GAM | Holding AG

ANNUAL REPORT 2013

CONTENTS

KEY FIGURES

	2013	2012	CHANGE IN %
GROUP INCOME STATEMENT[1] CHF M			
Operating income	670.2	594.9	13
Operating expenses	437.1	399.7	9
Underlying profit before taxes	**233.1**	**195.2**	**19**
Underlying income taxes	22.9	33.2	-31
Underlying net profit	**210.2**	**162.0**	**30**
IFRS net profit	201.4	88.4	128
GROUP BALANCE SHEET CHF M			
Net cash	592.6	504.0	18
Assets	2,329.7	2,305.7	1
Equity	1,919.7	1,902.8	1
Tangible equity[2]	551.4	528.0	4
RATIOS			
Cost/income ratio	65.2%	67.2%	-
Return on tangible equity[3]	37.3%	30.4%	-
CLIENT ASSETS - INVESTMENT MANAGEMENT CHF BN			
Assets under management at the end of the year	69.8	72.6	-4
Average assets under management[4]	73.1	70.4	4
Net new money	-2.6	-0.1	-
Return on assets (bps)	84.3	75.8	11
CLIENT ASSETS - PRIVATE LABELLING CHF BN			
Assets under management at the end of the year	44.6	43.6	2
Average assets under management[4]	44.5	42.2	5
Net new money	-1.1	2.5	-144
Return on assets (bps)	8.7	10.6	-18

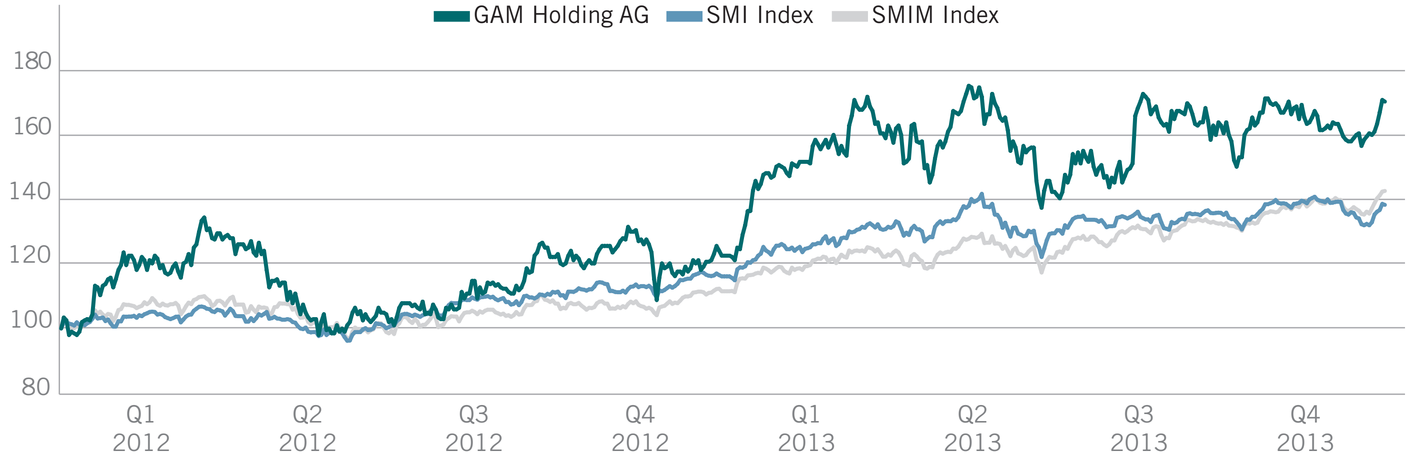
[1] The result for 2013 has been adjusted to exclude the gain from the sale of our investment in Artio of CHF 13.1 million, the amortisation of customer relationships of CHF 11.6 million, the impairment of investments of CHF 5.8 million and office move expenses of CHF 4.5 million (net of taxes). Including those items, the Group's net profit for 2013 amounted to CHF 201.4 million, as shown in the Consolidated Financial Statements.
The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million, the amortisation of customer relationships of CHF 11.7 million and defined benefit pension plan curtailment expenses of CHF 5.6 million (net of taxes). Including those items, the Group's net profit for 2012 amounted to CHF 88.4 million, as shown in the Consolidated Financial Statements.

[2] Equity excluding non-controlling interests, goodwill and other intangible assets.

[3] Underlying net profit excluding non-controlling interests / tangible equity at the end of the year.

[4] Average calculated with 13 month-end values (December to December).

SHARE PRICE PERFORMANCE (INDEXED)



LISTING INFORMATION

Swiss securities number	10265962
ISIN	CH0102659627
Listing	SIX Swiss Exchange and a component of the Swiss Market Index Mid (SMIM)

	2013	2012	CHANGE IN %
SHARE INFORMATION CHF			
Basic EPS[1]	1.26	0.94	34
Closing price	17.35	12.35	40
High price	17.85	13.70	30
Low price	12.70	10.00	27
Market capitalisation at the end of the year (CHF m)	3,006	2,264	33
Weighted average number of shares outstanding	163,380,288	171,232,257	-5
PERSONNEL			
Number of full-time equivalents at the end of the year	1,072	1,098	-2
in Switzerland	340	343	-1
in the United Kingdom	371	396	-6
in the rest of Europe	250	238	5
in the rest of the world	111	121	-8

[1] Underlying net profit excluding non-controlling interests / weighted average number of shares outstanding, excluding treasury shares.

THE GROUP AT A GLANCE

GAM HOLDING AG

Core activities	Investment management	Private labelling
Product brands	GAM Julius Bär *Funds*	
Operating and legal entities	GAM subsidiaries	Swiss & Global Asset Management subsidiaries

WHO WE ARE

- An independent, pure-play asset management Group, financially strong and with a highly diversified business mix, focused on active investing
- Listed on the SIX Swiss Exchange since October 2009 (following the separation of the former Julius Baer Group)
- Provides investment strategies for institutions, intermediaries and private clients complemented by private labelling services for third parties
- Manages investment strategies under two leading product brands: Julius Baer Funds (distributed by Swiss & Global Asset Management) and GAM
- Operates investment centres in London, Zurich, Lugano, New York and Hong Kong
- Headquartered in Switzerland, with over 1,000 employees in 10 countries and a global distribution reach

JOINT LETTER FROM THE CHAIRMAN AND CEO

DEAR READER

The year 2013 was an important one for our Group – with decisive changes to our operating model, and great strategic progress.

Our focus on high-quality active investing has helped us to produce a solid set of financial results and strong shareholder returns.

For 2013 we are reporting a 30% increase in underlying net profit to CHF 210.2 million. Given the all-encompassing importance of profitability to sustain the long-term viability of our business, this is a significant achievement. We are particularly pleased that this result was driven by the area at the core of our strategy: truly active investment management. This is where we want to distinguish ourselves and where we want to compete, by constantly improving what we do best: identifying long-term investment opportunities, often by adopting unconventional, independently derived views and approaches. Unconstrained by benchmarks, we can translate such opportunities into liquid, high-quality solutions and products for institutions and individual investors. As we deliver on our promise, we are convinced that clients are prepared to reward us for the value we create.

This is evidenced by our 2013 results where we have seen revenue margins in our investment management business improving significantly, contributing to almost half the rise in overall net fee and commission income. Performance fees also improved and were strong across the range of our absolute return products. These developments demonstrate that we are on the right track and that our strategic focus is proving successful.

Growing revenues and assets, particularly in our absolute return range, naturally results in higher contractual payments to personnel whose bonuses are determined by a pre-defined formula. Overall, however, growth in revenues outpaced the increase in our operating expenses, improving our cost/income ratio from 67.2% to 65.2%. This reflects continued cost consciousness across the Group, as well as a reduction in other compensation expenses (salary plus discretionary bonus costs). In 2013, we reduced headcount by 2% and changed our operating model from a pure financial holding approach to a functional, integrated group structure, simplifying our leadership structure as well. By year-end, we had fully implemented all the major organisational changes we had planned: we had integrated support functions such as HR, finance, risk control and legal and compliance, had introduced a joint leadership structure for our marketing and distribution teams, and had consolidated office space in Zurich and London. These steps have laid the foundation for future cost efficiencies and revenue enhancements, the benefit of which will fully accrue in 2014 and beyond.

Our 2013 underlying net profit of CHF 210.2 million excludes a small number of non-recurring items that we deem not to be indicative of the operating performance of our business, nor of its future growth potential. Not included in this figure is the gain of CHF 13.1 million realised from the sale of our minority stake in Artio Global Investors Inc. to Aberdeen Asset Management PLC, as well as a partial write-down by CHF 5.8 million in the value of our minority stake in QFS, a US-based alternative asset manager. The other adjustments relate to the non-cash amortisation of customer relationships from the acquisition of GAM in 2005 (CHF 11.6 million, fully amortised by year-end 2013) and, finally, one-off non-cash charges incurred for vacating premises in Zurich and London (CHF 4.5 million). When all these items are included, our net profit according to IFRS was CHF 201.4 million, of which CHF 196.8 million was attributable to our shareholders.

For the reasons outlined at the beginning of our letter, we feel that growth in profitability reported for 2013 was achieved on very solid foundations. Therefore, our Board of Directors proposes to increase this year's dividend to CHF 0.65 per share, making it 30% higher than the dividends paid in each of the last three financial years. If approved at the upcoming Annual General Meeting (AGM) on 15 April 2014, it will result in a total payment of approximately CHF 106 million. The proposed increase underscores our commitment to allow our shareholders to participate in our success by increasing our payouts as our profits grow – in a sustainable fashion, making them as reliable and as predictable as possible. As in previous years, we will continue to complement dividend payments with the buy-back of our own shares. We are comfortable with our current capital base of CHF 551.4 million in tangible equity and we continue to generate high levels of cash through our business activities. The buy-backs therefore provide additional flexibility in returning excess cash to our shareholders. Our current programme, launched in 2011 with a maximum limit of 41.3 million shares, will run as scheduled until 17 April 2014. When it expires, we plan to launch a new programme, albeit smaller in scope, allowing us to repurchase up to 10% of the shares in issue at inception (approximately 17 million shares) over a maximum of three years. With approval from our shareholders, these shares will be cancelled at future AGMs.

In light of our commitment to strong shareholder returns and the long-term nature of our strategy, we have always said that the pursuit of sustainable profitability would take precedence in all our business decisions and we would not pursue a strategy of asset growth at any cost. However, it is obvious that we are not yet reporting the net new money growth rates we aspire to achieve over the medium term. For 2013, we are reporting net outflows of CHF 2.6 billion in investment management and of CHF 1.1 billion in private labelling. Given the positive structural dynamics we experienced in core parts of our business, we feel that last year's net new money results are not reflective of our mid-term future growth potential.

Looking at flows in investment management in more detail, a large part of the outflows mirrored large-scale market trends: the massive fall in the gold price led to protracted redemptions from our physical gold ETF and tapering fears drove investors out of long-only emerging market bond and traditional fixed income funds. A diversified business model is the best way to protect ourselves from such cyclical, market-wide sell-offs, so cultivating a broad product offering and a diverse set of business streams remains an important pillar of our strategy.

As mentioned above, from a profitability standpoint, the net outflows from the physical gold ETF were more than offset by growth in high-margin areas, and the same can be said for other mostly low-margin redemptions. These include the loss of a one-off historical sub-advisory mandate at GAM in the first quarter, outflows from money market funds and the closure of certain Swiss institutional mandates where we decline to compete for fees that don't reflect the costs of active management. Their overall impact on margins was more than offset by strong net inflows across the broad range of our GAM-branded products, particularly in the absolute return spectrum, and solid net inflows into our actively managed Julius Baer-branded equity and specialist fixed income funds, which we have made increasingly benchmark-agnostic. Net flows into our largest flagship absolute/unconstrained fixed income strategy were positive for the year, but not consistent across client segments. While institutional demand held up well throughout the year, the fund's flat performance for 2013 led to heavy outflows from the wholesale intermediary channel in the second half. The wholesale channel is always more sensitive to near-term performance than the much more stable institutional channel. With a nearly 10-year track record of compelling results, history suggests that wholesale flows into this strategy will stabilise as performance recovers to its typical levels.

Across all areas of investment management, the achievements so far are highly encouraging: we see them reflected in the steady evolution of our asset mix and the positive investment track record produced across the board. Therefore, over the medium-term, we remain confident in our ability to grow net new money in our investment management business at an annualised rate of 5–10%, as stated in August when we published our half-year results for 2013.

In the private labelling business (which represents approximately 6% of Group revenues and provides outsourcing solutions to third parties) growth prospects remain affected by uncertainty over European fund regulation. In 2013, new business wins for our Luxembourg-based services did not materialise as expected, and closures and redemptions from existing mandates led to the net new money outflows noted above. We are therefore lowering our mid-term annualised growth target to 5% of assets under management. While results in this area largely reflect flows into our clients' funds, the long-term nature of our relationships with such clients allows us to prosper along with our partners. Therefore, we remain confident in the proven ability of private labelling to deliver attractive growth rates over the cycle. It remains an effective way to leverage our infrastructure and a reliable contributor to our bottom-line profitability.

Looking ahead, we believe the trends seen in our industry over the past couple of years will become even more accentuated. The polarisation of growth opportunities between low-cost passive investment and highly active solutions will intensify. Furthermore, regulation will increase the complexity of our business, creating additional cost pressure and competition for distribution channels. All of this confirms our strong belief in maintaining an operating and client servicing structure that is efficient and flexible, and at the same time reliable and robust.

Talking to our clients, it is clear that asset allocation decisions in the near term are challenging. With the equity rally in 2013 being strongly driven by loose central bank policies, US and European stock markets are more vulnerable to volatility as future fiscal and monetary policy tightens. Developments in the past year have shown that emerging markets have to be viewed not as homogeneous, but as highly diverse. And, while the 30-year bull run in bonds has come to an end and many fundamental macroeconomic issues around the globe are still unresolved, most investors remain reliant on successful fixed income allocations. Therefore, the need for differentiation becomes more important than ever – and plays to the strengths of our experienced investment teams.

Across the board, we can fully count on the great professionalism and dedication of all employees. Moreover, our Group is in excellent financial shape – free of debt, well-capitalised, with a healthy balance sheet. After the steps we have taken since our independent listing, we are convinced we are strongly positioned to accelerate our growth in the years to come, and we look forward to sharing this success with our shareholders.

D. M. Solo

Johannes A. de Gier
Chairman

David M. Solo
Group CEO

Zurich, 4 March 2014

BUSINESS REVIEW

STRATEGY AND 2013 PERFORMANCE

LONG-TERM INDUSTRY TRENDS

- Attractive growth prospects in both developed and emerging markets
- Eroding market share for traditional asset managers
  - Polarisation of growth in low-cost passive investments and highly active/alternative strategies
  - Convergence of traditional and alternative investing leading to intensified competition in active asset management
- Regulation reinforces key industry trends, such as consolidation, competition for distribution channels, margin and cost pressure, need for operational flexibility

OUR STRATEGIC RESPONSE

- **Focus on truly active investing**: long-term horizon, talent management, constant product innovation and a culture of independent thinking
- **Global presence** and **distribution reach** across client segments
- **Diversification**: broad and deep investment management capabilities complemented by private labelling services
- Financial strength and capital discipline: commitment to **strong shareholder returns**
- New **functional Group organisation**: joint leadership for distribution teams, integrated support functions and simplified leadership structure – creates cost efficiencies and revenue enhancements for 2014 and beyond
- Robust and scalable infrastructure offering **operating leverage**
- **Responsible business practices** guiding our activities and behaviours

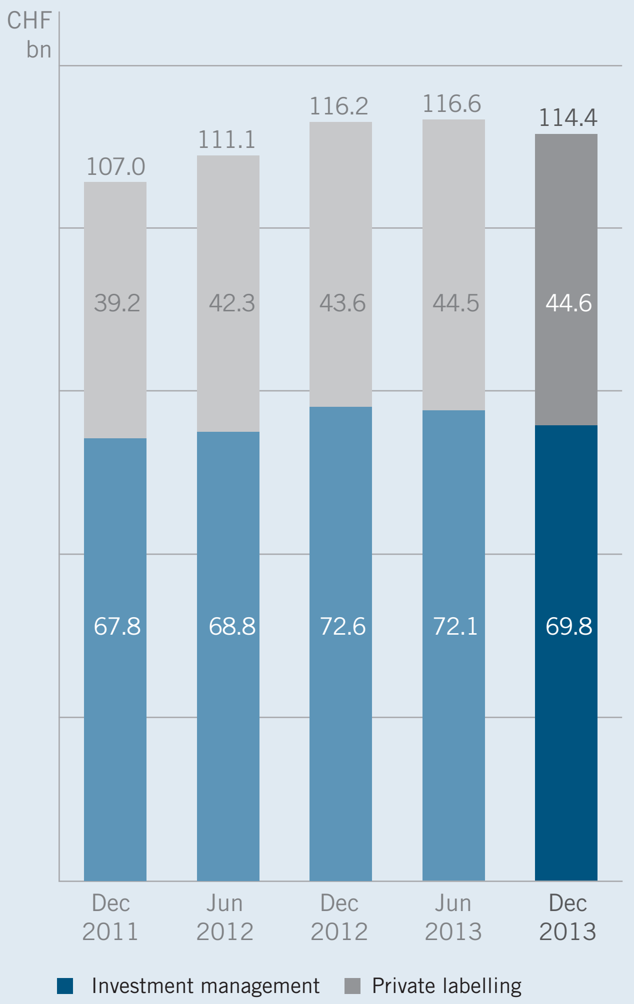
OUR MID-TERM FINANCIAL TARGETS

- Our overarching objective is to grow profitability in a sustainable fashion, measured by **growth in basic earnings per share**
- By constantly improving efficiency and operating leverage, we aim to achieve a **cost/income ratio of 60–65%**
- We target an annualised **net new money growth rate of**
  - **5–10%** in **investment management** and
  - **5%** in **private labelling**

PERFORMANCE AGAINST TARGETS

- **Basic earnings per share** grew 34% year-on-year to CHF 1.26, driven by a 30% increase in underlying net profit
- **Cost/income ratio** of 65.2%, improved from 67.2% in 2012 as revenue growth outpaced cost increases
- **Net new money growth rate in investment management** negative and below target, reflecting net outflows of CHF 2.6 billion for the year predominantly in low-margin areas
- **Net new money growth rate in private labelling** negative and below target, reflecting net outflows of CHF 1.1 billion for the year mainly from offshore and Swiss-domiciled funds

ASSETS UNDER MANAGEMENT



INVESTMENT MANAGEMENT

Description

- All investment strategies, mandates and funds managed and distributed across the Group, for institutional, wholesale and private clients

2013 snapshot

- Gold ETF (low-margin) and long-only emerging market fixed income flows were inevitably affected by periodic market-wide sell-offs; compounded by loss of a historical sub-advisory equity mandate at GAM
- Partially offset by net inflows into high-margin products (absolute return single manager, unconstrained fixed income, strongly performing equity products)
- Strongly positioned and growing in the most attractive segments of client demand for highly active investing
- Evolving asset mix with positive impact on return on assets
- 83% of assets in funds outperforming their benchmark over three years (excluding segregated funds and mandates)

PRIVATE LABELLING

Description

- Outsourcing and private labelling solutions for third parties (fund administration and management company services)

2013 snapshot

- Net new money outflows from offshore funds and Swiss-domiciled mandates
- Reliable contribution to bottom-line profitability and proven ability to grow over the cycle; in the short term, growth remains affected by uncertainty over European fund regulation

OUR STRATEGY

LONG-TERM INDUSTRY TRENDS[1]

MARKET GROWTH : A LOT OF MONEY STILL WAITING TO BE INVESTED

After a substantial period of stagnation following the 2008 financial crisis, the volume of professionally managed assets across the globe has again increased. According to The Boston Consulting Group[2], industry assets under management rose to more than USD 62.4 trillion in 2012, exceeding their pre-crisis level. However, the increase did not come from net new asset flows, but was driven largely by the rise of global equity and fixed income markets.

