Stenbolt to the Compensation Committee on 20 August 2015. On 2 November 2015, the Compensation Committee Chairman, Jean-François Ducrest, left the Board of Directors. On 26 November 2015, the Board of Directors elected Christoph N. Meister to the Compensation Committee and designated him as Chairman.

The Compensation Committee constitutes itself and designates a member as Chairman. The Chairman of the Board of Directors may not be Chairman of the Compensation Committee. The Compensation Committee meets as often as business requires, but at least three times per year. In 2015, as an exception only, two meetings took place due to the changes of the Board of Directors in the second half of 2015 (see also Corporate Governance on page 36). The Compensation Committee performs its duties and competencies as a joint and collective body. Members have no personal powers and cannot, therefore, issue any instructions. The Compensation Committee is quorate when the majority of its members are present. It passes resolutions by means of an absolute majority vote of members present. In the event of a tied vote, the Chairman has the casting vote. The minutes of meetings are submitted to the Board of Directors.

Duties and Responsibilities

The Compensation Committee may propose motions to the Board of Directors in connection with all issues concerning compensation and supports the Board's work in the field of personnel policy. The Committee's duties include, amongst others, the following:

- Preparing, drafting and periodic reviewing of compensation policy and performance goals for Group Executive Management
- Periodic reviewing and implementing of compensation policy
- Annual assessment of the members of Group Executive Management
- Planning successors and their nomination for positions in Group Executive Management
- Annual review of compensation for the individual members of Group Executive Management
- Preparing choices of candidates for election or re-election to the Board of Directors and submitting the corresponding proposals to the Board of Directors
- Compiling the Compensation Report and submitting it to the Board of Directors for approval
- Periodic evaluation of appropriate insurance coverage for the Board of Directors and Group Executive Management, with the assistance of specialists, and recommendation of adjustments to the Board of Directors

COMPENSATION GUIDELINES FOR THE BOARD OF DIRECTORS, GROUP EXECUTIVE MANAGEMENT AND EMPLOYEES

Valartis Group's value-driven compensation system is aimed at winning the right employees, promoting them and binding them to the company, in order to assure the long-term economic success and sustainable competitiveness of the Group. It is based on the following principles:

- Compensation should be comparable with other companies in the financial services sector
- The compensation system offers incentives which promote a performance, team and risk-conscious culture, as well as corporate thinking and action which strengthen Valartis Group as a whole
- Total compensation consists, as a rule, of a fixed and a variable component
- Variable compensation components are dependent to a suitable degree on individual performance, the annual result of the respective business segment and the success of the Group as a whole
- Evaluation of the variable compensation components is based on directly measurable, as well as non-measurable criteria
- A significant portion of the variable compensation is paid in Valartis Group AG shares
- Payment of a significant portion of variable compensation is made dependent on the future success of Valartis Group. Appropriate consideration is given to risks which have been taken
- Severance payments for Board of Directors and Group Executive Management members are not permitted

Compensation Board of Directors

In order to guarantee the independence of the Board of Directors, their compensation comprises exclusively fixed payments which are independent of corporate success. The level of compensation is based on the office held by the member of the Board of Directors and their respective contribution (for details see page 49).

Compensation Group Executive Management
Compensation for members of the Group Executive Management comprises a fixed base salary and a performance-related payment (for details, see page 51).

- The base salary is based on the respective duties and functional responsibility
- The performance-related payment is determined based on the Group operating earnings, business segment operating profit, the segment operating profit and their personal, individual contribution
- The performance-related components are included in the annual goal-setting process in which both the individual and financial performance goals are determined. At the end of the period, an assessment is made of the degree to which goals have been achieved
- In determining quantitative goals, appropriate consideration must be given to the interests of shareholders (equity capital interest, impact of market movements on the result, etc.)
- Individual contributions include measurable factors such as improved results, project completion, etc., but also non-financial factors (personnel management, leading by example, commitment to the Group as a whole, etc.)

Bonus Shares Programme
Valartis Group's Bonus Shares Programme is an integral part of the compensation system which takes into consideration the overall success of the company and individual performances, as well as the aim to bind employees in the long term and protection of shareholders' interests (see details on page 51 ff.).

DETERMINING COMPENSATION

The Compensation Committee determines the respective total amount of compensation for the Board of Directors and Group Executive Management (incl. Group CEO). This is then submitted by the Board of Directors to the Annual General Meeting for approval. This comprises the following two steps:

- The Compensation Committee determines compensation for the individual members of the Board of Directors within the framework of the authorised (or still to be authorised) maximum total amount and presents the corresponding proposals to the Board of Directors (see also graphic "Competencies and areas of responsibility", below)
- The Compensation Committee determines compensation for the Group CEO and, following consultation with the Group CEO, for the individual members of the Group Executive Management within the framework of the authorised (or still to be authorised) maximum total amount and presents the corresponding proposals to the Board of Directors (see also graphic "Competencies and areas of responsibility", below).

Board of Directors and Group Executive Management
Based on the proposals of the Compensation Committee, the Board of Directors of Valartis Group AG determines compensation for members of the Board of Directors and (following consultation with the Group CEO) for members of the Group Executive Management, subject to approval by the Annual General Meeting and in accordance with company Organisational Regulations.

Employees
The Group CEO proposes the amount of bonus for each respective business segment, based on the total bonus amount determined by the Board of Directors to the Compensation Committee. The Compensation Committee examines each corresponding application. The responsible manager for each segment determines the bonus payments to employees working in that segment in agreement with the Group CEO. Bonus payments to those employees who are not allocated directly to a specific business segment are determined by the Group CEO.

Consultative vote on compensation for members of the Board of Directors and Group Executive Management
The Board of Directors proposed a non-binding consultative vote on compensation for members of the Board of Directors and Group Executive Management to the Annual General Meeting in 2015, in accordance with the provisions of the Swiss Code of Best Practice for Corporate Governance. The majority of shareholders

Competencies and areas of responsibility

Ruling	Group CEO	Compensation Committee	BoD	GV
Compensation for members of BoD[1], Chairman of BoD and Group CEO		Proposal	Approval	
Fixed compensation for members of Group Executive Management (excl. Group CEO)	Proposal	Review Proposal	Approval	
Bonus Shares Programme[2] Group CEO		Proposal	Approval	
Bonus Shares Programme members of Group Executive Management (excl. Group CEO)	Proposal	Review Proposal	Approval	
Bonus Shares Programme other entitled persons	Proposal	Review Proposal	Approval	
Total compensation of the group Executive Management and Board of Directors			Proposal	Approval

1 Board of Directors
2 Cash and Bonus Share Programme of Valartis Group: Cash, bonus shares and super bonus shares (for details, see page 51)

endorsed the 2014 Compensation Report. Valartis Group proactively seeks dialogue with shareholders and shareholder representatives, in order to collect valuable feedback on compensation policy. This is then taken into consideration in the regular reviews of the compensation policy.

COMPENSATION: BOARD OF DIRECTORS

The members of the Board of Directors receive fixed compensation, the level of which is determined according to their individual function within the Group. There are no variable compensation components for members of the Board of Directors. The Compensation Committee determines compensation for the members and the Chairman of the Board of Directors within the framework of the authorised (or still to be authorised) maximum total amount and presents the corresponding proposals to the Board of Directors (see also graphic "Competencies and areas of responsibility", page 48). Since 2013, fees for members of the Board of Directors are determined for the period between two Ordinary General Meetings.

The compensation for members of the Board of Directors must always be paid in monetary form. However, every member of the Board of Directors may request compensation, in part, or in full, in the form of shares. Note 42 discloses details of loans, shares and options held by members of the Board of Directors (see also Compensation Report, page 54 f.).

Overview of 2015 compensation to the Board of Directors

2015 in CHF	Gustav Stenbolt, Chairman[1]		Christoph N. Meister, Vice-Chairman[2]		Stephan Häberle, Member[3]		Rolf Müller-Senn, Member[4]		Jean-François Ducrest, Member[5]		Urs Maurer-Lambrou, Member[6]		Total	Total
Compensation Guidelines	until AGM 2015	from AGM 2015	until AGM 2015	from AGM 2015	until AGM 2015	from a.o. GV 2016	until AGM 2015	from AGM 2015	until AGM 2015	from AGM 2015	until AGM 2015	from AGM 2015	until AGM 2015	from AGM 2015
Fixed compensation	–	200,000	40,000	80,000	40,000	–	55,000	–	40,000	80,000	160,000	115,000	335,000	475,000
Audit Committee	–	–	35,000	30,000	–	–	25,000	–	25,000	20,000	–	–	85,000	50,000
Compensation Committee[7]	–	20,000	10,000	30,000	–	–	10,000	–	20,000	30,000	–	20,000	40,000	100,000
Valartis Finance Holding AG[8]	–		25,000	90,000	–	–	25,000	90,000	–	–	80,000	160,000	130,000	340,000
Valartis Bank (Liechtenstein) AG	–		25,000	75,000	–	–	25,000	75,000	–	–	70,000	140,000	120,000	290,000
Valartis Bank (Austria) AG	–		25,000	75,000	–	–	25,000	75,000	–	–	70,000	140,000	120,000	290,000
Valartis Advisory Services SA[9]	–	80,000	–	–	–	–	–	–	–	–	–	–	–	80,000
Valartis Bank AG, Switzerland[10]		–	25,000	–	25,000	–	25,000	–	25,000	–	70,000	–	170,000	–
Valartis Wealth Management SA[10]	–	–	10,000	–	–	–	10,000	–	20,000	–	10,0000	–	50,000	–
Total compensation		**300,000**	**195,000**	**380,000**	**65,000**	**0**	**200,000**	**240,000**	**130,000**	**130,000**	**460,000**	**575,000**	**1,050,000**	**1,625,000**

The chart shows respective compensation for a full period in office. In the case of early withdrawal from the BoD, or taking up office on the BoD during the year, compensation is paid on a pro rata basis.

1 Mr. Stenbolt was Group CEO and was elected as Chairman of the Board of Directors by the Annual General Meeting of 2 June 2015.
2 Vice-Chairman since 26 November 2015: Resignation as member of the Board of Directors of Valartis Bank (Liechtenstein) AG on 3 December 2015 and of Valartis Bank (Austria) AG on 10 January 2016.
3 Member of the Board of Directors from 13 May 2014 until the Annual General Meeting on 2 June 2015. Appointed as Group CEO as of 3 June 2015 and re-election as member by the Extraordinary General Meeting on 15 January 2016.
4 Withdrawal from the Ordinary General Meeting on 2 June 2015 (Vice-President). He left the Board of Directors of the Valartis Bank (Austria) AG on 9 September 2015 and of Valartis Bank (Liechtenstein) AG on 2 December 2015.
5 Jean-François Ducrest left the Board of Directors on 2 November 2015.
6 Urs Maurer-Lambrou was Chairman of the Board of Directors up to the Ordinary General Meeting on 2 June 2015 and member of the Board of Directors to 15 June 2015. He left the Board of Directors of Valartis Finance Holding AG, Valartis Bank (Liechtenstein) AG as well as Valartis Bank (Austria) AG on 21 August 2015.
7 Election as members of the Compensation Committee at the Extraordinary General Meeting on 15 January 2016: Christoph N. Meister, Gustav Stenbolt and Stephan Häberle.
8 Founded on 27 June 2014.
9 The Board of Directors of Valartis Advisory Services SA unchanged: Gustav Stenbolt, George M. Isliker and Alain Rolland. Since the Ordinary General Meeting on 2 June 2015, the Chairman of the Board of Directors has been compensated. George M. Isliker and Alain Rolland are employed at Valartis Advisory Services SA and receive a salary from Valartis Advisory Services SA.
10 Sold on 29 August 2014.

Comparison of 2015 and 2014 compensation to the Board of Directors

2015 in CHF	Gustav Stenbolt, Chairman[1]	Christoph N. Meister, Vice-Chairman[2]	Rolf Müller-Senn, [3]	Jean-François Ducrest, Member[4]	Urs Maurer-Lambrou, Chairman[5]	Stephan Häberle, Member[6]	Total
Compensation for the Board of Directors							
Compensation from group entities (base)	173,000	251,600	193,100	92,600	249,300	16,900	976,500
of which in shares	–	–	–	–	–	–	–
Social Security contributions[7]	19,500	28,100	21,5000	10,400	27,800	1,900	109,200
Other social insurance contributions[7]	10,100	7,100	5,800	4,600	6,500	200	34,300
Compensation for additional services	–		–	174,444	83,430		257,874
Other benefits	–	–	–	–	–	–	–
Total	**202,600**	**286,800**	**220,400**	**282,044**	**367,030**	**19,000**	**1,377,874**

1 Compensation paid as Group CEO is listed from the date of election to the Board of Directors: 2 June 2015 (see Group Executive Management, page 51).
2 Vice Chairman since 26 November 2015; withdrawal from the Board of Directors of Valartis Bank (Liechtenstein) AG on 3 December 2015 and from Supervisory Board of Valartis Bank (Austria) AG on 10 January 2016.
3 Withdrawal from the Board of Directors at the General Meeting on 2 June 2015 (Vice-President), from the Supervisory Board of Valartis Bank (Austria) AG and the Board of Directors of Valartis Bank (Liechtenstein) AG on 9 September 2015 and 2 December 2015.
4 Withdrawal from the Board of Directors of Valartis Group AG on 2 November 2015.
5 Up to the General Meeting of 2 June 2015, Chairman of the Board of Directors; withdrawal from Board of Directors of Valartis Group AG on 15 June 2015 and from Valartis Finance Holding AG (Liechtenstein), Valartis Bank (Liechtenstein) AG and the Supervisory Board of Valartis Bank (Austria) AG on 21 August 2015.
6 Member of the Board of Directors of Valartis Group AG since the General Meeting of 23 May 2014 to the General Meeting of 2 June 2015. Re-elected as member at the Extraordinary General Meeting of 15 January 2016.
7 In addition to employer contributions, Valartis Group also pays employee contributions. Social security contributions also include OASI contributions.

2014 in CHF	Urs Maurer-Lambrou, Chairman	Rolf Müller-Senn, Vice-Chairman	Christoph N. Meister, Member	Jean-François Ducrest, Member	Felix Fischer, Member[1]	Stephan Häberle, Member[2]	Total
Compensation for the Board of Directors							
Compensation from legal entities (base)	393,000	172,100	167,100	101,200	14,800	32,900	881,100
of which in shares	–	–	–	–	–	–	–
Employer's social security and pension fund contribution[3]	43,500	19,100	18,500	11,200	800	3,700	96,800
Other social security contributions[4]							
Compensation for additional services	10,700	5,500	5,400	4,200	200	1,200	27,200
Other benefits	102,400	–	–	7,000	–	–	109,400
Total	**549,600**	**196,700**	**191,000**	**123,600**	**15,800**	**37,800**	**1,114,500**

1 Member up to the General Meeting of 13 May 2014.
2 Member from the General Meeting of 13 May 2014.
3 In addition to employer contributions, Valartis Group also pays employee contributions.
4 Social security contributions also include OASI contributions.

COMPENSATION: GROUP EXECUTIVE MANAGEMENT

Compensation policy for Group Executive Management is specified by the Board of Directors based on Art. 3.9 (b) of the Organisational Regulations of the company. Specifications contained therein comply with Swiss Stock Exchange, SIX Swiss Exchange, guidelines relating to information on Corporate Governance (RLCG). On the recommendation of the Compensation Committee, the Board of Directors of Valartis Group AG authorises compensation for the Group CEO and, following consultation with the Group CEO, compensation for the remaining members of Group Executive Management within the framework of the maximum total amount authorised (or still to be authorised) by the Annual General Meeting.

Structure of the compensation system for Group Executive Management

The structure of the compensation system for Group Executive Management is based on corporate success and individual performance components which are listed in «Determining compensation» on page 51.

Compensation is determined based on the following points:

- Compensation for members of Group Executive Management comprises a fixed basic salary and a performance-related component
- Base salary is based on the duties and functional responsibilities of individual members
- Performance-related compensation is determined on the basis of the following quantitative and qualitative components:
  - Group operating profit
  - Business segment operating profit
  - Individual contribution

2015 and 2014 comparison of compensation to members of Group Executive Management*

2015 in CHF	George M. Isliker, Group CFO/CRO[1]	Other members of the Group Executive Management (GEM)[2]	Total
Compensation for the GEM			
Basic remuneration in cash	350,000	618,100	968,100
Variable remuneration in cash	–	–	–
Variable remuneration in shares (entitlement from ongoing share plans)[3]	–	–	–
Employer's social security and pension fund contributions[4]	71,900	112,800	184,700
Other social security contributions	10,300	22,900	33,200
Other benefits	–	20,200	20,200
Total	**432,200**	**774,000**	**1,206,200**

* The highest compensation of a member of Group Executive Management is shown; due to the CEO change in 2015, this would be the Group CFO/CRO.
1 As Group CFO/CRO, George M. Isliker is a member of Group Executive Management since 2011.
2 Gustav Stenbolt (Group CEO) and Vincenzo Di Pierri were members of Group Executive Management up to the General Meeting of 2 June, 2015. Stephan Häberle is Group CEO since 3 June 2015.
3 Evaluated at the date of granting of entitlement.
4 Social security contributions include employer OASI and pension fund contributions.

2014 in CHF	Gustav Stenbolt, Group CEO	Other members of the Group Executive Management (GEM)[1]	Total
Compensation for the GEM			
Basic remuneration in cash	552,500	1,094,410	1'646'910
Variable remuneration in cash	0	0	0
Variable remuneration in shares (entitlement from ongoing share plans)[2]	0	0	0
Employer's social security and pension fund contributions[3]	131,700	228,164	359,864
Other social security contributions	29,100	37,254	66,354
Other benefits	47,500	4,021	51,521
Total	**760,800**	**1,363,849**	**2,124,649**

1 Monika Jung and Andreas Insam were members of Group Executive Management up to 8 April 2014.
2 Evaluated on the date of granting of the entitlement.
3 Contributions include the employer contribution for Retirement and survivors' insurance and pension fund contributions.

Weighting

The following per centages serve as a gauge for the weighting of the individual components, whereby the individual components together total 100 per cent:

Function/ components	Group CEO	Deputy Group CEO	CFO/CRO	Head Business segment
(a) Operating profit	30 – 50%	20 – 40%	20 – 40%	10 – 20%
(b) Operating profit business segment	–	–	–	30 – 40%
(c) Individual, personal contribution	50 – 70%	60 – 80%	60 – 80%	40 – 60%

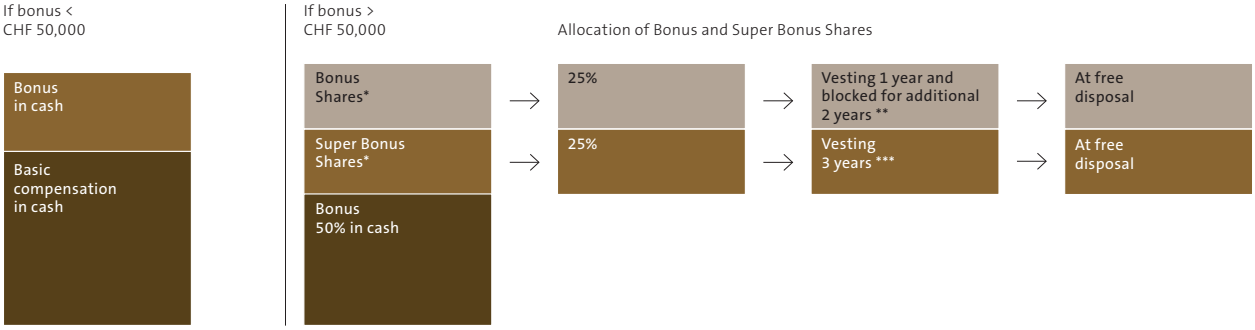
In determining the individual components, consideration is given to the interests of shareholders (interest on equity capital, impact of market movements on results, etc.). Individual contributions include quantifiable factors such as improved results, timely and on-budget completion of projects, etc., but also qualitative factors such as personnel management, leading by example and commitment to the Group as a whole (this list is not conclusive).

In order to focus the mind-set and actions of the members of the Group Executive Management on sustainably strengthening Valartis Group's earning power, performance-related compensation in excess of CHF 50,000 is paid in accordance with the following conditions, (see also graphic on page 53):

- If performance-related compensation does not exceed CHF 50,000 per year, the entitled person is free either to have it paid out in full, in cash, or to participate in the Valartis Group AG Bonus Shares Programme (in accordance with compensation policy)
- If performance-related compensation for the year exceeds the sum of CHF 50,000, then the entitled person will participate in the Valartis Group AG Bonus Shares Programme in accordance with the following conditions:
- 50 per cent of performance-related compensation is paid in cash, 25 per cent is allocated in the form of Bonus Shares and 25 per cent is allocated in the form of Super Bonus Shares, whereby the terms Bonus Shares and Super Bonus Shares, refer to Valartis Group AG shares
- The number of Bonus Shares and Super Bonus Shares at the time of allocation will be determined based on the total amount of bonus in CHF (50 per cent of performance-related compensation) divided by the unweighted, average daily closing prices for the company's share for the month of March
- Payment of the cash component is completely unconditional and takes place in accordance with Valartis Group's compensation policy
- Bonus Shares: Ownership of Bonus Shares (25 per cent of the total performance-related compensation) vests to the eligible person 12 months after allocation (vesting period of 1 year). These are blocked for a period of 2 years. Ownership of shares will only vest to the eligible person if notice has not been given on their employment contract with the company, or a subsidiary controlled by the company, or if they have left the Group as a Good Leaver (the Award Agreement governs conditions and the definition of Good Leaver)
- Super Bonus Shares: Ownership of Super Bonus Shares (25 per cent of the total performance-related compensation) vests to the eligible person 3 years after allocation (vesting period of 3 years). The effective number of shares to be transferred at this time is dependent on the success/risk profile of the company over a 3-year horizon (arithmetic average RoE and BIS Tier 1 ratio)
- Cash performance-related compensation components are paid out after conclusion of the evaluation process (determination of performance-related compensation), but no later than the end of April of the following financial year
- Depending on the performance of Valartis Group during this vesting period, the share portion of the bonus (number of shares initially allocated) may double at most (given a total bonus of CHF 50,000, this would amount to a maximum of CHF 50,000 in the form of shares). The basis for performance measurement, which begins at the start of a financial year, is the average return on equity achieved over the two subsequent years and the average BIS Tier 1 capital ratio measured over the same period. Financial details on the participation programmes can be found in Note 11 of the Annual Report
- Dependence on business performance and individual personal contributions may result in considerable variations from year to year in the total compensation for a member of Group Executive Management. The proportion of fixed and variable compensation components fluctuate accordingly.

Details on loans, shares and options holdings can be found In Note 42 of the Notes to the Consolidated Financial Statements, or on pages 46 ff. of this Compensation Report.

Compensation system for employees: Valartis Group Bonus Share Programme



* Variable compensation components which are dependent on individual performance, result of the respective business segment and success of Valartis Group AG
** Current employees, or Good Leavers
***Current employees, or Good Leavers; numbers of shares are dependent on performance target (RoE and BIS Tier 1 ratio) with floor 100 per cent and cap 200 per cent of allocated shares

COMPENSATION: EMPLOYEES

The compensation model as described for Group Executive Management also applies in principle for all employees in Switzerland. The Group CEO determines the total amount of bonus payment for each business segment, based on the total bonus amount made available by the Board of Directors, and presents the corresponding proposal to the Compensation Committee for review (see also page 48 ff). The responsible manager for each segment determines the bonus payments to employees working in that segment in agreement with the Group CEO. Bonus payments to those employees who are not allocated directly to a specific business segment are determined by the Group CEO.

Further information on salaries, bonuses, social security payments, pension provisions and employee participations can be found in Notes 5, 11 and 12 of Notes to the Consolidated Financial Statements.

OVERVIEW: LOANS, SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT AS AT END-2015

The tables below list all loans, shares and options held by the Board of Directors and Group Executive Management as at 31 December 2015:

Loans, shares and options held by members of the Board of Directors 2015 and 2014

2015 in CHF	Gustav Stenbolt, Chairman[1]	Christoph N. Meister, Vice-Chairman	Stephan Häberle, Member[2]	Total
Number of shares held and loans/ advances for the Board of Directors				
Numbers of shares	1,858,623	4,821	–	1,863,444
Loans and advances directly in CHF[3]	8,289	–	–	8,289
Loans and advances to related parties	–	–	–	–

1 Chairman since the Annual General Meeting of 2 June 2015.
2 Member since the Extraordinary General Meeting of 15 Januar 2016
3 Shares allocated to members of the Group Executive Board as bonus components in this FY or in previous FYs but which have not yet been vested are listed as entitlements. .

2014 in CHF	Urs Maurer-Lambrou, Chairman	Rolf Müller-Senn, Vice-Chairman	Christoph N. Meister, Member	Jean-François Ducrest, Member	Felix Fischer, Member[1]	Stephan Häberle, Member[2]	Total
Number of shares held and loans/ advances for the Board of Directors							
Numbers of shares	1,329	4,417	4,821	2,827	–	–	13,394
Loans and advances directly in CHF	–	–	–	–	–	–	–
Loans and advances to related parties	–	–	–	–	–	–	–

1 Member until the Annual General Meeting of 13 May 2014
2 Member from the Annual General Meeting of 13 May 2014

Loans, shares and options held by members of Group Executive Management 2015 and 2014

2015 in CHF	Stephan Häberle, CEO	George M. Isliker, CFO/CRO	Total
Number of shares held and loans/advances for the Group Executive Management			
Numbers of shares	–	9,971	9,971
Numbers of shares entitled from ongoing share plans[1]	–	5,314	5,314
Loans and advances directly in CHF	–	–	–
Loans and advances to related parties	–	–	–

1 Shares allocated to members of the Group Executive Board as bonus components in this FYs, or in previous FYs but which have not yet been vested are listed as entitlements.

No loans or credit allocations have been made to members of Group Executive Management.

2014 in CHF	Gustav Stenbolt, CEO	Vincenzo Di Pierri, Deputy CEO	George M. Isliker, CFO/CRO	Total
Number of shares held and loans/advances for the Group Executive Management				
Numbers of shares	1,873’821	2,349	5,852	1,882,022
Numbers of shares entitled from ongoing share plans[1]	20,230	11,899	9,433	41,562
Loans and advances directly in CHF	–	–	–	–
Loans and advances to related parties	–	–	–	–

1 Shares allocated to members of the Group Executive Board as bonus components in this FY or in previous FYs but which have not yet been vested are listed as entitlements.

No loans or credit allocations have been made to members of Group Executive Management.

Building a better working world

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To the General Meeting of

Valartis Group AG, Baar

Zurich, 17 May 2016

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Valartis Group AG for the year ended 31 December 2015.The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 49 to 55 of the remuneration report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2015 of Valartis Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Stefan M. Schmid
Licensed audit expert
(Auditor in charge)

Alain Münger
Licensed audit expert

VALARTIS GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in CHF 1,000	Note	1.1.–31.12.2015	1.1.–31.12.2014
Interest and discount income		1,385	4,111
Dividend income		93	57
Interest expense		-3,711	-3,208
Income from interest and dividends	1	**-2,233**	**960**
Commission income from loan business		0	1
Commission income from securities and investment business		3,534	6,321
Commission expense		-1	-339
Income from commission and service fees	2	**3,533**	**5,983**
Income from trading	3	**-3,514**	**-39,590**
Other ordinary income	4	**-19,841**	**954**
Total operating income		**-22,055**	**-31,693**
Personnel expense	5	-8,386	-10,462
General expense	6	-12,487	-7,162
Administrative expense		**-20,873**	**-17,624**
Gross loss/profit		**-42,928**	**-49,317**
Depreciation/amortisation of property, plant and equipment and intangible assets	7	-1,040	-1,095
Valuation adjustments, provisions and losses	8	-12,754	-10,887
Net loss/profit from continued operations before taxes		**-56,722**	**-61,299**
Income taxes	9	1,434	3,642
Net loss/profit from continued operations		**-55,288**	**-57,657**
Net loss from discontinued operations after tax	39	-3,122	-15,621
Net loss/profit		**-58,410**	**-73,278**
Net loss attributable to shareholders of Valartis Group AG		-57,220	-69,174
Net loss/profit attributable to non-controlling interests		-1,190	-4,104
Earnings per share		in CHF	in CHF
Undiluted earnings attributable to shareholders of Valartis Group AG	10	-12.18	-14.92
Diluted earnings attributable to shareholders of Valartis Group AG	10	-12.18	-14.92
Earnings per share – continued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG	10	-11.51	-11.55
Diluted earnings per share attributable to shareholders of Valartis Group AG	10	-11.51	-11.55
Earnings per share – discontinued operations			
Undiluted earnings attributable to shareholders of Valartis Group AG	10, 39	-0.67	-3.37
Diluted earnings per share attributable to shareholders of Valartis Group AG	10, 39	-0.67	-3.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1,000	1.1.–31.12.2015	1.1.–31.12.2014
Net loss/profit in the income statement	**-58,410**	**-73,278**
Unrealised gains/losses from financial assets available for sale [1]	15	3,102
Gains/losses on financial assets available for sale transferred to the income statement [1]	0	764
Foreign exchange translation differences	-8,321	-4,310
Other comprehensive income that will be reclassified to the income statement	-8,306	-444
Remeasurement of defined benefit pension plans [2]	-3,751	1,991
Other comprehensive income that will not be reclassified to the income statement	-3,751	1,991
Total other comprehensive income, after tax	**-12,057**	**1,547**
Total comprehensive income	**-70,467**	**-71,731**
Allocation of total comprehensive income		
Shareholders of Valartis Group AG	-69,770	-67,155
Non-controlling interests	-697	-4,576

1) The gains/losses on financial instruments available for sale before tax amount to TCHF 83 (loss) and the income tax to TCHF 98. In previous year the gain on financial instruments available for sale before tax was TCHF 3'187 and the income tax TCHF -85.