Financial markets have recovered, investor confidence less so. Private and retail investors seem particularly unwilling to risk their savings, and flows from these client segments remain highly volatile, with accelerated outflows during periods of market turmoil. Individual investors, along with institutions, have also grown frustrated and disillusioned with the performance of self-proclaimed active but in fact highly benchmark-oriented investment strategies.

For instance, according to an industry report[3], in the Eurozone countries mutual fund assets shrank by over 25% between 2006 and 2011 while stock markets declined only 10%. The decline in investments did not, therefore, result from a reduction in household wealth but from a flight into bank deposits. The same report showed that cash accounted for more than 40% of household financial assets in Europe in 2013 – an allocation greater than most investment professionals would advise. If European households alone were to reduce their cash allocations by half, it would free up EUR 4 trillion for potential longer-term investment. In contrast, US households on average hold 18% of cash or cash equivalents and – over the past decade – achieved a return on their assets of 47%, a 13% higher return than European households achieved over the same period.

In light of demographic developments, these numbers illustrate the size of growth opportunities available to the asset management industry in Western European markets. Together with North America, Japan and Australia, these markets continue to hold the bulk of the world's financial assets and provide the largest pools of institutional money. The trend towards funded, defined-contribution pensions, which are essentially shifting the investment risk to individuals, should also represent an important driver for private-sector demand for high-quality solutions for retirement savings.

There is no denying that the global shift towards passively managed investment products continues to claim substantial parts of market growth. However, asset allocation trends in developed markets indicate that demand for highly active investment products and solutions will represent an opportunity for our industry, especially against the backdrop of a difficult investment environment.

On the other hand, emerging economies, with their growing private wealth and nascent financial markets, offer significant untapped potential for professional asset managers. That said, barriers to entry for foreign providers are expected to remain high. The Asian market, for example, is highly fragmented in terms of consumer preference, regulation and distribution structures, while Latin American markets are still largely dominated by bank-related players. As a result, building a meaningful share in these markets is a multi-year effort and requires companies to make well-informed strategic decisions and execute those decisions carefully.

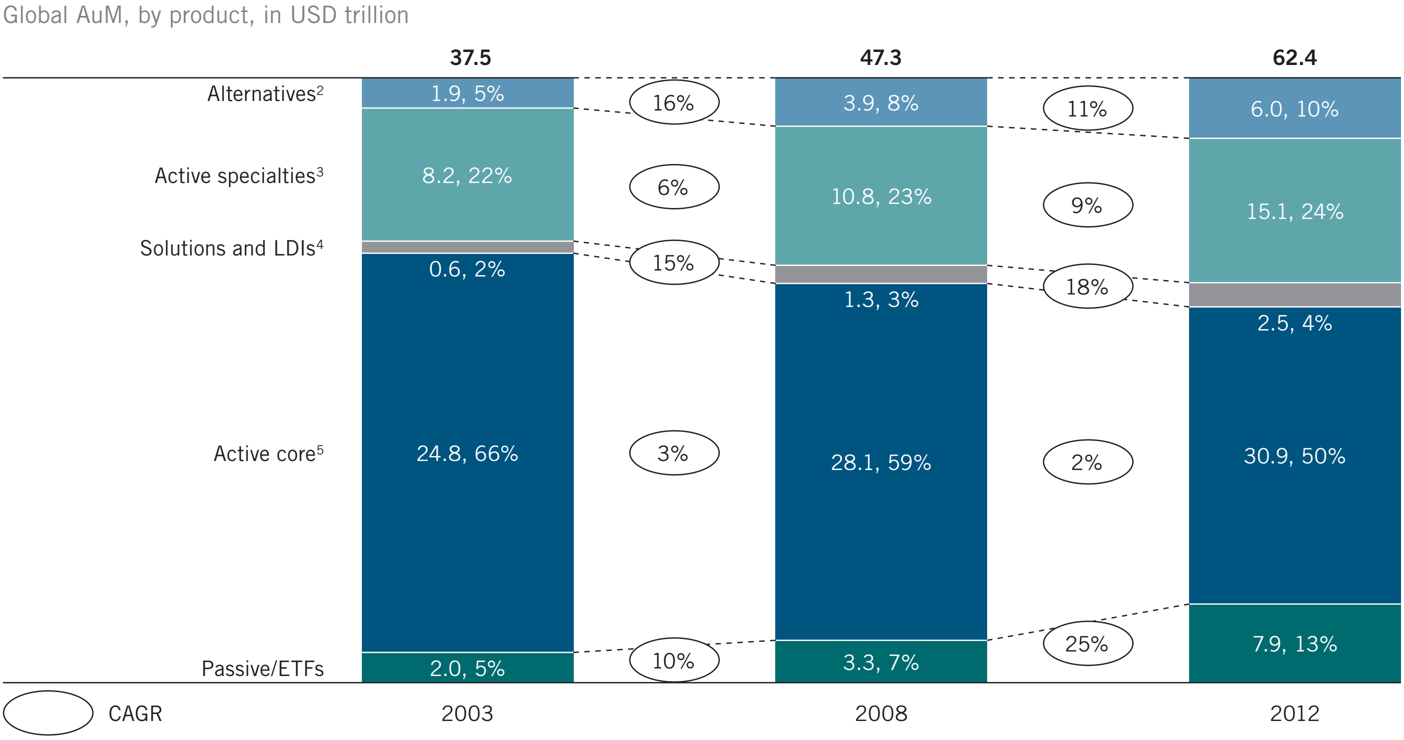
CLIENT DEMAND : POLARISATION OF LOW-COST PASSIVE AND ALTERNATIVE, HIGHLY ACTIVE INVESTMENT

After a steady decline over the past three decades, interest rates in developed markets have reached a record low. Across the globe, investors are concerned about the end of the 30-year bull run in fixed income. While a 'great rotation' into equities has been the widely anticipated next step, we believe the situation is not that straightforward.

Over the short to medium term, the search for higher returns should continue to drive investors back into equities. However, fears of interest rate hikes in the near term have been offset by relatively low inflation numbers so far. And regardless of interest rate developments, a large share of investors – in particular institutions – will need to remain invested in fixed income for a number of reasons. In particular, new accounting standards designed to reflect more accurately the funding levels of corporate pension funds are leading to higher volatility in pension deficit charges. This results

[1] For a detailed disclosure of the risks to which our Group is exposed, please refer to Note 4 of GAM Holding AG's Consolidated Financial Statements.
[2] Boston Consulting Group, *Global Asset Management 2013 – Capitalizing on the recovery*, July 2013.
[3] Mackay Williams, *Beyond 10%*, 2013.

MAJORITY OF INDUSTRY ASSETS STILL ACTIVELY MANAGED[1]



[1] Source: The Boston Consulting Group, *Global Asset Management 2013: Capitalizing on the recovery,* July 2013.
[2] Includes hedge, private equity, real estate, infrastructure and commodity funds.
[3] Includes equity specialties (foreign, global, emerging markets, small and mid-caps, and sector) and fixed income specialties (credit, emerging markets, global, high-yield and convertibles).
[4] Includes absolute return, target date, global asset allocation, flexible income and volatility funds and liability-driven investments (LDI).
[5] Includes active domestic large-cap equity, active government fixed income, money market and traditional balanced and structured products.

in a reduction in the equity allocations of pension funds just when fixed income returns are low and most funds require stronger returns to meet their future obligations. This situation, in turn, brings interesting opportunities for actively managed alternative solutions to traditional bond or equity investments – for example unconstrained strategies that employ multiple instruments and investment techniques, or offer lower volatility.

Since the 2008 financial crisis, mutual fund sales in Europe have increasingly followed the pattern already seen in the USA where, if investments are made, they are made through low-cost passive index funds and exchange-traded funds (ETFs). Passive investment is likely to continue to grow, including among institutions. The on-going fierce pricing competition in the passive investment segment will increase the pressure for consolidation and only dominant, large-scale providers will be able to profit over the longer term.

The increased use of passive index products is essentially creating an industry-wide cost and performance benchmark. However, it is also eroding the returns these products claim to offer, by influencing the prices of underlying securities rather than reflecting them. This, in turn, increases the scope for active managers with the ability and skills to deviate from benchmark allocations to create meaningful long-term outperformance. Furthermore, as traditional diversification strategies have disappointed due to converging correlations across asset classes, passive investments will have to be complemented by dynamic allocations to strongly performing active funds and alternative strategies. Such allocations are widely adopted in US and most European markets, and aim to protect capital during periods of market volatility without sacrificing asset growth. We believe this approach will become even more pronounced across investor segments. Consequently, we foresee a polarisation of growth opportunities in the low-cost passive sector on the one hand, and in differentiated, specialised and highly active strategies that can produce strong long-term results net of fees on the other. This polarisation will increase pressure on historically dominant traditional mutual funds with little active investment content, whose market share will continue to shrink. At the same time, demand in the alternative space, especially from institutions, will focus on top-tier alternative strategies with controlled beta and volatility, as well as reassuringly robust infrastructures, making fee levels for these market participants fairly resilient for many years to come.

Investors (particularly in developed economies with ageing populations) increasingly appreciate that asset pools are not primarily being used to maximise short-term returns but to satisfy future liabilities. Consequently, investors are turning to solutions that are specifically oriented to their investment needs. Institutions are increasingly looking at customised investment services rather than comingled funds. Successfully developing and marketing such capabilities, as well as managing the complexity of a solutions-oriented business, requires deep technical knowledge, long-standing experience, pricing discipline and flawless operations delivered by nimble middle and back offices. Sales cycles are often longer for customised products than for simpler mandates. However, customised products can help asset managers build longer-term relationships directly with their clients – overcoming, to a certain extent, the intermediation by investment consultants. In contrast, private investors have traditionally turned to banks, wealth managers and independent financial advisers for their investment solutions. This value proposition of intermediaries will not change. As seen with the introduction of the UK Retail Distribution Review (RDR) in 2013, however, increased regulatory requirements with respect to the independence of financial advice could create the need for investment outsourcing in the private investor segment.

PRODUCT DEVELOPMENT : INNOVATION AND DIVERSIFICATION IS KEY FOR ACTIVE ASSET MANAGERS

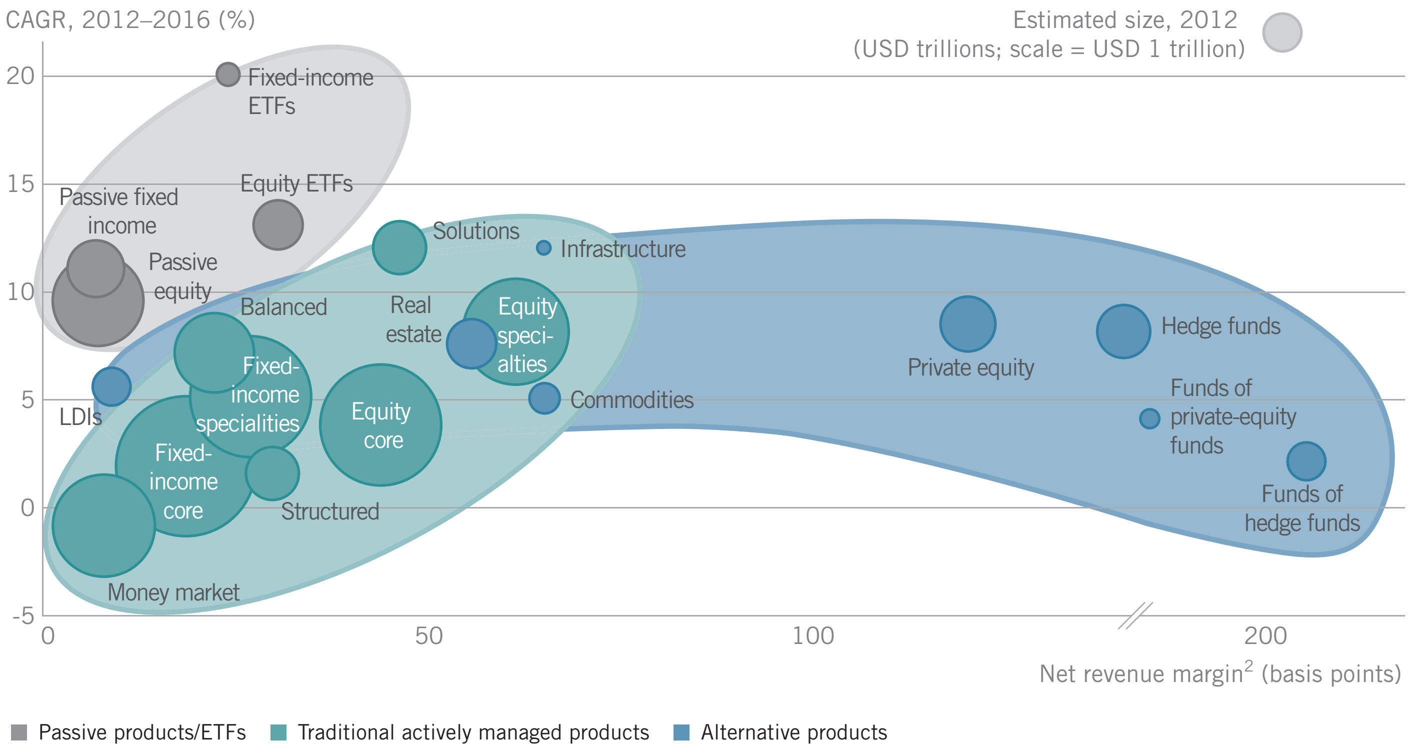
Despite the trends described above, traditional active management will continue to represent the bulk of assets and recurring revenue streams in the industry for a number of years to come. In 2012, for instance, these revenues totalled USD 170 billion – about 80% of the global industry's total USD 215 billion revenue pool[4]. However, the slow retreat of traditional actively managed assets as a share of the overall pool is inevitable. Growth in active speciality products and alternative solutions has not been achieved at the expense of passive investing but rather of traditional active management.

This development is evidenced by the ongoing success of sophisticated strategies offered in the form of regulated onshore products such as UCITS funds, increasing their availability for a broader market. Between 2006 and 2012 the market for sophisticated UCITS grew from virtually nothing to around EUR 150 billion[5] and continues to attract more alternative investment managers. At the same time, traditional active asset managers looking to defend their market share are striving to move away from the traditional benchmark approach by entering specialised asset classes or adopting absolute return approaches. Product innovations such as actively managed ETFs – which so far have been successful mainly in the USA – make it possible to combine the multiple advantages of an ETF structure (cost efficiency, transparency, liquidity and real-time pricing) with investment management expertise.

Traditional asset managers will need to master the cultural shift towards greater innovation and overcome complacency in favour of independent thinking. Success in this space will require constant investment in a broad, diversified offering designed to capture new and growing flows across market cycles. Alternative asset managers, on the other hand, face increased pressure for more transparent client reporting and evidence of sound investment management processes as well as a robust infrastructure. For both types of providers, building a credible track record requires long-term efforts and may be rewarded only gradually. Talent management, operational efficiency and improved productivity are the core elements of a long-term growth strategy for these providers.

[4] Boston Consulting Group, *Global Asset Management 2013 – Capitalizing on the recovery*, July 2013
[5] Alix Capital, UCITS Alternative Industry Report Q4 2012.

GROWTH BY PRODUCT TYPES : BY 2016[1]



LDI = Liability-driven investment

[1] Source: The Boston Consulting Group, *Global Asset Management 2013: Capitalizing on the recovery*, July 2013. [2] Management fees net of distribution costs.

REGULATION : RE-INFORCING KEY INDUSTRY TRENDS

Regulators and policymakers worldwide continue to pursue a regulatory agenda designed to respond to the causes of the 2008 financial crisis. While their focus so far has been primarily on banking, they have started to turn their attention to the asset management and fund industry. Agreement has been reached on a number of important initiatives such as the central clearing of derivatives, but the regulatory landscape remains characterised by constant evolution. Like other industry representatives, we are supportive of a sound framework of rules and standards that aims to create a level playing field internationally and safeguard both the interests of investors and the reputation of the asset management industry. We believe regulatory developments will reinforce the trend of increased competition, especially among traditional active asset managers, and ultimately lead to industry consolidation. Increased operational complexity will increase the need for cost management and a robust infrastructure.

The push for greater investor protection, stricter governance and transparency – expressed for instance through the Alternative Investment Fund Managers Directive (AIFMD) or the Undertakings for Collective Investment in Transferable Securities (UCITS) – is increasing the compliance burden, particularly for smaller asset managers. These developments are also increasing competitive pressure and the cost of cross-border distribution of active and more sophisticated investment products. Combined, these factors over the longer term will benefit groups with an established compliance infrastructure and proven experience in dealing with multiple regulatory regimes.

Regulation aiming to eliminate potential conflicts of interest in the distribution of financial products and financial advice – such as the Retail Distribution Review (RDR) effective in the UK since 2013 and the still-evolving European Markets in Financial Instruments Directive (MiFID) II – will lead to fiercer competition for distribution channels. While we believe it is premature to speculate on how these regulatory developments will precisely impact business models in the financial services industry, we are convinced that greater transparency will shift competition towards the quality and performance of products and away from commissions. Given that the principal concern of lawmakers and regulators is to safeguard the best interests of end-investors, we are confident that regulation will continue to provide scope for open architecture models and a level playing field between the distribution of third-party and in-house products. As a result of improved information and education, investors are unlikely to accept a narrowing of choice when it comes to suitable financial products. If they are to respond to the emergence of new distribution models in different markets, however, asset managers will have to maintain the operational flexibility needed to offer the appropriate product structures.

Broader financial market regulation leading to higher capital requirements for financial services conglomerates is affecting the attractiveness of certain asset classes for our clients. For instance, Solvency II is impacting the insurance industry's demand for equities, long-dated credit exposures and low-rated debt. Instead, clients in this sector now favour more sophisticated risk modelling and portfolio construction, requiring asset managers to have not only the appropriate investment skills but also a scalable infrastructure.

STRATEGY AND TARGETS

BUSINESS MODEL AND ORGANISATION : PURE-PLAY, INDEPENDENT ASSET MANAGEMENT GROUP

We are an independent Group, focused exclusively on asset management. This is an industry with attractive growth opportunities, driven by secular demographic and economic trends, where we strive to be one of the world's highest-quality providers. Our success in delivering investment returns within predefined parameters has earned us a reputation for consistent performance, leading to attractive results for both our clients and our shareholders.

We have multiple investment teams working under two prestigious product brands (GAM and Julius Baer Funds). This structure, our operational flexibility and our global distribution capabilities give us the necessary diversification and freedom to exploit our growth potential. At the same time, the integrated management of our capital, as well as our audit, legal, finance and risk management functions, ensures financial and balance sheet discipline and stringent risk oversight.

FINANCIAL STRENGTH : CAPITAL DISCIPLINE AND RELIABLE SHAREHOLDER RETURNS

Our financial strength provides us with the foundations for sustainable growth in the future. It gives us the freedom and flexibility to actively shape our strategy and invest in our business, while providing confidence and reassurance to our clients, shareholders, staff and counterparties.

As our business activities generally do not consume high amounts of capital but generate strong levels of cash, we are particularly committed to deploying our capital in a disciplined way so as to maximise shareholder value over the long term while retaining our balance sheet strength.

Excess capital will be returned to our shareholders, primarily through dividend payments and complemented by the buy-back of our own shares. This approach gives us flexibility in managing our capital returns, while ensuring our dividend payments remain sustainable, reliable and hence predictable for our shareholders.

GROWTH : ORGANIC, THROUGH PARTNERSHIPS OR ACCRETIVE ACQUISITIONS

Our autonomy and sole focus on asset management allow us to take advantage of growth opportunities in a consolidating and evolving industry. They make us an attractive employer and partner for talented investment professionals and enable us to expand our distribution partnerships in target markets and to make accretive and complementary acquisitions when such opportunities arise.

When evaluating potential growth investments – organic and M&A – as well as partnerships, our criteria are very strict: We will not enter into any agreement that dilutes the quality of our brands or is unlikely to create sustainable value for our clients and shareholders.

CORE BUSINESS : ACTIVE INVESTMENT MANAGEMENT

Our Group is run with the long-term view, performance targets and client servicing standards expected of successful active asset managers. This approach is reflected in our processes and structures, which are designed to foster independent thinking and facilitate nimble, swift investment decision-making without compromising risk control. The absence of a 'house style' or 'investment by committee' approach enables our investment professionals to develop independent market views and fully realise the investment potential inherent in typically non-consensus portfolios.

The heads of all our investment management teams report directly to the Group CEO, fostering a culture of independent thinking and innovation. The skills of our in-house managers are complemented by select third-party specialists, with proven expertise in their respective areas, who manage their strategies under our brands. Both in-house and external managers are free to make decisions according to their individual philosophies and styles, seeking to generate superior returns through conviction investing. In particular, they are encouraged to be indifferent to short-term index comparisons and take controlled risks in order to deliver differentiated performance. Rigorous risk management and portfolio monitoring are a critical part of this process, and we therefore invest heavily in our risk analysis and modelling systems, as well as in due diligence. We generally measure the success of our active strategies by their proven ability to meaningfully outperform an appropriate benchmark over a rolling three-year period, because achieving superior returns inevitably entails periods of temporary underperformance.

Our investment management business is complemented by a private labelling service for third parties, such as fund administration and management company services. This allows us to leverage our existing infrastructure and offer tailored outsourcing solutions to banks, insurers, independent asset managers and institutional investors.

PRODUCT, CLIENT SERVICE AND DISTRIBUTION STRATEGY

Multiple investment management teams and global distribution capabilities create flexibility and diversification benefits by maximising our reach to clients and increasing the breadth of our investment offering. Our operating and legal entities, GAM and Swiss & Global Asset Management, distribute their products and solutions under their own names and two well-established product brands – GAM and Julius Baer. Our highly diversified business mix appeals to a wide range of client segments such as institutions, wholesale intermediaries, financial advisers, private investors and third-party asset managers. This enables us to mitigate as far as possible the impact of cyclical fluctuations in financial markets and investor demand. Constant innovation is supported by our strong infrastructure and professional operations, providing us with a proven range of capabilities on which we can draw to create and launch new products at limited additional cost.

For an asset manager without a captive distribution arm, having a strong sales network is critical to success. We have established a competitive presence in our target markets in Europe, the USA and Asia, some of which have been core to our businesses for many years. This gives us the ability to expand into new and developing client segments and markets, by either adding to our in-house distribution teams, establishing a local presence, or choosing high-quality distribution partners – all without the conflicts or tensions that come from being part of a broader financial institution. Every market entry opportunity is evaluated against the client servicing standards we set for ourselves, such as the ability to provide value-added support through our sales forces and rapid client access to product specialists. We firmly believe that having a meaningful dialogue with our clients and distributors, in which we explain how we think about investing, is crucial to earn their confidence. This, in turn, helps them to adopt the long-term time horizon we need to deliver on our promise of superior investment returns.

Institutional clients and private investors look for skilled investment management and compelling products that deliver what they promise. Neither they, nor we, are prepared to accept a gap between fees charged and long-term value conferred. This requires an uncompromising focus on quality and is the key to client satisfaction, business growth and ultimately shareholder value. As a result, we manage our businesses to achieve fair compensation for our products that reflects the true costs of research, continuous due diligence and risk control. Furthermore, we aim to focus on those client segments seeking higher-performing active managers as opposed to relatively passive and minimum-fee solutions.

EMPLOYEES

Continuity is essential for success in asset management. We therefore manage the development of our Group carefully, ensuring stability in the service we provide to our clients and in the work environment of our employees. Our ability to successfully manage difficult transitions was demonstrated in late 2009 and early 2010 following our separation from Julius Baer. We established ourselves as an independent Group without any related personnel departures, essentially no client attrition and no disruptive management changes or restructurings. Similarly, both Augustus Asset Managers Ltd. and Arkos Capital SA were successfully integrated into GAM following their respective acquisitions, with full retention of investment talent and client relationships.

We strive to provide employees with a stimulating and attractive place to work – one where talent is nurtured and developed, employees feel confident in their abilities and empowered to take responsibility, and where acting in the best interests of the Group is recognised. We firmly believe in the importance of maintaining the open culture of a small company, aiming to avoid bureaucracy and encouraging a flexible, accessible and hands-on working style across the Group. In turn, our people reward us with their loyalty.

OUR EMPLOYEES[1] – SNAPSHOT 2013

30 different nationalities

On average, 38.5 years old

143 investment professionals working from London, Zurich, Lugano, Milan, New York and Hong Kong

- on average, 15.5 years of investment experience; ranging from 1–49 years
- average tenure of 8 years
- 20% women

82 relationship managers in investment management, serving our global client base

- average tenure of 7 years
- supported by over 100 employees working in nine countries, in marketing, sales support and product specialist roles

11 project managers in private labelling

- leveraging our existing operating infrastructure for third parties

[1] As at 31 December 2013, GAM Holding AG employed 1,072 full-time equivalents.

We are convinced that promoting teamwork and responsible and independent thinking among our employees is beneficial for our clients and therefore a key ingredient in our success. To maintain such a culture, it is essential to create a workplace where diversity and cooperation are valued, personal development is encouraged and individual dignity is safeguarded.

In addition to in-house training, we also support external education to help our employees gain qualifications relevant to their roles, and that will advance their skills and careers. In our larger locations, our employees regularly gather for lunchtime open forum sessions where they exchange best practice and educate each other on their respective parts of the business. Recruitment, staff development and working practices (such as flexible working arrangements and childcare support, in line with local market practices) are designed to promote diversity and equality.

Our fringe benefits for employees are competitive with local market practices. All our offices regularly support charitable causes and organisations in their local communities, primarily through the active participation of our employees.

RESPONSIBLE BUSINESS PRACTICES

Responsible business behaviour is driven by long-term thinking. As a company, all our activities are designed to meet our obligations to our main stakeholders: our clients, employees, shareholders and regulators. We take our responsibilities towards our clients seriously, protecting and enhancing the value of their investments – in line with both industry regulation and our own principles and guidelines. By treating clients and our employees fairly, we will safeguard our reputation and create sustainable value for our shareholders over the long term.

We are convinced that a strong commitment to responsible business practices starts at the top. Our management teams aim to foster a working environment where members of staff – at all levels – are encouraged to act with integrity, accountability and in the best interests of the Group and its stakeholders. This culture, in turn, is translated into structures, processes and internal policies relating to the oversight of risk, conflicts of interest or our dealings with clients and business partners.

Policies, however, cannot address every situation that may arise. We firmly believe that the best way to encourage and guide responsible behaviour is to strengthen our employees' individual sense of responsibility and set an appropriate 'tone from the top'. Doing so allows employees to make the right choices or seek the necessary guidance. As a result, we strive to achieve an appropriate balance between trusting the good judgment of our employees and setting standards where necessary.

MID-TERM FINANCIAL TARGETS[6]

Over the medium term we are focused on the following targets, designed to ensure we deliver attractive returns to our shareholders:

- Our overarching objective is to grow profitability in a sustainable fashion, and this focus will always take clear precedence in all our business decisions. Performance against this objective is best measured by **growth in basic earnings per share**
- By constantly improving efficiency and operating leverage, we aim to build a business that is robust and resilient across a variety of market conditions and cycles. Our goal is to achieve a **cost/income ratio of 60–65%**
- Finally, we aim to achieve sustainable growth in new business, targeting an annualised **net new money growth rate of**
  - **5–10%** in **investment management** and
  - **5%** in **private labelling**

Our growth target for private labelling was reduced as at 31 December 2013 (previously 5–10%), to reflect the impact of uncertainty over the still-evolving European fund regulation on the development of this business.

[6] Financial targets are defined on the basis of underlying net profit. For more information on this measure used to analyse our results please refer to page 25.

HOW WE HAVE EVOLVED

Our roots as asset managers go back to 1970, with the launch of our first Swiss investment fund as part of the former Julius Baer Group. Another important milestone in our history was reached in 1983 with Gilbert de Botton's founding of GAM, an independent investment boutique aiming to provide superior risk-adjusted returns for its clients, which in 1999 was acquired by UBS and in 2005 by Julius Baer. While structure and business focus have evolved significantly in the intervening years, the core principles of active investing have remained at the heart of what we do.

In October 2009 the former Julius Baer Group was split into two separate entities: one focused on private banking, one on asset management. Julius Baer Asset Management was renamed Swiss & Global Asset Management and brought together with GAM under the GAM Holding Group, a pure-play asset manager independently listed at the SIX Swiss Exchange.

A few years preceding the separation from Julius Baer's private banking business, GAM started to expand its reach from its original focus on high-net worth individuals to institutions and intermediaries, gradually overcoming the dependency of the distribution channels of its previous owners UBS and Julius Baer. The expansion of GAM's single manager fund range and shift from traditional offshore structures and funds of hedge funds to regulated onshore products, in line with client demand, has unlocked new markets and further growth potential, benefitting us to this day.

An exclusive, worldwide license with Julius Baer allows us to use the Julius Baer name for the funds operated by Swiss & Global Asset Management. Historically focused on traditional, benchmark-oriented equity and bond funds, we have progressively moved the Julius Baer-branded investment funds into a wider spectrum of asset classes and niche or theme-based strategies with a stronger active component, helping us to develop the competitive edge needed as an autonomous investment house.

Since our independent listing in October 2009, the core activities of GAM and Swiss & Global Asset Management have converged to a great degree, while the previously marked differences have gradually diminished. As a result, the operating model as a pure financial holding company we had originally retained, with two largely autonomous and separately managed operating units, no longer seemed appropriate. In April 2013 we therefore introduced a more integrated Group organisation. This move included the establishment of a Group Management Board that now leads the Group as a single business. It was followed by the integration of certain support functions (legal and compliance, finance, risk control, human resources) and the introduction of a joint leadership structure for the marketing and sales teams covering both product brands. The co-location of teams by function and the related consolidation of office space in Zurich and London was completed by the end of 2013.

OUR HISTORY

2012
GAM acquires Arkos Capital SA

OCTOBER 2009 : GAM HOLDING AG

Julius Baer Group is separated to form two independent entities – one focused on asset management, the other on private banking – both separately listed on the SIX Swiss Exchange

Julius Baer asset management business is renamed Swiss & Global Asset Management and brought together with GAM under the GAM Holding Group

2009
GAM acquires Augustus Asset managers Ltd

2005
Julius Baer acquires GAM and the three private banks from UBS

1999
GAM acquired by UBS

1996
Baer Holding Ltd. renamed Julius Baer Holding Ltd.

1992
Launch of first Private Label Fund

1983
GAM founded by Gilbert de Botton

1980
IPO of Baer Holding Ltd, successor to Julius Baer & Co Ltd

1970
Launch of ‘Baerbond’, Julius Baer Group’s first Swiss investment fund

1890
Establishment of the partnership Hirschhorn & Grob, the forerunner of Bank Julius Baer & Co. Ltd

2013 RESULTS

GROUP PERFORMANCE

- **Underlying net profit** of CHF 210.2 million, up 30% from 2012
- **Operating income** grew 13% year-on-year fuelled by strong growth in **net fee and commission income**
- This growth was the result of a robust **margin** improvement in investment management, higher **average asset base** plus higher **performance fee** contribution
- **Operating expenses** (up 9%) rose at slower pace than revenues
- Reported **personnel expenses** were up 13%, but once normalised for a swing in social security accruals for share-based compensation the increase was effectively 6%
- Contractual bonuses rose proportionally to growing revenues; salary plus discretionary bonus costs declined

GROUP BALANCE SHEET

- **Net cash** of CHF 592.6 million, up 18% year-on-year
- **Tangible equity** of CHF 551.4 million, up 4% from year-end 2012
- Reflects strong profitability and cash flows, achieved despite dividend payments of CHF 81.8 million for the 2012 financial year and share buy-backs of CHF 109.3 million during 2013

GROUP RESULTS ACCORDING TO IFRS

- Net profit of CHF 201.4 million, of which CHF 196.8 million attributable to the shareholders of GAM Holding AG
- Items included in IFRS results but not in underlying net profit:
  - CHF 13.1 million, gain from the divestment of minority stake in Artio Global Investors Inc. (proceeds of CHF 42.4 million)
  - CHF 11.6 million, amortisation of customer relationships
  - CHF 5.8 million, partial write-down of the value of minority stake in US-based alternative asset manager QFS
  - CHF 4.5 million, non-cash charges from vacating premises in Zurich and London

DIVIDEND AND SHARE BUY-BACKS

- Proposed **dividend** of CHF 0.65 per share for the 2013 financial year, up 30% from the previous three years
- Reflects our commitment to growing dividends in a sustainable fashion
- New **share buy-back programme 2014–2017** planned, with maximum limit of 10% of shares in issue

GROUP PERFORMANCE REVIEW

GROUP FINANCIAL RESULTS

Operating income for 2013 totalled CHF 670.2 million, up 13% from a year earlier. Net fee and commission income rose by CHF 75.9 million (13%) to CHF 654.8 million. This substantial year-on-year increase was mainly achieved by a rise in net management fees and commissions, which benefited from a significant improvement in return on assets in investment management, driven by the expansion of our single manager absolute return range as well as from a year-on-year increase in average asset levels. At CHF 100.7 million, performance fees on our single manager absolute return products also exceeded those achieved in 2012 by CHF 18.6 million (23%). They were strong across the range, with the biggest contributions coming from the non-directional equity strategies, unconstrained fixed income and global rates/macro strategies. These positive developments were partly offset by a revenue decline in the much smaller private labelling business, caused by a decline in return on assets.

Other operating income – which includes the impact of foreign exchange gains as well as recurring fund-related fees and service charges – was CHF 15.4 million, compared to CHF 16.0 million in 2012.

Operating expenses were CHF 437.1 million for 2013, compared with CHF 399.7 million for the previous year (up 9%). Personnel expenses were CHF 321.3 million, up 13%. They were inflated by a swing of CHF 18.5 million in the accruals for social security costs on our 2009 long-term incentive (LTI) plan. These costs fluctuate with movements in our share price and resulted in a charge of CHF 10.9 million for 2013, compared to a credit of CHF 7.6 million in 2012. Normalised for this effect, personnel expenses rose 6%. Contractual payments to personnel entitled to receive a formula bonus rose proportionally to higher revenues and the growth of our absolute return products. Other compensation expenses (salary plus discretionary bonus costs) declined in 2013, in line with a 2% reduction in headcount and as a result of the simpler and flatter leadership structure introduced in April 2013.

GROUP INCOME STATEMENT[1]

	2013 CHF M	2012 CHF M	CHANGE IN %
Net management fees and commissions	554.1	496.8	12
Net performance fees	100.7	82.1	23
Net fee and commission income	**654.8**	**578.9**	**13**
Other operating income	15.4	16.0	-4
Operating income	**670.2**	**594.9**	**13**
Personnel expenses	321.3	285.6	13
General expenses	108.7	106.9	2
Depreciation and amortisation	7.1	7.2	-1
Operating expenses	**437.1**	**399.7**	**9**
Underlying profit before taxes	**233.1**	**195.2**	**19**
Underlying income taxes	22.9	33.2	-31
Underlying net profit	**210.2**	**162.0**	**30**

[1] The result for 2013 has been adjusted to exclude the gain from the sale of our investment in Artio of CHF 13.1 million, the amortisation of customer relationships of CHF 11.6 million, the impairment of investments of CHF 5.8 million and office move expenses of CHF 4.5 million (net of taxes). Including those items, the Group's net profit for 2013 amounted to CHF 201.4 million, as shown in the Consolidated Financial Statements.
The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million, the amortisation of customer relationships of CHF 11.7 million and defined benefit pension plan curtailment expenses of CHF 5.6 million (net of taxes). Including those items, the Group's net profit for 2012 amounted to CHF 88.4 million, as shown in the Consolidated Financial Statements.