2) The result of the remeasurement for defined benefit pension plans before tax is TCHF -3'482 and the tax effect TCHF -269 (previous year: pre-tax TCHF 1'475, tax effect TCHF -516).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

in CHF 1,000	Note	31.12.2015	31.12.2014
Cash	13	4	792,077
Due from banks	14	23,484	1,305,679
Due from clients	14	21,345	228,857
Trading portfolio assets	16	21,285	35,422
Financial assets available for sale	17	21,128	159,470
Financial assets held to maturity	17	0	133,867
Other financial assets at fair value	18	2,063	7,761
Associated companies	19	37,125	45,335
Property, plant and equipment	20	317	43,755
Investment property	21	33,153	45,667
Accrued and deferred assets	22	2,318	11,105
Derivative financial instruments	23	0	1,473
Other assets	24	14,064	32,802
Goodwill and other intangible assets	25	1,837	35,582
Deferred tax assets	9	308	7,396
		178,431	**2,886,248**
Assets classified as held for sale	39	2,028,207	
Total assets		**2,206,638**	**2,886,248**
Total subordinated assets		0	0
of which discontinued operations		0	0
Total amounts due from holders of qualified participations		0	262

Liabilities

in CHF 1,000	Note	31.12.2015	31.12.2014
Liabilities			
Due to banks	27	30,946	58,349
Due to clients	27	29,503	2,520,995
Derivative financial instruments	23	3,740	5,814
Current income taxes	9	458	2,375
Accrued and deferred liabilities	28	8,566	17,245
Other liabilities	29	10,632	13,154
Issued debt instruments	30	0	12,025
Provisions	31	1,679	3,693
Deferred tax liabilities	9	87	11,949
		85,611	**2,645,599**
Liabilities directly associated with the assets classified as held for sale	39	1,961,419	
Total liabilities		**2,047,030**	**2,645,599**
Shareholders' equity			
Share capital	32	5,000	5,000
Reserves		157,601	219,042
Foreign exchange translation differences		-44,404	-35,561
Unrealised income from financial assets available for sale		5,821	5,777
Treasury shares	33	-6,130	-7,701
Shareholders' equity of the shareholders of Valartis Group AG		**117,888**	**186,557**
Non-controlling interests		41,720	54,092
Total shareholders' equity (including non-controlling interests)		**159,608**	**240,649**
Total liabilities and shareholders' equity		**2,206,638**	**2,886,248**
Total subordinated liabilities		10,830	12,025
of which discontinued operations		10,830	12,025
Total amounts due to holders of qualified participations		0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2014 in CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings
Opening balance at 1 January 2014	**5,000**	**-8,850**	**-4,042**	**289,538**
Gains/losses from financial assets available for sale				
Foreign exchange translation differences				
Remeasurement of defined benefit pension plans				
Other comprehensive Income	**0**	**0**	**0**	**0**
Net loss				-69,174
Comprehensive income	**0**	**0**	**0**	**-69,174**
Dividend payments				
Change in treasury shares		1,149	43	
Employee participation plan			-590	
Transaction with non-controlling interests			-25	153
Owner-related changes	**0**	**1,149**	**-572**	**153**
Total shareholders' equity at 31 December 2014	**5,000**	**-7,701**	**-4,614**	**220,517**

2015 in CHF 1,000				
Opening balance at 1 January 2015	**5,000**	**-7,701**	**-4,614**	**220,517**
Gains/losses from financial assets available for sale				
Foreign exchange translation differences				
Remeasurement of defined benefit pension plans				
Other comprehensive Income [1]	**0**	**0**	**0**	**0**
Net loss				-57,220
Comprehensive income	**0**	**0**	**0**	**-57,220**
Dividend payments				
Change in treasury shares		1,571	-403	
Employee participation plan			-182	
Transaction with non-controlling interests				115
Owner-related changes	**0**	**1,571**	**-585**	**115**
Total shareholders' equity at 31 December 2015	**5,000**	**-6,130**	**-5,199**	**163,412**

1) The share of discontinued operations on other comprehensive income in equity is disclosed in Note 39.

Net unrealised gains/losses on financials available for sale	Foreign exchange translation difference	Remeasurement defined benefit pension plans	Total equity shareholders of the Valartis Group AG	non-controlling interests	Foreign exchange effect on non-controlling interests	Total non-controlling interests	Total shareholders' equity
1,928	**-31,740**	**1,148**	**252,982**	**66,249**	**-27**	**66,222**	**319,204**
3,849			3,849	17		17	3,866
	-3,821		-3,821		-489	-489	-4,310
		1,991	1,991			0	1,991
3,849	**-3,821**	**1,991**	**2,019**	**17**	**-489**	**-472**	**1,547**
			-69,174	-4,104		-4,104	-73,278
3,849	**-3,821**	**1,991**	**-67,155**	**-4,087**	**-489**	**-4,576**	**-71,731**
				-6,088		-6,088	-6,088
			1,192			0	1,192
			-590			0	-590
			128	-1,466		-1,466	-1,338
0	**0**	**0**	**730**	**-7,554**	**0**	**-7,554**	**-6,824**
5,777	**-35,561**	**3,139**	**186,557**	**54,608**	**-516**	**54,092**	**240,649**
5,777	**-35,561**	**3,139**	**186,557**	**54,608**	**-516**	**54,092**	**240,649**
44			44	-29		-29	15
	-8,843		-8,843		522	522	-8,321
		-3,751	-3,751			0	-3,751
44	**-8,843**	**-3,751**	**-12,550**	**-29**	**522**	**493**	**-12,057**
			-57,220	-1,190		-1,190	-58,410
44	**-8,843**	**-3,751**	**-69,770**	**-1,219**	**522**	**-697**	**-70,467**
				-11,174		-11,174	-11,174
			1,168			0	1,168
			-182			0	-182
			115	-501		-501	-386
0	**0**	**0**	**1,101**	**-11,675**	**0**	**-11,675**	**-10,574**
5,821	**-44,404**	**-612**	**117,888**	**41,714**	**6**	**41,720**	**159,608**

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1,000	2015	2014
Net loss/profit before taxes from continued operations	-56,722	-54,947
Net loss before taxes from discontinued operations	2,991	-17,216
Net loss before taxes	**-53,731**	**-72,163**
Non-cash activities in the consolidated income statement		
Depreciation of property, plant and equipment	2,901	3,921
Amortisation of intangible assets	1,331	5,255
Adjustments on fair value of investment properties	15,653	-13,360
Impairment of goodwill and intangible assets	21,298	10,605
Change in valuation adjustments and provisions	2,919	878
Income from associated companies	9,517	-3,406
Income from sale of participations	-327	353
Income from financial instruments	5,465	24,824
Income from other assets	259	7,488
Other non-cash activities	0	-830
Change in deferred taxes	2,317	5,475
Net (increase)/decrease in assets and liabilities of the banking business		
Accrued and deferred assets	3,808	4,273
Accrued and deferred liabilities	-3,664	-2,603
Trading securities	6,036	64,725
Amounts due to clients	-510,067	779,407
Amounts due from clients	62,079	-52,800
Amounts due to banks	-20,566	18,367
Amounts due from banks	708,389	-523,225
Derivative financial instruments (assets)	406	-1,567
Derivative financial instruments (liabilities)	-263	2,982
Other financial assets at fair value including available for sale	-238,964	-105,925
Other assets	9,348	-22,226
Other liabilities	-3,795	6,142
Taxes paid	-1,175	-1,343
Cash flow from operating activities	**19,174**	**135,247**
Purchase of property, plant and equipment	-711	-1,242
Sale of property, plant and equipment		22
Acquisition of investment properties	-1	-16
Acquisition of associated companies		-16,633
Purchase of intangible assets		-44
Increase of financial assets held to maturity	-73,776	-76,717
Acquisition of subsidiaries less acquired cash		-7,152
Sale of subsidiaries less corresponding cash		90,009
Cash flow from investment activities	**-74,488**	**-11,773**

In the cash flow statement there is no separation of the discontinued operations.
The cash flows of the discontinued operations are disclosed in Note 39.

in CHF 1,000	2015	2014
Dividend payments	0	0
Change in treasury shares	1,168	1,193
Change in non-controlling interests in equity	-11,294	-7,350
Cash flow from financing activities	**-10,126**	**-6,157**
Effect of foreign exchange translation differences (including non-controlling interests)	-13,772	-3,252
Increase in cash and cash equivalents	**-79,212**	**114,065**
Position at 1 January	1,298,388	1,184,323
Position at 31 December	1,219,176	1,298,388
Cash and cash equivalents comprise the following assets:		
Cash	909,932	792,077
Due from banks at sight/callable	309,244	506,311
Total cash and cash equivalents	**1,219,176**	**1,298,388**
Whereof cash and cash equivalents from continued operations		
Cash	4	
Cash equivalents	23,370	
Whereof cash and cash equivalents from discontinued operations		
Cash	909,928	
Cash equivalents	285,874	
Dividends received	113	61
Interest received	10,209	18,254
Interest paid	-4,634	-5,612

NOTES

DESCRIPTION OF BUSINESS

Valartis Group is an internationally active banking and finance group whose parent company, Valartis Group AG, is domiciled in Baar, canton of Zug, Switzerland, and is listed on the SIX Swiss Exchange. As its core competence, the Group concentrates on wealth management in the Private Clients business segment. Its Institutional Clients business covers the development, implementation, and management of innovative niche investment products and provides specialised banking services within corporate and structured finance. Geographically, Valartis Group operates in Switzerland, Central and Eastern Europe, the Middle East, and selected countries in North and South America as well as Asia.

Valartis Group AG has been in moratorium due to a liquidity shortage since 24 July 2015. Since then, recovery plans have been implemented and are being supervised by an administrator. The Liechtenstein-based subsidiary, Valartis Finance Holding AG, was granted bankruptcy deferment by the Princely Court of Liechtenstein in Vaduz, in order to enable the company to find a solution to its liquidity shortage. The Court appointed a commissioner for Valartis Finance Holding AG.

For the implemented recovery plans, please see Note 50 "Ability to continue as a going concern and events after the balance sheet date".

ACCOUNTING PRINCIPLES

The consolidated financial statements of Valartis Group are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the listing regulations of the SIX Swiss Exchange. A part of Valartis Group, the banking sub-group, Valartis Finance Holding AG, Vaduz, is now subject to consolidated supervision by the Financial Market Authority in Liechtenstein (FMA) following divestment of Valartis Bank AG, Switzerland, on 29 August 2014. Up to that date, consolidated supervision for all of Valartis Group was undertaken by the Swiss Financial Market Supervisory Authority (FINMA).

Consolidation is based on uniformly prepared separate financial statements of the Group companies. The consolidated financial statements are in Swiss francs (CHF).

The 2015 consolidated financial statements have been prepared on a going-concern basis because Valartis Group is expecting to make a successful recovery (please see Note 50 "Ability to continue as a going concern and events after the balance sheet date").

CHANGES TO ACCOUNTING POLICIES

Implemented International Financial Reporting Standards and interpretations

The following new or revised standards and interpretations have been in effect since 1 January 2015 and had no effect or were without significance for the Valartis Group consolidated financial statements on their initial application:

- Annual Improvements 2010–2012
- Annual Improvements 2011–2013

Standards and interpretations which have not yet been implemented

Various new and revised IFRS and interpretations should be applied for financial years beginning after 1 January 2015. Valartis Group has not availed itself of the possibility of early application of these revised standards and interpretations.

IFRS 9 – Financial instruments

The finalised version of IFRS 9 was published in July 2014 and replaces IAS 39. IFRS 9 is subdivided into three phases: classification and evaluation, impairment, and hedge accounting. The classification and evaluation of financial assets is dependent on the instrument's contractual payment flows and the business model under which the instrument is held.

The following categories apply to debt instruments:

- Recognition in the balance sheet at amortised cost using the effective interest method;
- Recognition in the balance sheet at fair value, with changes in fair value being recognised in other comprehensive income and transferred to the income statement if the instrument is sold;
- Recognition in the balance sheet at fair value, with changes in fair value being recognised in the income statement.

All equity capital instruments are valued at their fair value. Changes in fair value are always reported as affecting net income. If an equity capital instrument is not held for trading purposes, for first-time reporting it may irrevocably be classed as an instrument which is reported at fair value, but for which all income components, with the exception of dividends, are reported in "other income" and never – even upon disposal – transferred to the statement of income.

IFRS 9 assumes the regulations on classification and evaluation of financial obligations from IAS 39. However, a new regulation has been included; the effect of changes in own credit risks in connection with financial obligations to which the fair value option is applied, are reported in "other income".

The new impairment model primarily applies to financial assets which are valued at amortised cost or for which changes in fair value are reported in "other income". IFRS 9 also governs hedge accounting, in which case, unification of risk management and accounting is desirable. The new standard takes effect from

1 January 2018. The previous year need not be adjusted. Initial adjustment takes place under equity capital on 1 January 2018. The effects on the Valartis Group consolidated financial accounts are currently being analysed.

IFRS 15 – Income from contracts with clients

In May 2014, the IASB published new regulations on revenue recognition which replace in their entirety the existing US GAAP and IFRS regulations on reporting of revenue from sales. Revenue is recognised to depict the transfer of goods or services to clients at an amount which reflects the consideration to which the supplier expects to be entitled in exchange for those goods or services.

IFRS 15 comprises a five-step model for recognition of revenue, whereby the type of transaction and industry sector are irrelevant. The standard also stipulates additional disclosures and has to be applied from 1 January 2018. The effects on the Valartis Group consolidated financial accounts are currently being analysed.

IFRS 16 Leasing

The new standard regulates the recognition and disclosure of leasing contracts. Leasing contracts are understood to be contracts that convey the right to use an asset for a period of time in exchange for a consideration. This can be, for example, the leasing of premises or equipment. The IFRS 16 contains no materia threshold values for when a leasing contract is to be recognised as an asset, rather all substantial leasing contracts are basically to be entered in the accounts. The standard comes into effect on 1 January 2019. The effects of these changes on the Valartis Group's financial reporting are currently being analysed.

IAS 1 – Disclosure initiative

Changes to IAS 1 are designed to allow waiver of disclosure of information in notes to financial statements if the information is not material. The changes to the standard include additional clarification on the detailed or summarised positions in the balance sheet and consolidated income statement. The revised standard takes effect on 1 January 2016. The effects of the new standard on the preparation of the Group consolidated financial statements are currently being analysed.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2015 consolidated financial statements were released by the Board of Directors on 17 May 2016. The consolidated financial statements are subject to the approval of the Shareholders' Meeting on 28 June 2016.

MAJOR ACCOUNTING PRINCIPLES

Consolidation principles

Subsidiaries

The consolidated financial statements comprise the accounts of Valartis Group AG, Baar, canton of Zug, Switzerland, and its subsidiaries as at 31 December 2014. A controlling relationship is deemed to exist if the following conditions are met cumulatively: Valartis Group has power over the other company; it is exposed to variable returns from its involvement with the other company; and it has the ability to affect the amount of those returns through its power over the other company.

If the Group does not hold a majority of the voting rights of an investee, it takes into account all the relevant facts and circumstances in determining whether control exists. These include, among others, contractual arrangements with other parties holding voting rights or rights arising from other contractual arrangements. If the facts and circumstances indicate a change in one or more of the three control elements, the Group will reassess whether it has control over an investee.

Consolidation of a subsidiary begins at the date the Group obtains control over that subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the reporting period are included on the balance sheet and in the statement of comprehensive income from the date the Group obtains control of the subsidiary until the date the Group ceases to control the subsidiary. If Valartis Group loses control over a company, any retained interest is recognised as an investment in an associate or as a financial instrument under IAS 39.

Investments in associates and joint ventures

Group companies over which Valartis Group can exercise a significant influence are accounted for using the equity method, and are recorded under "Associated companies". As a rule, influence is considered significant if the Group holds between 20 per cent and 50 per cent of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investments in a joint venture are accounted for under "Joint ventures" in accordance with the equity method.

The considerations made in determining significant influence or joint control are comparable with those necessary to determine control over subsidiaries.

The acquisition of an investment in an associated company or a joint venture must be recognised and measured analogously to majority ownership in accordance with IFRS 3. Accordingly, the purchase price must be compared with the value of the investor's share (after revaluation) of the associated company or joint venture in order to identify any necessary adjustments and any positive or negative goodwill (bargain purchase). In contrast to IFRS 3, however, under the equity method all adjustments and goodwill positions are reported as a separate balance sheet item under "Associated companies" or under "Joint ventures". Any negative goodwill positions are recognised as income under "Income from business combinations (negative goodwill)". Subsequently, the carrying amount of the associated company is increased or decreased depending on the Group's share in the profit or loss for the period of the associated company or joint venture, minus dividends received and foreign exchange translation differences.

Structured entities

The collective investment instruments of Valartis Group are structured entities as defined under IFRS 12. If Valartis Group operates such an investment instrument acting as an agent primarily in the interests of investors, this structured entity is not consolidated. Investments in such investment instruments held by Valartis Group are recognised as financial instruments. If Valartis Group acts as principal primarily in its own interests, the investment instrument is consolidated.

Method of consolidation

All intercompany receivables and liabilities, earnings and expenses, as well as off-balance-sheet transactions, are completely eliminated in the Group financial statements. The equity of consolidated companies is recorded at the carrying amount of the participations at the parent company at the time of purchase or the time of establishment.

After the initial consolidation, changes resulting from business operations that are included in the result for the reporting period are allocated to retained earnings. Non-controlling interests in equity and net profit are stated separately in the consolidated statement of financial position and income statement.

Changes in the scope of consolidation

In 2015, there were no changes made to the scope of consolidation.

Changes in the scope of consolidation 2014:
Holdings in Valartis Bank AG, Switzerland and Valartis Wealth Management SA, Geneva, were sold on 29 August 2014.

On 30 September 2014, 100 per cent of holdings in Romsay Property Limited and Stainfield Limited, both headquartered in Cyprus, were acquired.

On 4 October 2014, Valartis Group acquired a 25 per cent holding in Norinvest Holding SA, Geneva.

In addition, Valartis Financial Advisory PTE Ltd., Singapore, was liquidated in 2014. The company was no longer operative.

Discontinued operations

Due to the liquidity shortages at Valartis Group AG and Valartis Finance Holding AG, in 2015, the Boards of Directors of both companies resolved to divest the business segments Private Banking Austria and Private Banking Liechtenstein. The results and balance sheet values for these discontinued operations are listed separately from continued operations in the 2015 consolidated financial statements. The results for continued and discontinued operations are also listed separately in the consolidated income statement for the previous year, whereas the consolidated balance sheet for the previous year has not been adjusted.

Consolidation period

The consolidation period for all Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December.

General principles

Currency translation

The functional currency is the Swiss franc (CHF), the currency of the country in which Valartis Group AG is domiciled. The assets and liabilities denominated in foreign currencies of foreign Group companies are translated into Swiss francs at the respective exchange rates on the balance sheet date. For the income statement and the cash flow statement, annual average exchange rates are used. Any exchange rate differences resulting from consolidation are reported as translation differences in equity.

In the individual financial statements of the Group companies, transactions in foreign currencies are recognised at the corresponding daily exchange rates. Monetary assets are translated and booked in the income statement at the exchange rates valid on the balance sheet date. Non-monetary items recorded at historical cost in a foreign currency are translated at the historical exchange rate.

Not realised foreign exchange differences of equity investment – available for sale are part of the change of its entire fair value and are recognised in the shareholders equity.

The following exchange rates are used for the major currencies:

	2015 Balance sheet date rate	2015 Annual average rate	2014 Balance sheet date rate	2014 Annual average rate
EUR	1.0830	1.0679	1.2025	1.2145
USD	0.9931	0.9622	0.9891	0.9156
GBP	1.4699	1.4703	1.5407	1.5070
RUB	1.3420	1.5857	1.6860	2.4154
DZD	0.9200	0.9607	1.1200	1.1357

Segments

Valartis Group is divided into two operational business segments: Private Clients and Institutional Clients. The Private Clients segment is classified as discontinued operations for 2015. Reporting is based on operating locations. Certain services, consolidation items, and items that cannot be directly allocated to a particular segment are recognised in the Corporate Center.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of liquid assets (petty cash, postal cheque balances, giro and sight deposits with the Swiss National Bank) and at sight/immediately callable amounts due from banks.

Domestic and non-domestic positions

Domestic includes positions in Liechtenstein.

Accrual of earnings

Income from services is recorded when the services are provided. Individual transactions, particularly in corporate finance, are fulfilled when the service is completed. Interest is accrued by period. Dividends are recognised on receipt of payment.

Determination of fair value

Valartis Group measures part of the financial instruments and the financial liabilities as well as individual non-financial assets at fair value at each balance sheet date. Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an orderly arm's length transaction.

The fair values are used either to determine the carrying amount or for the disclosures in the notes.

All assets and liabilities that are reported at fair value or for which the fair value is disclosed in the notes are categorised within the fair value hierarchy, described as follows below.

Level 1 instruments

Level 1 instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category comprises almost all equity and debt instruments held by the Group. Investment funds for which a binding net asset value is published at least daily, exchange-traded derivatives and precious metals are also categorised as level 1 instruments.

Closing prices are used for the valuation of debt instruments in the trading book. In the case of equity instruments, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant exchanges are used. In the case of unlisted investment funds, the published net asset values are used. In the case of currencies and precious metals, generally accepted prices are applied. No valuation adjustments are made in the case of level 1 instruments.

Level 2 instruments

Level 2 instruments are financial instruments whose fair value is based on quoted prices in markets that are not active. The same categorisation is used where the fair value is determined using a valuation method where significant inputs are observable, either directly or indirectly. This category essentially comprises forex and interest-rate derivatives as well as illiquid debt instruments and investment funds for which a binding net asset value is not published on a daily basis.

If no active market exists, the fair value is determined on the basis of generally accepted valuation methods. If all of the significant inputs are directly observable in the market, the instrument is deemed to be a level 2 instrument.

The valuation models take account of the relevant input such as the contract specifications, market price of the underlying asset, the foreign exchange rate, the corresponding yield curve, default risks, and volatility.

The valuation of interest rate instruments for which no quoted prices exist is carried out using generally recognised methods. For the valuation of OTC derivatives, generally recognised option pricing models and quoted prices in markets that are not active are used. In the case of investment funds, the published net asset values are used. The credit risk is only taken into account when market participants would take it into account when determining prices.

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 essentially comprise equity instruments and/or investment funds for which a binding net asset value is not published at least quarterly. The fair value of these positions is based on the estimates of external experts or on audited financial statements. Where possible, the underlying assumptions are supported by observed market quotes.

The procedure for determining the fair value of the contingent purchase price consideration from the sale of Eastern Property Holdings Ltd. included under "Other financial assets at fair value" is shown in Note 44.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The categorisation of the financial instruments and financial liabilities in the described fair value hierarchy is shown in Note 44. In the case of non-financial assets that are recorded at fair value or for which a fair value must be disclosed, the information on the determination of the fair value and the categorisation level can be found in the corresponding notes.

Financial instruments

Basic principle

Purchases and disposals of financial instruments are recognised in the balance sheet at the trade date. At the time of initial recognition, financial assets and liabilities are, in accordance with IAS 39, attributed to the corresponding categories and measured on the basis of their classification.

Valartis Group classifies financial instruments, which include traditional financial assets and liabilities and equity instruments, as follows:

- Trading securities and liabilities from trading
- Financial assets or financial liabilities measured at fair value through profit and loss ("Other financial assets/liabilities at fair value")
- Financial assets available for sale
- Financial investments held to maturity
- Loans that are neither held for trading nor designated as financial assets available-for-sale and that are not measured at fair value in the income statement

Trading securities and liabilities from trading

Trading securities include money market papers, other debt instruments including marketable loans and equity instruments (long positions). Liabilities from trading include obligations to deliver financial instruments such as money market papers, and other debt and equity instruments that the Group has sold to third parties but do not belong to the Group (short positions).

A financial asset or liability is designated as held for trading if the asset was bought or if the liability was entered into mainly with the goal of a short-term sale or repurchase and if it is part of a clearly identifiable portfolio for which there are indications of short-term profit-taking in the recent past.

Trading securities and liabilities from trading are reported at fair value. Profits and losses from sale or redemption and changes in fair value are recognised under "Income from trading". Interest and dividend income or interest and dividend expense from trading are recorded in "Income from interest and dividend business".

Financial assets available for sale

The category "Financial assets available for sale" consists of financial instruments that are held for an indefinite period. Their sale allows management to react to liquidity squeezes respectively movements in interest rates, exchange rates, or share prices. These financial instruments can comprise equity instruments, including specific private equity investments, and debt instruments.

Financial assets available for sale are reported at fair value. Unrealised gains or losses from financial assets available for sale are recognised in shareholders' equity (after deferred taxes) under the position "Unrealised income from financial assets available for sale" until the financial assets are derecognised or impaired. Foreign currency translation gains and losses are recorded as trading income in the case of monetary items (debt instruments) and are recorded as a component of the change in fair value in other comprehensive income in the case of non-monetary items (equities).

As soon as a financial asset available for sale is classified as permanently impaired, the accumulated, unrealised loss that had hitherto been recognised in equity (corresponding to the difference between historical cost and the current fair value, less any impairment of the asset which may previously have been recognised in the income statement) is transferred to the income statement under "Other ordinary income". Equity instruments are classified as impaired if their market value remains significantly or for an extended period of time beneath their historical cost. Debt instruments are impaired if there is a significant deterioration in the corresponding borrower's creditworthiness or if there are other signs of problems with the borrower.

If a subsequent event shows that there is no or only a partial lasting impairment, the value may be written up. In the case of equity instruments, any write-up is recognised in comprehensive income in shareholders' equity. In the case of debt instruments, on the other hand, the impairment is reversed through the position "Other ordinary income".

After the sale of financial assets available for sale, the accumulated unrealised gain or loss which had previously been recognised in equity is transferred to the position "Other ordinary income" for the reporting period.

Interest and dividend income is accrued according to the effective interest rate method and recorded under "Income from interest and dividend".

Financial assets held to maturity

Financial investments held to maturity are investments with fixed or determinable payments and a fixed maturity which the Group has the intention and capability of holding until maturity. Shares, participation certificates and fund units cannot be classified as financial investments held to maturity because they do not expire. Convertible bonds also do not qualify as financial investments held to maturity because the definition of this term does not correspond to their characteristics.

A financial asset held to maturity is recognised at amortised cost using the effective interest rate method, unless it is impaired. Financial investments are considered impaired if there are objective indications that the full contractually agreed amount may not be recovered. If an impairment has been made, the carrying amount is reduced to the recoverable amount and recognised in the income statement. Interest and dividend income are accrued according to the effective interest rate method and recognised in "Income from interest and dividend".

Other financial instruments at fair value (fair value option)

On initial recognition, a financial instrument may be assigned to the category "Other financial instruments at fair value" and recognised in the balance sheet under "Financial assets at fair value" or "Financial liabilities at fair value". Profits and losses from sale or redemption and changes in fair value are recognised under "Income from trading".

In its issuing business, Valartis Group reports issued structured products that include a debt instrument and an embedded derivative under the position "Other financial liabilities at fair value". In accordance with the fair value option as defined in IAS 39, the requirement to split the structured products into the underlying contract and embedded derivative and report them separately does not apply.