General expenses rose slightly, by 2%, from CHF 106.9 million to CHF 108.7 million. In line with ongoing cost management efforts, marketing expenses were flat and IT expenses reduced. We also benefited from favourable currency movements: As a large part of our cost base is incurred in British pounds, during the first half we benefited from its weakening against our Swiss franc reporting currency.

Year-on-year, the Group's **cost/income ratio** improved from 67.2% to 65.2%. It was at the top end of the 60–65% we aim to achieve over the medium term. The improvement during 2013 reflects the growth in our overall net fee and commission income, combined with strict expense control. With the changes made to our organisation in 2013, we have laid the foundation for further cost efficiencies and revenue enhancements, which will fully accrue in 2014 and beyond.

For 2013, we incurred **tax expenses** of CHF 22.9 million, down from CHF 33.2 million. This exceptionally low tax rate largely reflects tax deductions resulting from tax accruals for the 2009 LTI plan, as in certain jurisdictions these fluctuate with the value of the options awarded. The 2013 tax rate was further helped by the reversal of tax accruals reflecting the settlement of open tax issues. Excluding these effects, the 2013 tax rate would have been around 17% (17.0% in 2012).

Our **underlying net profit** was CHF 210.2 million for 2013, up 30% from the previous year's CHF 162.0 million. This significant increase in profitability was driven by revenue growth stemming from higher average levels of assets under management, a substantial improvement in margins on net management fees and commissions in investment management, as well as higher performance fees. These effects were combined with ongoing cost discipline and the positive tax effects described above.

Basic earnings per share for 2013**,** calculated on the basis of underlying net profit, increased to CHF 1.26 from CHF 0.94 in 2012. This was driven by growth in profitability and, to a lesser extent, by a reduction in the average number of shares outstanding as a result of our buy-back programme. **Return on tangible equity**, calculated on the same basis, rose to 37.3% (up from 30.4% in 2012).

Net profit according to IFRS was CHF 201.4 million, of which CHF 4.6 million was attributable to non-controlling interests (resulting from our acquisition of a majority stake in Arkos) and CHF 196.8 million to the shareholders of GAM Holding AG.

RECONCILIATION OF UNDERLYING TO IFRS NET PROFIT

	2013 CHF M	2012 CHF M
Underlying net profit	**210.2**	**162.0**
Gain from sale of investment in Artio	13.1	-
Amortisation of customer relationships	-11.6	-11.7
Impairment of investments[1]	-5.8	-56.3
Zurich/London office move expenses[2]	-4.5	-
Pension plan curtailment expenses[3]	-	-5.6
IFRS net profit	**201.4**	**88.4**

1 Includes for 2013 the reduction of the carrying value of the investment in QFS of CHF 5.8 million and for 2012 the reduction of the carrying value of the investment in Artio of CHF 55.6 million and the impairment of financial investments of CHF 0.7 million.

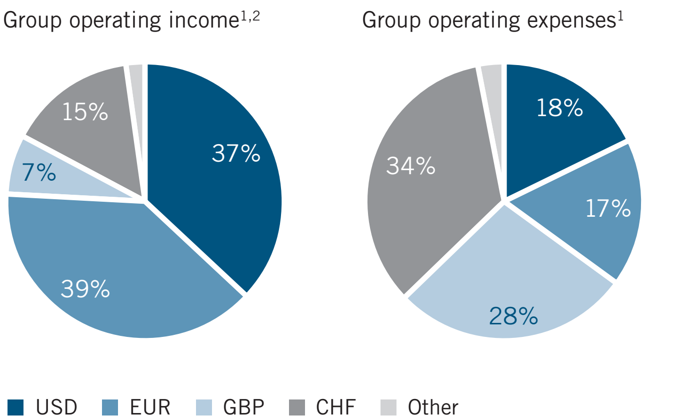
2 Pre-tax expenses for office moves of CHF 4.7 million.

3 Pre-tax expenses for pension plan curtailments of CHF 7.4 million.

Items not included in underlying net profit but reflected in our results according to IFRS are

- the non-recurring gain of CHF 13.1 million from the sale of our minority stake in Artio Global Investors Inc. (realised in the second quarter of 2013, total proceeds of CHF 42.4 million)
- the non-cash amortisation of customer relationships of CHF 11.6 million, an intangible asset dating back to the acquisition of GAM in 2005 and now fully amortised
- a non-cash charge of CHF 5.8 million relating to the partial write-down of the value of our minority stake in QFS, a US-based alternative asset manager, reflecting the difficulties of its fundamentals-driven, quantitative macro strategies in the current zero-interest rate environment
- one-off charges of CHF 4.5 million related to the consolidation of office space in London and Zurich; these include mainly non-cash write-downs of tenant leasehold improvements for the premises we vacated at the end of 2013.

APPROXIMATE REVENUE & COST ANALYSIS : BY CURRENCY, 2013



[1] Composition evolves over time, based on evolving fund performance.
[2] Based on base currency of underlying funds.

HOW WE REPORT OUR RESULTS

Effective 30 June 2013 we re-aligned our reporting structure with our integrated management structure and introduced a number of changes to previous financial reports. To give our investors greater transparency on the value drivers of our business, we provide **key performance indicators** (KPIs) for the Group as a whole and additional **business metrics** covering our two distinct core activities: first, the management and distribution of investment strategies under our own brands; and second, the development and operation of outsourcing services on behalf of third parties. As these activities – investment management and private labelling – have fundamentally different value propositions and economics, we now discuss business developments and metrics along these two areas individually.

At the Group level, our disclosure remains unchanged, with a consolidated income statement and balance sheet reported in accordance with International Financial Reporting Standards (IFRS). The discussion and analysis of our financial results continue to focus on our **underlying net profit**, which excludes certain items from the IFRS result. The adjustments are related to specific non-recurring events or non-cash charges that are indicative neither of the underlying performance of our business nor of its future growth potential. The underlying net profit also reflects our internal approach to analysing our results and managing the Group. Where applicable, the Group's KPIs are also disclosed and discussed on this basis.

Group key performance indicators (KPIs)

- Basic earnings per share
- Cost/income ratio
- Net cash
- Tangible equity

Investment management business metrics

- Net fee and commission income
- Return on assets
- AuM (broken down by product type, client segment and manager/distributor)
- Net new money

Private labelling business metrics

- Net fee and commission income
- Return on assets
- AuM (broken down by fund domicile and asset class)
- Net new money

GROUP BALANCE SHEET

	31.12.2013 CHF M	31.12.2012 CHF M	CHANGE IN %
Cash and cash equivalents	592.6	504.0	18
Trade and other receivables	64.9	53.7	21
Accrued income and prepaid expenses	125.9	143.3	-12
Financial investments	74.7	82.6	-10
Assets held for sale	52.3	101.7	-49
Current assets	**910.4**	**885.3**	**3**
Investments in associates	3.1	-	-
Goodwill and other intangible assets	1,363.4	1,372.8	-1
Other non-current assets	52.8	47.6	11
Non-current assets	**1,419.3**	**1,420.4**	**-0**
Assets	**2,329.7**	**2,305.7**	**1**
Trade and other payables	19.1	17.1	12
Accrued expenses and deferred income	251.6	237.2	6
Other current liabilities	38.5	53.5	-28
Current liabilities	**309.2**	**307.8**	**0**
Pension liabilities	69.2	70.9	-2
Other non-current liabilities	31.6	24.2	31
Non-current liabilities	**100.8**	**95.1**	**6**
Liabilities	**410.0**	**402.9**	**2**
Share capital	8.7	9.2	-5
Treasury shares	-145.5	-241.9	40
Other equity components	2,056.5	2,135.5	-4
Equity	**1,919.7**	**1,902.8**	**1**
Liabilities and equity	**2,329.7**	**2,305.7**	**1**
Tangible equity[1]	551.4	528.0	4

[1] Equity excluding non-controlling interests, goodwill and other intangible assets.

GROUP BALANCE SHEET

Total assets as at 31 December 2013 were CHF 2,329.7 million, including CHF 1,363.4 million relating to goodwill and other intangible assets.

Cash and cash equivalents at the end of 2013 amounted to CHF 592.6 million, compared to CHF 504.0 million a year earlier. Strong operating cash flows from our business activities were complemented by the one-off cash proceeds of CHF 42.4 million from the sale of our minority participation in Artio Global Investors Inc. (Artio) to Aberdeen Asset Management PLC in the second quarter 2013. The strong cash flows from our operating activities were used to pay the dividend for the 2012 financial year in the second quarter of 2013 (CHF 81.8 million) and to buy back our own shares for cancellation (CHF 109.3 million).

Financial investments mainly represent those seed capital investments, which under IFRS 10 are not deemed to be under our control, plus a very small amount of positive replacement values resulting from over-the-counter (OTC) transactions. Compared to 2012, they declined from CHF 82.6 million to CHF 74.7 million, due to net redemptions of seed capital investments.

Following the introduction of IFRS 10, seed capital investments deemed to be under our control are consolidated and presented on a gross basis as **assets and liabilities held for sale**. (The balance sheet position 'assets held for sale' shows these seed capital investments on a gross basis.) On a net basis, the fair value of these controlled seed capital investments as at 31 December 2013 was CHF 43.9 million. A year earlier, net assets held for sale were CHF 95.8 million, of which CHF 27.6 million represented our minority stake in Artio and CHF 68.2 million related to consolidated seed capital investments.

In aggregate, total controlled and uncontrolled net **seed capital investments** were CHF 117.6 million at year-end 2013, compared to CHF 150.3 million a year earlier.

Investments in associates, at CHF 3.1 million as at 31 December 2013, represent our minority stake in QFS, a US-based alternative asset manager, which we acquired in the first quarter of 2013. Following the difficulties of its fundamentals-driven quantitative macro strategies in the current zero-interest rate environment, the value of our investment was partially written down in the second half of the year, leading to a non-cash impairment charge of CHF 5.8 million.

Total liabilities increased to CHF 410.0 million at year-end 2013 compared to CHF 402.9 million in 2012, in line with higher business volumes. As in the previous year, we have no financial debt.

CAPITAL MANAGEMENT

Total equity as at 31 December 2013 amounted to CHF 1,919.7 million. Excluding non-controlling interests, goodwill and other intangible assets, our **tangible equity** stood at CHF 551.4 million, compared to CHF 528.0 million at year-end 2012. The increase reflects the underlying net profit for the period, partly offset by the dividend payment for the 2012 financial year and our share buy-back activity.

TREASURY SHARES

IFRS requires a company that holds its own shares for trading or non-trading purposes to record those shares as treasury shares and deduct them from shareholders' equity.

On 31 December 2013, our holding of own shares of 10.3 million was equivalent to 6.0% of shares in issue. Of these shares, 3.8 million were bought back over the regular trading line at the SIX Swiss Exchange (first trading line) and held to cover our obligations under our share-based compensation plans. The position decreased during 2013 by 4.9 million shares, following the exercise and net settlement of a majority of the outstanding options awarded under the 2009 LTI plan. The remaining 6.6 million shares are earmarked for cancellation and were repurchased during 2013 over a second trading line at the SIX Swiss Exchange as part of our 2011–2014 share buy-back programme.

CURRENT SHARE BUY-BACK PROGRAMME 2011–2014

The current share buy-back programme for the purpose of capital reduction was initiated on 9 May 2011. It authorises the repurchase of up to a maximum of 41.3 million shares for subsequent cancellation. The buy-backs are executed over a second trading line at the SIX Swiss Exchange, where GAM Holding AG acts as the only buyer, and are funded from capital contribution reserves. The programme will run as scheduled until 17 April 2014.

Under this programme, we have so far cancelled 23,070,340 shares bought back in 2011 and 2012. Over the course of 2013, we bought back 6,567,929 shares at an average price of CHF 16.63, representing a total value of CHF 109.3 million. These shares are due to be cancelled following our 2014 AGM, subject to shareholder approval.

DIVIDEND FOR THE 2013 FINANCIAL YEAR

At the upcoming Annual General Meeting (AGM) on 15 April 2014, the Board of Directors will propose a dividend payment of CHF 0.65 for the 2013 financial year. This represents an increase of 30% on the CHF 0.50 paid in the three previous financial years, and – subject to shareholder approval – will result in a total payment of approximately CHF 106 million. The proposal underscores our commitment to return excess cash to our shareholders, primarily through reliable and predictable dividends, which we aim to grow in a sustainable fashion and in line with profit growth. The Board of Directors intends to pay this dividend from our significant capital contribution reserves (CHF 1,537.4 million at year-end 2013), making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

NEW SHARE BUY-BACK PROGRAMME 2014–2017

The Board of Directors has approved our plan to replace the current buy-back scheme following its upcoming expiration in April 2014 with a new three-year programme. As with previous programmes, we will buy back the shares over a second trading line at the SIX Swiss Exchange with the purpose of capital reduction. The maximum volume of the repurchases is set at 10% of the shares in issue at the time of the new programme's inception. The new share buy-back programme is designed to complement our dividend payments, giving us flexibility in our policy of returning to our shareholders cash generated by our operating business activities.

TREASURY SHARES

	31.12.2013	31.12.2012
Shares issued	**173,229,660**	**183,355,000**
Treasury shares held as a hedge for share-based compensation plans	-3,778,079	-8,654,941
Treasury shares bought back for cancellation (2011–2014 programme)	-6,567,929	-10,125,340
Shares outstanding	**162,883,652**	**164,574,719**

INVESTMENT MANAGEMENT

- Comprises all investment strategies, mandates and funds managed and distributed across the Group, by both GAM and Swiss & Global Asset Management, for our institutional, wholesale and private clients
- Covers both product brands GAM and Julius Baer Funds

BUSINESS DESCRIPTION

In investment management, we offer clients access to directional and non-directional strategies across a breadth of asset classes, regional, global and thematic as well as alternative strategies and solutions. Our multi-asset class investment teams, with their expertise in asset allocation and strategy selection, provide solutions for institutions, private clients, their advisers and charities. We seek to cater to a broad spectrum of jurisdictional and regulatory requirements by providing our strategies in a range of structures – primarily regulated products such as UCITS together with offshore funds and segregated mandates.

GAM INVESTMENT CAPABILITIES

The breadth of GAM's **single manager fund range** stems from our long-established expertise in identifying investment talent from across the asset management industry. Having pioneered the open architecture approach in the 1980s, we have increasingly developed into a home for talented investment professionals, with in-house teams based in London, Hong Kong, New York and Lugano. We continue to work with third-party investment specialists and are proud that a number of the industry's leading managers distribute their strategies exclusively under the GAM brand. In equities, we offer highly active funds with a regional or thematic focus. Our fixed income range incorporates developed and emerging markets as well as specialised products such as insurance-linked securities. The absolute return range comprises macro/managed futures, unconstrained fixed income and non-directional (long/short) equity strategies.

Thanks to GAM's heritage, we are one of the world's most experienced and knowledgeable alternative investors. The **alternative investments solutions** team combines this expertise with a disciplined and structured investment and risk management process, and offers diversified products, single strategy products, customised solutions and strategic partnerships that include knowledge transfer and collaboration. Our specialist research teams, which review over 700 managers per year, are widely recognised in the industry and, as a result, many new managers seek us out as an early investor in their strategies. Previously named 'multi-manager', the team was renamed 'alternative investments solutions' in 2013 in order to better reflect its core capabilities, a stronger focus on institutional clients, and the resulting evolution of its business.

The GAM multi-asset class investment team, with its expertise in asset allocation and strategy selection, provides solutions for private clients, independent financial advisers and charities, via our **discretionary management, advisory and risk-rated model portfolios**. The range includes absolute return, relative return, specialised and thematic strategies, invested across both GAM and third-party products.

JULIUS BAER FUNDS

An arm's length agreement with Julius Baer Group Ltd., entered into at the date of our separation, granted us an exclusive, worldwide license to use the Julius Baer name to brand certain funds distributed by Swiss & Global Asset Management in exchange for an ongoing revenue-based licence fee (for further details, please refer to page 109). The Julius Baer funds are largely managed in-house, by the Swiss & Global Asset Management teams in Zurich, covering fixed income, equities, commodities and foreign exchange, with substantial fixed income funds managed by GAM in London. The skills of our own teams are complemented by select third-party managers with proven expertise in specialised areas.

The product range includes over 100 funds, available to end-investors through independent third-party wholesale intermediaries. Over the past few years, the range has significantly evolved from its historical focus on traditional, modestly active equity and bond funds. It now covers a wider spectrum of asset classes, including precious and industrial metals, and niche or theme-based strategies with a stronger active investment component, as well as absolute return products.

At Swiss & Global Asset Management, we also provide tailored solutions for institutional clients. This offering includes a broad range of institutional Julius Baer-branded funds designed to act as standardised components in a customised portfolio. In addition, we provide investment advice across asset classes and set up customised mandates for institutions.

COMPREHENSIVE SUITE OF INVESTMENT CAPABILITIES : GAM AND JULIUS BAER FUNDS

Absolute Return	Fixed Income	Equity	Alternatives	Multi-Asset
Fixed income • Global • Emerging markets **Macro/CTA** • Global • Emerging markets **Equity long/short** • Global • Europe • Emerging markets • Thematic **Currency** **Commodities**	**Core** • Global/regional • Inflation-linked **Total return** **Emerging markets** • Governments • Inflation-linked • Corporates **Credit** • Credit opportunities • High yield • ABS **Specialist** • Cat bonds • Convertibles	**Regional** • Global • US • Europe • Asia • Emerging markets **Thematic** • Luxury brands • Technology • Energy • Healthcare	**Alternative investments solutions** • Customised portfolios • Alternative beta • Strategic partnerships **Commodities** • Commodities • Physical metals	**Risk-rated strategies** **Private client portfolios** **Institutional funds**

BUSINESS INITIATIVES & ACHIEVEMENTS

GAM'S ALTERNATIVE APPROACH TO RISK PREMIA

Despite the introduction of ever more sophisticated and technologically advanced risk management and portfolio construction methods, investors often struggle to achieve their two most basic objectives: to earn a return that reflects the level of risk they are prepared to take, and to have effective protection in place against tail-risk events.

Our alternative investments solutions team has developed an approach that seeks to address exactly these two challenges. They analyse a wide range of return sources – or 'risk premia' – using a proprietary form of cluster map analysis. This research allows the team to identify and combine what they believe are the most attractive return sources, according to how each asset's characteristics correlate to traditional assets and to each other. Further, the team employs a particular methodology – called *Expected Drawdown Parity* – to actively manage these positions in an effort to maximise portfolio protection without compromising upside potential.

As the name suggests, *Expected Drawdown Parity* revolves around expected capital loss, defined as the expected maximum level of drawdown from an investment over the next market cycle. In contrast to other portfolio construction approaches, *Expected Drawdown Parity* manages risk events rather than day-to-day volatility making it a well-founded, forward-looking metric.

Designed to complement investors' traditional and alternative investment exposures, GAM's solutions are delivered via custom portfolio mandates as well as through a daily dealing fund structure. Feedback and support from institutions and consultants in Japan, the USA and Continental Europe were positive in 2013, bringing with it increasingly interesting business opportunities.

JULIUS BAER INDUSTRIAL METALS FUNDS SUCCESSFULLY LAUNCHED

On 1 October 2013 we officially launched the world's first physically replicated funds to invest in industrial metals – aluminium, copper, nickel and zinc. The Julius Baer-branded funds are available for qualified investors only. The funds' performance reflects the market value of the underlying metals after safekeeping, insurance and management fees. Given the physical backing, investors do not incur any roll losses. The funds are available in four currency classes, with the non-USD versions hedged against foreign exchange movements. Aside from the currency hedging, the funds do not make use of derivatives or leverage, thereby avoiding issuer or counterparty risks for investors. They represent a real alternative to mining stocks, allowing investors to gain exposure to industrial metals without being exposed to geopolitical risks and complement our established range of Julius Baer-branded physical precious metals ETFs.

TOP RATING FOR UK DISCRETIONARY FUND MANAGEMENT OFFERING

Launched in late 2011, GAM's discretionary fund management (DFM) offering for independent financial advisers in the UK is continuing to win broader industry and client support. Its model portfolio service caters to financial advisers' need for high-quality investment outsourcing on the back of the introduction of the Retail Distribution Review (RDR). Entering this client segment allowed us to complement our long-standing experience in managing discretionary portfolios for private clients and private banks.

The five risk-rated model portfolios we offer are accessible through investment platforms, segregated accounts or personalised collective accounts (PCAs). PCAs distinguish GAM's offering from other collective vehicles and multi-manager funds in the market. They provide cost-effective access to our model portfolios within a unitised fund structure, combined with fully bespoke reporting, without the time-consuming process of setting up a fully segregated portfolio. Hence, they are also attractive for smaller investment amounts.

In a rating against a peer group of unitised discretionary fund management propositions, our PCA offering received a 5 Diamond Rating from Defaqto, a leading independent financial research company in the UK. Defaqto Diamond Ratings give managed funds an unbiased, independent rating of 1 to 5 on a detailed and well-structured scoring process. The rating allows advisers – and their clients – to see where a fund sits in the market in terms of performance and competitiveness on such factors as cost, scale, access and manager longevity. According to Defaqto, a 5 Diamond Rating means that a fund family has performed strongly across all the rating criteria.

STREAMLINING OUR FUND RANGES

At the end of November 2013, we merged 10 of our Julius Baer-branded equity funds to form five focused products. This move centred on funds with similar thematic or regional investment strategies (Europe, Eastern Europe/Black Sea, Asia, Africa, healthcare/biotech) whose volume development had been below average because of the market environment. The merged funds follow a more active and keenly focused approach, in some instances with access to an expanded range of investments and greater scope for additional returns. The higher volumes will further increase cost efficiency for investors.

DIRECTIONAL EQUITY : COMMITMENT TO ACTIVE MANAGEMENT

The organic development of our in-house range of directional equity strategies over the last three decades demonstrates our dedication to active investing. The examples described below reflect the long-term horizon we apply to nurturing investment talent, encouraging independent thinking and outperformance, and to creating and promoting new products. As a result, we are able to count on a competitive offering across the main equity fund sectors.

Two of our longest-standing and best-performing investment managers, Andrew Green and Gordon Grender, have been with GAM almost since the firm was founded thirty years ago. Green's **global** strategy, investing in stocks selected on the basis of fundamental and technical analysis, was launched in 1984 and his **UK** strategy, focused primarily on listed UK equities, was launched in 1990. Over most periods since their inception, they both consistently ranked in the top quartile of their relevant IMA sectors[1]. Since launch, they were the number one performing offerings in their respective peer groups[1]. Grender's strategy, which invests in a concentrated portfolio of **North American** stocks selected on the basis of intensive, bottom-up company research, is the second best performing product in its peer group since inception and ranked in the first quartile of its relevant IMA sector when measured over three- or seven-year periods[1].

The head of our Hong Kong-based Asian equities team, Michael Lai, has been with us since 1998, and over the last three years the team has been strengthened with two new investment professionals. Under Lai's leadership, in 2007 we launched a **China** equity strategy which has produced consistent top-quartile performance and, over five years, is the best-performing in its peer group[2]. Besides being one of the strongest performers, it is also the fifth largest strategy in this category[2]. The team's deep understanding of local economies enables us to continuously grow our capabilities in Asian equities – as we have done most recently with the addition of an **Emerging Asia** product launched in 2011.

When handling manager transitions, it is crucial to ensure continuity in our active approach. This was demonstrated with GAM's directional European strategies. Following their manager's departure, in 2009 the strategies were taken over by Niall Gallagher, an experienced investor hired at the time. Since then, Niall has continued the strong performance track record of both strategies. They remain among the best-performing amongst their peers[2] and the **Continental Europe** strategy under Niall's leadership has become an important net new money contributor during a period of highly turbulent markets.

[1] Source: GAM, Morningstar Direct, as at 31 December 2013. Peer group definition: All 'primary' funds (oldest share classes) in a given IMA sector, denominated in British pounds.
[2] Source: GAM, Morningstar Direct, as at 31 December 2013. Peer group definition: All 'primary' funds (oldest share classes) in a given category as defined by the Europe Open End Fund Morningstar Category Classification, UCITS only. Funds' returns are compared in the currency predominant in the given sector.

In response to the continuing trend in client demand towards regulated funds, we are continuously reviewing our range of GAM funds, and over the past years have been consolidating a number of offshore funds into our UCITS range, GAM Star. This move is also designed to offer investors the advantages of being invested in a larger fund, with the additional benefits of enhanced liquidity and tax transparency.

INVESTMENT PERFORMANCE BY PRODUCT BRAND[1]

	% OF AUM IN FUNDS OUTPERFORMING THEIR BENCHMARK OVER 3 YEARS
GAM	87%
Julius Baer Funds	80%
Total funds	**83%**

[1] Excludes mandates and segregated accounts.

The development of new actively managed products is driven by a long-term view. Our **theme-based** strategies, for example, are founded upon our strong belief in the lasting validity of an investment idea and the manager's ability to execute it successfully, rather than conceived as a simple response to popular and often short-lived trends in client demand. Good examples are our Julius Baer **luxury brands** strategy, launched in 2008, and the GAM-branded **technology** strategy, launched in 2011. At year-end 2013, assets in both strategies exceeded the CHF 500 million mark and their managers – Scilla Huang Sun and Andrea Gerst for luxury brands and Mark Hawtin for technology – are widely recognised for their in-depth knowledge and leading expertise in their respective fields. Moreover Hawtin's strategy, which focuses on capturing the unprecedented investment opportunities arising from internet-enabled technologies and focuses on 'game-changing' companies, is the fourth largest in this sector[2]. With its top-decile ranking across all periods, it is also one of the top five performers in its peer group[2].

Finally, the efforts made to enhance the active component of our Julius Baer-branded funds are particularly tangible across the equity range. Over a one-year period, 62% of the assets in the Julius Baer-branded equity funds outperformed their benchmark, up from 41% over a three-year period. The progress in fostering a culture of active investing among our Zurich-based equity teams can also be seen in the increase in the 'active share', a measure of the percentage of stock holdings in a manager's portfolio differing from the benchmark index, which increased progressively over the last three years. The Julius Baer-branded **Japan** strategy has been adopting a unique active approach since 2008. The team led by Ernst Glanzmann and Carlo Capaul combines pure bottom-up stock selection to identify companies that are leaders in their field with a broad-based systematic value approach. Since introduction of this investment approach, the strategy has had an outstanding performance across market cycles – as at 31 December 2013 its institutional share class was up 32.3%, outperforming the MSCI Japan NR by 24.9% (all in Japanese yen, the strategy's base currency).

The above content is for information purposes only and is not intended as an invitation to subscribe for any particular product. The strategies referred to above may not be available to investors in some jurisdictions.

INVESTMENT MANAGEMENT : GLOBAL DISTRIBUTION STRATEGY

CORE MARKETS AND PRIORITIES FOR 2014

North America – institutional focus

Provide alternative investments solutions including risk premia strategies

Promote breadth of single manager absolute return offering

Capture interest in unconstrained fixed income strategy

Sub-advisory for liquid alternatives

Europe including UK & Nordics – wholesale and institutional focus

Realise benefits of integrated sales force

Continue to develop broader penetration of equity strategies

Capture continued growth in alternative UCITS and institutional demand for absolute return strategies

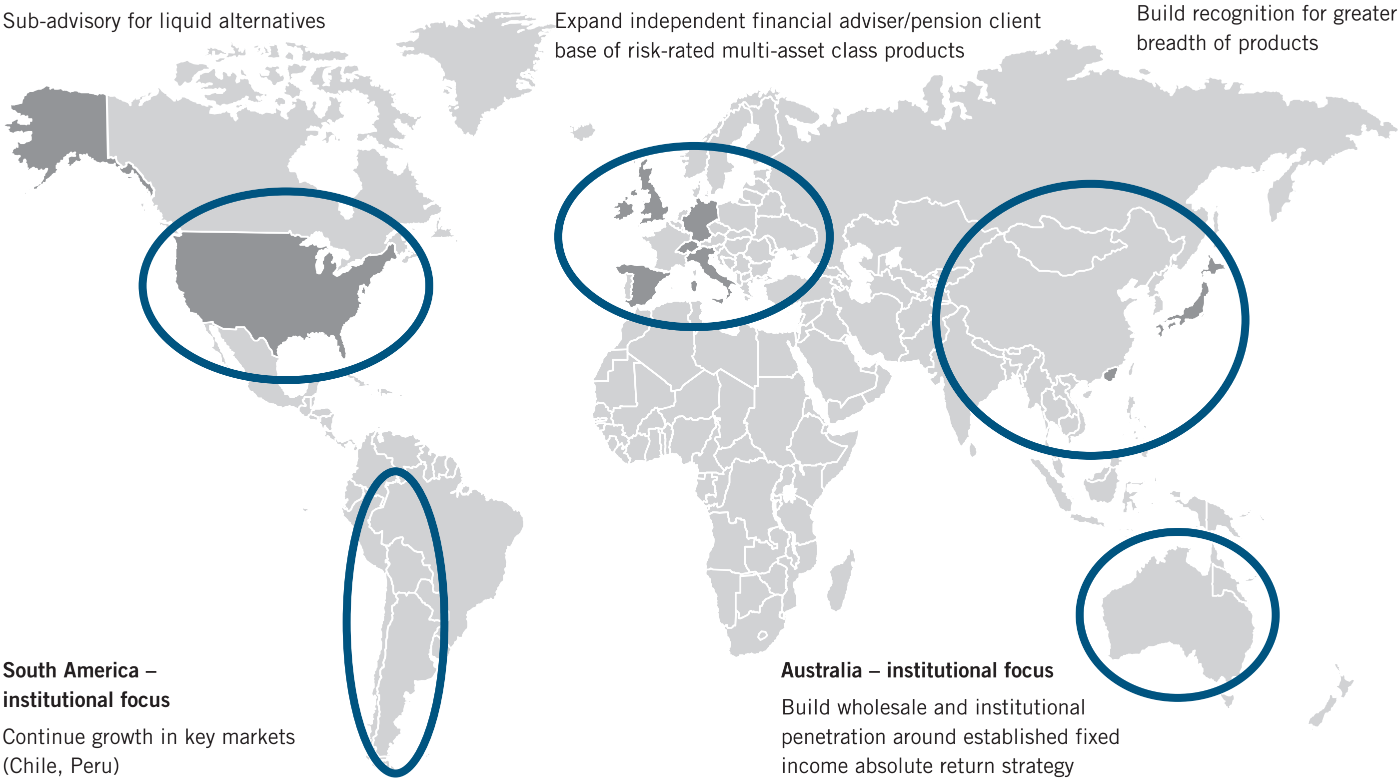
Expand independent financial adviser/pension client base of risk-rated multi-asset class products

Asia & Japan – wholesale and institutional focus

Critical mass improved with combined sales force

Capture 'hot spots' of client demand with broad single manager offering

Build recognition for greater breadth of products



South America – institutional focus

Continue growth in key markets (Chile, Peru)

Australia – institutional focus

Build wholesale and institutional penetration around established fixed income absolute return strategy

■ Countries with local offices

DISTRIBUTION PRIORITIES 2014

One of our most important priorities in 2014 will be to realise the cross-selling benefits of the joint leadership of our GAM and Swiss & Global Asset Management distribution teams. This change, introduced in second quarter of 2013, will allow us to increase recognition of our capabilities across both brands among institutional clients and their consultants as well as wholesale intermediaries. It has already strengthened regional coordination in a number of markets where both sales forces had a strong footprint, such as Continental Europe, the UK and Asia. For 2014, we plan further steps to better leverage the existing resources in these markets.

In Asia, our local presence dates back to 1985 when we opened our Hong Kong office. With the integration of our distribution teams and the appointment of a new joint head in November 2013, we have significantly strengthened our presence and ability to serve clients in this important region. We are looking to further expand our local presence in Asia Pacific, potentially opening new offices in Australia, where we are experiencing good traction with our unconstrained fixed income strategies, and in Taiwan, which is an attractive growth market for non-domestic companies.

We have been present in the USA since 1987. There, the institutional market – the largest globally – remains the most attractive segment for our more sophisticated range of active and alternative products and strategies. One of our priorities for 2014 will be a continued drive to promote the breadth of our offering to US institutions.

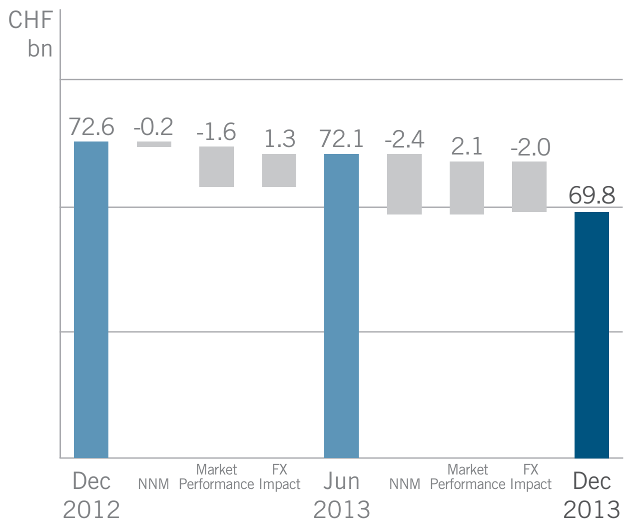
2013 PERFORMANCE

REVENUES AND RETURN ON ASSETS

For 2013, the **return on assets** in investment management was 84.3 basis points, up from 75.8 basis points a year earlier. While average assets under management were 4% higher, at CHF 73.1 billion, revenues rose by 15% year-on-year. This was mainly driven by the growth of our single manager absolute return range, which contributed meaningfully to the overall 8.5 basis point increase in return on assets. A rebound in performance fees also had a positive impact, albeit to a lesser extent than net management fees and commissions.

Net management fees and commissions increased by 14% to CHF 515.2 million. **Performance fees** rose 23% and amounted to CHF 100.7 million, reflecting strong investment returns achieved across our range of single manager absolute return strategies. The biggest contributors were the non-directional equity strategies (acquired with the majority stake in Arkos in July 2012), unconstrained fixed income and global rates/macro strategies.

INVESTMENT MANAGEMENT : AUM DEVELOPMENT



ASSETS UNDER MANAGEMENT AND NET NEW MONEY

Assets under management for the investment management activities as at 31 December 2013 amounted to CHF 69.8 billion, compared to CHF 72.6 billion at the end of 2012. Assets in our investment management activities are reported in Swiss francs but largely denominated in other currencies. Foreign exchange movements in 2013 had an overall negative impact of CHF 0.7 billion. The weakness of the US dollar against the Swiss franc in the second half compounded the effect of net new money outflows and led to a decline in period-end assets under management. Over the full year, market performance added CHF 0.5 billion, with the rebound in financial markets in the second half more than offsetting the adverse impact recorded in the first six months of 2013.

For 2013, we reported **net new money outflows** of CHF 2.6 billion from our investment management activities, compared to net outflows of CHF 0.1 billion in 2012. The result reflects substantial redemptions from lower-margin products – such as the physical gold fund and money market funds – and from emerging market and traditional fixed income products which were all unavoidably affected by the market-wide sell-off of those asset classes. It also includes the loss of a historical, one-off sub-advisory equity mandate managed by GAM, recorded in the first quarter of the year. Smaller net outflows were also recorded in low-margin mandates for Swiss institutions managed by Swiss & Global Asset Management, as well as from private client discretionary portfolios managed by GAM.

These negative developments were partly offset by strong net inflows into higher-margin products in our absolute return single manager range, primarily in the first half of the year. Important net new money contributors were the non-directional, long/short equity strategies acquired with the Lugano-based boutique Arkos Capital SA in 2012. The assets managed by the team have tripled since it joined GAM. Demand for the European non-directional strategy was particularly strong: In July we decided to introduce a cap for this strategy in order to protect its integrity and preserve the interest of current investors.

Inflows into equity funds strengthened particularly towards the end of the year. This was driven by client demand and net inflows into our strongest performing, most differentiated strategies, such as the Julius Baer luxury brands and Japan funds or GAM's technology, China, Continental European and North American strategies.

GAM's unconstrained/absolute return fixed income strategy ended the year with a plus of net new money inflows from both institutional clients and wholesale intermediaries. Launched in

INVESTMENT MANAGEMENT : KEY FIGURES

	2013	2012	CHANGE IN %
Net management fees and commissions (CHF m)	515.2	452.2	14
Net performance fees (CHF m)	100.7	82.1	23
Net fee and commission income (CHF m)	**615.9**	**534.3**	**15**
Year-end AuM (CHF bn)	69.8	72.6	-4
Net new money (CHF bn)	-2.6	-0.1	-
Average AuM (CHF bn)	73.1	70.4	4
Return on assets (bps)	84.3	75.8	11
Return on assets - excluding performance fees (bps)	70.5	64.2	10

2004, it is one of the first unconstrained global bond strategies in the market and, with its consistent track record of capital protection across market cycles and superior returns in this product category since inception, it is one of the most successful and largest in the market. Flat performance for 2013 led in the second half to net outflows from wholesale intermediaries in Continental Europe (where the strategy is distributed under the Julius Baer brand). These were more than offset by strong net inflows in the first half and by resilient institutional demand throughout the year. In addition, we continued to see robust inflows into GAM's global rates/macro strategy and its catastrophe bond fund as well as into various Julius Baer-branded specialist fixed income products.