Derivative financial instruments

All derivative financial instruments are reported as positive or negative replacement values. Derivatives that are embedded in underlying contracts count as hybrid instruments and originate from the issue of structured debt instruments. For these products, Valartis Group applies the fair value option; accordingly, there is no need to separate the embedded derivative components for measurement purposes. Consequently, recognition takes place under the positions "Financial assets at fair value" or "Financial liabilities at fair value".

Valartis Group uses derivative financial instruments for trading purposes. Changes in the fair value of derivatives are recognised in the income statement under "Income from trading".

Loans

Loans include loans that the Group grants directly to a borrower, as well as purchased loans that are not held for trading and not traded on an active market. Granted loans that are soon to be sold are recognised under trading securities and accordingly are measured at fair value in the income statement.

Initial measurement is at fair value, which corresponds to the cash expended for the issue of the loans including transaction costs. Subsequent measurement is at amortised cost less any specific value adjustment for credit risks.

Any difference between the original amount and the amount to be repaid at maturity is amortised using the effective interest rate method and accrued as interest and discount income.

At each balance sheet date, a credit assessment is made to see if there are objective indications that the contractually owed amount may not be recovered in full. If there are such indications, specific value adjustments for credit risks are made on these impaired loans. Specific value adjustments for credit risks are recognised in the balance sheet as write-downs of the carrying amount of the loan in question. The value adjustment is measured on the basis of the difference between the carrying amount of the receivable and the prospective recoverable amount, discounted at the effective interest rate determined in the initial recognition in consideration of the net proceeds from the realisation of any collateral. Loans with variable interest rates are discounted at the current effective interest rate. If there are changes with regard to the amount and the timing of expected future cash flows compared to previous estimates, the value adjustment for credit risks is adjusted and recognised in the income statement under "Valuation adjustments, provisions and losses".

Non-performing loans are receivables for which the contractually agreed capital and/or payments are overdue by more than 90 days and where there are no clear indications that they may be recovered by later payments or the sale of collateral. Interest is still charged on non-performing loans. Loans are fixed without interest when their collectability is so doubtful that an accrual can no longer be considered reasonable. Non-performing loans that are classified as completely or partially unrecoverable are eliminated and charged to a specific value adjustment if one exists. Impaired receivables are reclassified at full value if the outstanding capital and interest is once again paid on time according to contractual agreements and if further credit risk requirements are fulfilled. The recovery of loans that had previously been written down and taken off the books is recorded in the income statement.

The existing procedures for the determination and calculation of specific value adjustments results in a comprehensive assessment of loans; accordingly, portfolio value adjustments are generally unnecessary.

Realised income from loans that are sold before their maturity or repaid early are recorded in the income statement under the position "Interest and discount income".

Securities borrowing and lending transactions

Securities borrowing and lending transactions are backed by collateral. In such transactions, the Group lends or borrows securities against securities or cash deposits as collateral. The Group also borrows securities from the securities portfolios of individual clients. Shares and debt instruments are used for securities borrowing and lending operations.

Securities received or delivered within the scope of securities borrowing or lending transactions are recognised or derecognised in the balance sheet only if control over the contractual rights connected with the securities is transferred.

In securities lending operations, the cash deposit received is recognised under "Cash" in the balance sheet and a corresponding liability is recognised under "Cash deposits for loaned securities". In securities borrowing transactions, the cash deposit made is eliminated from the balance sheet and a corresponding receivable is recognised under "Cash deposits for borrowed securities".

Repurchase and reverse repurchase transactions

Any repurchase transactions or reverse repurchase transactions are treated as secured financing transactions. As a rule, these include debt securities such as bonds or money market papers. The transactions are settled on the financial markets by means of standardised contracts.

In reverse repurchase transactions, securities are purchased and simultaneously resold at a fixed or open date. The purchased securities are not recorded in the Group's balance sheet as long as the transferring party retains the economic rights associated with the securities (assumption of price and credit risk, entitlement to current income and other property rights). The cash deposit paid in reverse repurchase operations is eliminated from "Cash" and recognised in the balance sheet as a receivable under "Reverse repurchase transactions". This receivable reflects the Group's right to recover the cash deposit. Securities that the Group has received in a reverse repurchase transaction are recognised as off-balance-sheet transactions if the Group has a right to resell or repledge the securities. Conversely, the resale of the purchased securities is recognised under "Cash" and under the balance sheet position "Trading portfolio liabilities" (short sale). The position "Trading portfolio liabilities" is measured at fair value. In addition to cash deposits, securities and guarantees can also be provided as collateral. Interest income from reverse repurchase transactions is accrued over the term of the corresponding transaction.

In repurchase transactions, securities are sold and simultaneously repurchased at a fixed or open date. The cash deposit received in a repurchase transaction is recognised under "Cash", while the corresponding liability to return the securities is recognised in the balance sheet under "Cash deposits for repurchase transactions". The sold securities are kept on the Group's balance sheet according to their original classification as long as the economic rights are not transferred. Securities that the Group has transferred from its own portfolio to third parties and for which it has granted the recipient a right to resell or repledge are reclassified from the trading portfolio to the position "Loaned securities or securities deposited as collateral". In addition to cash deposits, securities and guarantees can also be accepted as collateral. Interest expense for repurchase transactions is accrued over the term of the corresponding transaction.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Property, plant, and equipment

Property, plant, and equipment include properties, undeveloped land and fixtures in third-party properties, IT and telecommunications equipment, software (including software in development), and other fixed assets. Acquisition and production costs are carried as an asset if future economic income is likely to flow from them to the Group and the costs can be identified and reliably determined. Property, plant, and equipment is depreciated on a straight-line basis over the estimated useful life as follows:

Property	max. 100 years
Fixtures in third-party properties	max. 10 years
IT and telecommunications equipment	max. 5 years
Software	max. 5 years
Other fixed assets	max. 5 years

Impairment tests are performed on property, plant, and equipment if events or circumstances suggest that the carrying amount may have been impaired. If the carrying amount exceeds the achievable income, the carrying amount is written down.

Investment properties

Investment properties are real estate (land, premises or both), which is held by the Group in order to generate rental income, and/or income from added value. For initial reporting, investment properties are recorded at purchase or building cost. For later evaluation, investment properties are recorded at fair value and changes to fair value affect net income. Fair value is evaluated based on an annual independent assessment which is based on the highest level and best possible usage of the property. This takes into consideration the use of the asset which is physically possible, legally permissible, and financially meaningful.

Investment properties in finance leasing

If a leasing agreement transfers the risks and rewards of an asset, the lease is recorded as a finance lease and the related asset is capitalised. Initially the value of the asset is posted at the future non-discounted minimum leasing rate, and, at the maximum, the fair value of the leased asset. For later evaluation the fair value is posted. The corresponding obligations from finance leasing are posted as liabilities.

Goodwill

Goodwill is measured as the difference between the sum of the fair value of consideration transferred plus the recognised amount of any non-controlling interests in the acquire and the recognised amount of the identifiable assets acquired and liabilities assumed.

In accordance with IFRS 3, goodwill is carried as an asset and allocated to the corresponding cash-generating unit (CGU). It is subject to an impairment test at least annually, or more often if there are indications of a potential decrease in value.

For this purpose, the carrying amount of the CGU to which goodwill was allocated is compared with its recoverable amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use.

Fair value less costs to sell is the amount that could be realised by the sale of a CGU in a transaction at market conditions between knowledgeable, willing parties after deduction of the sales costs.

The value in use is the present value of future cash flows a CGU is expected to generate.

Should the carrying amount of the CGU exceed the recoverable amount, a goodwill adjustment charge is recognised in the income statement.

Intangible assets with finite useful lives

Intangible assets with finite useful lives mainly include the long-term client relationships acquired from the acquisition of a company. These assets are amortised on a straight-line basis over a period of up to ten years. Where necessary, a valuation adjustment is recognised in the income statement in addition to the amortisation.

Provisions

A provision is recognised if as a result of past events the Group has a current liability on the balance sheet date that is likely to result in the outflow of resources, and the amount of which can be reliably estimated. If the liability cannot be sufficiently reliably estimated, it is shown as a contingent liability.

Taxes and deferred taxes

Income taxes are based on the tax laws of each tax authority and are expensed in the period in which the related profits are made. Capital taxes are included in office and business expense. The effective tax rate is applied to net profit.

Deferred income taxes arising from temporal differences between the stated values of assets and liabilities in the consolidated balance sheet and their corresponding tax values are recognised as deferred tax claims or deferred tax liabilities.

Deferred taxes are capitalised if there is likely to be enough taxable profit to offset these differences. In order to calculate deferred income taxes, the Group applies the tax rates expected to be applicable in the period in which the assets will be realised or the liabilities settled. Deferred taxes are recognised only to the extent it is likely they will arise in future. Tax claims and tax liabilities are offset against each other if they apply to the same tax subject and the same tax authority and if there is an enforceable right to their offsetting. Changes in deferred taxes are reported in the income statement under taxes. Deferred taxes related to changes that are recognised directly in shareholders' equity are directly charged or credited to shareholders' equity.

Operating leases

In the case of operating leases, the Group does not recognise leased assets in its books because ownership rights and duties from the object of the lease contract remain with the lessor. Expenses for operating leases are charged to the position "General expense" on a straight-line basis over the contractual period.

Treasury shares and derivatives on treasury shares

Shares in Valartis Group AG held by the Group ("treasury shares") are deducted from equity at weighted average acquisition cost. Changes in fair value are not recorded. The difference between the sales proceeds from treasury shares and the corresponding acquisition cost is recognised under "Capital reserves". Derivatives on treasury shares that must be settled physically qualify as equity instruments and are recognised under "Capital reserves" in shareholders' equity. Changes in fair value are not recognised. When a contract is settled, the sales proceeds after costs are recognised under "Capital reserves" or the purchase price is recognised under "Treasury shares".

Client assets

Client assets include all assets of private, corporate, and institutional clients managed or held for investment purposes and assets in self-managed funds and investment companies of the Group. They essentially comprise all amounts due to clients, fixed deposits, fiduciary deposits, and all valued assets. Client assets deposited with third parties are also included if they are managed by a Group company. Pure custody assets (i.e., strict clearing accounts), on the other hand, are not included in the calculation of client assets. Double counts show those assets which are included more than once, i.e., in multiple categories of client assets requiring disclosure.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured and recorded on an undiscounted basis as soon as the employees render the related service and the obligation can be reliably estimated.

Pension plans

Valartis Group makes contributions for its employees to various pension plans that provide benefits in the event of death, disability, retirement, or termination of employment. These include both defined benefit and defined contribution plans.

In the case of defined benefit plans, the period costs are determined by an independent recognised actuary. The benefits provided by these plans are generally based on the years of insurance, age, and pensionable salary. The net liability or net asset for each defined benefit plan is measured on the basis of the present value of the pension obligations determined using the projected unit credit method and the present value of the plan asset and reported in the balance sheet. These calculations are carried out annually by the actuary on the basis of the estimated future benefits based on the years of service. If the calculation shows an overfunding, the net asset to be recorded is limited to the present value of an economic benefit.

Remeasurement resulting from actuarial gains and losses, the effect of the asset ceiling, or the return on plan assets (excluding net interest), are recorded in other comprehensive income with a corresponding debit or credit to retained earnings. All expenses related to defined benefit plans are recorded through profit and loss as employee benefits.

Valartis Group does not exercise the option to recognise contributions from employees or third parties as a reduction in the service cost in the period in which the related service is rendered.

Issued debt instruments

The issued debt instruments are initially recorded at acquisition cost, i.e., at the fair value of the consideration received minus transaction costs. The difference between the acquisition cost and the repayment value (nominal value) will be recorded in the income statement under interest expense over the term of the instrument using the effective interest method.

Share-based payment

The bonus model of Valartis Group stipulates that performance-related remuneration in excess of CHF 50,000 is paid out as follows: 50 per cent of the total bonus is paid out immediately in cash. An additional 25 per cent is allocated in the form of shares in the company (bonus shares) which are eligible after one year and which are blocked for two years. The remaining portion of the bonus of 25 per cent, also in the form of shares in the company (super bonus shares), vests after three years and is dependent on the performance of Valartis Group over this period.

The remuneration model as described basically applies to all employees in Switzerland. When implemented in other countries, local practices and regulations are followed. In terms of the bonus shares and super bonus shares, the market-related volumes are fixed at the time the rights to these shares are acquired and are not adjusted for the entire length of the vesting period. By contrast, the parameters that cannot be observed on the market are continually reassessed during the vesting period based on current developments. The estimated expense for the bonus shares and super bonus shares as at the balance sheet date is charged pro rata temporis to personnel costs and the shareholders equity for the entire vesting period.

ESTIMATES, ASSUMPTIONS, AND EXERCISE OF DISCRETION BY MANAGEMENT

Basic principle

In applying the accounting principles, management is required to make numerous estimates and assumptions which can influence the disclosures made in the consolidated income statement, consolidated balance sheet and notes to the consolidated financial statements. The actual results can deviate from these estimates.

Valartis Group is confident that the consolidated financial statements present a true and fair view of the assets, financial, and income situation. Management reviews the estimates and assumptions on a continuous basis and adapts them to new knowledge and circumstances. This can have an effect on aspects of the consolidated financial statements including the following:

Fair value of financial instruments

If the determination of the fair value of financial assets and liabilities is not based on quoted market prices or price quotes by brokers, the fair value is calculated by means of valuation methods, e.g., discounted cash flow models. As far as possible, input parameters for modelling are based on observable market data. If there are no observable market data available, discretionary decisions and estimates are used taking into account parameters such as liquidity risk, default risk, and volatility risk. Changes in these estimates may have an effect on the fair value of such financial instruments. For further details see "General principles, Determination of fair value".

Fair value of contingent purchase price consideration

Valartis Group sold its strategic stake of around 40 per cent in Eastern Property Holdings Ltd. (EPH) on 19 December 2012. Valartis Group received part of the sales considerations in cash in 2012. Another part is connected to the successful completion of development projects of EPH. Due to the difficult conditions on Russian real estate property market, it has been agreed with the buyer of EPH's shares to change the contract (see further details in Note 18). The determination of the fair value of the deferred contingent purchase price consideration of the EPH transaction is still to a large extent based on a semi-annual project evaluation based on the expected cash flows and the resultant net asset value (NAV). If these parameters change due to changes in the economic situation or new market conditions, future results may deviate from the calculated NAV. Such deviations may impact the valuation of the contingent purchase price consideration.

Value adjustments on credit positions

Various factors can influence the value adjustment estimates for credit positions. These factors include changes in borrowers' credit ratings, loan collateral valuations and the expected scale of loss. Management determines how high the value adjustment needs to be based on the present value of the expected future cash flows. In order to estimate the expected cash flows, management must make assumptions regarding the financial situation of the counterparty and the estimated recoverable amount of collateral.

Investment properties

The fair value of investment properties was calculated by an independent, accredited surveyor. Evaluation was carried out in accordance with the standards of the Royal Institution of Chartered Surveyors (RICS). The discounted cash flow model used in the evaluation takes into consideration the present value of net cash flows from a property, i.e., anticipated trends in rental income, vacancy rate, rent-free periods, other costs not borne by tenants, maintenance costs and investment plans. The anticipated net cash flows are discounted using risk-adjusted discount rates. Location and property-specific criteria are factored into the discount rate.

Evaluation of the investment property held by Valartis Group in St Petersburg in Russia is influenced by the economic and political risks inherent in the Russian national economy. For Valartis Group management, investments in property presuppose a long investment horizon. By means of this approach, risks from short-term value fluctuations can be minimised.

Goodwill and intangible assets

Among other factors, the value of goodwill and intangible assets is largely determined by the cash flow forecasts, the discount factor (weighted average cost of capital, WACC), and long-term client retention and AuM multiplicators (Assets under Management). All material assumptions are disclosed in the notes to the financial statements. The principal assumptions are listed in the notes to the consolidated financial statements. A change in assumptions can lead to disclosure of impairment in the subsequent year.

Provisions

Valartis Group recognises provisions for imminent threats if in the opinion of the responsible experts the probability that losses will occur is greater than the probability that they will not occur and if their amount can be reliably estimated. In judging whether the creation of a provision and its amount are reasonable, the best-possible estimates and assumptions as at the balance sheet date are

applied. If necessary, these will be adjusted to reflect new knowledge and circumstances at a later date. New knowledge may have a significant effect on the income statement.

Actuarial assumptions

For the defined benefit plans, statistical assumptions have been made to estimate future trends. These include assumptions and estimates with regard to discount rates and expected rates of salary increases. The actuaries also use statistical information such as mortality tables and turnover probabilities in their actuarial calculations to determine the pension liabilities.

If these parameters change due to demographic developments, changes in the economic situation, or new market conditions, future results may deviate significantly from the actuarial reports and calculations. In the medium term, such deviations can have an influence on the expenses and revenue arising from the employee pension plans.

Associated companies

Associated companies are measured using the equity method. For the real estate property of associated companies Darsi Group, Valartis Group has a real estate valuation carried out annually by an independent expert.

Income taxes

The current tax obligations reported as at the balance sheet date and the current tax expenses resulting for the reporting period are based in part on estimates and assumptions and can therefore deviate from the amounts determined in the future by the tax authorities. Deferred taxes are calculated at the tax rates which are expected to be applicable in the accounting period in which the assets will be realised or the liabilities settled. Changes in the expected tax rates and any unexpected reductions in the value of goodwill or intangible assets can have a significant effect on the income statement.

Restrictions on capital outflows

As at 31 December 2015, Valartis Advisory Services SA, a wholly owned subsidiary of Valartis Group AG, recognised receivables and accrued and deferred assets of around CHF 3.7 million (previous year: CHF 3.6 million) in respect of Société des Centres Commerciaux Algérie SPA (SCCA), an associated company of Valartis Group. SCCA is domiciled in Algeria and there are legal requirements that permit outward transfers of capital from Algeria only under certain conditions. Due to these conditions there is uncertainty with regard to the timing of the repayment of the receivables to Valartis Advisory Services S.A. In management's opinion, the conditions for the settlement of the receivables can be met by submitting the corresponding contract documents to the Banque d'Algérie. SCCA's payment plan envisages the amount due being settled in instalments at the end of 2016 and the end of 2017. Management has therefore concluded that there is no need for a valuation adjustment in respect of the amount due from SCCA.

STRUCTURE OF RISK MANAGEMENT

Overview

Valartis Group in its entirety is no longer subject to any regulatory monitoring. However, its risk management still is lead – as up to now – by professional principles of a value oriented Corporate Governance, which includes active risk taking and professional risk management. Accordingly, the return for accepting risks is central to risk management and risk control.

The concept for risk management and risk control is provided by the fundamental principles defined in the risk policy. This concept takes into account regulatory requirements and has also been fine-tuned to take further risks into account. In particular, it includes a breakdown of products by market liquidity, as well as assumptions about the distribution of their market price fluctuations and the rating classification. Risk indicators are reported as economic risk capital (ERC), which reflects the product-specific loss potential in a stress scenario. The structure is therefore similar to the regulatory capital concept and allows various risks across different assets classes to be directly compared, so that an overall risk landscape – which is essential for the Valartis risk management concept – can be presented. The ERC method has some advantages over other risk measurement methods that are based on a statistical analysis of the markets. For example, factors that affect the loss potential are included in the calculations in a very transparent way. This makes it easy to interpret the results of the risk analysis, enabling an efficient optimising of the risks assumed with respect to the expected return.

Risk management organisation

In its role as the ultimate supervisory body, the Board of Directors is responsible for all risks of the Group. By means of the risk policy, the Board of Directors defines all risk activities of the Group: it is responsible for defining the annual risk budget, the formulation of additional limits and the maximum risk tolerance (quantitatively and qualitatively) in respect of the risk capacity of the Group. Within the Board of Directors, the Audit Committee is focused on the specific questions regarding accounting and the management of risks. As the Board of Directors currently consists only of three members, some of the questions posed by the Audit Committee can be examined by one member of the Board of Directors. However, all material issues and problems that may incur are examined and decided by the entire Board of Directors. The Group Executive Management is responsible for operational implementation of the risk management and risk control principles and ensures that the prescribed limits are adhered to at all times. The management of risks is usually performed directly in connection with the business units and is based on the guidelines from central Risk Management. Risk Controlling is responsible for independent risk assessments at Group level. This function ensures in particular the adherence to and constant monitoring of the risk management process based on the core elements, namely risk identification, risk measurement and assessment, risk allocation, and risk controlling. From an organisational viewpoint, Risk Management and Risk Controlling report directly to the Valartis Group CFO/CRO and are managed in personal union. In this way, Valartis Group fulfils the provisions which state that a member of the Board of Directors must head the risk organisation.

Risk reporting

The reporting obligations with regard to content, responsibility, recipients, and frequency are defined in the risk policy. The regular reporting is submitted to the Group Executive Management and the Board of Directors. The reports contain a structured presentation of the risk indicators – risk limits and utilisation – for the various business activities. The risk measurement and risk reporting can be hierarchically structured and remain very concise, as the underlying ERC concept enables the risks of different business activities to be added despite their – in some cases very different – market characteristics. This can even be done without forfeiting the necessary accuracy or violating the applicability of the risk measurement methods. The risk report, in combination with the associated profitability figures, allows management to allocate limits to business activities with a view to achieving the best possible relationship between risk and return.

RISK-BEARING CAPACITY

Risk-bearing capacity is the capacity of a Group to absorb losses from realised risks without endangering its continued existence. The risk-bearing capacity depends on the capital adequacy and the actual earning strength of the Group.

Risk appetite means the extent to which the Board of Directors is inclined to take risks yet to stay consistent with the risk capacity and the strategic objectives of the Group. As a part of the annual risk budgeting process the Board of Directors determines the risk appetite by the risk capital derives from the available equity capital of the Group as an overall limit, which is below the maximum acceptable loss potential.

The target of the risk cover potential calculation is to ensure the existence of the Group also in a very negative stress case. This means that the Group keeps sufficient capital to withstand extraordinarily high losses from an unlikely extreme event while still being able to continue their overall business operations. Consequently, not the entire available equity capital is allocated for the economic capital requirements, but retained part of it as a risk buffer. This is to ensure that the risk-bearing capacity is also not at risk if, inter alia, unquantifiable risks incur which are neither covered by the regulatory nor the economical capital, as for example business risks.

Business risks result inter alia from unexpected changes in market and environmental conditions with negative effects on earnings or equity capital.

MARKET RISK

Market risk refers to the risk of a loss of value due to detrimental changes in the market prices of interest rate products, equities, currencies, and other equity instruments, as well as derivative positions.

Market risks

Valartis Group's trading positions are managed by the various Group companies. Risk monitoring takes place centrally and decentrally to ensure compliance with risk limits both Group-wide and locally. Trading activities are focused on fixed-income portfolios, the hedging of certificates that have been issued, and some stock market positions, mostly as part of market-making activities.

A specially adapted measurement method is used to report the market risks of each business activity.

Equities

As a rule, these products are highly liquid. This means that market risks can be managed promptly, and can be reduced quickly and efficiently if necessary. The risk measurement method used takes this product characteristic into account. The choice of parameters is monitored with a high level of frequency on the basis of the market conditions observed, and adjusted as required.

Less liquid products may have a longer holding period, for instance because market liquidity does not allow positions to be built up or reduced quickly. For this reason a risk assessment is carried out by conducting a stress scenario analysis, taking into account a significant reduction in price at the same time as a change in other market parameters, such as volatility or an abrupt slump in the trading volume of the product. Correspondingly, the risk factor used in determining the economically required capital is significantly higher than for equities that have a high level of market liquidity or for a market for traded derivatives.

Interest rate instruments

The market risks of interest rate instruments are calculated by applying to the market value of the instrument a stress factor for the general interest rate risk and for the specific interest rate risk. In the case of bonds not denominated in CHF, the risk contribution of forex volatility is also determined as part of determining the forex risk. The stress factor is determined by means of a rating classification, based on ratings from different agencies as well as internal valuation methods. This ERC used internally results in a more conservative risk assessment than is required from the regulatory perspective.

Table 1 shows the market price risk of equities and interest rate instruments in the trading book.

Table 1: Value at risk (99 per cent, 1 day) of Valartis Group's trading portfolio assets (continued operations)

In CHF 1,000	2015	2014
Volume trading interest rate instruments	14,538	22,104
Interest rate instrument price risk	144	174
Volume trading equities	6,270	6,891
Equity price risk	121	135
Total	**265**	**309**

The price risk of interest rate instruments decreased during the observation period from TCHF 174 to TCHF 144. This is due to a reduced volume. Comparatively, the price risk has also reduced due primarily to less volatility in the Russian market. A major portion of the bonds in the trading portfolio is from that market.

The drop in the equity price risk can be attributed to the altered composition of the portfolio.

Market risk: balance sheet structure

Interest rate and currency risks are caused by the balance sheet structure, specifically in mismatches in capital commitments, interest maturities, and currencies between assets, liabilities, and the off-balance-sheet positions.

The interest rate and currency risks arise from the deposits and investments business of the various Group companies, and are managed and monitored locally within the framework of limits set out in Group guidelines. At the aggregated level, there is additional centralised management and monitoring, which ensures that diversification effects are used cost-efficiently and Group-specific positions are taken into account.

Interest rate risks

The interest rate sensitivity is shown in table 2. The table shows the change in market value for the main currencies, both for trading book and banking book positions, given a parallel interest rate movement of +/–100 basis points across all maturities.

Table 2: Market risks – significant interest rate risks in the trading and banking books

In CHF 1,000	31.12.2015		31.12.2014	
	+1%	-1%	+1%	-1%
CHF	-45	63	-197	65
EUR	-185	-5	-1,872	293
USD	-200	219	-4,424	2,768

The interest rate risks across all currencies decreased over the previous year. Only continued operations are listed in the values as at 31 December, 2015, i.e., excluding the two banks in Austria and Liechtenstein.

An interest rate increase of 100 basis points across all currencies would entail a market value loss of around CHF 0.4 million.

Currency risks

The currency risks arising from trading book positions and financial investments are monitored and managed on an aggregated basis. The sensitivity to a 1 per cent move in exchange rates is shown for all currency risks in table 3. In principle, currency risks are kept low, except in the case of certain positions in EUR and USD for which dynamic hedging is permitted within set limits.

Table 3: Significant currency risks in the trading and banking books

In CHF 1,000 1%	31.12.2015 Currency sensitivity	31.12.2014 Currency sensitivity
EUR	76	760
USD	104	238
RUB	42	82
DZD	37	43

The greatest currency sensitivity as at 31 December 2015 is in US-Dollar (USD) at TCHF 104, followed by the currency sensitivity in EURO (EUR) at TCHF 76. Compared with prior year these values are lower. Only continued operations are listed in the values as at 31 December, 2015, i. e., excluding the two banks in Austria and Liechtenstein. Valartis Group endeavours to keep currency risks low at all times.

In addition currency sensitivities exists in Russian rubel (RUB) of TCHF 42, which are connected with the business activities of ENR Group and for Algerian Dinar (DZD) of TCHF 37 which are directly linked to the investments in associated company Darsi (see Note 19).

LIQUIDITY RISK

Liquidity risk is the risk of the Group not having sufficient liquid funds available to meet its short-term payment obligations.

Management of liquidity risk

Operational liquidity risk management takes place decentrally at the individual Valartis Group companies, which must in so doing comply with the legal requirements in terms of liquidity and minimum reserves as well as the Group limits. Strategic liquidity risk management and the consolidated monitoring of compliance with the liquidity requirements are carried out centrally. The regular measurement of the insolvency risk is carried out on the one hand by measuring the LCR as required by law, and on the other hand with an analysis of ANL (Available Net Liquidity), to be interpreted as the result of the economic stress test. The strategic liquidity risk management includes the continual monitoring of structural liquidity, the analysis and simulation of possibilities for generating additional liquidity, e. g., by using repo transactions, open market transactions, the potential sale of liquid assets, the restructuring of maturities on the deposit side in respect of client assets, e. g., through incentives in the form of interest terms and other measures. The regulatory stress test in this instance is linked to the economic stress test for the development of the regulatory and economic capital ratio, and is subject to regular monitoring by Group Risk Controlling and Group Risk Management.

In 2015, liquidity shortages arose at the finance holding companies, Valartis Group AG and Valartis Finance Holding AG. These shortages can be attributed to changes in regulatory guidelines, the Capital Requirements Regulation, which came into effect on 1 February 2015, in Liechtenstein, and which affected the internal financing structure of Valartis Group. At no time was liquidity on overall Group level, or liquidity at any other Group company, namely the two banks, affected.

The table “Maturity structure of assets and liabilities” (Note 35) shows future cash flows based on the earliest contractual maturity, disregarding assumptions about the probability of individual cash flows. In particular, the trading portfolio shows the multi-level liquidity management system that includes cash, staggered maturities on due from banks, and liquid debt instruments.

CREDIT RISK

Credit risk reflects the risk of loss arising from the failure of a counterparty to fulfil its contractual obligations. It includes default risks from the direct lending business, the invested bond portfolio, concluded transactions (such as money market transactions, derivative transactions, etc.), and settlement risks.

Management of credit risks

The credit risk management is primarily focused on managing and monitoring the collateral values, which are a result of haircuts applied to the market values, and the liquidity of the collateral. Credit exposure must always remain within the limits granted by Group Management and the Board of Directors, and it is secured by collateral. The lending business by other Group companies is limited.

The calculation of credit risk for balance sheet positions and off-balance-sheet positions in tables 4 to 8 was carried out on the basis of the capital adequacy requirements for credit risks under Basel III (previous year Basel II). For this reason, the figures reported in tables 4 to 8 may deviate from the balance sheet values under IFRS. Financial instruments include financial assets held to maturity and available for sale instruments, as well as the other financial assets at fair value. The remaining positions that are subject to capital charges are reported collectively under other assets. In particular, this includes accruals and deferrals and other assets.

Only continued operations are listed in the values as at 31 December 2015, in tables 4 to 8, i. e., excluding the two banks in Austria and Liechtenstein.

Table 4: Credit risk – overview of collateral

in CHF 1,000	Mortgage-backed	Backed by collateral	No collateral	Total
Loans 2015				
Due from banks			23,484	23,484
Due from clients			21,345	21,345
of which mortgage loans				0
– Residential property				0
– Office and business property				0
– Commercial and industrial property				0
– Other				0
Financial instruments		1,972	42,504	44,476
Other assets			16,690	16,690
Derivative financial instruments				0
Total loans at 31 December 2015	**0**	**1,972**	**104,023**	**105,995**
Loans 2014				
Due from banks			1,305,679	1,305,679
Due from clients	15,145	199,253	14,459	228,857
of which mortgage loans	15,145			15,145
– Residential property	10,825			10,825
– Office and business property	1,343			1,343
– Commercial and industrial property	1,588			1,588
– Other	1,389			1,389
Financial instruments		3,866	297,232	301,098
Other assets		8,262	43,041	51,303
Derivative financial instruments			1,473	1,473
Total loans at 31 December 2014	**15,145**	**211,381**	**1,661,884**	**1,888,410**
Off-balance-sheet items 2015				
Contingent liabilities				0
Irrevocable commitments				0
Total off balance sheet items at 31 December 2015	**0**	**0**	**0**	**0**
Off-balance-sheet items 2014				
Contingent liabilities	20	15,995	722	16,737
Irrevocable commitments				0
Total off balance sheet items at 31 December 2014	**20**	**15,995**	**722**	**16,737**

Table 4 shows collateralisation for receivables due from clients. Due to divestment of the two banks in Austria and Liechtenstein, there are no collateralised loans to clients. These amounted to 90 per cent of receivables in the previous year.

Table 5: Credit risk – total credit risk/geographical credit risk

in CHF 1,000	Switzerland	Europe	Other	Total
Geographical credit risk 2015				
Due from banks	22,163	960	361	23,484
Due from clients	294	2,317	18,734	21,345
Financial instruments	22,369	18,154	3,953	44,476
Other assets	5,292	11,398		16,690
Derivative financial instruments				0
Subtotal	**50,118**	**32,829**	**23,048**	**105,995**
Contingent liabilities				0
Irrevocable commitments				0
Total at 31 December 2015	**50,118**	**32,829**	**23,048**	**105,995**
Geographical credit risk 2014				
Due from banks	314,848	954,056	36,775	1,305,679
Due from clients	19,650	147,544	61,663	228,857
Financial instruments	6,864	178,617	115,617	301,098
Other assets	7,366	43,937		51,303
Derivative financial instruments	312	692	469	1,473
Subtotal	**349,040**	**1,324,846**	**214,524**	**1,888,410**
Contingent liabilities	6,712	6,599	3,426	16,737
Irrevocable commitments				0
Total at 31 December 2014	**355,752**	**1,331,445**	**217,950**	**1,905,147**

Table 5 shows a concentration in Europe of due from banks and clients as well as financial instruments.

Around 17 per cent (prior year more than 70 per cent) of the lending and investments originate from Europe (excluding Switzerland). The classification of due from clients is based on the underlying country risk and therefore may differ compared with an allocation based on the domicile of the borrower.

Table 6: Credit risk – total credit risk/breakdown by counterparty

in CHF 1,000	Central banks	Banks	Public sector entities	Private and institutional investment clients	Other	Total
Breakdown by counterparty 2015						
Due from banks		23,484				23,484
Due from clients		280			21,065	21,345
Financial instruments		6,265		4,664	33,547	44,476
Other assets		4,212	999		11,479	16,690
Derivative financial instruments						0
Subtotal	**0**	**34,241**	**999**	**4,664**	**66,091**	**105,995**
Contingent liabilities						0
Irrevocable commitments						0
Total at 31 December 2015	**0**	**34,241**	**999**	**4,664**	**66,091**	**105,995**
Breakdown by counterparty 2014						
Due from banks		1,305,679				1,305,679
Due from clients		36		210,981	17,840	228,857
Financial instruments		142,189	46,353	89,544	23,012	301,098
Other assets		8,763	8,054		34,486	51,303
Derivative financial instruments		234		771	468	1,473
Subtotal	**0**	**1,456,901**	**54,407**	**301,296**	**75,806**	**1,888,410**
Contingent liabilities		2,527		14,210		16,737
Irrevocable commitments						0
Total at 31 December 2014	**0**	**1,459,428**	**54,407**	**315,506**	**75,806**	**1,905,147**

Table 6 shows a concentration of bank counterparties, which is managed by a limit system on a consolidated level. This process ensures the diversification of the counterparties themselves as well as the counterparty domiciles. There is no clear concentration. The classification of due from clients is made based on the underlying risk and therefore may differ compared with an allocation based on type of borrower.

Financial instruments issued by corporate entities are allocated to the category “Private and institutional investment clients”.

Table 7: Credit risk – quality of assets

in CHF 1,000	AAA to AA-	A+ to BBB-	BB+ or lower	No external rating	Book value of impaired loans net	Total
Quality of assets 2015						
Due from banks	3,116			20,368		23,484
Due from clients				21,345		21,345
Financial instruments			11,608	32,868		44,476
Other assets				16,690		16,690
Derivative financial instruments						0
Subtotal	**3,116**	**0**	**11,608**	**91,271**	**0**	**105,995**
Contingent liabilities						0
Irrevocable commitments						0
Total at 31 December 2015	**3,116**	**0**	**11,608**	**91,271**	**0**	**105,995**
Quality of assets 2014						
Due from banks	271,528	814,066		220,042	43	1,305,679
Due from clients		8,368		219,029	1,460	228,857
Financial instruments	144,556	121,700		34,842		301,098
Other assets				51,303		51,303
Derivative financial instruments	158	46		1,269		1,473
Subtotal	**416,242**	**944,180**	**0**	**526,485**	**1,503**	**1,888,410**
Contingent liabilities		2,229		14,507		16,737
Irrevocable commitments						0
Total at 31 December 2014	**416,242**	**946,409**	**0**	**540,992**	**1,503**	**1,905,147**

Table 7 shows the quality of the assets according to the external ratings available. Financial instruments without a rating are mainly instruments for which there is no external rating available. Amounts due from clients are allocated to the category "No external rating".

Table 8: Credit risk: overdue loans without value adjustment, by maturity

in CHF 1,000	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	91 days or more	Total
Overdue positions without valuation adjustment by maturity 2015					
Due from clients					0
of which loans and advances					0
Accrued and deferred assets					0
Total at 31 December 2015	**0**	**0**	**0**	**0**	**0**
Overdue positions without valuation adjustment by maturity 2014					
Due from clients			588	695	1,283
of which loans and advances					0
Accrued and deferred assets					0
Total at 31 December 2014	**0**	**0**	**588**	**695**	**1,283**

As a general rule, a loan is classified as impaired when it is more than 90 days overdue. The Group has typically already recovered these loans or formed provisions for such positions and therefore such loans are not listed in table 8. For 2015 there are no such positions. Loans with a provision are disclosed in Note 14 and Note 15.

OPERATIONAL RISK

Operational risk is the risk of losses due to faulty internal processes, procedures and systems, inappropriate behaviour by employees, or external influences. The definition includes all legal risks as well as reputational risks. However, it excludes strategic risks.

Management of operational risk

The basic responsibility for operational risk is delegated directly to the individual front and back office units in the individual Group companies.

The identification of operational risk is therefore part of the ongoing management activities and is performed whenever new business activities, processes, or products are introduced, and also at regular intervals for business activities, processes, and products already implemented. In the case of business-critical processes, additional key risk indicators are used.

Identified risks are mainly handled by the operational units within the prescribed framework. Decisions as to whether it is best to avoid, minimise, transfer, or accept a risk are primarily based on a cost/benefit analysis.

The ongoing monitoring of operational risk is, whenever possible, embedded in the operational processes. Separation of functions and a dual control principle are crucial elements in monitoring. In addition to these activities that are carried out in the Group companies, there is a separate process-independent monitoring carried out by central Risk Control. Special attention is paid to a target-performance comparison analysis in the identification, evaluation, and handling of risks. The Board of Directors oversees the management of operational risk based on standardised reporting and ad hoc information.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. INCOME FROM INTEREST AND DIVIDENDS

in CHF 1,000	2015	2014
Interest income from banking business	0	13
Interest income from client business	0	956
Interest and dividend income from the trading portfolio	967	3,199
Other interest income	511	0
Total interest and dividend income	**1,478**	**4,168**
Interest expense for loans	-3,676	-2,948
Other interest expense	-35	-260
Total interest expense	**-3,711**	**-3,208**
Total	**-2,233**	**960**

2. INCOME FROM COMMISSION AND SERVICE FEES

in CHF 1,000	2015	2014
Brokerage fees	0	1
Custody account fees	0	140
Commission on investment advice and asset management	3,516	6,041
Issuing business	18	140
Total income from commission and service fee business	**3,534**	**6,322**
Other securities trading expense	-1	-6
Commission expense on retrocession to third parties	0	-101
Other commission and service fee expense	0	-232
Total expense from commission and service fee business	**-1**	**-339**
Total	**3,533**	**5,983**

3. INCOME FROM TRADING

in CHF 1,000	2015	2014
Interest rate instruments	-3,851	-34,272
Securities	-166	-1,699
Currencies and precious metals	390	-3,208
Funds	113	-411
Total	**-3,514**	**-39,590**
thereof trading	1,907	-18,810
thereof designated at fair value [1]	-5,421	-20,780

1) See in Note 18.

4. OTHER ORDINARY INCOME

in CHF 1,000	2015	2014
Income from associates	-9,517	3,406
Income from the sale of tangible and intangible assets		1
Income from the sale of financial assets available for sale		21
Net income from real estate	6,902	2,365
Net result from fair value adjustment and foreign currency for investment property investment	-15,653	-4,392
Finance costs investment property	-1,977	-474
Other income	404	27
Total	**-19,841**	**954**
Income from associates [1]		
Share in result	-5,534	3,406
Gain from release of additional payment liability	705	
Adjustment of purchase price of associate	-4,688	
Income from associates	**-9,517**	**3,406**
Income from fair value adjustment and foreign exchange effect on investment property		
Value adjustment on investment property including effect from foreign currency translation	-3,905	13,361
Result from foreign exchange translation of banking loan investment property	-11,748	-17,753
Net result from fair value adjustment and foreign currency for investment property investment	**-15,653**	**-4,392**

1) For income from associated companies see Note 19.

ENR Group holds an investment property located in St. Petersburg, Russia. Rental income of the investment property is contractually linked to USD/ruble-rates. The investment property is recognised in balance sheet at fair value, which is appraised at each balance sheet date by an independent expert. According to IFRS the result from exchange translation is recognised as part of the gain or loss arising on the fair value re-measurement of the investment property.

The credit facilities for the investment property are consisting of a banking loan in USD. Due to this constellation, fair value adjustment and the effect of currency translation for the property amounting to CHF -3.9 million (previous year: CHF 13.4 million) are listed together with financing amounting to CHF -11.8 million (previous year: CHF -17.8 million). The high value fluctuations in 2015, as in the previous year, are attributable to the condition of the Russian real estate market and the weakening of the Russian ruble against USD.

5. PERSONNEL EXPENSE

in CHF 1,000	2015	2014
Salaries and bonuses	-5,635	-8,136
Social security benefits	-706	-707
Contributions to occupational pension plans	-355	-139
Share-based payments	-388	-737
Other personnel expense	-1,302	-743
Total	**-8,386**	**-10,462**

6. GENERAL EXPENSE

in CHF 1,000	2015	2014
Occupancy expense	-1,497	-1,364
IT and information expense	-424	-376
Office and business expense	-8,967	-4,775
Other general expense	-1,599	-647
Total	**-12,487**	**-7,162**

7. DEPRECIATION AND AMORTISATION

in CHF 1,000	2015	2014
Depreciation of property, plant and equipment	-87	-95
Amortisation of intangible assets	-953	-1,000
Total	**-1,040**	**-1,095**

8. VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES

in CHF 1,000	2015	2014
Impairments on goodwill	-9,562	-3,000
Other impairments	-2,218	-7,488
Losses	-64	0
Change in provisions	-910	-399
Total	**-12,754**	**-10,887**

For the impairments on goodwill, we refer to Note 25 and for the changes in provisions to Note 31.

9. INCOME TAXES

in CHF 1,000	2015	2014
Current income taxes	-2,282	-2,133
Change in deferred taxes	-2,397	1,018
Total	**-4,679**	**-1,115**
Net profit from continued operations before tax	-56,722	-54,947
Net profit from discontinued operations before tax	2,991	-17,216
Net profit before tax	**-53,731**	**-72,163**
Expected income tax rate [1]	14.7%	14.7%
Expected income taxes	7,920	10,637
Difference between expected and actual tax rate	447	-3,456
Prior-year adjustments	-58	86
Tax-exempted income (incl. income from investments)	1,566	92
Not recognised loss carry-forwards	-2,215	-1,580
Impairment on tax assets	-7,883	-4,407
Use of not recognised loss carry-forwards	135	
Non-tax-deductible expenses	-4,513	-1,802
Other effects	-78	-685
Effective income taxes	**-4,679**	**-1,115**
Income tax as disclosed in the consolidated income statement	1,434	3,642
Income tax attributable to discontinued operations	-6,113	-4,757
	-4,679	**-1,115**

1) The expected income tax rate is based on the ordinary income tax rate at the domicile of the parent company in Baar, Zug, Switzerland.

Deferred tax

in CHF 1,000	2015	2014
Development of deferred tax liabilities (net)		
Position at 1 January	4,553	6,480
Change in scope of consolidation		1,738
Discontinued operations	-3,564	0
Changes affecting the income statement	-1,598	-3,312
Changes not affecting the income statement	279	25
Foreign exchange translation differences	109	-378
Position at 31 December (net)	**-221**	**4,553**
Expiry of non-capitalised tax allowances for losses		
Within 1 year		
From 1 to 5 years	5,652	3,351
After 5 years	217,315	16,464
Total	**222,967**	**19,815**
Expiry of non-capitalised tax allowances for losses from continued operations	0	0
Disposal of non-capitalised tax allowances for losses from discontinued operations	-979	0
Reconciliation deferred taxes		
Deferred tax assets		
Tax loss carry-forwards	4,485	5,520
Tax asset on Austrian corporation tax regime		7,317
Netting	-4,177	-5,441
Total deferred tax assets	**308**	**7,396**
Deferred tax liabilities		
Contingent purchase consideration for Eastern Property Holdings Ltd.	87	296
Intangible assets		3,775
Property, plant and equipment and investment properties	4,177	6,120
Others		1,758
Netting	-4,177	-5,441
Total deferred tax liabilities	**87**	**11,949**

10. EARNINGS PER SHARE

	2015	2014
Net profit attributable to the shareholders of Valartis Group AG in CHF 1,000	-57,220	-69,174
Net profit from continued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	-54,098	-53,553
Net loss/profit from discontinued operations attributable to the shareholders of Valartis Group AG, in CHF 1,000	-3,122	-15,621
Weighted average number of shares	5,000,000	5,000,000
less weighted average number of treasury shares	-301,391	-363,507
Undiluted weighted average number of shares	4,698,609	4,636,493
Outstanding share options, number of shares	0	0
Diluted weighted average number of shares	4,698,609	4,636,493
Earnings per share	in CHF	in CHF
Undiluted, attributable to shareholders of Valartis Group AG	-12.18	-14.92
Diluted, attributable to shareholders of Valartis Group AG	-12.18	-14.92
Earnings per share from continued operations		
Undiluted, attributable to shareholders of Valartis Group AG	-11.51	-11.55
Diluted, attributable to shareholders of Valartis Group AG	-11.51	-11.55
Earnings per share from discontinued operations		
Undiluted, attributable to shareholders of Valartis Group AG	-0.67	-3.37
Diluted, attributable to shareholders of Valartis Group AG	-0.67	-3.37

11. SHARE-BASED PAYMENT

Number	31.12.2015	31.12.2014
Holdings of rights at 1 January	74,300	121,233
Allotted rights (addition)	0	63,940
Granted during the year (reduction)	-39,993	-56,568
Forfeited rights (reduction)	0	-7,237
Reduction due to sale of entities (discontinued operations)	0	-47,068
Holdings of rights at 31 December	**34,307**	**74,300**
Fair value of the outstanding rights in CHF 1,000 [1)]	290	1,144
Average price of shares upon allotment, in CHF	21.05	19.44
in CHF 1,000		
Charged as personnel expense in the year under review	-410	-1,754
of which continued operations	-388	-737
of which discontinued operations	-22	-1,017
Estimated charge to personnel expense for the remaining vesting periods	-162	-498
Maximum anticipated charge to personnel expense for the remaining vesting periods	-167	-526

1) The fair value is based on the market value of the Valartis Group AG share.

Content and process of determining remuneration and share ownership programmes are described in the Remuneration Report. The presentation of the share-based payment in the annual financial statements is explained under the accounting principles in the "Notes to the consolidated financial statements".

12. EMPLOYEE PENSION PLAN

Although contributions are paid by the employer and employees in the case of Swiss pension plans, they are considered to be defined benefit plans owing to the guaranteed interest rate and the prescribed conversion rate. In the fourth quarter 2015, the employee pension plans for the employees in Switzerland were transferred from the independent pension fund to a group insurance contract of an insurance provider. The pension fund will be liquidated in 2016. The Austrian pension scheme is also a defined benefit plan, while the Liechtenstein pension solution is a defined contribution plan. In 2015, both plans are allocated to discontinued operations.

There are no on-balance-sheet obligations or assets for the defined contribution plan. The most recent actuarial calculations for the defined benefit plans were made as at 31 December 2015 with the following results across all plans:

Balance sheet items

in CHF 1,000	31.12.2015	31.12.2014
Present value of pension liabilities	26,650	25,468
Market value of plan assets	23,366	24,071
Pension liabilities/(pension assets)	**3,284**	**1,397**
Impact of the limitation as per IAS 19.64 b)		
Total pension liabilities/(pension assets)	**3,284**	**1,397**
whereof disclosed as other assets		
whereof disclosed as other liabilities	3,284	1,397

Change in net liabilities/(assets) on the balance sheet

in CHF 1,000	2015	2014
Net liabilities/(assets) at 1 January	1,397	208
Defined benefit cost recognised in personnel expense	355	185
Defined benefit cost recognised in other comprehensive income	3,482	1,611
Employer contributions	-604	-479
Paid out benefits		-104
Foreign exchange (gain)/loss	-139	-24
Net liabilities/(assets) at 31 December	**4,491**	**1,397**
whereof continued operations	3,284	1,397
whereof discontinued operations	1,207	

Costs and remeasurement for employee pension plan in income statement and comprehensive income

in CHF 1,000	2015	2014
Components of pension costs in personnel expense		
Annual pension costs	900	182
Passive service-costs	-567	
Net interest expense/(income)	22	3
Pension costs for defined benefit plans	**355**	**185**
Employer's pension expense for defined contribution plans	1,555	1,459
Total pension costs	**1,910**	**1,644**
whereof discontinued operations	-1,555	-1,505
Total pension costs recognised in personnel expense	**355**	**139**
Defined benefit cost recognised in other comprehensive income		
Actuarial loss/(gain) on liabilities	-3,390	2,859
Actuarial loss/(gain) on assets	-92	-1,248
Total remeasurements recognised in other comprehensive income	**-3,482**	**1,611**
whereof continued operations	-3,271	1,199
whereof discontinued operations	-211	412

Change in pension pension liabilities

in CHF 1,000	2015	2014
Present value of pension liabilities at 1 January	25,468	14,350
Annual pension costs	900	182
Employee contributions	292	272
Interest on pension liabilities	344	455
Paid in/(out benefits and vested benefits)	2,732	7,474
Actuarial loss/(gains)	3,390	2,859
of which from adjustment to financial assumptions	674	3,161
of which from adjustment to demographic assumptions		
of which from adjustment to experience-based assumptions	2,716	-302
Foreign exchange loss/(gain)	-630	-124
Past service-costs	-567	
Discontinued operations	-5,279	
Present value of pension liabilities at 31 December	**26,650**	**25,468**

Change in pension assets

in CHF 1,000	2015	2014
Market value of available pension assets at 1 January	24,071	14,142
Employee contributions	292	272
Employer contributions	485	479
Paid in/(out benefits and vested benefits)	2,851	7,578
Expected return on plan assets	322	452
Actuarial (gain)/loss	-92	1,248
Foreign exchange (gain)/loss	-491	-100
Discontinued operations	-4,072	
Market value of available pension assets at 31 December	**23,366**	**24,071**

Main groups of the pension fund assets

in per cent	31.12.2015	31.12.2014
Liquidity	0.0	42.1
Bonds	75.1	20.2
Real estate	16.2	0.0
Shares [1)]	3.2	20.5
Others	5.5	17.2

1) There are no treasury shares of Valartis Group AG in the pension fund assets.

Actuarial assumptions

in per cent	31.12.2015	31.12.2014
Discount rate (Switzerland)	0.9	1.1
Discount rate (Austria)	2.0	1.9
Expected rate of salary increases Switzerland	1.5	1.5
Expected rate of salary increases Austria	2.0	2.0
Pension adjustments Switzerland	0.0	0.0
Pension adjustments Austria	1.5 – 2.0	1.5 – 2.0

As in previous year, the demographic assumptions (e.g. probabilities of death, disability, and turnover) are based on the BVG/LLP 2010 actuarial tables. These generational tables are based on observations of large pools of insured persons in Switzerland over several years.

Estimate of contributions for the following year

in CHF 1,000	2016	2015
Employee contributions	295	276
Employer contributions	441	652

The estimation of contributions for the following year contains only the contribution for the continued operations.

Sensitivity

The table below shows the change in the present value of the defined benefit obligation if one of the key assumptions for the actuarial calculation is reduced or increased ceteris paribus by 50 basis points.

	31.12.2015	Proportion in per cent
Current actuarial calculation of the defined benefit obligation	26,650	100
Discount rate		
Increase of 50 basis points	-1,694	-6.4
Reduction of 50 basis points	1,720	6.5
Salary trend		
Increase of 50 basis points	285	1.1
Reduction of 50 basis points	-268	-1.0

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. CASH

in CHF 1,000	31.12.2015	31.12.2014
Cash balance	4	2,375
Sight deposits with central banks	0	789,702
Total	**4**	**792,077**

14. DUE FROM BANKS AND CLIENTS

in CHF 1,000	31.12.2015	31.12.2014
Due from banks at sight	23,159	474,764
Due from banks, time deposits	325	830,958
Valuation allowances for credit risk		-43
Total due from banks	**23,484**	**1,305,679**
Due from clients – secured by mortgage		15,145
Due from clients – other collateral		199,253
Due from clients – no collateral	21,345	15,919
Subtotal	**21,345**	**230,317**
Valuation adjustments for default risk		-1,460
Total due from clients	**21,345**	**228,857**

As at 31 December 2015, Valartis Advisory Services SA, a wholly owned subsidiary of Valartis Group AG, recognised receivables and accrued/deferred assets of around CHF 3.7 million (2014: CHF 3.6 million) in respect of Société des Centres Commerciaux d'Algérie SPA (SCCA), an associated company of Valartis Group. SCCA is domiciled in Algeria and there are legal requirements that permit outward transfers of capital from Algeria only under certain conditions. Due to these conditions there is an uncertainty with regard to the timing of the repayment of the receivables to Valartis Advisory Services SA. In the management's opinion, the conditions for the settlement of the receivables can be met by submitting the corresponding contract documents to Banque d'Algérie. SCCA's payment plan envisages the amount due being settled in instalments at the end of 2016 and the end of 2017. Management has therefore concluded that there is no need for a valuation adjustment in respect of the amount due from SCCA.

15. VALUATION ADJUSTMENTS FOR CREDIT RISKS

in CHF 1,000	2015	2014
Position at 1 January	1,503	1,939
Discontinued operations	-1,503	
Utilisation in accordance with designated purpose		-263
Newly formed valuation adjustments for default risks		270
Release of valuation adjustments for default risks		-447
Foreign currency translation		4
Position at 31 December	**0**	**1,503**
of which on amounts due from banks		43
of which on amounts due from clients		1,460
Impaired loans		
Impaired loans (gross)		1,503
Estimated realisation proceeds from collateral		0
Impaired loans (net)	**0**	**1,503**
Specific valuation adjustments on impaired loans		1,503
Average impaired loans (gross)		1,898

16. TRADING PORTFOLIO ASSETS

in CHF 1,000	31.12.2015	31.12.2014
Debt instruments		
Debt instruments of financial institutions	8,982	15,024
Debt instruments of companies	5,556	7,080
Total debt instruments	**14,538**	**22,104**
Equity instruments		
Total	**6,270**	**6,982**
Investment fund units		
Total	**477**	**6,336**
Total trading portfolio assets	**21,285**	**35,422**
of which lent out trading portfolio assets		
of which eligible for repo transactions at a central bank (SNB/ECB)	0	2,343

17. FINANCIAL ASSETS

in CHF 1,000	31.12.2015	31.12.2014
Debt instruments		
Debt instruments of public sector entities		16,370
Debt instruments of financial institutions		65,893
Debt instruments of companies		55,064
Total debt instruments	**0**	**137,327**
Equity instruments		
Total	**21,128**	**20,784**
Investment fund units		
Total	**0**	**1,359**
Total financial assets available for sale	**21,128**	**159,470**
of which lent out	0	0
of which eligible for repo transactions at a central bank (SNB/ECB)	0	117,328
Debt instruments		
Debt instruments of public sector entities		29,983
Debt instruments of financial institutions		76,296
Debt instruments of companies		27,587
Total debt instruments	**0**	**133,867**
Total financial assets held to maturity	**0**	**133,867**
of which lent out		9,907
of which eligible for repo transactions at a central bank (SNB/ECB)		53,259

18. OTHER FINANCIAL ASSETS AT FAIR VALUE

in CHF 1,000	31.12.2015	31.12.2014
Debt instruments		
Debt instruments	**2,063**	**7,732**
Precious metals		
Total	**0**	**29**
Total other financial assets at fair value	**2,063**	**7,761**

The debt instruments of companies relate primarily to the contingent purchase price considerations from the sale of Eastern Property Holdings Ltd. (EPH) at 19 December 2012. Amounts to be paid depend on the successful completion and sale of development projects of EPH.

The contract – which runs until 1 January 2019 – governs a real estate project in Moscow which is due to be sold by the end of the contract. The evaluation on the almost-complete real estate is once again lower than in the previous year due to the conditions of the Russian real estate market. Fair value adjustment amounting to CHF -5.1 million (previous year: CHF -21.3 million) was made on the contingent purchase price payment. The adjustment to fair value is listed in Income from trading (see in Note 3).

For the portion of contingent considerations which is secured by a cash-escrow account see Note 24 "Other assets".