GAM's alternative investments solutions benefited from a number of institutional mandate wins, including a sizeable allocation from a US public pension fund for a bespoke risk premia solution and inflows into its multi-strategy fund on the back of strong investment performance. These developments helped to partially offset the net outflows from the trading strategy, which outperformed peers but had a period of soft performance in absolute terms.

Net new money inflows into GAM's discretionary fund management (DFM) service for independent financial advisers in the UK continued to increase. The encouraging progress and positive client feedback, coupled with strong investment performance, make us confident that the DFM service will become a meaningful contributor in 2014 and beyond.

AUM BREAKDOWNS

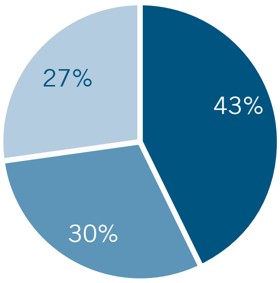
Our AuM breakdowns are designed to provide transparency on the breadth of our business and the level of cooperation across the entities in our Group:

Breakdown by manager/distributor shows the two different roles our entities fulfil – as an investment manager and as a distribution channel to our different client segments. The breakdown discloses the assets managed and distributed within a single entity versus those managed by GAM investment teams and distributed (under the Julius Baer brand) by the sales force of Swiss & Global Asset Management.

Breakdown by product type highlights the asset classes and investment solutions we offer. *Equity* includes only directional strategies. *Fixed income* encompasses traditional as well as specialised strategies (such as cat bonds and emerging markets), which represent around half of the assets and a small proportion of money market funds. *Absolute return single manager* covers our alternative strategies across all asset classes. *Commodities* are dominated by our Julius Baer-branded ETF range investing in physical metals. *Alternative investments solutions* (previously labelled multi-manager) covers portfolios of third-party hedge funds, which we increasingly offer in the form of customised solutions. *Discretionary & advisory portfolios* represents assets managed for private clients or their advisers, with most of these assets reinvested in our own funds and counted in other product categories as appropriate.

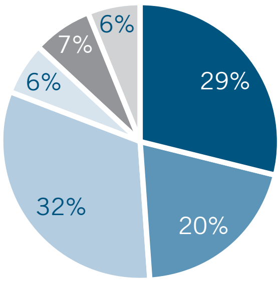
Breakdown by client segment shows the clients we serve – mainly wholesale intermediaries and institutions. The category *private clients* represents the share of assets held in *discretionary & advisory portfolios* which is reinvested in our own funds.

AUM BY MANAGER/DISTRIBUTOR : CHF 69.8 BN : AS AT 31 DECEMBER 2013



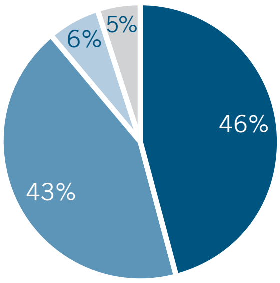
	31.12.2013	31.12.2012
GAM	43%	40%
Swiss & Global Asset Management	30%	33%
GAM managed, S&G AM distributed	27%	27%

AUM BY PRODUCT TYPE : CHF 69.8 BN : AS AT 31 DECEMBER 2013



	31.12.2013	31.12.2012
Fixed income	29%	31%
Equity	20%	20%
Absolute return single manager	32%	25%
Commodities	6%	11%
Alternative investments solutions	7%	7%
Discretionary & advisory portfolios	6%	6%

AUM BY CLIENT SEGMENT : CHF 69.8 BN : AS AT 31 DECEMBER 2013



	31.12.2013	31.12.2012
Wholesale fund distribution	46%	44%
Institutional clients	43%	44%
Discretionary & advisory portfolios	6%	6%
Private clients	5%	6%

PRIVATE LABELLING

- Includes outsourcing and private labelling solutions for third parties, such as fund administration and management company services
- These services are provided by Swiss & Global Asset Management

BUSINESS DESCRIPTION

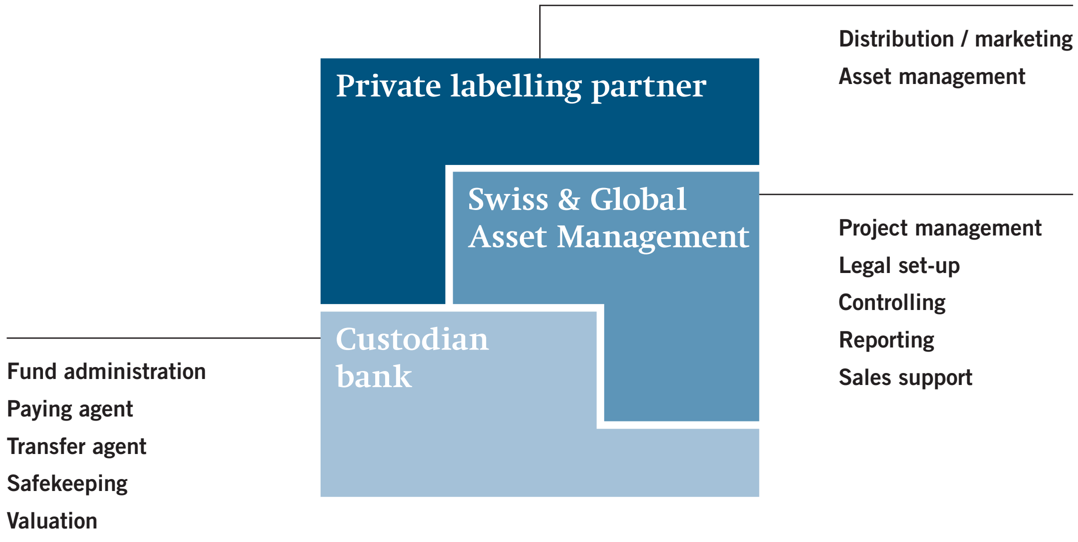
Private label funds are tailored products set up for banks, insurers, independent asset managers and institutional investors, where we provide parts of the value chain, such as structuring, legal set-up, fund administration and management company services. These services allow our clients to focus fully on asset management and fund distribution.

Having designed and launched over 200 private label funds domiciled in different locations, Swiss & Global Asset Management is a market leader in this field.

Through our Luxembourg management company, Swiss & Global Asset Management (Luxembourg) SA we offer a broad range of management company services to our clients. As most of them require support only for parts of the value chain for their funds, we offer our services in a modular format – ranging from the fulfilment of legal requirements (e.g. domiciliation of the fund, compliance, risk management) to a more comprehensive package including full project management and distribution support.

Given our high-quality service offering and the considerable effort involved in setting up tailored solutions, client assets in this business are typically fairly stable once acquired. While our results are reflective of the flows into our clients' funds, the long-term nature of these relationships provides us with the ability to prosper along

PRIVATE LABELLING : SHARING RESPONSIBILITIES



with our partners and has been proven to deliver attractive growth rates over the cycle. This line of business has comparatively low margins, but it does represent an effective operating leverage on the infrastructure in place to run our investment management activities.

BUSINESS INITIATIVES & ACHIEVEMENTS

APPLICATION FOR 'SUPER MANCO' LICENCE IN LUXEMBOURG

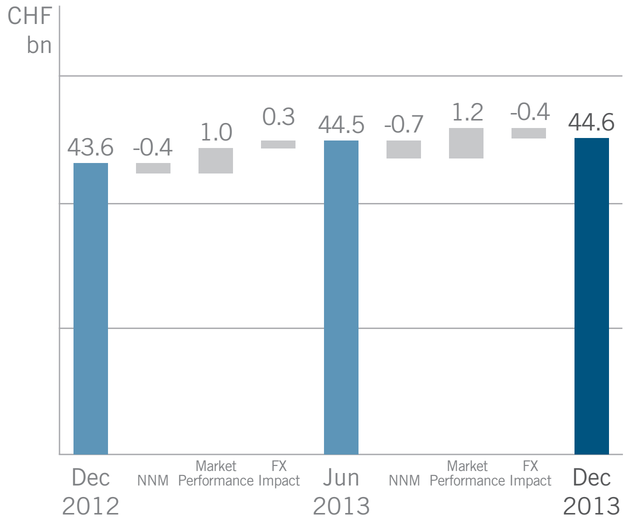
We have recently submitted our application to the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF), for a licence qualifying our management company under AIFMD regulations, in addition to its existing full UCITS compliance. Such a licence will help us to continue to provide services relating to alternative funds such as hedge funds, real estate funds and select private equity funds. We expect to receive approval in the first quarter of 2014.

2013 PERFORMANCE

REVENUES AND RETURN ON ASSETS

Return on assets in private labelling was 8.7 basis points for 2013, 1.9 basis points less than for the same period a year earlier. Average assets under management grew by 5% to CHF 44.5 billion, but **net management fees and commissions** fell by 13% to CHF 38.9 million. This reflects the loss of mandates and lower margins in newly acquired business.

PRIVATE LABELLING : AUM DEVELOPMENT



PRIVATE LABELLING : KEY FIGURES

	2013	2012	CHANGE IN %
Net management fees and commissions (CHF m)	38.9	44.6	-13
Net performance fees (CHF m)	-	-	-
Net fee and commission income (CHF m)	**38.9**	**44.6**	**-13**
Year-end AuM (CHF bn)	44.6	43.6	2
Net new money (CHF bn)	-1.1	2.5	-144
Average AuM (CHF bn)	44.5	42.2	5
Return on assets (bps)	8.7	10.6	-18

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

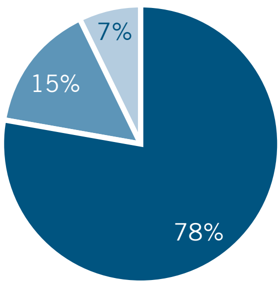
Assets under management in private labelling were CHF 44.6 billion as at 31 December 2013, up CHF 1.0 billion from a year earlier, driven by positive market performance of CHF 2.2 billion. The impact of foreign exchange movements was only slightly negative, at CHF 0.1 billion, as part of the assets from private labelling clients are denominated in the weakening US dollar while the majority is denominated in our Swiss franc reporting currency.

For 2013, the private labelling business reported **net new money outflows** of CHF 1.1 billion, compared to inflows of CHF 2.5 billion in 2012. Closures and redemptions of both offshore and Swiss-domiciled funds were partly offset by a number of new mandates for private label funds, including two asset allocation products for a mid-sized Swiss bank, a Luxembourg-registered alternative credit fund and a money market fund. Overall, business growth in 2013 was lower than anticipated, as European regulation of onshore funds – an important driver of the client proposition – is still evolving and continues to dampen client demand for outsourcing and management company services from our Luxembourg business.

AUM BREAKDOWNS

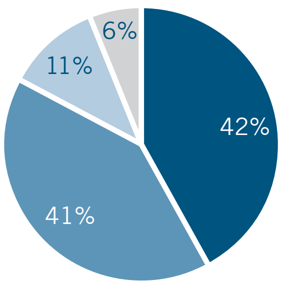
As part of our disclosure, we provide breakdowns on the domicile and the asset classes of the funds we set up and operate for our private labelling partners.

AUM BY FUND DOMICILE : CHF 44.6 BN : AS AT 31 DECEMBER 2013



	31.12.2013	31.12.2012
Switzerland	78%	77%
Luxembourg	15%	14%
Other	7%	9%

AUM BY ASSET CLASS : CHF 44.6 BN : AS AT 31 DECEMBER 2013



	31.12.2013	31.12.2012
Fixed income	42%	44%
Equity	41%	37%
Money market	11%	12%
Alternative	6%	7%

CORPORATE GOVERNANCE

BACKGROUND

Consistent and long-term relationships with our stakeholders are fundamental for the sustained success of our business. We consider good corporate governance to be a decisive factor in achieving these objectives and we recognise that transparent disclosure of our governance helps stakeholders assess the quality of our Group and assists investors in their decision-making.

Corporate governance defines the structures, rules and processes required for the proper organisation and conduct of business as it establishes the powers and responsibilities of our corporate bodies and employees. Our governance framework is designed to provide the appropriate checks and balances between the Board of Directors, the Group Management Board and the local management of our operating businesses, with the goal of balancing and safeguarding the interests of the Company, its shareholders, customers, employees and other stakeholders.

The principles and rules on corporate governance are defined in a number of documents: the Articles of Incorporation, the Charters of the Board of Directors and its Committees and our Organisational Rules. The Board of Directors' Governance and Nomination Committee reviews these principles and rules on a regular basis in order to assess them in light of prevailing best practices, and proposes any suggestions for improvements to the full Board of Directors for their consideration and approval.

The corporate governance information in this Annual Report is presented in accordance with (a) the Corporate Governance Directive of the SIX Swiss Exchange dated 29 October 2008 (the 'Corporate Governance Directive'), and (b) the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business association economiesuisse dated 25 March 2002 including Appendix 1, 'Recommendations on compensation for board of directors and executive board' dated 6 September 2007, which takes into account the articles 663b^{bis} and 663c paragraph 3 of the Swiss Code of Obligations that entered into force on 1 January 2007 and addresses transparency with respect to the compensation of the members of the Board of Directors and the Group Management Board.

References in this Annual Report to 'the Company' shall be taken as references to GAM Holding AG. References to 'the Group' shall be taken as references to GAM Holding AG and all of its subsidiaries. References to 'the Board of Directors' and 'the Executive Board', 'the Group Management Board' respectively, shall mean such bodies of GAM Holding AG.

The following information corresponds to the situation as at 31 December 2013 unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 OPERATIONAL GROUP STRUCTURE OF GAM HOLDING AG

The consolidated companies are disclosed in Note 25 of the Consolidated Financial Statements.

The diagram below reflects the holding structure and business operating model of the Group, including the composition of the Group Management Board of GAM Holding AG. With effect from the day following its Annual General Meeting held on 17 April 2013, GAM Holding AG changed its operating model from a financial holding company to a more integrated organisational structure by combining the overall management responsibility for its operating businesses at Group level. As at this date, the former Executive Board became a Group Management Board under the leadership of David M. Solo as newly appointed Group Chief Executive Officer and its membership was expanded to include core operations and distributions functions.

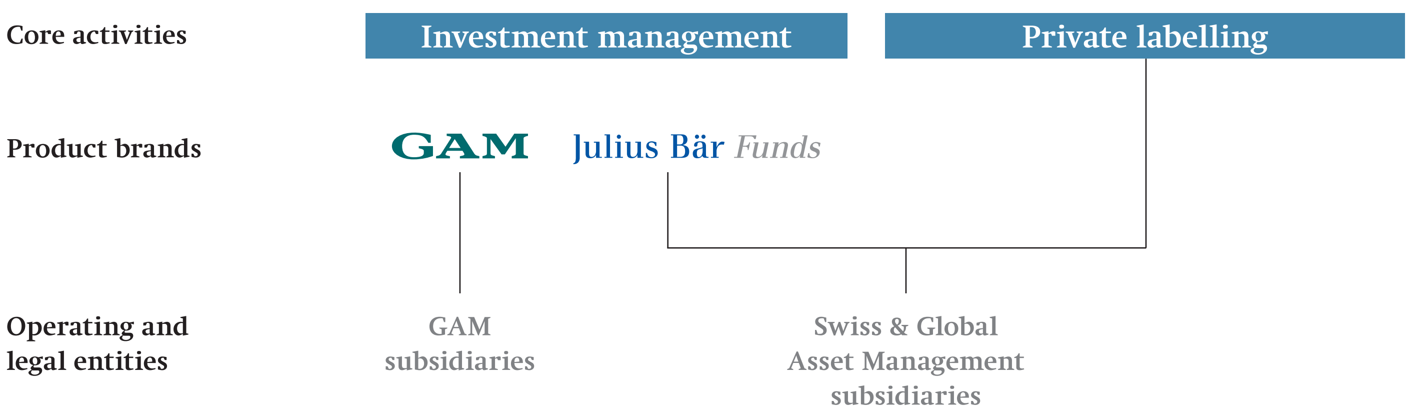
GAM HOLDING AG

BOARD OF DIRECTORS

Johannes A. de Gier – Chairman
Daniel Daeniker – Vice Chairman
Diego du Monceau
Dieter A. Enkelmann
Hugh Scott-Barrett
Tanja Weiher[1]

GROUP MANAGEMENT BOARD

David M. Solo – Group Chief Executive Officer[2, 4]
Marco Suter – Group Chief Financial Officer[3]
Scott Sullivan – Group General Counsel
Craig Wallis – Group Head of Distribution and Marketing[4]
Michele Porro – Head of Distribution Swiss & Global Asset Management / Region Head Switzerland[4]
Andrew Hanges – Head Operations GAM / Region Head UK[4]
Martin Jufer – Head Operations Swiss & Global Asset Management[4]



[1] New member of the Board of Directors since 17 April 2013.
[2] With effect from 18 April 2013, David M. Solo assumed the newly created role of Group CEO. Until 17 April 2013, Johannes A. de Gier also acted as CEO.
[3] With effect from 16 January 2013, Marco Suter assumed the role of Group CFO. Until 15 January 2013, this role was fulfilled by Andrew M. Wills.
[4] New member of the Group Management Board since 18 April 2013.

1.2 SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2013.[1]

Shareholder/participant[2]	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Silchester International Investors LLP[3]	10.09%	-	**10.09%**
GAM Holding AG[4]	5.97%[10]	-	**5.97%**
Lazard Asset Management LLC[5]	5.32%	-	**5.32%**
BlackRock Inc.[6]	5.01%[11]	0.004%	**5.01%**
Credit Suisse Funds AG[7]	4.51%	-	**4.51%**
FIL Limited[8]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[9]	3.06%	-	**3.06%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[3] Silchester International Investors LLP, London, UK (reported on 3 July 2012).
[4] GAM Holding AG, Zurich, Switzerland (as at 31 December 2013).
[5] Lazard Asset Management LLC, New York, USA (reported on 10 July 2013).
[6] BlackRock Inc., New York, USA (reported on 21 September 2012).
[7] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).
[8] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).
[9] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).
[10] As at 31 December 2013, GAM Holding AG also had a sale position of GAM Holding AG shares of 5.91% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to Note 23 of the Consolidated Financial Statements.
[11] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2013 can be found under the following link by inserting ‘GAM Holding AG’ as the company name:
www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2012.[1]

Shareholder/participant[2]	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
GAM Holding AG[3]	10.24%[9]	-	10.24%
Silchester International Investors LLP[4]	10.09%	-	10.09%
BlackRock Inc.[5]	5.01%[10]	0.004%	5.01%
Credit Suisse Funds AG[6]	4.51%	-	4.51%
FIL Limited[7]	3.10%	-	3.10%
T. Rowe Price Associates Inc.[8]	3.06%	-	3.06%

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[3] GAM Holding AG, Zurich, Switzerland (as at 31 December 2012).
[4] Silchester International Investors LLP, London, UK (reported on 3 July 2012).
[5] BlackRock Inc., New York, USA (reported on 21 September 2012).
[6] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).
[7] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).
[8] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).
[9] As at 31 December 2012, GAM Holding AG also had a sale position of GAM Holding AG shares of 13.66% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 23 of the Consolidated Financial Statements.
[10] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

1.3 CROSS-SHAREHOLDINGS

There are no cross-shareholdings between GAM Holding AG or its subsidiaries and any other company that exceed 5% of capital or voting rights.