19. ASSOCIATED COMPANIES

in CHF 1,000	31.12.2015	31.12.2014
Position at 1 January	45,335	25,534
Additions		16,632
Share in net loss/profit	-5,534	3,406
Foreign exchange translation differences	-2,676	-237
Position at 31 December	**37,125**	**45,335**
of which Darsi Investment Ltd.	9,284	13,568
of which Société des Centres Commerciaux d'Algérie SPA	11,490	14,900
of which Norinvest Group	15,950	15,252
of which others	401	1,615
Share in net loss/profit	-5,534	3,406
Gain from release of additional payment liability	705	
Adjustment for purchase price of Norinvest Group	-4,688	
Result from associated companies	**-9,517**	**3,406**

Norinvest Group

After the sale of Valartis Bank AG and Valartis Wealth Management SA to Banque Cramer & Cie SA in 2014, Valartis Group acquired a 25 per cent holding in Norinvest Holding SA, Geneva.

The sales contract from September 2014, governing the holding in Norinvest Holding SA contained a clause, in accordance with which the sales price must be subsequently adjusted if the Norinvest Group sells a property above or below the carrying value which applied at that time. In 2015, Norinvest Group sold a property at a price which was considerably higher than the earlier carrying price. This resulted in costs for Valartis Group amounting to CHF 4.7 million arising out of the subsequent sales price adjustment. This is posted as a liability owed to Norinvest Holding SA Payment will be made in the form of a share deal after completion of the current moratorium.

Darsi Group

The Darsi subgroup consists of the following two companies: Darsi Investment Ltd. and Société des Centres Commerciaux d'Algérie SPA (SCCA), Algiers. Via this subgroup, the Group is invested in the "Bab Ezzouar" shopping, leisure, and business center in Algeria. As at 31 December 2015, Valartis Group held 32.4 per cent of Darsi Investment Ltd., an investment company with its registered office in Tortola, British Virgin Islands (2014: 32.4 per cent). Darsi Investment Ltd. in turn holds a controlling majority stake of 53.9 per cent in Société des Centres Commerciaux Algérie SPA, the owner of the shopping center in Algiers (2014: 53.9 per cent).

As an associated company, Darsi is accounted for in Valartis Group's financial statements using the equity method according to the International Financial Reporting Standards (IFRS) at the proportionate share of net assets. The net asset value is based among other things on valuation assumptions regarding the real estate of SCCA carried out by an external appraiser. Appraisals are based on assumptions, and these by their nature entail inherent risks. It is therefore possible that the realisable value in the event of a future disposal could deviate from these valuations.

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Panariello Enterprises Ltd.

At the end of 2013, ENR Russia Invest SA (ENR) invested in a private equity investment, Panariello Enterprises Ltd. Up to 2015, a portion of the investment sum was posted as a liability due to an associated company. These funds, which were not required by the associated company at the time of sale, were intended to be used to expand Panariello's sales outlets in accordance with the agreed business plan. In 2015, further expansion of the sales network was cut back. Funds which at that time had still not been used, in the form of the liability posted, amounted to around TCHF 705 and were written back to the income statement.

Details for the associated companies are disclosed on the following page.

Details for associated companies

in CHF 1,000	Darsi Investment Group		Norinvest Group [2]		Other associated companies	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Revenue	13,850	17,405	59,300	40,600	1,012	2,847
Income from continued operations	-5,352	9,028	14,600	-8,166	-742	-666
Other comprehensive income	-11,265	922	0	0	310	538
Total comprehensive income	-16,617	9,950	14,600	-8,166	-432	-128
Dividends received	0	0	0	0	0	0
Short-term assets	9,152	10,867	1,655,194	1,519,670	434	1,396
Long-term assets	105,267	134,772	321,766	228,600	218	322
Short-term liabilities	44,027	46,757	1,910,018	1,681,556	807	1,001
Long-term liabilities	30,278	42,151	6,151	8,710	423	156
Shareholder's equity at 31 December	40,114	56,731	60,791	58,004	-578	561
non-controlling interests	11,490	14,900				
Total shareholders' equity (excluding non-controlling interests)	**28,624**	**41,831**	**60,791**	**58,004**	**-578**	**561**
Share of the Group	32.44%	32.44%	25.00%	25.00%	49.00%	n/a
Carrying amount of participation on Darsi Group	9,285	13,568				
Carrying amount of non-controlling interests on SCCA [1]	11,490	14,900				
Total carrying amount associated companies	20,775	28,468	15,199	14,501	0	276
Goodwill			751	751	1,339	1,339
Impairment					-938	
Net carrying amount	20,775	28,468	15,950	15,252	401	1,615

1) As Valartis Group holds 100 per cent of the non-controlling interests on Société des Centres Commerciaux d'Algérie SPA (SCCA), this value is included in the carried value of associated company Darsi Investment Group.

2) Since up-to-date financial information for Norinvest Group is not available when Valartis Group prepares its consolidated financial results, estimates have been made for the share of Valartis Group on the result of Norinvest Group and other data disclosed for this associated group. Any differences between these estimates and actual results will be adjusted in the Group's 2016 consolidated financial statements when available.

20. PROPERTY, PLANT AND EQUIPMENT

in CHF 1,000	Fixtures in third-party properties	IT and telecom-munications	Other property, plant and equipment	Property	Software	Total
Acquisition costs						
Carrying amount at 31 December 2013	722	3,346	15,314	43,618	30,967	93,967
Investments		252	262	90	638	1,242
Divestments	-52	-1,124	-709		-669	-2,554
Foreign exchange translation differences	-171	0	-225	-513	-525	-1,434
Carrying amount at 31 December 2014	**499**	**2,474**	**14,642**	**43,195**	**30,411**	**91,221**
Investments			3	95	-1	97
Divestments			-253		-84	-337
Discontinued operations (Note 39)	-225	-2,473	-13,969	-43,112	-30,326	-90,105
Foreign exchange translation differences	-56		-56			-112
Carrying amount at 31 December 2015	**218**	**1**	**367**	**178**	**0**	**764**
Cumulative depreciation						
Carrying amount at 31 December 2013	-499	-2,113	-10,107	-5,234	-30,355	-48,308
Depreciation	-39	-574	-883	-637	-464	-2,597
Divestments	53	1,123	688		670	2,534
Foreign exchange translation differences	97		194	90	525	906
Carrying amount at 31 December 2014	**-388**	**-1,564**	**-10,109**	**-5,781**	**-29,624**	**-47,466**
Depreciation	-27	-1	-59			-87
Divestments			253		84	337
Discontinued operations (Note 39)	225	1,564	9,571	5,781	29,540	46,681
Foreign exchange translation differences	37		51			88
Carrying amount at 31 December 2015	**-153**	**-1**	**-293**	**0**	**0**	**-447**
Net carrying amount at 31 December 2015	**65**	**0**	**74**	**178**	**0**	**317**
Net carrying amount at 31 December 2014	**111**	**910**	**4,533**	**37,414**	**787**	**43,755**

Future liabilities from operating leases

in CHF 1,000	31.12.2015	31.12.2014
Future liabilities from operating leases		
Remaining term up to 1 year	1,447	1,598
Remaining term from 1 to 5 years	3,552	4,568
Remaining term over 5 years	97	2,208
Total	**5,096**	**8,374**
Future receivables from operating leases		
Remaining term up to 1 year	1,646	2,745
Remaining term from 1 to 5 years	1,158	1,390
Remaining term over 5 years	0	129
Total	**2,804**	**4,264**

Operating leases

As at 31 December 2015, there were various operating leases for real estate and other property, plant, and equipment, used for the business activities. The most important leases have extension options and termination clauses. Only continued operations are listed in the values at 31 December 2015.

The expense for operating leases is recorded in general expense and amounts to CHF 1.5 million (2014: CHF 1.7 million).

The rental income from operating leasing of about CHF 7.6 million (2014: CHF 2.9 million) is part of other income (see Note 4) and is related mainly to the new investment property Petrovsky Fort.

21. INVESTMENT PROPERTY

in CHF 1,000	Investment properties buildings	Embedded derivatives	Investment properties financial leasing	Total
Carrying amount at 31 December 2013				0
Change in scope of consolidation additions	48,852	797	2,398	52,047
Investments	16			16
Fair value adjustments including foreign currency effects	9,938	3,423		13,361
Foreign exchange translation differences	-17,758	-1,275	-724	-19,757
Carrying amount at 31 December 2014	**41,048**	**2,945**	**1,674**	**45,667**
Investments	1		128	129
Fair value adjustments including foreign currency effects	-5,327	1,422		-3,905
Foreign exchange translation differences	-7,572	-820	-346	-8,738
Carrying amount at 31 December 2015	**28,150**	**3,547**	**1,456**	**33,153**
Rental income from investment property (gross) 2015				7,640
Rental income from investment property (gross) 2014				2,749
Maintenance and operating costs for investment properties 2015				-1,670
Maintenance and operating costs for investment properties 2014				-534

At 30 September 2014, ENR Group acquired in a business combination the business premises Petrovsky Fort in St. Petersburg, Russia (see Note 40). Rental incomes of the investment property are contractually linked to USD/ruble-rates. The translation to functional currency results in significant impact on the fair value of the investment property. The fair value is appraised by an independent expert yearly. Based on the input parameters of the valuation method used, the measurement of fair value is categorised under level 3.

22. ACCRUED AND DEFERRED ASSETS

in CHF 1,000	31.12.2015	31.12.2014
Management and performance fees	10	3,410
Accrued interest	209	4,940
Other accrued and deferred assets	2,099	2,755
Total	**2,318**	**11,105**

23. OPEN DERIVATIVE FINANCIAL INSTRUMENTS (TRADING INSTRUMENTS)

in CHF 1,000	Positive replacement values	Negative replacement values	Contract volume
Debt instruments			
Forward contracts			0
Swaps			0
Total at 31 December 2015	**0**	**0**	**0**
Forward contracts		244	117,713
Swaps		546	14,430
Total at 31 December 2014	**0**	**790**	**132,143**
Currencies/precious metals			
Forward contracts		192	14,966
Options (OTC)		3,548	7,641
Total at 31 December 2015	**0**	**3,740**	**22,607**
Forward contracts	929	1,731	106,878
Options (OTC)		2,945	7,878
Total at 31 December 2014	**929**	**4,676**	**114,756**
Equity instruments/indices			
Forward contracts			0
Options (OTC)			0
Total at 31 December 2015	**0**	**0**	**0**
Forward contracts	468		14,821
Options (OTC)	76	76	1,212
Total at 31 December 2014	**544**	**76**	**16,033**
Others			
Forward contracts			0
Options (OTC)			0
Total at 31 December 2015	**0**	**0**	**0**
Forward contracts		272	8,959
Options (OTC)	0	0	0
Total at 31 December 2014	**0**	**272**	**8,959**
Total open derivative financial instruments at 31 December 2015	**0**	**3,740**	**22,607**
Total open derivative financial instruments at 31 December 2014	**1,473**	**5,814**	**271,891**

24. OTHER ASSETS

in CHF 1,000	31.12.2015	31.12.2014
Value added tax and other indirect taxes	691	658
Other receivables, including accounts receivable	13,373	30,191
Other assets	0	1,953
Total	**14,064**	**32,802**

Other receivables consist mainly of the parts as described below:

Included in this category is a receivable of CHF 4.2 million (previous year CHF 6.8 million) due from the purchaser of Valartis Bank AG and Valartis Wealth Management SA which constitutes the deferred divestment price.

Valartis Group received CHF 3.4 million from the cash-collateralised escrow accounts in connection with the sale of EPH and had to write-off the remaining sum of CHF 2.6 million against the 2015 result. The remaining escrow account, or CHF 3.6 million, concerns a third party. Future trends for this position will not affect Valartis Group's income.

Also included in other receivables is an advance payment of CHF 4.7 million for an investment in a real estate property by ENR Group.

25. GOODWILL AND OTHER INTANGIBLE ASSETS

in CHF 1,000	Goodwill	Intangible assets with finite useful lives	Total
Acquisition costs			
Carrying amount at 31 December 2013	**28,180**	**48,060**	**76,240**
Investments	3,306	44	3,350
Divestments		-7	-7
Foreign exchange translation differences	-1,206	-692	-1,898
Carrying amount at 31 December 2014	**30,280**	**47,405**	**77,685**
Investments		-6	-6
Discontinued operations (Note 39)	-15,409	-45,459	-60,868
Foreign exchange translation differences	-472		-472
Carrying amount at 31 December 2015	**14,399**	**1,940**	**16,339**
Cumulative amortisation/impairment			
Carrying amount at 31 December 2013	**0**	**-26,750**	**-26,750**
Amortisation		-5,255	-5,255
Losses from impairment	-10,600		-10,600
Divestments		7	7
Foreign exchange translation differences	75	420	495
Carrying amount at 31 December 2014	**-10,525**	**-31,578**	**-42,103**
Amortisation		-953	-953
Losses from impairment	-9,562		-9,562
Divestments			0
Discontinued operations (Note 39)	7,525	30,585	38,110
Foreign exchange translation differences		6	6
Carrying amount at 31 December 2015	**-12,562**	**-1,940**	**-14,502**
Net carrying amount at 31 December 2015	**1,837**	**0**	**1,837**
Net carrying amount at 31 December 2014	**19,755**	**15,827**	**35,582**

Allocation and carrying amounts of goodwill and intangible assets

As of 31 December 2015, the carrying amounts of goodwill and intangible assets for continued operations are allocated to the corresponding cash-generating units (CGUs) as follows:

2015 in CHF 1,000	Goodwill	Intangible assets with finite useful lives	Intangible assets with indefinite useful lives	Total	Approach for determining the recoverable amount
Business segment "Institutional Clients"					
CGU Asset Management				0	Fair value less cost of disposal
CGU Investment Management				0	Value in use
CGU Petrovsky Fort (Investment property)	1,837			1,837	Fair value less cost of disposal
Total	**1,837**	**0**	**0**	**1,837**	

2014 in CHF 1,000	Goodwill	Intangible assets with finite useful lives	Intangible assets with indefinite useful lives	Total	Approach for determining the recoverable amount
Business segment "Private Clients"					
CGU Private Banking Austria	2,759	12,163		14,922	Fair value less cost of disposal
CGU Private Banking Liechtenstein	5,126	2,712		7,838	Fair value less cost of disposal
Subtotal	**7,885**	**14,875**	**0**	**22,760**	
Business segment "Institutional Clients"					
CGU Asset Management	7,583			7,583	Fair value less cost of disposal
CGU Investment Management	1,980	952		2,932	Value in use
CGU Petrovsky Fort (Investment property)	2,307			2,307	Fair value less cost of disposal
Subtotal	**11,870**	**952**	**0**	**12,822**	
Total	**19,755**	**15,827**	**0**	**35,582**	

The goodwill and intangible assets of the business segment "Private Client's" have been allocated to discontinued operations since 31 December, 2015. For the assessment of goodwil and intangible assets of the discontinued operations, please see Note 39.

Impairment testing of goodwill and intangible assets for GCU Asset Management and Investment Management

An impairment test is performed on the cash-generating units (CGUs) annually as of 31 December, or more frequently if there are indications of a potential impairment. The carrying amount of the CGU to which goodwill and intangible assets were allocated is compared with the recoverable amount. If the carrying amount of the CGU exceeds the recoverable amount, an impairment is recognised.

Impairment 2015

Goodwill and intangible assets of continued operations were tested for impairment on 31 December 2015 and are disclosed in the following section.

CGU Asset Management

Key assumptions for determining fair value less costs of disposal
Valartis Group continues to determine the recoverable amount of all CGUs, with the exception of the CGU Investment Management, based on fair value less costs of disposal. This is the amount that could be realised from the sale of a CGU in an arm's length transaction at market conditions between knowledgeable and willing parties after deduction of the costs of disposal.

In Asset Management, sales prices are typically determined on the basis of the reported equity value plus an amount for intangible assets not included in the balance sheet (primarily the client list and goodwill). This additional amount is normally derived from a percentage of client assets under management, so-called AuM multipliers. Valartis Group thus determines fair value less costs of disposal on the basis of the valuation of client assets under management using AuM multipliers, minus costs of disposal. Valartis Group applied the following key assumptions in this regard:

- Expected net margin: The expected net margin corresponds to the average profitability of the asset class. For client assets that are recognised, this refers to a net interest margin. For client assets that are not recognised, this refers to a net commission margin. In Asset Management, it refers to the net commission margin of individual mandates. In Asset Management, for mandates the margin was 0.5 per cent to 1.5 per cent (previous year: 0.5 per cent to 1.5 per cent), depending on the contracts agreed with the client. The appropriateness of these assumptions is continually monitored using back testing.
- Multiplication factor: The multiplication factor reflects how often a potential buyer is willing to pay the expected net margin on an annual basis. Assumptions are based on management expectations and take into consideration the wording and term of the contracts. Depending on the asset class or mandate in question, a multiplication factor of 1.0 to 2.3 was applied in prior year.

Due to reorganisation and the introduction of a new strategic direction of Valartis Group after the planned sale of the private banking business in Liechtenstein and Austria and a steady decrease of the assets under management, the management assessed the goodwill as impaired in full. This impairment of CHF 7.6 million on the goodwill for CGU Asset Management was booked at the expense of earnings 2015.

Based on the input parameters of the valuation method used, the measurement of fair value is categorised under Level 3.

CGU Investment Management

Key assumptions for determining value in use:
The recoverable amount of the CGU Investment Management is determined on the basis of calculated value in use, applying cash flow projections and the discounted cash flow method. The CGU Investment Management contains corporate finance services. The cash flow projections are based on the following assumptions:

- Development of service fee business: For the cash flow projections, management has used the annual budget as well as the three-year medium-term plan.
- Cost development: Management has projected the corresponding costs based on the actual operating expenses of the CGU's activities.
- Discount rate: In line with the capital asset pricing model (CAPM), a weighted average cost of capital of 9.4 per cent was used for discounting cash flows in prior year.
- Growth rate estimates: The approach used to determine the key assumptions and the associated growth rates is based on management's knowledge and appropriate expectations of future business development. Internal and external market information is used for this purpose. To this end, the Group uses historical information, taking into account the current and expected market situations. Cash flow projections outside of the three-year period are taken into consideration by means of a perpetual annuity. A growth rate for the perpetual annuity is not taken into consideration given the strong dependence of the cash flows on external factors.

Due to reorganisation and the introduction of a new strategic direction of Valartis Group some members of the corporate finance team left Valartis. In addition it was considered that a significant part of the client base is not available anymore for offering services by the corporate finance team after the sale of the private banking business in Liechtenstein and Austria. Due to this consideration an impairment charge of CHF 2.0 million for the goodwill of the CGU Investment Management was booked for the year 2015.

CGU Petrovsky Fort

The acquisition of Romsay Properties Ltd and Stainfield Ltd by ENR Group in 2014 resulted in goodwill (goodwill Petrovsky Fort) of CHF 2.3 million as at 31 December, 2014. The reduction of CHF 0.5 million to CHF 1.8 million as at 31 December, 2015, can be attributed to exchange-rate differences arising from the sharp drop in the Russian ruble.

Recognised goodwill is based on the structure of the three entities acquired, which hold the investment property Petrovsky Fort. Goodwill can primarily be attributed to recognised deferred taxes which are linked with the investment property and the company structure. Impairment testing of goodwill is based on a comparison between the market value of deferred taxes and their book value. In 2015, there was no need for impairment.

Impairment 2014

Goodwill and intangible assets were tested for impairment on 31 December 2014. The test resulted in impairments amounting to CHF 7.6 million for CGU's Private Banking Austria and CHF 3.0 million for CGU Asset Management. This impairment was booked at the expense of earnings for 2014 in continued operations.

26. ASSETS PLEDGED OR ASSIGNED TO SECURE OWN LIABILITIES AND ASSETS UNDER RESERVATION OF OWNERSHIP

in CHF 1,000	31.12.2015		31.12.2014	
	Market value	Effective commitment	Market value	Effective commitment
Amounts due from banks and clients	0	0	5,124	5,124
Financial instruments	0	0	9,938	9,938
Investment property	28,150	24,079	41,048	41,048
Other assets	400	400	5,000	5,000
Total	**28,550**	**24,479**	**61,110**	**61,110**
Intercompany loan [1)]	23,867	23,867	25,853	25,853

1) An intercompany loan has assigned to secure a loan from a third party. In the consolidation process the intra-group loan is eliminated and is therefore not included in the consolidated assets of Valartis Group.

The investment property is pledged to the financing bank. Due to the current moratorium proceedings in connection with Valartis Finance Holding AG, Valartis Group is not able to freely dispose of assets which were used as collateral for intra-Group loans. This includes holdings in fully consolidated subsidiaries and in associated companies amounting to CHF 11.1 million and financial instruments "available for sale" of CHF 16.0 million.

27. DUE TO CLIENTS

in CHF 1,000	31.12.2015	31.12.2014
Due to banks	30,946	58,349
Total	**30,946**	**58,349**
Due to clients in the form of savings and investments		251
Due to clients precious metals		1,372
Other amounts due to clients and lenders	29,503	2,519,372
Total	**29,503**	**2,520,995**

The position due to banks includes the loan facility agreement of CHF 24.08 million (previous year CHF 30.45 million) with Unicredit Bank financing the investment property Petrovsky Fort. The following loan covenants were not met anymore at 31 December 2015:

- ratio of debt service to rental income (at least 115 per cent)
- ratio of loan-to-value (not more than 55 per cent)
- minimum rental rate per square meter (at least USD 156 per square meter)

As Valartis Group did not comply with these loan covenants at 31 December 2015, the loan is treated and disclosed as a short-term loan. UniCredit Bank, as per the loan agreement, has the right to accelerate the repayment of the loan.

The management of the Valartis entity is in discussion with UniCredit Bank to remedy the breach of covenants.

28. ACCRUED AND DEFERRED LIABILITIES

in CHF 1,000	31.12.2015	31.12.2014
Trailer fees	0	6,843
Accrued salaries, bonuses and social security benefits	93	4,434
Other accrued and deferred liabilities	8,473	5,968
Total	**8,566**	**17,245**

29. OTHER LIABILITIES

in CHF 1,000	31.12.2015	31.12.2014
Value added tax and other indirect tax liabilities	1,176	1,964
Liabilities to the company pension fund [1)]	3,284	1,397
Other liabilities including creditors	4,717	7,598
Liabilities from financial leasing	1,455	1,676
Other		519
Total	**10,632**	**13,154**

1) See Note 12, employee pension plan.

Details to liabilities from financial leasing

The liabilities from financial leases are paid over the contractual period and are due at the balance sheet date listed below:

in CHF 1,000	31.12.2015	31.12.2014
Sum of future leasing payments (nominal value)		
Up to one year	177	203
More than one and up to five years	707	812
More than five years	5,476	6,497
Total	**6,360**	**7,512**
Sum of future leasing payments (present value)		
Up to one year	2	3
More than one and up to five years	14	15
More than five years	1,439	1,658
Total	**1,455**	**1,676**

30. ISSUED DEBT INSTRUMENTS

in CHF 1,000	31.12.2015	31.12.2014
Private placements	0	12,025
Total issued debt instruments	0	12,025
of which subordinated	0	12,025

Detailed overview of long-term debt instruments issued

2014 in CHF 1,000	Year of issue	Interest rate nominal	Interest rate effective	Maturity	Currency	Nominal amount in 1,000 EUR	Carrying amount in 1,000 CHF
Valartis Bank (Liechtenstein) AG	2013	4 %	4 %	14.6. 2018	EUR	10,000	12,025

Valartis Bank (Liechtenstein) AG issued a subordinated debt instrument in the amount of EUR 10 million via a private placement in 2013. All assets and liabilities of Valartis Bank (Liechtenstein) AG are classified for 2015 as discontinued operations.

In respect of the issued debt securities, there were no late payments or breaches of contract in the year under review.

31. PROVISIONS

in CHF 1,000	Provision for other business risks	Provision for litigation and tax risks	Other provisions	Total according to balance sheet 2015	Total according to balance sheet 2014
Position at 1 January	1,268	2,425	0	3,693	2,096
Utilised/released in accordance with designated purpose	-386	-1,014		-1,400	-363
Newly formed and charged to income statement	910	0		910	2,323
Released and credited to income statement	-13	-206		-219	-387
Discontinued operations (Note 39)	0	-1,102		-1,102	0
Foreign exchange translation differences	-191	-12		-203	24
Position at 31 December	**1,588**	**91**	**0**	**1,679**	**3,693**
Maturity of the provisions					
Within one year	1,588	91		1,316	3,693
More than one year				363	

Of the total CHF 3.7 million provisions from the previous year, CHF 1.1 million is from discontinued operations. Provisions for continued operations have decreased by CHF 0.9 million over the previous year, from CHF 2.6 million to CHF 1.7 million, as at 31 December 2015.

This decrease can largely be attributed to specific utilisation of CHF 1.4 million and the CHF 0.4 million which were released and recognised in the income statement, plus the creation of additional provisions amounting to CHF 0.9 million. The CHF 0.9 million increase in provisions for other business risks is primarily attributable to current supervisory reviews by regulatory authorities.

As part of its normal business activities, Valartis Group is exposed to a wide range of legal risks. These include in particular risks relating to litigation and tax law. Valartis Group recognises provisions for such litigation and tax risks if the Group's management and its legal advisers are of the opinion that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount. The utilised provision for designated purpose was due to a payment to Swiss tax authorities in connection with a completed tax case in current year.

The amount of the provisions and their timing are by their nature subject to uncertainty. However, these uncertainties are evaluated as being low since it was possible to reliably estimate the individual amounts and the majority of the recognised provisions will probably become due within one year.

In 2015 there were no contingent liabilities as set down in IAS 37 (2014: nil).

32. SHARE CAPITAL

in CHF	31.12.2015	31.12.2014
Share capital, fully paid-in	5,000,000	5,000,000
Number of bearer shares	5,000,000	5,000,000
Nominal value per share	1	1
Equity per share (attributable to shareholders of Valartis Group AG, before appropriation of profit)	25.0	40.2

For the financial year 2015, the Board of Directors proposes to the shareholder's meeting to pay no dividend (previous year: no dividend).

33. TREASURY SHARES

Number	2015	2014
Position at 1 January	355,725	406,040
Purchases		24,699
Sales	-72,567	-75,014
Position at 31 December	**283,158**	**355,725**

In 2015, no shares were bought and 72,567 shares with a historical average price of CHF 21.65 were sold at an average price of CHF 16.09 each. In 2014, 24,699 shares were bought at CHF 19.64 each and 75,014 shares were sold at CHF 22.37 each. At the balance sheet date, Valartis Group had 283,158 treasury shares at a weighted average acquisition price of CHF 21.65 per share.

34. CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS BY CURRENCY

2015 in CHF 1,000	CHF	EUR	USD	Others	Total currencies
Assets					
Cash	4				4
Due from banks	16,759	1,980	4,364	381	23,484
Due from clients	8,485	11,807	662	391	21,345
Trading portfolio assets	6,789	236	14,235	25	21,285
Financial assets available for sale	20,934	194			21,128
Other assets at fair value			2,063		2,063
Associated companies	15,949	401		20,775	37,125
Property, plant and equipment	233			84	317
Investment property			31,713	1,440	33,153
Accrued and deferred assets	1,845	354		119	2,318
Derivative financial instruments					0
Other assets	4,211	1,229	3,549	5,075	14,064
Goodwill and other intangible assets				1,837	1,837
Deferred tax claims				308	308
On-balance-sheet assets	**75,209**	**16,201**	**56,586**	**30,435**	**178,431**
Assets classified as held for sale					2,028,207
Total assets					**2,206,638**
Claims arising from forex spot and forward trans.					0
Total at 31 December 2015	**75,209**	**16,201**	**56,586**	**30,435**	**2,206,638**
Liabilities and shareholders' equity					
Due to banks	6,867		24,079		30,946
Due to clients	2,010	20,373	7,120		29,503
Derivative financial instruments	192			3,548	3,740
Taxes	458				458
Accrued and deferred liabilities	6,397	1,344	3	822	8,566
Other liabilities	7,865	810		1,957	10,632
Issued debt instruments					0
Provisions	54	1,262		363	1,679
Deferred tax liabilities	87				87
Shareholders' equity	159,608				159,608
On-balance-sheet liabilities	**183,538**	**23,789**	**31,202**	**6,690**	**245,219**
Liabilities classified as held for sale					1,961,419
Total liabilities					**2,206,638**
Obli. arising from forex spot and forward trans.			14,965		14,965
Total at 31 December 2015	**183,538**	**23,789**	**46,167**	**6,690**	**2,221,603**
Net position per currency 31 December 2015	**-108,329**	**-7,588**	**10,419**	**23,745**	**-81,753**

2014 in CHF 1,000	CHF	EUR	USD	Others	Total currencies
Assets					
Cash	115,387	676,375	209	106	792,077
Due from banks	78,614	209,443	844,330	173,292	1,305,679
Due from clients	34,853	62,963	88,844	42,197	228,857
Trading portfolio assets	8,070	8,586	18,709	57	35,422
Financial assets available for sale	22,189	116,697	20,584		159,470
Financial assets held to maturity	10,504	32,927	89,211	1,225	133,867
Other assets at fair value		29	7,732		7,761
Associated companies	15,252	1,615		28,468	45,335
Property, plant and equipment	42,712	893		150	43,755
Investment property			43,993	1,674	45,667
Accrued and deferred assets	4,864	3,303	2,625	313	11,105
Derivative financial instruments	490	52	900	31	1,473
Other assets	8,698	9,301	8,361	6,442	32,802
Goodwill and other intangible assets	18,353	14,922		2,307	35,582
Deferred tax claims	79	7,317			7,396
On-balance-sheet assets	**360,065**	**1,144,423**	**1,125,498**	**256,262**	**2,886,248**
Claims arising from forex spot and forward trans.	14,924	20,021	32,400	9,758	77,103
Total at 31 December 2014	**374,989**	**1,164,444**	**1,157,898**	**266,020**	**2,963,351**
Liabilities and shareholders' equity					
Due to banks	15,827	8,120	32,808	1,594	58,349
Due to clients	192,269	1,064,638	1,058,990	205,098	2,520,995
Derivative financial instruments	1,403	592	844	2,975	5,814
Taxes	2,312	63			2,375
Accrued and deferred liabilities	10,320	5,084	590	1,251	17,245
Other liabilities	4,866	6,015	44	2,229	13,154
Issued debt instruments		12,025			12,025
Provisions	1,400	2,293			3,693
Deferred tax liabilities	2,933	8,182		834	11,949
Shareholders' equity	240,649				240,649
On-balance-sheet liabilities	**471,979**	**1,107,012**	**1,093,276**	**213,981**	**2,886,248**
Obli. arising from forex spot and forward trans.	14,908	20,018	32,388	9,758	77,072
Total at 31 December 2014	**486,887**	**1,127,030**	**1,125,664**	**223,739**	**2,963,320**
Net position per currency 31 December 2014	**-111,898**	**37,414**	**32,234**	**42,281**	**31**

35. MATURITY STRUCTURE OF ASSETS, LIABILITIES, AND OFF-BALANCE-SHEET ITEMS

2015 in CHF 1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets							
Cash	4						4
Due from banks	23,158	212	0	0	114		23,484
Due from clients	90		5,365	2,569	13,320	1	21,345
Trading portfolio assets	21,285						21,285
Financial assets available for sale				34	21,094	0	21,128
Financial assets held to maturity							0
Other financial assets at fair value					2,063		2,063
Associated companies				4,649	20,775	11,701	37,125
Property, plant and equipment					317		317
Investment property						33,153	33,153
Accrued and deferred assets			766	1,337	126	89	2,318
Derivative financial instruments							0
Other assets	5		5,747	4,764	3,548		14,064
Goodwill and other intangible assets						1,837	1,837
Deferred tax claims					308		308
Total at 31 December 2015	**44,542**	**212**	**11,878**	**13,353**	**61,665**	**46,781**	**178,431**
Liabilities							
Due to banks	24,087	41		6,818			30,946
Due to clients	3,332		329	22,076	3,766		29,503
Derivative financial instruments			191	3,549			3,740
Taxes				458			458
Accrued and deferred liabilities	2,141		1,174	5,251			8,566
Other liabilities	4,275		1,175	349	3,378	1,455	10,632
Issued debt instruments							
Provisions				1,316	363		1,679
Deferred tax liabilities	87				0		87
Total at 31 December 2015	**33,922**	**41**	**2,869**	**39,817**	**7,507**	**1,455**	**85,611**
Contingent liabilities							0
Irrevocable commitments							0
Total at 31 December 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**

2014 in CHF 1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Assets							
Cash	792,077						792,077
Due from banks	474,721	31,589	365,230	434,139			1,305,679
Due from clients	90,477		21,538	21,302	56,132	39,408	228,857
Trading portfolio assets	35,422						35,422
Financial assets available for sale	4,621	793	21,729	69,750	61,832	745	159,470
Financial assets held to maturity			16,220	31,240	86,407		133,867
Other financial assets at fair value	29				7,732		7,761
Associated companies	28,468					16,867	45,335
Property, plant and equipment					2,834	40,921	43,755
Investment property						45,667	45,667
Accrued and deferred assets	3,961		3,276	3,448	420		11,105
Derivative financial instruments			1,308	100	65		1,473
Other assets	2,596		6,675	15,882	7,649		32,802
Goodwill and other intangible assets				5,326	10,501	19,755	35,582
Deferred tax claims		17		0	254	7,125	7,396
Total at 31 December 2014	**1,432,372**	**32,399**	**435,976**	**581,187**	**233,826**	**170,488**	**2,886,248**
Liabilities							
Due to banks	4,999		32,084	20,706	360	200	58,349
Due to clients	2,409,571	3,484	47,862	29,827	28,661	1,590	2,520,995
Derivative financial instruments			2,607	3,172	35		5,814
Taxes	2,151		16	57	151		2,375
Accrued and deferred liabilities	8,032		1,711	7,502			17,245
Other liabilities	7,736		719	1,436	1,587	1,676	13,154
Issued debt instruments					12,025		12,025
Provisions	1,102			2,591			3,693
Deferred tax liabilities	2,078		4	4	344	9,519	11,949
Total at 31 December 2014	**2,435,669**	**3,484**	**85,003**	**65,295**	**43,163**	**12,985**	**2,645,599**
Contingent liabilities	7,134	7,121	159	495	445	1,383	16,737
Irrevocable commitments							0
Total at 31 December 2014	**7,134**	**7,121**	**159**	**495**	**445**	**1,383**	**16,737**

36. ASSETS AND LIABILITIES BY DOMESTIC AND NON-DOMESTIC POSITIONS

in CHF 1,000	Domestic	Non-domestic	Total
Assets			
Cash	4		4
Due from banks	22,163	1,321	23,484
Due from clients	384	20,961	21,345
Trading portfolio assets	3,417	17,868	21,285
Financial assets available for sale	20,934	194	21,128
Financial assets held to maturity			0
Other financial assets at fair value		2,063	2,063
Associated companies	15,949	21,176	37,125
Property, plant and equipment	234	83	317
Investment property		33,153	33,153
Accrued and deferred assets	1,082	1,236	2,318
Derivative financial instruments			0
Other assets	4,212	9,852	14,064
Goodwill and other intangible assets		1,837	1,837
Deferred tax claims		308	308
Total at 31 December 2015	**68,379**	**110,052**	**178,431**
Assets classified as held for sale			2,028,207
Total assets at 31 December 2015			**2,206,638**
Total at 31 December 2014	**506,602**	**2,379,646**	**2,886,248**
Liabilities and shareholders' equity			
Due to banks	6,867	24,079	30,946
Due to clients	2,008	27,495	29,503
Derivative financial instruments	192	3,548	3,740
Taxes	458		458
Accrued and deferred liabilities	4,537	4,029	8,566
Other liabilities	7,865	2,767	10,632
Issued debt instruments			0
Provisions	54	1,625	1,679
Deferred tax liabilities	87		87
Shareholders' equity	159,608		159,608
Total at 31 December 2014	**181,676**	**63,543**	**245,219**
Liabilities classified as held for sale			1,961,419
Total liabilities at 31 December 2015			**2,206,638**
Total at 31 December 2014	**343,524**	**2,542,724**	**2,886,248**

37. SHAREHOLDER STRUCTURE

in per cent	31.12.2015	31.12.2014
MCG Holding SA, Baar ZG	50.2	50.2
INTEGRAL Stiftung für die berufliche Vorsorge, Thusis GR	5.1	5.1
Gustav Stenbolt	0.8	0.5
Philipp LeibundGut [1)]		0.4

1) Resigned from Valartis Group in 2015.

The share capital consists of bearer shares. The owners of the shares are only known to Valartis Group if they either individually or collectively exceed the threshold and report according to the Stock Exchange Act.

The beneficial owners of MCG Holding SA are Gustav Stenbolt, Geneva, Tidesea Ltd., Baar (100 per cent controlled by Gustav Stenbolt, Geneva), Philipp LeibundGut, Zurich, Pierre Michel Houmard, Geneva, and Tudor Private Portfolio LLC, Greenwich, USA. The following are deemed to be holders of qualified participations : a) Gustav Stenbolt, who holds 72.5 per cent of the voting rights (63.5 per cent of the share capital) of MCG Holding SA (partly held through Tidesea Ltd., Baar), b) Philipp LeibundGut, who holds 14.8 per cent of the voting rights (19.7 per cent of the share capital) of MCG Holding SA, and c) Tudor Private Portfolio LLC, Greenwich, USA, which holds 12.2 per cent of the voting rights (16.3 per cent of the share capital) of MCG Holding SA.

Tudor Private Portfolio LLC is wholly controlled by Tudor Group Holdings LLC, Greenwich, USA, which is in turn controlled by Paul Tudor Jones of Greenwich, USA. Pierre Michel Houmard holds 0.4 per cent of the voting rights (0.6 per cent of the share capital) of MCG Holding SA.

The shares held directly by Gustav Stenbolt as at 31 December 2015 originate from the bonus plans for the Group Executive Management and employees which are managed by Valartis.

38. NETTING AGREEMENTS

To reduce credit risks related to derivative contracts, repurchase and reverse-repurchase agreements, and securities lending and borrowing agreements, the Valartis 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 derivatives market rules.

The netting agreements enable Valartis 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 to off-set 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 off-setting, which is why the book values of the corresponding financial instruments are not off-set on the balance sheet.

Financial assets with netting agreements

in CHF 1,000	Amount before balance sheet off-setting	Balance sheet off-setting	Book value	Financial instruments not off-set	Collateral received	Net exposure
Derivative financial instruments	0		0			0
Total 31 December 2015	**0**	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments	1,473		1,473	970		503
Total 31 December 2014	**1,473**	**0**	**1,473**	**970**	**0**	**503**

Financial liabilities with netting agreements

in CHF 1,000	Amount before balance sheet off-setting	Balance sheet off-setting	Book value	Financial instruments not off-set	Collateral provided	Net exposure
Derivative financial instruments	191		191		191	0
Total 31 December 2015	**191**	**0**	**191**	**0**	**191**	**0**
Derivative financial instruments	2,869		2,869	970	1,139	760
Total 31 December 2014	**2,869**	**0**	**2,869**	**970**	**1,139**	**760**

39. SALE OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

Discontinued operations

Against the background of the need for restructuring at Valartis Group AG in Switzerland and Valartis Finance Holding AG in Liechtenstein, the Boards of Directors of the holding companies resolved to implement recovery plans in third quarter of 2015. The primary objective of these recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG.

As a result of these divestments, International Reporting Standards (IFRS) for continued and discontinued operations (IFRS 5, Discontinued operations) were applicable to the 2015 Annual Report. The consolidated income statement for the previous year was adjusted accordingly. In addition, for 2014 , Valartis Bank AG, Switzerland, which was divested on 29 August 2014, and Valartis Wealth Management, which was also divested, are both included in the results for discontinued operations.

Business segment Valartis Bank (Austria) AG

On 18 December 2015, Valartis Bank (Austria) AG and Wiener Privatbank SE signed an Asset Purchase Agreement governing the takeover of the major banking operations of Valartis Bank (Austria) AG. The banking operations, together with the holding in the investment company, will be taken over within the framework of an asset deal. The bank's real estate in Vienna will be acquired by a joint venture company in which Wiener Privatbank SE holds the majority. After fulfilment of all conditions precedent, closing took place on the takeover, according to plan, on 1 April 2016 – after the balance sheet date. The few assets and liabilities which have not been taken over by the purchaser are reported in continued operations.

Business segment Valartis Bank (Liechtenstein) AG

On the balance sheet date, the sales contract for Valartis Bank (Liechtenstein) AG had not yet been signed. On 29 March 2016, Valartis Finance Holding AG and Citychamp Watch & Jewellery Group Ltd, Hongkong, signed a Share Purchase Agreement governing the sale of shares in Valartis Bank (Liechtenstein) AG. Valartis Finance Holding AG holds around 70 per cent of capital and 89 per cent of voting rights in the bank. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions. The Board of Directors expects closing to take place by 30 June 2016.

The following sections list results, together with assets and liabilities which are held as "available for sale".

Results of discontinued operations

in CHF 1,000			2015				2014
Income statement of discontinued operations	GB Austria	GB Liechtenstein	**Total**	GB Austria	GB Liechtenstein	Valartis Bank AG Valartis Wealth Management SA	**Total**
Operating income	11,205	47,527	58,732	12,965	45,180	14,535	72,680
Administrative expense	-13,094	-25,271	-38,365	-14,389	-21,037	-28,787	-64,213
Gross income	**-1,889**	**22,256**	**20,367**	**-1,424**	**24,143**	**-14,252**	**8,467**
Depreciation/amortisation of property, plant and equipment and intangible assets	-1,436	-1,755	-3,191	-3,223	-3,535	-1,323	-8,081
Valuation adjustments, provisions and losses	-12,077	-933	-13,010	-8,610	-999	-1,641	-11,250
Impairment loss recognised on the remeasurement to fair value less costs to disposal	-1,175		-1,175				0
Net loss/profit from discontinued operations before tax	**-16,577**	**19,568**	**2,991**	**-13,257**	**19,609**	**-17,216**	**-10,864**
Income taxes	-4,071	-2,336	-6,407	-61	-2,312	-2,384	-4,757
Income tax effects from measurement to fair value less cost do distribute (deferred tax)	294		294				-
Net loss/profit from discontinued operations	**-20,354**	**17,232**	**-3,122**	**-13,318**	**17,297**	**-19,600**	**-15,621**
Other comprehensive income of discontinued operations							
Unrealised gains/losses from financial assets available for sale	-252	-99	-351	258	55		313
Remeasurement of defined benefit plans	-158		-158	-309			-309
Foreign exchange translation difference	-7,296		-7,296	-1,563			-1,563
Total recognised in other comprehensive income	**-7,706**	**-99**	**-7,805**	**-1,614**	**55**		**-1,559**
Cash flow from discontinued operations							
Cash flow from operating activities	-78,575	186,570	107,995	54,750	463,222	-232,963	285,009
Cash flow from investment activities	-61,668	-251,593	-313,261	-111,588	-82,091	707	-192,972
Cash flow from financing activities		-6,496	-6,496	-7,773	-24,443		-32,216
Net cash flow	**-140,243**	**-71,519**	**-211,762**	**-64,611**	**356,688**	**-232,256**	**59,821**

Earnings per share – discontinued operations							
in CHF							
Undiluted earnings attributable to shareholders of Valartis Group AG			-0.67				-3.37
Diluted earnings attributable to shareholders of Valartis Group AG			-0.67				-3.37

Assets and liabilities classified as held for sale

in CHF 1,000	2015 GB Austria	2015 GB Liechtenstein	2015 Total 2015
Assets classified as held for sale			
Cash and balances with central banks	92,046	817,882	909,928
Due from banks	87,363	252,241	339,604
Due from clients	12,200	130,734	142,934
Trading portfolio assets		3,417	3,417
Financial assets available for sale	164,309	202,880	367,189
Financial assets held to maturity	1,091	206,433	207,524
Property, plant and equipment	17,607	21,895	39,502
Accrued and deferred assets	528	4,773	5,301
Derivative financial instruments	10	1,053	1,063
Other assets	2,363	2,237	4,600
Goodwill and other intangible assets	159	6,986	7,145
Total assets classified as held for sale	**377,676**	**1,650,531**	**2,028,207**
Liabilities directly associated with the assets classified as held for sale			
Due to banks	5,179	583	5,762
Due to clients	337,664	1,582,901	1,920,565
Derivative financial instruments		991	991
Current income taxes		3,021	3,021
Accrued and deferred liabilities	1,753	6,165	7,918
Other liabilities	1,003	1,863	2,866
Issued debt instruments		10,830	10,830
Provisions	1,207	812	2,019
Deferred tax liabilities	4,544	2,903	7,447
Total liabilities directly associated with the assets classified as held for sale	**351,350**	**1,610,069**	**1,961,419**
Net assets/(liabilities)			**66,788**

Measurement

Immediately prior to classification as discontinued operations, the book value of assets and liabilities is determined in accordance with the appropriate IFRS standard.

The necessity for impairment testing was identified for the business segment Austria. Intangible assets of CHF 9.6 million and goodwill of CHF 2.4 million were impaired in full. Recognised deferred tax assets amounting to CHF 6.1 million were written-off. Following signing of the sales contract, the overall book values of assets and liabilities for the discontinued business segment Austria were compared against the estimated return on the sale, minus the costs generated. The result of this comparison was further impairment of TCHF 1,175 before tax (TCHF 825 after taxes). This was posted on a pro-rata basis to the fixed assets of the business segment Austria.

In the case of the business segment Liechtenstein, no need for impairment was identified, either prior to classification as discontinued operations, or during comparison against the estimated fair value less cost of disposal.

Details for the disposal of Valartis Bank AG and Valartis Wealth Management SA per 29 August 2014

in CHF 1,000	29.8.2014
Balance sheet at closing date	
Cash and due from banks	496,874
Due from clients	443,523
Trading portfolio assets	28,794
Property, plant and equipment	1,941
Derivative financial instruments	2,279
Accrued and deferred assets including other assets	4,687
Due to banks	-33,412
Due to clients	-837,709
Derivative financial instruments	-5,504
Accrued and deferred liabilities including other liabilities	-7,033
Provisions	-1,653
Net assets/(liabilities)	**92,787**
	-382
Sales price	**92,405**
whereof in cash and cash equivalents	86,295
whereof as contingent considerations	6,110
Total sales price	**92,405**
Cash and cash equivalents disposed of	-2,396
Net inflow of funds	**90,009**

40. ACQUISITION OF SUBSIDIARIES

in CHF 1,000	30.09.2014
Fair value	
Assets	
Cash and cash equivalents	1,502
Investment properties	51,931
Accrued and deferred assets including other assets	538
Deferred tax assets	5,226
Total assets	**59,196**
Liabilities	
Due to banks and clients	29,857
Due to third parties	11,613
Accrued and deferred liabilities including other liabilities	5,150
Current and deferred tax liabilities	6,960
Total liabilities	**53,580**
Addition net assets	**5,616**
Non-controlling-interests	
Goodwill	3,306
Purchase consideration	**8,922**
Purchase considerations in cash and cash equivalents	-8,654
Acquired cash and cash equivalents	1,502
Net outflow of funds	**-7,152**

In 2015 Valartis Group acquired no subsidiaries.

On 30 September 2014, ENR Group acquired 100 per cent of Romsay Properties Limited (Romsay Ltd.), a company which is registered in Cyprus. Romsay Ltd. has a 100 per cent holding in LLC Petrovsky Fort, a company domiciled in Russia (PF Russia). PF Russia's main asset is a business property in St. Petersburg (Petrovsky Fort). On the same date, ENR Group also acquired a 100-percent holding in Stainfield Ltd, domiciled in Cyprus (Stainfield). Unicredit Bank Austria AG (Unicredit) granted debt financing for Petrovsky Fort via Stainfield and this was extended as a result of the purchase on 30 September 2014.

From 30 September 2014, Romsay Ltd., PF Russia, and Stainfield have been wholly integrated into the Valartis Group consolidation scope.

The purchase price for the 100 per cent holdings in Romsay Ltd. and Stainfield amounted to around CHF 8.91 million (including a price adjustment of CHF 0.25 million which was posted on 31 December 2014 as a liability). In addition to the price for the 100-per- cent holding, ENR Group also assumed the acquired companies' liabilities amounting to CHF 11.22 million and paid this sum to the vendor.

The fair value of the acquired assets and liabilities on 30 September 2014 is listed in the table above.

Since Romsay Ltd. and Stainfield were integrated into the Valartis Group consolidation scope on 30 September 2014, the two companies have achieved turnover of CHF 2.2 million and made a loss of CHF 3.9 million, respectively. If the two companies had been integrated into the consolidation scope at the beginning of the financial year, Valartis Group would have posted a turnover of CHF 6.0 million and a loss of CHF 29.1 million, respectively.

Transaction costs for the acquisition of Romsay Ltd. and Stainfield amount to TCHF 123 and were posted to "other administrative expenses" at the expense of the 2014 result.

41. RELATED PARTIES AND COMPANIES

A related party is a person or entity that has the ability to control the Group or can exert a significant influence on operational and financial decisions. As part of its regular business activities, the Group also conducts transactions (such as securities transactions, payments, etc.) with related parties. Members of the Board of Directors and staff members are granted employee terms and conditions on security transactions (brokerage commission and custody charges). Loans from Valartis Bank AG (sold at 29 August 2014) to Members of the Board of Directors and to employees were granted with a 50 per cent discount on the credit margin. The following table provides an overview of transactions with related parties (persons and entities).

in CHF 1,000	31.12.2015	31.12.2014
Assets		
Key management and relatives	9	7
Associated companies	23,806	26,233
Other related entities	10	1,170
Total	**23,825**	**27,410**
Liabilities		
Key management and relatives	376	
Own pension fund	168	79
Associated companies	12,349	16,493
Other related entities	212	
Total	**13,105**	**16,572**
Expenses		
Key management and relatives	-671	
Associated companies	-152	-52
Total	**-823**	**-52**
Income		
Key management and relatives	17	10
Associated companies	929	1,470
Other related entities	1,263	2,029
Total	**2,209**	**3,509**

On 30 September 2014, ENR Group acquired three entities from Eastern Property Holdings Group (EPH), for further details, we refer to Note 40.

Gustav Stenbolt is a board member of EPH and CEO of Valartis Group (and since January 2015 chairman of the Board of Directors of ENR Russia Invest SA). He did not take part in the decision about the sale and purchase of the three entities from EPH. The purchase price for the three entities is disclosed in Note 40.

Valartis International Ltd., an entity of Valartis Group, performs certain investment management functions for EPH. Receivables and income from these activities are included in the table above in the category “other related parties”.

42. LOANS AND EQUITY HOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT AT YEAR END

2015 Members of the Board of Directors	Gustav Stenbolt, Chairman [1]	Christoph. N. Meister, Vice chairman		Total
Numbers of shares	1,858,623	4,821		1,863,444
Numbers of shares (allotted) [2]	8,289			8,289
Loans and advances in CHF				0
Loans and advances in CHF to related parties				0
Group Executive Management	Stephan Häberle, CEO [3]	George M. Isliker, CFO/CRO		Total
Numbers of shares		9,971		9,971
Numbers of shares (allotted) [2]		5,314		5,314
Loans and advances in CHF				0
Loans and advances in CHF to related parties				0

1) Since 2 June 2015.
2) Allotted shares means shares which have been granted to members of Group Executive Management as bonus component of current year or in prior year, but which have not yet been reached the vesting date.
3) CEO since 3 June 2015.

2014 Members of the Board of Directors	Urs Maurer-Lambrou, Chairman	Rolf Müller-Senn, Vice chairman	Christoph N. Meister	Jean-Francois Duçrest	Felix Fischer [1]	Stephan Häberle [2]	Total
Numbers of shares	1,329	4,417	4,821	2,827			13,394
Loans and advances in CHF							0
Loans and advances in CHF to related parties							0
Group Executive Management	Gustav Stenbolt, CEO	Vincenzo Di Pierri, Deputy CEO	George M. Isliker, CFO/CRO	Total			
Numbers of shares	1,873,821	2,349	5,852	1,882,022			
Numbers of shares (allotted)	20,230	11,899	9,433	41,562			
Loans and advances in CHF				0			
Loans and advances in CHF to related parties				0			

1) Until 13 May 2014.
2) Since 13 May 2014.

43. BUSINESS SEGMENTS

Valartis Group is divided into two business segments – Private Clients and Institutional Clients – as well as the Corporate Center. Indirect costs for internal services rendered between the segments are in principle accounted for as expense by the recipient of the services and as a reduction in expense by the provider, in accordance with the originator principle.

Private Clients

The Private Clients business segment consists of the wealth management business of the two Valartis banks in Austria and the Principality of Liechtenstein. In addition to Central Europe, its core markets include in particular Eastern Europe, the Middle East, parts of North and South America, and certain countries in Asia.

These business segments are being divested. For this reason, the 2015 results for the Private Clients segment are allocated to discontinued operations. Reporting for the previous year was adjusted accordingly. The Private Clients business segment of Valartis Bank AG Zurich, which was divested on 29 August 2014, is also reported under discontinued operations.

Institutional Clients

The Institutional Clients business segment comprises the business areas Asset Management Funds & Investment Companies, Real Estate Funds & Investment Companies, and Corporates & Markets. In addition to asset management, the following group companies also come under this segment: Valartis International Ltd., Valartis Advisory Services SA, MCT Luxembourg Management S.à.r.l. and Valartis Strategic Investments S.à.r.l. It also includes the fully consolidated investment company ENR Russia Invest SA and the associated company Darsi Group (using the equity method).

Corporate Center

The Corporate Center acts as an internal service center for Valartis Group's operational business units. It provides services in the areas of risk management and risk controlling, legal and compliance, finance and controlling, as well as corporate communications and marketing. All consolidation items as well as income and expenses with no direct link to the operative business segments are assigned to the Corporate Center as well.

Segment reporting

2015 in CHF 1,000	Private Clients	Institutional Clients	Corporate Center	Total
Income from interest and dividends		1,503	-3,736	-2,233
Income from commission and service fees		3,851	-318	3,533
Income from trading		-5,865	2,351	-3,514
Other ordinary income		-16,483	-3,358	-19,841
Service from/to other segments				0
Operating income	**0**	**-16,994**	**-5,061**	**-22,055**
Personnel expense		-4,206	-4,180	-8,386
General expense		-3,984	-8,503	-12,487
Administrative expense	**0**	**-8,190**	**-12,683**	**-20,873**
Gross income	**0**	**-25,184**	**-17,744**	**-42,928**
Depreciation and amortisation		-46	-41	-87
Valuation adjustments, provisions and losses		-11,120	-1,634	-12,754
Segment result before amortisation	**0**	**-36,350**	**-19,419**	**-55,769**
Amortisation of tangible and intangible assets (PPA) [1]		-953		-953
Segment result from continued operations after amortisation	**0**	**-37,303**	**-19,419**	**-56,722**
Income taxes				1,434
Net loss from continued operations				-55,288
Net loss after tax from discontinued operations				-3,122
Net loss				**-58,410**
Net loss attributable to shareholders of Valartis Group AG				-57,220
Net loss attributable to non-controlling interests				-1,190
Total assets from continued operations	0	232,339	-53,908	178,431
Total liabilities from continued operations	0	129,269	-43,658	85,611
Total investments for continued operations	0	91	0	91
Assets under management from continued operations, in CHF million	0	439	0	439
Net new money from continued operations, in CHF million	0	-2	0	-2
Employees from continued operations, full-time equivalents	0	41	14	55

1) The amortisation of the additionally activated tangible and intangible assets due to the purchase price allocation are disclosed separately.