2. CAPITAL STRUCTURE

2.1 CAPITAL

As at 31 December 2013, ordinary share capital existed in the amount of CHF 8,661,483.00. There is no authorised capital.

The share capital, which is fully paid, consists of 173,229,660 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 10265962; ISIN CH0102659627) are listed on the SIX Swiss Exchange and are a component of the Swiss Market Index Mid (SMIM).

2.2 CONDITIONAL CAPITAL

The Company's share capital may be increased by the issue of up to 10,000,000 registered shares, to be fully paid and each with a par value of CHF 0.05, in a maximum total amount of CHF 500,000.00, through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Subscription rights of existing shareholders are excluded. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares is subject to the entry limitations as set forth in Article 4.3 et seq. of the Articles of Incorporation, which can be found at www.gamholding.com/aoi2013. For further details, see also section 2.6 below.

When issuing convertible or warrant bonds, the Board of Directors may rescind priority subscription rights of existing shareholders for 'important reasons'.

'Important reasons' may include securing optimal conditions in the issuing of bonds and ensuring equal treatment of shareholders domestically and abroad. In the event that the Board of Directors precludes the priority subscription rights, the following applies:

a) Conversion rights may be exercised only during a maximum period of seven years, and warrant rights only during a maximum period of four years from the date of issue of the relevant bond.
b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible or warrant bonds must be issued in conformity with market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must not be less than the average of the last prices paid on the SIX Swiss Exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

2.3 CHANGES OF CAPITAL

The description of the changes of capital in the last three years is disclosed in Note 20 of the Consolidated Financial Statements.

2.4 SHARES AND PARTICIPATION CERTIFICATES

	2013 [1]	2012
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 each (all entitled to dividends)	173,229,660	183,355,000

[1] By resolution of the Annual General Meeting on 17 April 2013, 10,125,340 GAM Holding AG registered shares held by the Company itself were cancelled in connection with a corresponding decrease of the share capital.

There are no preferential or similar rights. Each share entitles the holder to one vote.

There are no participation certificates.

2.5 BONUS CERTIFICATES

There are no bonus certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

The Company keeps a share register in which the owners and usufructuaries of the registered shares are entered with their name, address, nationality and place of incorporation in the case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

The registered shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares (SIS registered share system) for booking purposes. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by him/her. The shareholders, however, have no right to request the printing and delivery of certificates for their registered shares. At any time, the Company may print and deliver share certificates (individual certificates, certificates or global certificates) or convert uncertificated securities and share certificates into any other form, and may cancel issued share certificates once they have been returned to the Company. The transfer of intermediated securities, including the granting of security interests, is subject to the Swiss Intermediated Securities Act. In order to be valid vis-à-vis the Company, a transfer of uncertificated shares by assignment requires a notification of such transfer to the Company.

A person who acquires registered shares shall, upon application, be entered into the share register as a shareholder with voting rights, provided that such person expressly acknowledges that he/she has acquired the shares in his/her own name and for his/her own account. If the person acquiring registered shares does not provide such acknowledgement, the Board of Directors may, and would likely, refuse the entry of such person as a shareholder with voting rights in the share register.

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. Furthermore, the Board of Directors may enter fiduciaries/nominees with voting rights in excess of 2%, if such fiduciaries/nominees disclose the name, address, nationality, respectively registered office and shareholding of all persons for whose account they hold at least 0.5% of the share capital. Fiduciaries/nominees that are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which have a common management, or are otherwise affiliated, shall be deemed one fiduciary/nominee as regards the application of these entry limitations. As at 31 December 2013, there were no entries in the share register of fiduciaries/nominees with voting rights.

The Board of Directors may cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights, upon a hearing of such shareholder or fiduciary/nominee, if the entry in the share register is based on false information. The affected shareholder or fiduciary/nominee shall be notified of the cancellation immediately.

2.7 CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in section 5 below and in Note 23 of the Consolidated Financial Statements.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

All the members of the Board of Directors of GAM Holding AG are non-executive members.

JOHANNES A. DE GIER, CHAIRMAN OF THE BOARD OF DIRECTORS

Johannes A. de Gier has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2014) and was appointed Chairman and CEO following the separation of the Company from the Julius Baer Group in 2009. He has also chaired the Governance and Nomination Committee since 2009. At his re-election on 17 April 2013, he chose to retain solely his role as Chairman, reflecting the move to a more integrated Group structure and the creation of the new role of Group CEO. Prior to the separation of the Company from the Julius Baer Group, Johannes A. de Gier was President of the Group Executive Board and Group CEO of Julius Baer Holding Ltd. from 2005 to 2008, and CEO of Bank Julius Baer & Co. Ltd. from 2008 to 2009. He led the integration of SBC Wealth Management (GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) as Chairman of the SBC Wealth Management Board of Directors from 2002 until the sale to Julius Baer in 2005. Johannes A. de Gier was Executive Vice Chairman of the Board of Directors of UBS Ltd. until 2003. Before his election to the Board of Directors in 2001, Johannes A. de Gier held several senior management roles at UBS and its predecessor, Swiss Bank Corporation, which he joined in 1980. Johannes A. de Gier holds a degree in law from the University of Amsterdam. He was born in 1944 and is a Dutch citizen.

DANIEL DAENIKER, VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Daniel Daeniker has been a member of the Board of Directors of GAM Holding AG since 2010 (current term of office until 2014). He serves as Vice Chairman of the Board of Directors and is also a member of the Compensation Committee and of the Governance and Nomination Committee. Daniel Daeniker has spent most of his professional career with Homburger AG, one of Switzerland's leading law firms based in Zurich, which he joined in 1991, was made partner in 2000 and was elected managing partner in 2013. His practice focuses on mergers & acquisitions, equity capital markets, financial services regulation and corporate governance. Daniel Daeniker, having been admitted to the bar in Switzerland (1990), has a PhD from the University of Zurich (1992) and an LL.M. from The Law School of the University of Chicago (1996). He has been a lecturer in law at the University of Zurich since 2001. He was born in 1963 and is a Swiss citizen.

DIEGO DU MONCEAU, MEMBER OF THE BOARD OF DIRECTORS

Diego du Monceau has been a member of the Board of Directors of GAM Holding AG since 2010 (current term of office until 2014). He has also served as a member of the Audit Committee (since 2010) and of the Compensation Committee (since April 2013) and was a member of the Governance and Nomination Committee until April 2013. Diego du Monceau is currently Chairman of the Board of Directors of the Groupe 3SI in France. He is also an independent board member of a number of retailing companies and of different financial institutions in Belgium and Luxembourg. He started his career in investment banking and corporate finance at White Weld, Merrill Lynch and Swiss Bank Corporation in New York and London. Between 1985 and 2002, Diego du Monceau held different roles at the leadership of GIB Group (Belgium's top retailer at the time), where he was Managing Director, Chief Executive Officer and Vice Chairman of the Board of Directors. He was one of the founders, a member of the Board of Directors and the Chairman of the Investment Committee of a small regional development fund in Belgium. Diego du Monceau holds a degree in commercial engineering from the Solvay Business School of Brussels University and an MBA from Harvard Business School. He was born in 1949 and is a Belgian citizen.

DIETER A. ENKELMANN, CHAIRMAN OF THE COMPENSATION COMMITTEE

Dieter A. Enkelmann has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2014). He has also served as Chairman of the Compensation Committee (since 2009) and was a member of the Audit Committee until April 2013. Dieter A. Enkelmann is currently Chief Financial Officer and a member of the Executive Board of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd., a role he also held at Julius Baer Holding Ltd. prior to the separation of its asset management and private banking businesses in 2009. Before joining Julius Baer in this position in 2006, he was Chief Financial Officer of Barry Callebaut, the world's

OUR BOARD OF DIRECTORS






From top left to bottom right:
Johannes A. de Gier : Chairman of the Board of Directors, Chairman of the Governance and Nomination Committee, **Hugh Scott-Barrett** : Chairman of the Audit Committee, **Daniel Daeniker** : Vice Chairman of the Board of Directors, member of the Compensation Committee and member of the Governance and Nomination Committee, **Diego du Monceau** : member of the Audit Committee and member of the Compensation Committee, **Tanja Weiher** : member of the Audit Committee and member of the Governance and Nomination Committee, **Dieter A. Enkelmann** : Chairman of the Compensation Committee.

leading supplier of cocoa and chocolate products, and until 2003, Head of Corporate Financial Management and Investor Relations at Swiss Re. Dieter A. Enkelmann started his career at Credit Suisse in investment banking and corporate finance and holds a law degree from the University of Zurich. He was born in 1959 and is a Swiss citizen.

HUGH SCOTT-BARRETT, CHAIRMAN OF THE AUDIT COMMITTEE

Hugh Scott-Barrett has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2014). He has also served as Chairman of the Audit Committee (since 2009) and was a member of the Compensation Committee until April 2013. Since 2008 he has been Chief Executive Officer of Capital & Regional plc, a specialist property company based in London. Hugh Scott-Barrett started his career in banking in 1980, in corporate finance at Kleinwort Benson. In 1984, he joined Swiss Bank Corporation where he held several senior roles in investment banking and became a member of the Corporate Finance Executive Committee of SBC Warburg in 1995. In 1996, he joined ABN AMRO where he held several senior positions, joining the Managing Board in 2000 and acting as Chief Operating Officer and finally as Chief Financial Officer until 2007. Hugh Scott-Barrett was educated in Paris and Oxford where he graduated in Modern History. He was born in 1958 and is a British citizen.

TANJA WEIHER, MEMBER OF THE BOARD OF DIRECTORS

Tanja Weiher has been a member of the Board of Directors of GAM Holding AG since April 2013 (current term of office until 2014). She also serves as a member of the Audit Committee and of the Governance and Nomination Committee. Tanja Weiher is the founder and managing partner of Weiher Partners, an independent consulting boutique based in Zurich, advising companies on strategy and process development, particularly in the fields of organisation and people management. Before starting her own business in 2011, Tanja Weiher was a managing director at UBS Ltd. During her thirteen years at UBS, she led the business analysis team of the group-wide strategy development unit and subsequently held different senior positions at UBS's Global Wealth Management and Swiss Banking division. She was first the division's Global Head of Controlling and later became its Chief Financial Officer as well as a member of its Executive Committee. Tanja Weiher holds a Master of European Management from the Copenhagen Business School and graduated in business administration from the Vienna University of Economics and Business. She was born in 1968 and is a Swiss / Austrian citizen.

CHANGES IN THE BOARD OF DIRECTORS

At the Annual General Meeting held on 17 April 2013, Johannes A. de Gier was re-elected for a three-year term of office and Dieter A. Enkelmann and Hugh Scott-Barrett were re-elected for a further two-year term of office as members of the Board of Directors. Furthermore, Tanja Weiher was elected as a new member of the Board of Directors for a two-year term of office. Given the recent change in the Swiss company law effective as of 1 January 2014, which limits the term of office of the members of board of directors to one year, all current members of the Company's Board of Directors will be subject to re-election by the shareholders at its 2014 Annual General Meeting.

Subsequent to the Annual General Meeting held on 17 April 2013, the Board of Directors re-constituted itself resulting in the following changes in the composition of the Committees of the Board of Directors: Tanja Weiher has joined the Audit Committee and the Governance and Nomination Committee, Diego du Monceau has joined the Compensation Committee and left the Governance and Nomination Committee, Dieter A. Enkelmann left the Audit Committee and Hugh Scott-Barrett left the Compensation Committee. Furthermore, the Board of Directors elected Daniel Daeniker into the newly created role as Vice Chairman of the Board of Directors. The sole function of this role will be to stand in for the current Chairman Johannes A. de Gier in circumstances where the Chairman is absent or temporarily unable to discharge his functions due to incapacity. GAM Holding AG is under consolidated supervision and regulation of the Swiss Financial Market Supervisory Authority FINMA and thereby fulfils its regulatory requirement that either the Chairman or the Vice Chairman shall be resident in Switzerland.

3.2 OTHER ACTIVITIES AND FUNCTIONS OF BOARD MEMBERS

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, we disclose mandates and interest ties with exchange-listed domestic and foreign companies as well as with domestic and foreign finance companies outside the Group and in addition to those stated in section 3.1 above. There are no further activities/interest ties within the scope of section 3.2 other than those listed below:

JOHANNES A. DE GIER

None

DANIEL DAENIKER

Member of the Board of Directors and Chairman of the Audit Committee of Kaba Holding AG, Switzerland
Member of the Board of Directors of Rothschilds Continuation Holdings AG, Switzerland

DIEGO DU MONCEAU

Member of the Board of Directors and Chairman of the Audit Committee of ING Belgium SA/NV, Belgium
Member of the Board of Directors of K & H Bank Zrt., Hungary
Member of the Board of Directors of WE International B.V., Belgium
Member of the Board of Directors and Chairman of the Audit Committee of Euro Shoe Group S.A., Belgium
Member of the Board of Directors of Foyer Finance S.A., Luxembourg
Chairman of the Board of Directors of Groupe 3SI S.A., France

DIETER A. ENKELMANN

Member of the Board of Directors of iNNutriGel AG, Switzerland
Member of the Board of Directors, Chairman of the Audit Committee and member of the Nomination Committee of Cosmo Pharmaceuticals SpA, Italy

HUGH SCOTT-BARRETT

Member of the Board of Directors of Goodwood Estate Company Limited, United Kingdom

TANJA WEIHER

None

3.3 ELECTIONS AND TERMS OF OFFICE

As from 1 January 2014, the members of the Board of Directors are elected on an individual basis by the Annual General Meeting for a one-year term of office expiring after the completion of the next Annual General Meeting. Members whose term of office has expired are immediately eligible for re-election.

The maximum cumulative term of office for members of the Board of Directors is, as a general rule, 12 years. Individuals will, as a general rule, not be nominated by the Board of Directors for election after they have reached the age of seventy. In exceptional cases, the Board of Directors can extend these term and age limits. As from the date of the Annual General Meeting in 2014, except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee, the Board of Directors shall constitute itself.

3.4 THE OPERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

THE BOARD OF DIRECTORS

The Board of Directors operates according to the Swiss Code of Obligations, the Company's Articles of Incorporation and Organisational Rules as well the Board of Directors' Charter.

According to the Swiss Code of Obligations and the Articles of Incorporation of GAM Holding AG, the Board of Directors has the following inalienable and non-delegable duties:

a) to supervise the Company and issue any necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning as necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, including in relation to compliance with applicable laws and regulations as well as instructions;
f) to draw up the annual report and to prepare the General Meeting and implementation of its resolutions; and
g) to make any necessary notifications in the event of insolvency.

In line with these duties, the Board of Directors assumes responsibility for the overall strategy and direction, management supervision and control of the Company and the Group. The Board of Directors has established three Committees (see below) to assist it in discharging its non-delegable duties and has delegated the management of the Company and its oversight and control of its operating businesses to the Group Management Board under the leadership of the Group Chief Executive Officer.

In addition to the inalienable and non-delegable duties, the full Board of Directors has retained responsibility, in particular, for:

a) preparing all topics that fall within the competence of the General Meeting (receiving support and advice from its committees, such as the Audit Committee in matters of financial reporting, dividend proposals and other capital management issues);
b) deciding, based upon a recommendation from the Audit Committee, which external auditors to recommend for appointment by shareholders at the Annual General Meeting;
c) overall risk oversight and determining the risk management framework, the risk management and control principles and the risk capacity and capital management frameworks of the Group as well as policies for accounting, financial controlling and strategic financial planning;
d) succession planning relating to, and the appointment of, members of the Group Management Board, including the Group Chief Executive Officer; and
e) the appointment of the Head of Internal Audit.

The Board of Directors consists of six members, all of whom are non-executive members. As from the Annual General Meeting in 2014, the Chairman of the Board of Directors and the members of the Compensation Committee shall be elected by the Annual General Meeting. In all other cases and instances where the office of the Chairman of the Board of Directors is vacant, or if there are vacancies on the Compensation Committee, the Board of Directors shall constitute itself and shall elect from among its members the Chairman and the members of the Compensation Committee. From among its members, the Board of Directors elects the Chairmen and the members of the Audit Committee and of the Governance and Nomination Committee.

The Board of Directors meets as often as business requires, but at least once per quarter, for on average approximately half a day. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of decisions confirming and amending resolutions relating to capital increases where no such quorum is required. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by telephone or electronic means. Resolutions of the Board of Directors may also be passed by way of written consent (letter, telefax) or by way of an electronic data transfer provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and requires the consent of all members of the Board of Directors to be valid. In the case of a tied vote at meetings, the Chairman has the casting vote. The Board of Directors may assign the preparation and implementation of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

The Group Chief Executive Officer, Group Chief Financial Officer and Group General Counsel are invited to participate in the meetings of the full Board of Directors. The Board of Directors also regularly invites members of the management teams of the operating businesses to attend the meetings of the Board of Directors to present and discuss specific topics relating to, or affecting, the operating businesses. The Board of Directors regularly discusses the strategic direction of the Group at its meetings. The purpose of these discussions is to analyse the positioning of the Group as well as to review and, if necessary, redefine the Company and the Group's strategic direction in light of the prevailing macroeconomic and Group-specific circumstances.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole, as well as its committees, carries out an annual self-assessment exercise. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the self-assessments carried out by the Board of Directors' committees are brought to the attention of the full Board of Directors.

During the year under review the full Board of Directors held 10 meetings.

Attendance of the members of the Board of Directors at the meetings of the Board of Directors was as follows:

JANUARY TO DECEMBER 2013

	JAN	JAN	FEB	MAR	APR	MAY	AUG	SEP	OCT	DEC
Johannes A. de Gier	✓	✓	✓	✓	✓	✓	E	✓	✓	✓
Daniel Daeniker	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dieter A. Enkelmann	✓	✓	✓	✓	E	✓	✓	✓	✓	✓
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓	E	✓
Tanja Weiher	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓

E = Excused

THE COMMITTEES OF THE BOARD OF DIRECTORS

The responsibilities and members of the current committees of the Board of Directors are as follows:

AUDIT COMMITTEE

The Audit Committee operates in accordance with the Audit Committee Charter and the Organisational Rules of the Company.