2014 in CHF 1,000	Private Clients	Institutional Clients	Corporate Center	Total
Income from interest and dividends		4,131	-3,171	960
Income from commission and service fees		6,033	-50	5,983
Income from trading		-41,099	1,509	-39,590
Other ordinary income		2,378	-1,424	954
Service from/to other segments		-704	704	0
Operating income	**0**	**-29,261**	**-2,432**	**-31,693**
Personnel expense		-5,963	-4,499	-10,462
General expense		-4,627	-2,535	-7,162
Administrative expense	**0**	**-10,590**	**-7,034**	**-17,624**
Gross income	**0**	**-39,851**	**-9,466**	**-49,317**
Depreciation and amortisation		-83	-12	-95
Valuation adjustments, provisions and losses		-10,488	-399	-10,887
Segment result before amortisation	**0**	**-50,422**	**-9,877**	**-60,299**
Amortisation of tangible and intangible assets (PPA)		-1,000		-1,000
Segment result from continued operations after amortisation	**0**	**-51,422**	**-9,877**	**-61,299**
Income taxes				3,642
Net loss from continued operations				-57,657
Net loss after tax from discontinued operations				-15,621
Net loss				**-73,278**
Net loss attributable to shareholders of Valartis Group AG				-69,174
Net loss attributable to non-controlling interests				-4,104
Total assets	2,742,901	320,337	-176,990	2,886,248
Total liabilities	2,613,786	141,735	-109,922	2,645,599
Total investments	1,054	3,538	0	4,592
Assets under management from continued operations, in CHF million	6,095	364	0	6,459
Net new money, in CHF million	530	-245	0	285
Employees, full-time equivalents	166	33	16	215

Information on regions

in CHF 1,000	31.12.2015			31.12.2014		
	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Operating income	-2,843	-19,212	-22,055	-17,003	-14,690	-31,693
Total assets	68,379	110,052	178,431	506,602	2,379,646	2,886,248
Total investments continued operations	91		91	3,489	1,103	4,592

Reporting is based on operating locations.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below shows the carrying amounts and fair values of financial assets and liabilities.

in CHF 1,000	31.12.2015			31.12.2014		
	Book value	Fair value	Deviation	Book value	Fair value	Deviation
Assets						
Cash	4	4		792,077	792,077	
Due from banks	23,484	23,484		1,305,679	1,305,679	
Due from clients	21,345	21,508	163	228,857	229,154	297
Financial assets held to maturity	0	0		133,867	133,995	128
Accrued and deferred assets	2,318	2,318		11,105	11,105	
Other assets	14,064	14,064		32,802	32,802	
Financial assets at amortised costs	**61,215**	**61,378**	**163**	**2,504,387**	**2,504,812**	**425**
Trading portfolio assets	21,285	21,285		35,422	35,422	
Financial assets available for sale	21,128	21,128		159,470	159,470	
Derivative financial instruments	0	0		1,473	1,473	
Other financial assets at fair value	2,063	2,063		7,761	7,761	
Financial assets at fair value	**44,476**	**44,476**	**0**	**204,126**	**204,126**	**0**
Liabilities						
Due to banks	30,946	30,946		58,349	58,349	
Due to clients	29,503	29,503		2,520,995	2,520,995	
Accrued and deferred liabilities	8,566	8,566		17,245	17,245	
Other liabilities	10,632	10,632		13,154	13,154	
Issued debt instruments	0	0	0	12,025	11,800	-225
Financial liabilities at amortised costs	**79,647**	**79,647**	**0**	**2,621,768**	**2,621,543**	**-225**
Derivative financial instruments	3,740	3,740		5,814	5,814	
Financial liabilities at fair value	**3,740**	**3,740**	**0**	**5,814**	**5,814**	**0**

The table below shows the financial instruments and liabilities classified in three levels. For the definition of the levels used we refer to the accounting principles section.

Valuation methods of financial instruments

2015 in CHF 1,000	Quoted market prices (level 1)	Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	31.12.2015
Assets				
Trading portfolio assets	15,470	236	5,579	21,285
Financial assets available for sale			21,128	21,128
Other financial assets at fair value			2,063	2,063
Investment property			29,606	29,606
Embedded derivative on investment property			3,547	3,547
Total investment property			33,153	33,153
Assets at fair value	**15,470**	**236**	**61,923**	**77,629**
Liabilities				
Derivative financial instruments		193	3,547	3,740
Total financial liabilities at fair value	**0**	**193**	**3,547**	**3,740**

In the event of changes in the availability of market prices and/or market liquidity, reclassifications are made at the end of the period under review.

In 2015, no positions were reclassified.

2014 in CHF 1,000	Quoted market prices (level 1)	Valuation method based on market data (level 2)	Valuation method not based on market data (level 3)	31.12.2014
Assets				
Trading portfolio assets	18,978	10,136	6,308	35,422
Financial assets available for sale	137,683	1,003	20,784	159,470
Other financial assets at fair value	29	0	7,732	7,761
Derivative financial instruments	0	1,473	0	1,473
Investment property			42,722	42,722
Embedded derivative on investment property			2,945	2,945
Total investment property			45,667	45,667
Financial assets at fair value	**156,690**	**12,612**	**80,491**	**249,793**
Liabilities				
Derivative financial instruments	0	2,869	2,945	5,814
Total financial liabilities at fair value	**0**	**2,869**	**2,945**	**5,814**

The table below shows the changes in the positions whose fair value is not measured on the basis of market-prices or -data (level 3):

2015 in CHF 1,000	01.01.2015	Recognised in the income statement [1]	Net income recognised in shareholders' equity [2]	Transfer from level 1 and level 2	Purchase	Sales	31.12.2015
Trading portfolio assets	6,308	-693			88	-124	5,579
Financial assets available for sale	20,784		344				21,128
Other financial assets at fair value	7,732	-5,150				-519	2,063
Investment property (excl. embedded derivative)	42,722	-5,327	-7,918		129		29,606
Embedded derivative on investment property	2,945	1,422	-820				3,547
Total assets at fair value (level 3)	**80,491**	**-9,748**	**-8,394**	**0**	**217**	**-643**	**61,923**
Derivative financial instruments	2,945	1,422	-820				3,547
Total financial liabilities at fair value (level 3)	**2,945**	**1,422**	**-820**	**0**	**0**	**0**	**3,547**

2014 in CHF 1,000	01.01.2014	Recognised in the income statement [1]	Net income recognised in shareholders' equity [2]	Transfer from level 1 and level 2	Purchase	Sales	31.12.2014
Trading portfolio assets	8,126	-444			1,433	-2,807	6,308
Financial assets available for sale continued operations	17,943		2,841				20,784
Other financial assets at fair value	36,640	-21,348				-7,560	7,732
Investment property (excl. embedded derivative)	0	9,938	-18,482		51,266		42,722
Embedded derivative on investment property	0	3,423	-1,275		797		2,945
Total assets at fair value (level 3)	**62,709**	**-8,431**	**-16,916**	**0**	**53,496**	**-10,367**	**80,491**
Derivative financial instruments		3,423	-1,275		797		2,945
Total financial liabilities at fair value (level 3)	**0**	**3,423**	**-1,275**	**0**	**797**	**0**	**2,945**

1) The unrealised trading loss recorded in the income statement for trading portfolio held at year end amounts to TCHF -600 (previous year TCHF -444) and the unrealised loss of other financial assets at fair value to TCHF -5,150 (previous year: TCHF -21,348).

2) The unrealised gain on financial assets available for sale held at year-end recorded in shareholders equity amounts to TCHF 344 (previous year unrealised gain TCHF 2,841).

Unobservable inputs

To evaluate the trading portfolio and financial investments held as "available for sale" under level 3, the closure documents for the individual titles and individual transactions which are observable in the market are used.

The contingent residual purchase price payment from the sale of Eastern Property Holdings Ltd. (EPH) amounting to TCHF 2,063 (previous year: TCHF 7,732) is recognised as other financial assets at fair value under level 3. The amount of this contingent residual purchase price payment is dependent on the successful completion and sale of a real estate project. Evaluation of the contingent residual purchase price payment is based on an estimate of the real estate project by an external, independent specialist and an additional estimate by management. An increase of one per cent (a decline) in the value of the underlying assets would lead to a rise (a decline) in the contingent residual purchase price payment of CHF 0.6 million.

Significant, unobservable inputs in the evaluation of the investment property and the embedded derivatives

	31.12.2015	31.12.2014
Investment property; estimated rental value		
Rental value per square meter (in USD/m2)	170	230
Vacancy rate	10.0%	10.0%
Equivalent yield	12.5%	12.5%
Embedded derivative on investment property; black-scholes		
USD/ruble exchange rate	n.a.	n.a.

Effects of changes in input parameters on fair value

An increase (a decline) of USD 10 in acceptance of the rental fee per square meter would lead to a rise (a decline) in the fair value of the investment property of CHF 1.2 million. An increase (a decline) of 5 per cent in acceptance of the vacancy rate would lead to a rise (a decline) in the fair value of the investment property of CHF 1.3 million.

An increase (a decline) of 10 per cent in acceptance of the USD/ruble exchange rate would lead to a rise (a decline) in the fair value of the embedded derivative of TCHF 698.

The table below shows the disclosure requirements in accordance with IFRS 7.12B-D for those fixed income positions that have been reclassified from trading to held to maturity in 2010:

in CHF 1,000	31.12.2015	31.12.2014	Time of reclassification
Reclassified position – HTM (book value)	0	14,456	190,704
Reclassified position – HTM (fair value)	0	14,537	190,704
Expected undiscounted cash flow at the time of the reclassification			236,598
Effective interest rate at the time of the reclassification			4.68%
Fair value valuation losses/gains in reporting year as if the reclassification had not taken place	0	-1,323	
Interest income from the reclassified positions	0	1,070	

The fixed income position, reclassified in 2010, of the discontinued operation Valartis Bank (Liechtenstein) AG is not disclosed anymore for the year 2015.

45. MAJOR GROUP COMPANIES

In addition to the figures for Valartis Group AG, Baar, canton of Zug, Switzerland, the consolidated financial statements include the accounts of the following major companies:

Company name	Registered office	Purpose	Currency	Share capital/ stock capital	31.12.2015 Share of capital	31.12.2015 Share of votes	31.12.2014 Share of capital	31.12.2014 Share of votes
Companies in the segment Private Clients (discontinued operations)								
Valartis Bank (Austria) AG	Vienna, A	Bank	EUR	6,570,000	100%	100%	100%	100%
Valartis Bank (Liechtenstein) AG [1]	Bendern, FL	Bank	CHF	20,000,000	70.04%	88.97%	69.23%	88.97%
Companies in the segment Institutional Clients								
thereof assets and funds management and corporate finance								
Valartis International Ltd.	Tortola, BVI	Investment Advisor	USD	20,000,000	100%	100%	100%	100%
Valartis Advisory Services SA	Geneva, CH	Investment Advisor and Corporate Center functions	CHF	1,896,210	100%	100%	100%	100%
MCT Luxembourg Management S.à.r.l.	Luxembourg, L	Investment Advisor	EUR	12,085	100%	100%	100%	100%
Valartis Strategic Investments S.à.r.l.	Luxembourg, L	Holding Company	EUR	100,000	100%	100%	100%	100%
thereof investment companies fully consolidated								
ENR Russia Invest SA	Geneva, CH	Financial Company	CHF	32,790,585	62.26%	62.26%	62.49%	62.49%
thereof Investment companies equity accounted								
Norinvest Holding SA [2]	Geneva, CH	Holding Company	CHF	25,689,000	25%	25%	25%	25%
Darsi Investment Ltd.	Tortola, BVI	Real estate Company	EUR	7,476,190	32.44%	32.44%	32.44%	32.44%
Société des Centres Commerciaux D'Algérie SPA [3]	Algiers, Algeria	Real estate Company	DZD	1,703,333,000	20%	20%	20%	20%
Panariello Enterprises Ltd.	Nicosia, Cyprus	Investment Advisor	EUR	25,650	49%	49%	49%	49%
Companies in the Corporate Center								
Valartis Finance Holding AG [4]	Vaduz, FL	Holding Company	CHF	20,000,000	100%	100%	100%	100%
Valartis AG	Baar, CH	Holding Company	CHF	100,000	100%	100%	100%	100%

1) Of which CHF 6.4 million participation capital.
2) Acquired at 3 October 2014.
3) The indirect participation on Société des Centres Commerciaux d'Algérie SPA amounts on 45.95 per cent (2013: 45.95 per cent).
4) Incorporated at 27 June 2014..

46. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Restriction on the use of assets

The use of assets for Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG is restricted by the applicable regulatory provisions on equity capital in each case. Furthermore, the statutory requirements under company law in the respective country of domicile are to be complied with for all Group companies.

The table below shows information on each subsidiary of the Group with material non-controlling interests. This information is based on amounts before intercompany eliminations.

in CHF 1,000	Valartis Bank (Liechtenstein) Group		ENR Russia Invest Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Share of non-controlling interests in per cent				
Participation	29.96%	30.77%	37.74%	37.51%
Voting rights	11.03%	11.03%	37.74%	37.51%
Total asset	1,695,466	2,006,024	76,965	131,067
Total liabilities	1,612,686	1,940,741	34,786	42,847
Net asset	82,780	65,283	42,179	88,220
Carrying amount of non-controlling interests	**25,134**	**20,331**	**16,587**	**33,761**
Operating income	47,527	44,850	-12,842	-20,197
Profit/loss	18,487	16,549	-17,830	-24,504
Other comprehensive income	-104	82	1,393	-1,317
Total comprehensive income	**18,383**	**16,631**	**-16,437**	**-25,821**
Profit/loss allocated to non-controlling interests	5,539	5,090	-6,729	-9,194
Other comprehensive income allocated to non-controlling interests	-31	25	525	-497
Cash flow from operating activities	186,570	463,222	4,800	50,844
Cash flow investing from investment activities	-251,593	-82,091	-	-20,606
Cash flow from financing activity	-6,496	-24,443	-35,977	-1,366
Foreign currency translation effects	-		-1,434	270
Net cash flow	**-71,519**	**356,688**	**-32,611**	**29,142**
Paid dividends to non-controlling interests		6,088	11,174	

Further shares in Valartis Bank (Liechtenstein) AG were bought from employees in 2015. The Group's share in the capital thus increased slightly from 69.23 per cent to 70.04 per cent (previous year: decrease of 0.07 per cent). The shareholding in ENR Russia Invest SA was decreased from 62.49 per cent to 62.26 per cent (previous year: increase of 1.14 per cent).

The table on the next page discloses the impact resulting from the change in the share of capital held by Valartis Group in these two companies with material non-controlling interests.

Changes in non-controlling interests

in CHF 1,000	Valartis Bank (Liechtenstein) Group	ENR Russia Invest Group
	2014	2014
Non-controlling interests at 1 January 2014	**21,229**	**44,993**
Gains/losses from financial assets available for sale	17	0
Foreign exchange translation differences	8	-497
Other comprehensive Income	**25**	**-497**
Net profit/loss	5,090	-9,194
Total comprehensive income	**5,115**	**-9,691**
Dividend payments	-6,088	0
Change in treasury shares	17	-307
Other effects	58	-1,234
Owner-related changes	**-6,013**	**-1,541**
Total non-controlling interests at 31 December 2014	**20,331**	**33,761**
	2015	2015
Non-controlling interests at 1 January 2015	**20,331**	**33,761**
Gains/losses from financial assets available for sale	-30	1
Foreign exchange translation differences	-1	524
Other comprehensive Income	**-31**	**525**
Net profit/loss	5,539	-6,729
Total comprehensive income	**5,508**	**-6,204**
Dividend payments	0	-11,174
Other effects	-705	204
Owner-related changes	**-705**	**-10,970**
Total non-controlling interests at 31 December 2015	**25,134**	**16,587**

47. STRUCTURED ENTITIES

As an active asset manager, Valartis Group manages different collective investment instruments. These collective investment instruments of Valartis Group are structured entities as defined under IFRS 12. Valartis Group acts here as an agent in the interests of investors and these investment instruments are therefore not consolidated. Investments held by Valartis Group in its own investment funds are recognised as financial instruments. With one exception, there are no contractual or constructive obligations to provide financial or other support to the investment funds. When the investment fund MCT Berlin Residential was established, Valartis Group took on unlimited liability for the obligations of the fund. As at 31 December 2015, the liability risk is insignificant. The properties held by the fund were sold at a profit towards the end of 2013, and the fund will be liquidated in 2016.

Valartis Group manages the assets of the collective investment instruments placed in the respective funds by the investors, doing so in accordance with the pertinent investment regulations. In addition, Valartis also performs various administrative tasks for the collective investment instruments. For these services, Valartis Group receives fees at customary market rates. The gross income from services for the collective investment instruments in the 2015 financial year totalled CHF 0.4 million for continued operations (2014: CHF 6.0 million). Units from self-managed funds held by Valartis Group are recognised as financial instruments.

The table below shows the carrying amounts of Valartis Group's holdings in these collective investment instruments. With the aforementioned exception, the carrying amount corresponds to the maximum downside risk.

in CHF 1,000	Trading portfolio assets [1] 2015	Trading portfolio assets [1] 2014
Carrying amount 1 January	**3,490**	**15,099**
	-1,996	
Purchase	0	5,269
Sales	-1,109	-16,725
Recognised in the income statement	-114	-153
Total as at 31 December	**271**	**3,490**

1) The income recognised in income statement is disclosed as income from trading.

48. ASSETS UNDER MANAGEMENT

in CHF 1,000	31.12.2015	31.12.2014
Assets in self-managed funds	14,722	766,301
Assets with management mandates	0	228,684
Other client assets	0	4,907,055
Total assets under management	**14,722**	**5,902,040**
of which double counts	2,800	63,194
Net new money inflow [1]	-1,705	284,802
Custody assets	0	209,302
Assets in leveraged funds [2]	424,112	347,569
Total assets under management (incl. leveraged funds and custody assets)	**438,834**	**6,458,911**

1) Net new assets inflow/outflow includes all deposits and withdrawals plus inward and outward deliveries of non-monetary assets. In particular, performance related changes in value and interest and dividend payments do not constitute inflows or outflows.

2) Leveraged funds that exceed the internal gross profitability criteria.

49. CONSOLIDATED OFF-BALANCE-SHEET ITEMS

in CHF 1,000	31.12.2015	31.12.2014
Credit guarantees	0	9,602
Warranties	0	0
Other contingent liabilities	0	7,135
Total contingent liabilities	**0**	**16,737**
Irrevocable commitments	0	0
Loan commitments	0	0
Call commitments and additional funding obligations	0	0
Derivative financial instruments (assets)	0	1,473
Derivative financial instruments (liabilities)	3,740	5,814
Contract volume	22,607	271,891
Fiduciary transactions	0	372,894

This table is based on the banking ordinance of Liechtenstein. The contingent liabilities do not qualify as contingent liabilities in accordance with IAS 37.

50. ABILITY TO CONTINUE AS A GOING CONCERN AND EVENTS AFTER THE BALANCE SHEET DATE

Against the background of the need for restructuring at the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG resolved to implement recovery plans for the two companies. The primary objective of these recovery plans is to eliminate the currently existing lack of liquidity at Valartis Group AG and Valartis Finance Holding AG as quickly as possible. The following sections explain ongoing processes and the current situation at Valartis Group AG and Valartis Finance Holding AG.

Supervisory proceedings, decrees, and decisions

During the process of divestment of a major Group company in financial year 2014, Valartis Group made significant changes to Group structure; regulatory application of consolidated banking supervision and to intra-Group financing which was completed by 31 December 2014. During the course of this restructuring, the main private banking and wealth management activities of the two private banks in Liechtenstein and Austria, together with the private equity segment, were amalgamated under Valartis Finance Holding AG in Liechtenstein, which was founded in June 2014. Being based in Liechtenstein placed the subsidiary under consolidated supervision by the Financial Market Authority Liechtenstein. Entities and individuals from the Valartis Finance Group are undergoing supervisory reviews by the regulatory authorities in Liechtenstein and in Austria in connection with (a) Valartis Bank (Austria) AG's change of ownership and (b) tighter capital adequacy requirements in place since 1 February 2015, together with the related risk management requirements for Valartis Bank (Liechtenstein) AG, plus (c) in connection with confirmation of qualification of intra-Group financing.

Supervisory reviews by the regulatory authorities determined that intra-Group financing potentially conflicts with the Capital Requirements Regulation, CRR, governing corporate financing in Liechtenstein and Austria which came into effect on 1 February 2015. On the basis of this regulatory uncertainty, intra-Group lenders, Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG, exercised their legal rights to call in the entire amount of Group finance in favour of Valartis Finance Holding AG, amounting to around CHF 69.9 million and CHF 40.2 million respectively, within a period of four months, i. e., mid-2015. In addition, a further liability which could not be serviced by Valartis Group AG, amounting to around CHF 20.2 million, is due to an external Valartis Group AG creditor since 30 June 2015. Other liabilities due to third parties were not able to be serviced due to the provisional, unannounced moratorium and the subsequent definitive moratorium.

As a result, Valartis Group AG and Valartis Finance Holding AG experienced difficulties paying outstanding financial obligations which became due. The Boards of Directors of both companies believe that both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within an appropriate period.

Valartis Group AG moratorium

On 21 July 2015 Valartis Group AG applied to the Cantonal Court of Zug for a provisional, four-month moratorium, which was approved on 24 July 2015. On 16 November 2015, Valartis Group AG applied to the Cantonal Court of Zug for a definitive, six-month moratorium. This was approved on 23 November 2015. In both cases, the Court appointed Holenstein Attorneys-at-Law as administrators.

Deferment of bankruptcy for Valartis Finance Holding AG

On 18 September 2015, Valartis Finance Holding AG applied to the Princely Court of Liechtenstein for postponement of bankruptcy. This was approved on 28 October 2015. On 25 February 2016, the Princely Court granted the postponement of bankruptcy for four months, in accordance with the application, to 28 June 2016. The Court appointed a commissioner who was granted management authority and all shareholders' and voting rights.

The primary objective of the recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG.

Current status of recovery-plan implementation

On 18 December 2015, Valartis Bank (Austria) AG and Wiener Privatbank SE signed an Asset Purchase Agreement governing the takeover of the major banking operations of Valartis Bank (Austria) AG. The banking operations, together with the holding in the investment company, will be taken over within the framework of an asset deal. The bank's real estate in Vienna will be acquired by a joint venture company in which Wiener Privatbank SE holds the majority. After fulfilment of all conditions precedent, closing took place on the takeover, according to plan, on 1 April 2016.

End of March 2016, Valartis Finance Holding AG and Citychamp Watch & Jewellery Group Ltd, Hong Kong, signed a share purchase agreement governing the sale of shares in Valartis Bank (Liechtenstein) AG. Valartis Finance Holding AG holds around 70 per cent of capital and 89 per cent of voting rights in the bank. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions. The Board of Directors expects closing to take place mid-2016.

The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, due 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. From a current viewpoint, it may also be deemed necessary for Valartis Finance Holding AG to apply for an extension in June 2016. These deadline extensions mean that the prerequisites for the successful completion of all recovery measures are now in place. Conclusion of the two divestment transactions in Austria and Liechtenstein represent a precondition for the successful recovery for Valartis Group AG in Switzerland and, thus, for lifting of the moratorium, or the deferment of bankruptcy for Valartis Finance Holding AG in Liechtenstein.

Successful recovery for Valartis Group AG and Valartis Finance Holding AG is therefore dependent on fulfilment of a range of prerequisites. They include timely conclusion of the process of returning the banking license in Austria, successful closing on divestment of Valartis Bank (Liechtenstein) AG, and willingness on the part of Valartis Group AG's major creditors to cooperate. The Boards of Directors and Executive Management of Valartis Group AG and Valartis Finance Holding AG are confident that recovery will be successful, given the current status of implementation of recovery plans. There is, however, uncertainty in connection with the operational execution of recovery plans, which may cast significant doubt on the the ability of Valartis Group AG, or Valartis Finance Holding AG, to continue to pursue their business activities. Valartis Group AG and Valartis Finance Holding AG would then potentially not be able to recover assets or to settle liabilities within the framework of the normal course of business.

However, based on information which is currently available, the Boards of Directors and Executive Management of Valartis Group AG and Valartis Finance Holding AG are confident that the recovery plans will be successfully concluded and that Valartis Group AG, or Valartis Finance Holding AG, will be able to recover assets and settle liabilities within the framework of the normal course of business. The Board of Directors has, therefore, prepared the 2015 annual financial statement on a going-concern basis.

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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To the General Meeting of
Valartis Group AG, Baar

Zurich, 17 May 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Valartis Group AG, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes (pages 60 to 147), for the year ended 31 December 2015.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Emphasis of Matter
We draw attention to Note 50 Ability to continue as a going concern and events after the balance sheet date in the notes to the consolidated financial statements which describes that due to the lack of liquidity Valartis Group AG currently is in a definitive moratorium. The elimination of the liquidity shortage in the course of the definitive moratorium is closely linked to the successful closing of the sales transaction of Valartis Bank (Liechtenstein) AG, the conclusion of the process of returning the banking license in Austria and the willingness on the part of Valartis Group AG's external creditors to cooperate. These conditions, along with other matters disclosed in note "Ability to continue as a going concern and events after the balance sheet date" indicate the existence of a material uncertainty that may cast significant doubt about the Valartis Group AG's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Stefan M. Schmid
Licensed audit expert
(Auditor in charge)

Alain Münger
Licensed audit expert

INCOME STATEMENT OF VALARTIS GROUP AG

Income			
in CHF	Note	1.1.–31.12.2015	1.1.–31.12.2014
Dividend income	3.1	4,106,272	109,680,800
Other financial income	3.2	714,706	7,081,129
Other operating income	3.3	327,235	62,226,470
Total operating income		**5,148,213**	**178,988,399**
Expenses			
Personnel expense	3.4	354,585	-643,891
Other operating expense	3.5	-5,564,641	-7,632,853
Impairment losses on financial assets and participations	3.6	-74,849,576	-52,786,531
Financial expense	3.7	-7,701,555	-5,835,510
Result before extraordinary or prior period income/expenses and tax		**-82,612,975**	**112,089,614**
Extraordinary or prior period income	3.8	1,269,807	0
Extraordinary or prior period expense	3.9	-4,697,792	0
Loss/profit for the year before tax		**-86,040,960**	**112,089,614**
Income tax		0	-12,907
Net loss/profit for the year		**-86,040,960**	**112,076,707**

STATEMENT OF FINANCIAL POSITION OF VALARTIS GROUP AG

Assets			
in CHF	Note	31.12.2014	31.12.2013
Current assets			
Due from banks		3,748,676	2,914,858
Other short-term receivables	4.1	25,260,713	28,694,109
Prepaid expenses and accrued income		277,698	113,011
Total current assets		**29,278,087**	**31,721,978**
Non-current assets			
Financial assets	4.2	7,591,296	10,189,373
Participations	4.3	115,276,671	190,126,247
Total non-current assets		**122,867,967**	**200,315,620**
Total assets		**152,155,054**	**232,037,598**

Liabilities and shareholders' equity			
Short-term liabilities			
Trade account payables	4.4	743,205	101,943
Short-term interest-bearing liabilities	4.5	53,056,791	57,045,916
Other short-term liabilities	4.6	7,788,488	716,572
Accrued expenses and deferred income		4,502,088	1,940,167
Short-term provisions			1,200,000
Total short-term liabilities		**66,090,572**	**61,004,598**
Shareholders' equity			
Share capital	4.7	5,000,000	5,000,000
Legal retained earnings			
General legal retained earnings		1,000,000	1,000,000
Reserves for treasury shares	4.8	5,627,870	6,126,460
Voluntary retained earnings			
General voluntary retained earnings		26,227,073	25,728,483
Profit brought forward		134,752,830	22,676,123
Loss/profit for the year		-86,040,960	112,076,707
Treasury shares	4.8	-502,331	-1,574,773
Total shareholders' equity		**86,064,482**	**171,033,000**
Total liabilities and shareholders' equity		**152,155,054**	**232,037,598**

1. GENERAL INFORMATION

Firm/name, location

Valartis Group AG, Blegistrasse 11a, 6340 Baar
Business Identification Number (BIN) CHE-101.833.144

Number of full-time employees

There were no full-time employees working for the company in financial year 2015 (previous year: none).

Due to a liquidity squeeze, the company has been under moratorium since 24 July 2015 (see in "Ability to continue as a going concern and events after the balance sheet date").

First-time application of new accounting law

The annual financial statement for 2015 was prepared in accordance with the provisions of the new Swiss Accounting Law (Section 32, Swiss Code of Obligations). In order to ensure comparability, information listed in the previous year's balance sheet and income statements were adjusted to the new classification requirements.

This included, in particular, the following positions:

- Financial assets include securities held on a long-term basis and long-term receivables which have been posted as capital assets. These securities were posted as current assets in the previous year. As for the previous year, valuation will be at cost less any valuation adjustments.
- The previous year's positions "Liabilities to group companies" and "Liabilities to third parties" have now been split and classified according to maturity and as interest-bearing and other liabilities.
- Former "Other assets" are now listed under "Miscellaneous short-term receivables", and "Other liabilities" are now listed under "Deferred income".
- Creditors previously listed under "Deferred income" are now classified as "Accounts payable trade".
- Directly held treasury shares are now posted as debit items under equity capital. The reserve for treasury shares has therefore been closed. A reserve for treasury shares remains in place and is reported for Valartis Group AG shares held indirectly through holdings.
- Accounting profit from divestment of Valartis Bank AG and Valartis Wealth Management SA was posted as "Extraordinary income" in the previous year. Accounting profit from the sale of holdings is now posted under "Other operating income".
- "Business and office expenditure" and "Other expenditure" were previously listed separately on the income statement and are now posted together under "Other operating expenditure".

2. ACCOUNTING PRINCIPLES

General information on accounting principles

The financial statements 2015 have been prepared on a going-concern basis because Valartis Group is expecting to make a successful recovery (see also in "Ability to continue as a going concern and events after the balance sheet date").

This annual financial statement has been prepared in accordance with the provisions of Swiss Accounting Law (Section 32, Swiss Code of Obligations). The main valuation principles which are not stipulated by law are listed below.

Share-based payment

Expenditure on Valartis Group AG shares which have been allocated to members of Group Executive Management within the framework of a bonus payment will be charged to "Personnel expenditure" pro rata temporis over the length of the vesting period. Up to transfer of ownership of shares (vesting) to members of Group Executive Management, liabilities from the share programmes will be posted at market value under "Deferred income". Details on the compensation system can be found in the Compensation Report.

Information on conversion rates

Accounting and reporting in Swiss francs.

In the case of foreign currencies, closing rates are applied for balance sheet items and average exchange rates are applied for transactions during the year and for the income statement.

	31.12.2015	31.12.2014
USD balance sheet date rate	0.9931	0.9891
USD annual average rate	0.9622	0.9156
EUR balance sheet date rate	1.0830	1.2025
EUR annual average rate	1.0679	1.2145

Treasury shares

Directly held treasury shares are reported at the time of acquisition, at cost, as debit items against equity. In the case of later resale, profit or loss is reported as deferred income or expenditure.

A reserve for treasury shares is in place under equity capital for Valartis Group AG shares which are held indirectly by other Group companies.

Long-term, interest-bearing liabilities

Loans in foreign currencies are valued at the current closing rate, whereby unrealised losses are reported but unrealised profit is not (imparity principle).

Waiver of cash flow statement and additional notes

Valartis Group AG has prepared its consolidated accounts in accordance with recognised accounting standards (IFRS). In this annual financial statement, the company has waived preparation of notes on interest-bearing liabilities and audit fees, as well as preparation of a cash flow statement, in accordance with legal provisions.

3. INCOME STATEMENT

	1.1.–31.12.2015	1.1.–31.12.2014
3.1 Dividend income		
Dividend income from participations	4,106,272	109,680,800
Total	**4,106,272**	**109,680,800**
3.2 Other financial income		
Income from cash and cash equivalents	81,605	3,931,031
Interest income on receivables from group companies	538,961	57,927
Result from foreign exchange difference and other financial income	94,140	3,092,171
Total	**714,706**	**7,081,129**
3.3 Other operating income		
Gain from sale of participations	327,235	62,226,470
Total	**327,235**	**62,226,470**
3.4 Personnel expense		
Personnel expense	354,585	-643,891
Total	**354,585**	**-643,891**

In the year under review, Valartis Group AG did not employ any of its own personnel. However, expenditure for 2015 does include running costs for the bonus share programme from the previous year for which the exercise date has not yet been reached. The accrual for variable cash bonuses from the previous year was liquidated in the year under review since no bonuses were paid due to results. This reduction in expenditure resulted in a positive figure for the year under "Personnel expenditure".

3.5 Other operating expense		
Consulting and audit expense	-2,357,186	-2,533,719
IT and telecommunication expense	-85,301	-126,902
Other operating expense to third parties	-3,122,155	-4,972,232
Total	**-5,564,642**	**-7,632,853**

In other operating expense are charges for services from group companies of CHF 2.5 million (previous year CHF 3.9 million) included.

3. INCOME STATEMENT (CONTINUED)

	1.1.-31.12.2015	1.1.-31.12.2014
3.6 Impairment losses on financial assets and participations		
Impairment losses on participations	-74,849,576	-52,786,531
Total	**-74,849,576**	**-52,786,531**
3.7 Financial expense		
Interest expense on short-term liabilities to third parties	-3,523,079	-3,010,380
Interest expense on short-term liabilities to group companies	-778,517	-2,825,130
Other financial expenses (incl. losses from foreign exchange translation)	-3,399,959	0
Total	**-7,701,555**	**-5,835,510**
3.8 Extraordinary and prior period income		
Extraordinary income [1)]	1,200,000	0
Prior period income [2)]	69,807	0
Total	**1,269,807**	**0**
3.9 Extraordinary and prior period expenses		
Extraordinary expenses [3)]	-4,648,719	0
Prior period expenses	-49,073	0
Total	**-4,697,792**	**0**

1) The extraordinary income relates to the release of a no longer necessary provision.
2) A payment received for VAT reclaim from previous years is disclosed as prior period income.
3) The sales contract from September 2014 governing the holding in Norinvest Holding SA contained a clause, in accordance with which the sales price must be subsequently adjusted if the Norinvest Group sells a property above or below the carrying value, which applied at that time. In 2015, Norinvest Group sold a property at a price which was considerably higher than the earlier carrying price. This resulted in costs for Valartis Group amounting to CHF 4.6 million arising out of the subsequent sales price adjustment. This is posted as a liability owed to Norinvest Holding SA. Payment will be made in the form of a share deal after completion of the current moratorium.

4. BALANCE SHEET

4.1 Other short-term receivables

	31.12.2015	31.12.2014
Third parties	168,669	161,507
Group companies	25,092,044	28,532,602
Total	**25,260,713**	**28,694,109**

4.2 Financial assets

	31.12.2015	31.12.2014
Securities	3,379,373	3,379,373
Long-term receivables third parties	4,211,923	6,810,000
Total	**7,591,296**	**10,189,373**

A portion of the purchase price receivable due from Banque Cramer & Cie SA arising from divestment of Valartis Bank AG and Valartis Wealth Management SA is reported as a long-term receivable from third parties.

4.3 Participations

Name and domicile	Share of capital/ share of votes 2015	Share of capital/ share of votes 2014	Share capital
Valartis Finance Holding AG, Vaduz	100%/100%	100%/100%	20,000,000 CHF
Valartis Advisory Services SA, Geneva	100%/100%	100%/100%	1,896,210 CHF
Valartis International Ltd., Tortola (BVI)	100%/100%	100%/100%	20,504,000 CHF
Valartis Immobilier AG, Baar	100%/100%	100%/100%	100,000 CHF
Parking Clé de Rive SA, Geneva	100%/100%	100%/100%	100,000 CHF
MCT Luxembourg Management S.à.r.l., Luxembourg	100%/100%	100%/100%	12,085 EUR
Valartis Strategic Investments S.à.r.l, Luxembourg	100%/100%	100%/100%	100,000 EUR

Valartis Finance Holding AG, Vaduz

Valartis Finance Holding AG serves as a holding company for the two banking groups in Liechtenstein and Austria and for Valartis AG. In addition, Valartis AG also has holdings in ENR Russia Invest SA, Athris Holding AG, and Norinvest SA (see list of indirect holdings).

On 18 September 2015, Valartis Finance Holding AG informed the Princely Court of Liechtenstein that the company was insolvent and applied for a four-month bankruptcy deferment without publication. The Court investigated the situation and, on 28 October 2015, ruled that bankruptcy proceedings to be deferred for four months, that management's power of disposal be withdrawn (management authority and all shareholders' and voting rights) and that an advisor be appointed. On 25 February 2015, the Princely Court extended bankruptcy deferment to 28 June 2016 based on continuing prospects of recovery.

Participations (indirectly held)

Name and domicile	Parent company	Share of capital/ Share of votes 2015	Share of capital/ Share of votes 2014	Share capital/ Stock capital
Valartis Bank (Liechtenstein) AG, Gamprin-Bendern	Valartis Finance Holding AG	70.04%/88.97%	69.23%/88.97%	20,000,000 CHF
Valartis (Austria) GmbH, Wien	Valartis Finance Holding AG	100%/100%	100%/100%	1,000,000 EUR
Valartis (Wien) GmbH, Wien	Valartis Finance Holding AG	100%/100%	100%/100%	100,000 EUR
Valartis Bank (Austria) AG, Wien [2]	Valartis (Austria) GmbH and Valartis (Wien) GmbH	100%/100%	100%/100%	6,570,000 EUR
Valartis AG, Baar	Valartis Finance Holding AG	100%/100%	100%/100%	100,000 CHF
ENR Russia Invest SA, Geneva	Valartis AG	62.26%/62.26%	62.49%/62.49%	32,790,585 CHF
Norinvest Holding SA, Geneva	Valartis AG	25%/25%	25%/25%	25,689,000 CHF
Darsi Investment Ltd., Tortola (BVI)	Valartis International Ltd.	32.44%/32.44%	32.44%/32.44%	7,476,190 EUR
Société des Centres Commerciaux d'Algérie SPA, Algier (Algerien) [3]	Valartis International Ltd.	20%/20%	20%/20%	703,333,000 DZD

1) Of which CHF 6.4 million participation capital.
2) On 18 December, 2015, Valartis Bank (Austria) AG and Wiener Privatbank SE signed an Asset Purchase Agreement governing the takeover of the major banking operation of Valartis Bank (Austria) AG. After fulfilment of all conditions precedent, closing took place on the takeover, according to plan, on 1 April, 2016.
3) The indirect participation on Société des Centres Commerciaux d'Algérie SPA amounts on 45.95% (previous year 45.95%).

4.4 Trade account payables

	31.12.2015	31.12.2014
Trade account payables due to third parties	651,405	101,943
Trade account payables due to governing bodies (incl. auditors)	91,800	-
Total	**743,205**	**101,943**

4.5 Short-term interest-bearing liabilities

	31.12.2015	31.12.2014
Short-term interest-bearing liabilities due to third parties	19,481,922	18,272,924
Short-term interest-bearing liabilities due to group companies	33,574,869	38,772,992
Total	**53,056,791**	**57,045,916**

Short-term interest-bearing liabilities due to third parties

This refers to a loan obligation which was due to be repaid by 30 June 2015 and which could not be redeemed by that date. With this major third party creditor an agreement should be signed including a partial repayment and prolongation of the remaining liability. This agreement has to be approved by the admistrator and the Cantonal Court of Zug.

Short-term interest-bearing liabilities due to group companies

This refers to CHF 28.7 million due to Valartis Finance Holding AG, of which CHF 7.8 million was payable on 10 July 2015. The possibility of offsetting reciprocal liabilities and receivables is being explored together with the creditor. This agreement will have to be approved by the admistrator and the Cantonal Court of Zug and by the commissioner and the Princely Court in Liechtenstein.

Please see also in "Ability to continue as a going concern and events after the balance sheet date".

4.6 Other short-term liabilities

	31.12.2015	31.12.2014
Other short-term liabilities due to third parties	237,742	15,501
Other short-term liabilities due to group companies	7,550,746	701,071
Total	**7,788,488**	**716,572**

4.7 Share capital

	31.12.2015	31.12.2014
Share capital (CHF)	5,000,000	5,000,000
Number of bearer shares	5,000,000	5,000,000
Nominal value per share (CHF)	1	1

4.8 Treasury Shares

Transactions	Number of shares 2015	Number of shares 2014	in CHF 2015	in CHF 2014
Inventory as at 1 January	355,725	406,040	7,701,233	8,850,486
Acquisitions		24,699		485,088
Sales	-72,567	-75,014	-1,571,032	-1,634,341
Inventory at 31 December	**283,158**	**355,725**	**6,130,201**	**7,701,233**
of which directly held by Valartis Group AG	23,203	102,258	502,331	2,213,824
of which directly held by participations	259,955	253,467	5,627,870	5,487,409

	2015	2014
Average purchase price per share in the period		19.64
Average sales price per share in the period	16.09	21.79
Average purchase price per share per balance sheet date	21.65	21.65

The selling price for a portion of the shares sold in the year under review was stipulated as being CHF 19.70 per share in the sales contract for Valartis Bank AG and Valartis Wealth Management SA on 29 August 2014. The transaction was concluded in 2015, resulting in an average selling price per share which is considerably higher than the price listed on the stock exchange for Valartis Group AG shares for the year under review.

In prior years, Valartis Group AG recognised the directly held treasury shares at fair value. Since 2015 the treasury shares are recognised at cost value.

Presentation in the equity

	in CHF 2015	in CHF 2014
Treasury shares directly held are deducted from shareholders' equity	-502,331	-1,574,773
For the treasury shares indirectly held by other group companies a reserve for treasury shares was recorded.	5,627,870	6,126,460

5. ADDITIONAL INFORMATION

	31.12.2015	31.12.2014
Total amount of collaterals provided for liabilities of third parties		
Total amount of collaterals provided for liabilities of third parties	4,906,057	3,379,373

As security for a Valartis Bank (Austria) AG claim from Valartis Finance Holding AG, Valartis Group AG pledged holdings in Athris Holding AG which are reported under "Financial assets", together with a balance of CHF 1,526,684 which is reported under "Other short-term receivables from holdings", to Valartis International Ltd.

	31.12.2015	31.12.2014
Total amounts of collaterals provided for own liabilities		
Total amounts of collaterals provided for own liabilities	23,866,563	48,452,185

As security for own liabilities, receivables (including interest) from Valartis (Austria) GmbH were ceded to the Valartis Group AG loan creditor mentioned under 4.5 "Short-term, interest-bearing liabilities" by means of transfer by way of security.

	31.12.2015	31.12.2014
Total amounts of assets with limited power of disposal		
Total amounts of assets with limited power of disposal	82,992,379	-

Assets with limited power of disposal refers to assets in a blocked account amounting to CHF 400,000 from the outstanding purchase price receivable from the sale of Valartis Bank AG and Valartis Wealth Management SA to Banque Cramer & Cie SA. Other assets with limited power of disposal derive from supervisory proceedings, decrees, and decisions on the part of the supervisory authorities in Liechtenstein and Austria, and the advisor appointed by the Princely Court of Liechtenstein for Valartis Finance Holding AG. Valartis Group AG may no longer freely dispose of these assets, which comprise cash equivalents, receivables from holdings, prepaid expenses and deferred charges, financial assets and participations, without the prior approval of the above-mentioned authorities.

Letters of intent

Letter of intent in favour of Valartis (Vienna) GmbH

Valartis Group AG has undertaken to provide Valartis (Vienna) GmbH with sufficient financial resources to ensure that the company is in a position – at all times – to fulfil its obligations. The letter of intent is valid to 30 June 2016, or, at most, until the legally binding signing of a corresponding credit agreement for an appropriate amount and for, at minimum, the same duration (extension of the existing credit agreement due on 31 December 2015). The respective loan governed by the existing credit agreement between Valartis Finance Holding AG and Valartis (Vienna) GmbH amounts to EUR 19.8 million as at 31 December 2015.

The letter of intent was issued in order for Valartis (Vienna) GmbH to be able to provide evidence of external loan financing until at least 30 June 2016. The risk to Valartis Group AG arises out of potentially having to take over the existing credit agreement from Valartis Finance Holding AG and extend its duration until 30 June 2016.

Letter of intent in favour of Valartis (Austria) GmbH

Valartis Group AG has undertaken to ensure that Valartis (Austria) GmbH remains in the same position in which it finds itself today based on the current existing credit agreement from 19 December 2008, should that agreement not be extended. The Valartis Group AG loan to Valartis (Austria) GmbH amounts to EUR 21.5 million as at 31 December 2015.

The duration of the loan was extended during the year under review from 31 December 2015 to 30 June 2016. The risk to Valartis Group AG arises out of potentially having to extend the existing credit agreement with Valartis (Austria) GmbH, due to expire on 30 June 2016, by a maximum of one year to 30 June 2017.

Shareholder structure

In per cent	31.12.2015	31.12.2014
MCG Holding SA, Baar ZG	50.2	50.2
INTEGRAL Stiftung für berufliche Vorsorge, Thusis GR	5.1	5.1
Gustav Stenbolt	0.8	0.5
Philipp LeibundGut	–	0.4

Shareholder structure

The beneficial owners of MCG Holding SA are Gustav Stenbolt, Geneva, Tidesea SA., Baar (100 per cent controlled by Gustav Stenbolt, Geneva), Philipp LeibundGut, Zurich, Pierre Michel Houmard, Geneva, and Tudor Private Portfolio LLC, Greenwich, USA. The following hold qualified holdings: a) Gustav Stenbolt holds 72.5 per cent of voting rights (63.54 per cent of capital) of MCG Holding SA (partially held through Tidesea AG, Baar); b) Philipp LeibundGut holds 14.8 per cent of voting rights (19.7 per cent of capital) of MCG Holding SA, and c) Tudor Private Portfolio LLC, Greenwich, USA, with 12.3 percent of voting rights (16.3 per cent of capital) of MCG Holding SA.

Tudor Private Portfolio LLC is wholly controlled by Tudor Group Holdings LLC, Greenwich, USA, which is in turn controlled by Paul Tudor Jones, Greenwich, USA. Pierre Michel Houmard holds 0.4 per cent of voting rights, or 0.6 per cent of capital of MCG Holding SA. The shares held directly by Gustav Stenbolt as at 31 December 2015 and 2014, stem from the bonus programme operated by Valartis for Group Executive Management and employees. Philipp LeibundGut withdrew from Valartis Group during the year under review, 2015. For that reason his private holding is no longer listed, so long as this does not exceed the reporting threshold stipulated by Stock Exchange Law.

Loans and equity holdings of the members of the board of directors and group executive management at year end

2015	Gustav Stenbolt Chairman [1]	Christoph N. Meister	Total
Number of shares held by and loans/advances for the members of Board of Directors			
Numbers of shares held at 1 January		4,821	4,821
Allocated or purchased shares in the reporting period			
Numbers of shares held at 31 December	1,858,623	4,821	1,863,444
Number of shares entitled from ongoing share plans	8,289		8,289
Loans and advances directly in CHF			
Loans and advances to related parties in CHF			

2014	Urs Maurer-Lambrou Chairman	Rolf Müller-Senn Vice Chairman	Christoph N. Meister	Jean-François Ducrest	Stephan Häberle [3]	Total
Number of shares held by and loans/advances for the members of Board of Directors						
Numbers of shares held at 1 January	1,329	4,417	4,821	2,827		13,394
Allocated shares or purchased shares in the reporting period						
Numbers of shares held at 31 December	1,329	4,417	4,821	2,827		13,394
Loans and advances directly in CHF						
Loans and advances to related parties in CHF						

1) Member of the Board of Directors since 2 June 2015. The number of shares as per 31 December 2015 is equal to the numbers of shares as per 2 June 2015.
2) Until 13 May 2014.
3) Member of the Board of Directors from 13 May 2014 until 2 June 2015.

2015	Stephan Häberle CEO [1]	George M. Isliker CFO/CRO	Gustav Stenbolt CEO [2]	Total
Number of shares held by and loans/advances for the members of Group Executive Management				
Numbers of shares held at 1 January		5,852	1,873,821	1,879,673
Allocated or purchased shares in the reporting period [3]		4,119	11,941	16,060
Shifting due changes in capital structure of MCG Holding AG			-27,139	-27,139
Numbers of shares held at 31 December		9,971	see Board of	9,971
Number of shares entitled from ongoing share plans [4]		5,314	Directors	5,314
Loans and advances directly in CHF				
Loans and advances to related parties in CHF				

As in the previous year, no new bonus programme was opened in 2015.

2014	Gustav Stenbolt CEO	Vincenzo Di Pierri Stv. CEO	George M. Isliker CFO/CRO	Total
Number of shares held by and loans/advances for the members of Group Executive Management				
Numbers of shares held at 1 January	1,838,038		2,329	1,840,367
Allocated or purchased shares in the reporting period	35,783	2,349	3,523	41,655
Numbers of shares held at 31 December	1,873,821	2,349	5,852	1,882,022
Number of shares entitled from ongoing share plans	20,230	11,899	9,433	41,562
Loans and advances directly in CHF				
Loans and advances to related parties in CHF				

1) CEO since 3 June 2015.
2) CEO until 2 June 2015. Part of the shareholdings are indirectly held by in MCG Holding AG.
3) Allocated shares in 2015 are from bonus-share plans which are based on results 2011 and 2013.
4) Shares allocated to members of the Group Executive Board as bonus components in this or previous financial years, but which have not yet been vested are listed as entitlements.

ABILITY TO CONTINUE AS A GOING CONCERN AND EVENTS AFTER THE BALANCE SHEET DATE

Against the background of the need for restructuring at the holding companies in Switzerland and in Liechtenstein, the Board of Directors of Valartis Group AG and Valartis Finance Holding AG resolved to implement recovery plans for the two companies. The primary objective of these recovery plans is to eliminate the currently existing lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible. The following sections explain ongoing processes and the current situation at Valartis Group AG and Valartis Finance Holding AG.

Supervisory proceedings, decrees, and decisions

During the process of divestment of a major Group company in financial year 2014, Valartis Group made significant changes to Group structure; regulatory application of consolidated banking supervision and to intra-Group financing which was completed by 31 December 2014. During the course of this restructuring, the main private banking and wealth management activities of the two private banks in Liechtenstein and Austria, together with the private equity segment, were amalgamated under Valartis Finance Holding AG in Liechtenstein, which was founded in June 2014. Being based in Liechtenstein placed the subsidiary under consolidated supervision by the Financial Market Authority Liechtenstein. Entities and individuals from the Valartis Finance Group are undergoing supervisory reviews by the regulatory authorities in Liechtenstein and in Austria in connection with (a) Valartis Bank (Austria) AG's change of ownership and (b) tighter capital adequacy requirements in place since 1 February 2015, together with the related risk management requirements for Valartis Bank (Liechtenstein) AG, plus (c) in connection with confirmation of qualification of intra-Group financing.

Supervisory reviews by the regulatory authorities determined that intra-Group financing potentially conflicts with the Capital Requirements Regulation, CRR, governing corporate financing in Liechtenstein and Austria which came into effect on 1 February 2015. On the basis of this regulatory uncertainty, intra-Group lenders, Valartis Bank (Austria) AG and Valartis Bank (Liechtenstein) AG, exercised their legal rights to call in the entire amount of Group finance in favour of Valartis Finance Holding AG, amounting to around CHF 69.9 million and CHF 40.2 million respectively, within a period of four months, i. e., mid-2015. In addition, a further liability which could not be serviced by Valartis Group AG, amounting to around CHF 20.2 million, is due to an external Valartis Group AG creditor since 30 June 2015. Other liabilities due to third parties were not able to be serviced due to the provisional, unannounced moratorium and the subsequent definitive moratorium.

As a result, Valartis Group AG and Valartis Finance Holding AG experienced difficulties paying outstanding financial obligations which became due. The Boards of Directors of both companies believe that both companies retain adequate equity capital bases and sufficient assets to enable them to implement current recovery plans within an appropriate period.

Valartis Group AG moratorium

On 21 July 2015 Valartis Group AG applied to the Cantonal Court of Zug for a provisional, four-month moratorium, which was approved on 24 July 2015. On 16 November 2015, Valartis Group AG applied to the Cantonal Court of Zug for a definitive, six-month moratorium. This was approved on 23 November 2015. In both cases, the Court appointed Holenstein Attorneys-at-Law as administrators.

Deferment of bankruptcy for Valartis Finance Holding AG

On 18 September 2015, Valartis Finance Holding AG applied to the Princely Court of Liechtenstein for postponement of bankruptcy. This was approved on 28 October 2015. On 25 February 2016, the Princely Court granted the postponement of bankruptcy for four months, in accordance with the application, to 28 June 2016. The Court appointed a commissioner who was granted management authority and all shareholders' and voting rights.

The primary objective of the recovery plans is to eliminate the temporary lack of liquidity at Valartis Group AG and Valartis Finance Holding AG, as quickly as possible, through the sale of assets. These assets include the holdings in Valartis Bank (Liechtenstein) AG and Valartis Bank (Austria) AG.

Current status of recovery-plan implementation

On 18 December 2015, Valartis Bank (Austria) AG and Wiener Privatbank SE signed an Asset Purchase Agreement governing the takeover of the major banking operations of Valartis Bank (Austria) AG. The banking operations, together with the holding in the investment company, will be taken over within the framework of an asset deal. The bank's real estate in Vienna will be acquired by a joint venture company in which Wiener Privatbank SE holds the majority. After fulfilment of all conditions precedent, closing took place on the takeover, according to plan, on 1 April 2016.

End of March 2016, Valartis Finance Holding AG and Citychamp Watch & Jewellery Group Ltd, Hong Kong, signed a share purchase agreement governing the sale of shares in Valartis Bank (Liechtenstein) AG. Valartis Finance Holding AG holds around 70 per cent of capital and 89 per cent of voting rights in the bank. The transaction is subject to approvals by the competent corporate bodies and the Financial Market Authority (FMA) Liechtenstein, together with other customary conditions. The Board of Directors expects closing to take place mid-2016.

The planned closing on the sale of the bank in Liechtenstein will take place following expiry of the current, definitive moratorium, due 23 May 2016. For that reason, Valartis Group AG applied to the Cantonal Court of Zug for extension of the moratorium for a further six months to 23 November 2016, which has since been approved. From a current viewpoint, it may also be deemed necessary for Valartis Finance Holding AG to apply for an extension in June 2016. These deadline extensions mean that the prerequisites for the successful completion of all recovery measures are now in place. Conclusion of the two divestment transactions in Austria and Liechtenstein represent a precondition for the successful recovery for Valartis Group AG in Switzerland and, thus, for lifting of the moratorium, or the deferment of bankruptcy for Valartis Finance Holding AG in Liechtenstein.

Successful recovery for Valartis Group AG and Valartis Finance Holding AG is therefore dependent on fulfilment of a range of prerequisites. They include timely conclusion of the process of returning the banking license in Austria, successful closing on divestment of Valartis Bank (Liechtenstein) AG, and willingness on the part of Valartis Group AG's major creditors to cooperate. The Boards of Directors and Executive Management of Valartis Group AG and Valartis Finance Holding AG are confident that recovery will be successful, given the current status of implementation of recovery plans. There is, however, uncertainty in connection with the operational execution of recovery plans, which may cast significant doubt on the the ability of Valartis Group AG, or Valartis Finance Holding AG, to continue to pursue their business activities. Valartis Group AG and Valartis Finance Holding AG would then potentially not be able to recover assets or to settle liabilities within the framework of the normal course of business.

However, based on information which is currently available, the Boards of Directors and Executive Management of Valartis Group AG and Valartis Finance Holding AG are confident that the recovery plans will be successfully concluded and that Valartis Group AG, or Valartis Finance Holding AG, will be able to recover assets and settle liabilities within the framework of the normal course of business. The Board of Directors has, therefore, prepared the 2015 annual financial statements on a going-concern basis.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF SHAREHOLDERS

The Board of Directors will submit the following proposal to the Ordinary General Meeting of Shareholders on 28 June 2016 in respect of the distribution of profit:

in CHF	2015	2014
Profit brought forward from previous year	134,752,830	22,676,123
Net loss/profit	-86,040,960	112,076,707
Retained earnings	48,711,870	134,752,830
Dividend on capital entitled to dividend payments	0	0
Profit to be carried forward	**48,711,870**	**134,752,830**

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To the General Meeting of
Valartis Group AG, Baar

Zurich, 17 May 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Valartis Group AG, which comprise the income statement, statement of financial position and notes (pages 150 to 163), for the year ended 31 December 2015.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Emphasis of Matter
We draw attention to Note "Ability to continue as a going concern and events after the balance sheet date" in the notes to the financial statements which describes that due to the lack of liquidity the company currently is in a definitive moratorium. The elimination of the liquidity shortage in the course of the definitive moratorium is closely linked to the successful closing of the sales transaction of Valartis Bank (Liechtenstein) AG, the conclusion of the process of returning the banking license in Austria and the willingness on the part of Valartis Group AG's major creditors to cooperate. These conditions, along with other matters disclosed in note "Ability to continue as a going concern and events after the balance sheet date" indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

Ernst & Young Ltd

Stefan M. Schmid
Licensed audit expert
(Auditor in charge)

Alain Münger
Licensed audit expert

VALARTIS GROUP AG BEARER SHARE

In CHF	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Share capital Valartis Group AG	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Number of VLRT bearer shares issued	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Number of VLRT bearer shares outstanding, qualifying for dividends	4,860,366	4,903,766	4,903,766	4,897,742	4,976,797
Nominal value of VLRT bearer share	1.00	1.00	1.00	1.00	1.00
Closing price of VLRT bearer share	17.25	20.00	17.70	15.40	8.45
Annual high	26.30	21.30	22.10	23.00	17.25
Annual low	13.45	13.00	15.80	15.35	6.40
Market capitalisation	86,250,000	100,000,000	85,500,000	77,000,000	42,225,000
Dividend per share	0.00	1.00	0.00	0.00	0.00
Dividend yield	n/a	5.0%	n/a	n/a	n/a
Price-to-book ratio	0.28	0.31	0.28	0.33	0.26

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Valartis Market Information
Bearer shares listed on SIX Swiss Exchange
Symbol on SIX: VLRT
Reuters: VLRT.S
Bloomberg: VLRT SW
ISIN: CH0001840450
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Valartis market

Listed:	SIX Swiss Exchange
Symbol on SIX:	VLRT
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Bloomberg:	VLRT SW
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