The Audit Committee bases its work on recognised best practice standards for good corporate governance. Its primary responsibilities comprise the following:

a) reviewing and approving the Internal Audit plan on an annual basis and ensuring its harmonisation with the audit plan of the external auditors;
b) directing and monitoring the activities of the Internal Audit function including the approval of its budget and staffing;
c) evaluating the performance of, and determining the compensation paid to, the Head of Internal Audit;
d) representing the Board of Directors in its relationship with the external auditors including by monitoring their performance and independence, their cooperation with the Internal Audit function, reviewing their reports (including any comprehensive reports of the external auditors) and providing a recommendation to the full Board of Directors regarding election of the external auditors at the Annual General Meeting;
e) ensuring the integrity of controls for financial reporting and for the review of financial statements, including the annual financial statements and any interim statements, before they are presented to the full Board of Directors for approval;
f) ensuring compliance with the principles of fair and transparent public communication of financial information;
g) monitoring and evaluating risk, the applied standards and methodologies for risk control and the review of risk reports;
h) regular examination of the appropriateness and effectiveness of the internal control systems, taking into account the risk profile of the Group; and
i) monitoring compliance with applicable laws and regulations as well as internal policies and procedures, including via the receipt of regular reporting from the operating businesses.

The Audit Committee consists of three non-executive members. It convenes at least four times a year, at least once per quarter, for on average approximately half a day. The Head of Internal Audit and representatives of the external auditors, as well as the Group Chief Financial Officer and the Group General Counsel, participate at every regular quarterly meeting. The Audit Committee may seek independent advice as deemed necessary. During the year under review the Audit Committee held five meetings. All respective members of the Audit Committee participated at all the meetings. The members of the Audit Committee are expected to have knowledge in the fields of finance and accounting. The Audit Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Audit Committee reviews its performance and objectives every year.

Members: Hugh Scott-Barrett (Chairman), Diego du Monceau and Tanja Weiher. Subsequent to the Annual General Meeting held on 17 April 2013, the Board of Directors re-constituted itself resulting in the following change in the Audit Committee's composition: Dieter A. Enkelmann left, and Tanja Weiher joined, the Audit Committee.

COMPENSATION COMMITTEE

The Compensation Committee operates in accordance with the Compensation Committee Charter and the Organisational Rules of the Company.

The Compensation Committee supports the Board of Directors in setting remuneration guidelines, approving remuneration levels and evaluating executive performance. Its primary responsibilities comprise the following:

a) reviewing and implementing the compensation and benefits policies of the Company, including compensation plans and compensation governance for the Board of Directors and the Group Management Board, including its Group Chief Executive Officer;
b) reviewing and implementing any compensation plan applicable to the Group as a whole and any compensation plan within the Group that is linked to the shares of, or options over shares of, the Company;
c) determining the total compensation of the Chairman of the Board of Directors as well as of the Group Management Board, including its Group Chief Executive Officer;
d) preparing and providing to the full Board of Directors compensation proposals relating to the members of the Board of Directors (other than its Chairman);
e) approving the aggregate, variable compensation expenditure of the Group and reviewing individual compensation levels of members of the Group receiving a total compensation of more than CHF 1 million;
f) reviewing and approving any non-standard contracts of employment and termination agreements for members of the Board of Directors and the Group Management Board;
g) overseeing the compensation reporting to shareholders; and
h) evaluating the performance of the members of the full Board of Directors and the Group Chief Executive Officer in meeting agreed goals and objectives.

The Compensation Committee consists of three non-executive members. The Compensation Committee convenes as often as necessary, at least once in each half-year, for about two hours on average. The Group Head of Human Resources regularly participates at the Committee's meetings. During the year under review the Compensation Committee held three meetings. All respective members of the Compensation Committee participated at all the meetings. The Compensation Committee can seek independent advice as deemed necessary. The Compensation Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Compensation Committee reviews its performance and objectives every year.

Members: Dieter A. Enkelmann (Chairman), Daniel Daeniker and Diego du Monceau. Subsequent to the Annual General Meeting held on 17 April 2013, the Board of Directors re-constituted itself resulting in the following change in the Compensation Committee's composition: Hugh Scott-Barrett left, and Diego du Monceau joined, the Compensation Committee.

GOVERNANCE AND NOMINATION COMMITTEE

The Governance and Nomination Committee operates in accordance with the Governance and Nomination Committee Charter and the Organisational Rules of the Company.

The Governance and Nomination Committee's primary responsibilities comprise the following:

a) assisting in the long-term succession planning at the level of the Board of Directors and of the Group Chief Executive Officer;
b) assessing and preliminary selecting candidates as potential new members of the Board of Directors, as well as preparing election recommendations of the Board of Directors for the Annual General Meeting;
c) reviewing the appropriateness of continued service on the Board of Directors by members whose circumstances have changed;
d) overseeing the orientation process for newly elected members of the Board of Directors and assessing the adequacy of, and need for, continuing director education programmes;
e) coordinating the regular evaluation of the Board of Directors and its Committees to determine whether they are functioning effectively and meeting their objectives;
f) reviewing proposals by the Group Chief Executive Officer for appointments of the members of the Group Management Board and making recommendations to the Board of Directors regarding such appointments;
h) making recommendations to the Board of Directors regarding the adequacy of the Group's policies governing employee conduct and business practices, as well as the implementation and monitoring of compliance with such policies; and
i) overseeing that the Group has adequate systems and procedures for the education, development, performance review and orderly succession of senior executives.

The Governance and Nomination Committee consists of three non-executive members. The Governance and Nomination Committee convenes as often as necessary, at least once in each half-year, for about two hours on average. During the year under review the Governance and Nomination Committee held four meetings. Except for two meetings when on each occasion one member was absent, all respective members of the Governance and Nomination Committee participated at all the meetings. The Governance and Nomination Committee can seek independent advice as deemed necessary. The Governance and Nomination Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Governance and Nomination Committee reviews its performance and objectives every year.

Members: Johannes A. de Gier (Chairman), Daniel Daeniker and Tanja Weiher. Subsequent to the Annual General Meeting held on 17 April 2013, the Board of Directors re-constituted itself resulting in the following change in the Governance and Nomination Committee's composition: Diego du Monceau left, and Tanja Weiher joined, the Governance and Nomination Committee.

3.5 GROUP MANAGEMENT BOARD

The Group Management Board is presided over by the Group Chief Executive Officer, who is responsible, in particular, for formulating, developing and implementing the overall strategy for the Group, as approved by the Board of Directors, for establishing the organisation of the Group Management Board itself, for overseeing the management of the Group, for representing the Group Management Board in its relationship with the Board of Directors and third parties, and for succession planning at the level of the Group Management Board.

Except where delegated by the Board of Directors to the Group Chief Executive Officer, and under the leadership of the Group Chief Executive Officer, the Group Management Board is delegated with the responsibility for the management of the Company, and for the overall management of the Group. The Group Chief Executive Officer has an overriding right to information concerning, and the right to examine, all business issues within the Group. The Group Chief Executive Officer has the power to override any decisions taken by the Group Management Board, notifying the Chairman of the Board of Directors of any exercise of such power.

Consistent with the Company's holding company structure, day-to-day management of the respective operating businesses is, at least to the extent necessary or required by laws and regulations, vested in the businesses themselves, with the Group Management Board exercising an overall management responsibility.

As at 31 December 2013, the Group Management Board comprised seven members: David M. Solo as Group Chief Executive Officer, Marco Suter as Group Chief Financial Officer, Scott Sullivan as Group General Counsel, Craig Wallis as Group Head of Distribution and Marketing, Michele Porro as Head of Distribution Swiss & Global Asset Management / Region Head Switzerland, Andrew Hanges as Head Operations GAM / Region Head UK and Martin Jufer as Head Operations Swiss & Global Asset Management. As to the changes in the composition of the Group Management Board throughout the year 2013, reference is made to section 1.1 above and section 4.1 below.

3.6 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE GROUP MANAGEMENT BOARD

The Board of Directors supervises and controls the Group Management Board through various control tools and processes. The Group Chief Executive Officer is responsible for ensuring an appropriate information flow to the Board of Directors and its Chairman, including by the provision of regular management reports. The Group Chief Executive Officer, Group Chief Financial Officer and Group General Counsel report to the Board of Directors on a regular basis on their current activities, business performance, financial data, major risks and/or other material and significant issues or developments as they arise. Furthermore, the Group Chief Executive Officer, Group Chief Financial Officer and Group General Counsel are invited to participate at meetings of the full Board of Directors, and the Group Chief Financial Officer and Group General Counsel at meetings of the Audit Committee, as well as the Group Chief Executive Officer and/or Group General Counsel, from time to time, at meetings of the Governance and Nomination Committee and the Compensation Committee, in order to support those bodies in their decision-making processes and provide regular reporting on the day-to-day activities and risks facing the Company, and on their oversight of the operating businesses.

The Board of Directors is responsible for the appointment and dismissal of, and its Compensation Committee for the performance evaluation/review and remuneration of, all members of the Group Management Board.

Internal Audit supports the Board of Directors and its Committees in discharging their governance responsibilities. For more information on Internal Audit, see section 8.5 below.

4. SENIOR MANAGEMENT

4.1 MEMBERS OF THE GROUP MANAGEMENT BOARD

DAVID M. SOLO, GROUP CHIEF EXECUTIVE OFFICER

David M. Solo was appointed Group Chief Executive Officer and became a member of GAM Holding AG's Group Management Board on 18 April 2013. Prior to this, he served as CEO of the Group's operating businesses GAM and Swiss & Global Asset Management. He joined GAM as CEO in 2004 from Diversified Credit Investments (DCI), a fixed income asset manager which he co-founded in San Francisco in 2001. This followed various senior management roles with Swiss Bank Corporation and UBS through 2001. David M. Solo was previously a Partner at O'Connor & Associates, the firm which pioneered derivatives pricing and risk management. He holds a BSc and an MSc degree in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology. David M. Solo was born in 1965 and is a US / Swiss citizen.

MARCO SUTER, GROUP CHIEF FINANCIAL OFFICER

Marco Suter was appointed Group Chief Financial Officer (with additional responsibility for risk control) and became a member of GAM Holding AG's Group Management Board (then the Executive Board) on 16 January 2013. He joined the Group in June 2010 and was appointed Head of Internal Audit & Group Risk Control of GAM Holding AG in March 2011. Prior to joining GAM Holding AG, he held various senior positions at UBS, including Chief Financial Officer (2007 to 2008), member of the Board of Directors (2005 to 2007) and Group Chief Credit Officer (1999 to 2005). He joined UBS's predecessor Swiss Bank Corporation in 1974 as an apprentice and later held various management roles in Switzerland and abroad, mainly in its corporate and commercial banking as well as in its investment banking division. Marco Suter was born in 1958 and is a Swiss citizen.

SCOTT SULLIVAN, GROUP GENERAL COUNSEL

Scott Sullivan was appointed Group General Counsel and became a member of GAM Holding AG's Group Management Board (then the Executive Board) in 2009, following the separation of the Company from the Julius Baer Group. Since 2005 he has been in charge of the Legal and Compliance function of the Group's operating business GAM and continues to hold this responsibility. Prior to the Company's separation from the Julius Baer Group in 2009, Scott Sullivan held several senior positions within the Julius Baer Group including Group General Counsel and member of the Executive Board of Julius Baer Holding Ltd. Between 2000 and 2005, Scott Sullivan worked for Deutsche Bank in London where he was responsible for the legal support of the asset management, private wealth management, trust and security services and offshore businesses. Before joining Deutsche Bank and after his admission to the bar in England and Wales in 1991, Scott Sullivan practised as a barrister in London. He was born in 1968 and is a British citizen.

CRAIG WALLIS, GROUP HEAD OF DISTRIBUTION AND MARKETING

Craig Wallis became a member of GAM Holding AG's Group Management Board on 18 April 2013, with responsibility for the Group's Distribution and Marketing functions. Before that, he was Global Head of Institutional and Fund Distribution of the Group's operating business GAM, overseeing all aspects of its institutional and mutual fund businesses globally including client acquisition, servicing, reporting and product specification. Craig Wallis's previous positions with GAM included responsibility for GAM's fund operations and the role of managing director of GAM Fund Management Limited. Before joining GAM in 1997, he held senior financial and business development positions with M W Marshall and NatWest Markets in London. Craig Wallis qualified as a Chartered Accountant with Peat Marwick in 1988 and holds a BSc (Hons) in Economics and Accounting from Southampton University. Craig Wallis was born in 1962 and is a British citizen.

MICHELE PORRO, HEAD OF DISTRIBUTION SWISS & GLOBAL ASSET MANAGEMENT / REGION HEAD SWITZERLAND

Michele Porro became a member of GAM Holding AG's Group Management Board on 18 April 2013, as Region Head for the Group's operating businesses in Switzerland and with responsibility for the Distribution function of Swiss & Global Asset Management worldwide and GAM in Continental Europe. He joined Swiss & Global Asset Management (then named Julius Baer Asset Management) in 2008 to lead its Private Label Solutions and Global Custody Services and was appointed Head of Sales and Distribution in 2009. Before that, he was

OUR GROUP MANAGEMENT BOARD







From top left to bottom right:
Michele Porro : Head of Distribution
Swiss & Global Asset Management and Region Head Switzerland
David M. Solo : Group Chief Executive Officer
Craig Wallis : Group Head of Distribution and Marketing
Martin Jufer : Head Operations Swiss & Global Asset Management
Scott Sullivan : Group General Counsel
Marco Suter : Group Chief Financial Officer
Andrew Hanges : Head Operations GAM and Region Head UK

Head of Investment Management International at Winterthur Group and held several positions at Credit Suisse, including the responsibility for the Swiss and European institutional investment management business and earlier for the investment banking division of Credit Suisse First Boston in Tokyo. He holds a Master in Business Administration from the University of St. Gallen (HSG). Michele Porro was born in 1959 and is a Swiss citizen.

ANDREW HANGES, HEAD OPERATIONS GAM / REGION HEAD UK

Andrew Hanges became a member of GAM Holding AG's Group Management Board on 18 April 2013, as Region Head for the Group's operating businesses in the UK and with responsibility for the Operations function of the Group's operating business GAM. Prior to joining GAM in February 1997 as Head of Operations, he was Area President of First Union National Bank and previously Executive Vice President of First Fidelity Bank Corporation of New Jersey until it was acquired by First Union in December 1995. Before that, he was Director of Operations at Midland Bank plc in London. Andrew Hanges holds a BSc in Management and International Business from New York University, and an MBA from the University of Southern California. Andrew Hanges was born in 1949 and is a US / British citizen.

MARTIN JUFER, HEAD OPERATIONS SWISS & GLOBAL ASSET MANAGEMENT

Martin Jufer became a member of GAM Holding AG's Group Management Board on 18 April 2013, with responsibility for the Operations function of the Group's operating business Swiss & Global Asset Management. Prior to that, he was Chief Operating Officer and Head of Products & Services of Swiss & Global Asset Management (formerly Julius Baer Asset Management). Martin Jufer joined Julius Baer Asset Management as an investment controller in 1996 and subsequently became responsible for fund administration, middle office and IT. Before joining Julius Baer, he worked as an auditor with Ernst & Young in Zurich. He holds an MBA from the University of St. Gallen (HSG) and a Swiss Federal Diploma for Financial Analysts and Portfolio Managers. He is also a Certified European Financial Analyst (CEFA) and a US Certified Public Accountant (CPA). Martin Jufer was born in 1968 and is a Swiss citizen.

CHANGES IN SENIOR MANAGEMENT

With effect from 16 January 2013, Marco Suter took on the role of Group Chief Financial Officer from Andrew M. Wills who, at that time, left the Group Management Board (then named Executive Board), and subsequently, at the end of February 2013, the Group as well.

With effect from 18 April 2013, Johannes A. de Gier chose to retain solely his role as Chairman of the Board of Directors and stepped down as the Company's Chief Executive Officer, reflecting the change in the operating model to a more integrated organisational structure and the corresponding creation of the new role of Group Chief Executive Officer, which was assumed by David M. Solo on 18 April 2013. At that time, the former Executive Board became a Group Management Board and its membership expanded to include core operations and distributions functions. In addition to David M. Solo, Craig Wallis, Michele Porro, Andrew Hanges and Martin Jufer also joined the Group Management Board on 18 April 2013.

4.2 OTHER ACTIVITIES AND FUNCTIONS

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, we disclose mandates and other formal relationships of such members of the Group Management Board with exchange-listed domestic and foreign companies as well as with domestic and foreign finance companies outside the Group. There are no further activities/interest ties within the scope of section 4.2 other than listed below:

DAVID M. SOLO

Non-executive Chairman of the Board of Directors of Diversified Credit Investments LLC, USA

MARCO SUTER

None

SCOTT SULLIVAN

None

CRAIG WALLIS

None

MICHELE PORRO

None

MARTIN JUFER

None

ANDREW HANGES

None

4.3 MANAGEMENT CONTRACTS

There are no management contracts between GAM Holding AG and companies (or individuals) outside the Group.

5. COMPENSATION

5.1 SUMMARY: CHANGES IN 2013

Following our 2013 Annual General Meeting (AGM) and the introduction of our new Group structure, with guidance from its Compensation Committee, the Board of Directors made a number of changes to the compensation structure. These changes are designed to address industry standards and best practices, as well as the feedback received from shareholders and shareholder representatives. The overriding objective remains to compensate the Group Management Board on performance-based measures and to align their, and the Board of Directors' compensation, as closely as possible to the long-term interests of our shareholders. The impact of these changes on compensation paid for the 2013 financial year is discussed in detail in this section and disclosed in Note 11 of the Parent Company Financial Statements.

The Compensation Committee separately reviewed our approach to compensation in light of the newly introduced Swiss Ordinance against Excessive Compensation in Listed Stock Companies which is applicable for all Swiss-domiciled companies whose shares are listed on a stock exchange and which came into effect on 1 January 2014. The disclosure in this Annual Report, however, focuses on compensation decisions and payments made in relation to the 2013 financial year as well as the decisions and budgets concerning the 2014 financial year.

CHANGES EFFECTIVE FOR THE 2013 FINANCIAL YEAR

Board of Directors: benchmarking and selective adjustment of fixed cash payments

Following the introduction of our new Group structure in April 2013, we conducted a benchmarking of directors' fees comparing them to Swiss financial services firms and international asset management groups with a stock exchange listing. As a result, the fixed annual cash payments for members of the Board of Directors working as Chairman and members of certain committees of the Board of Directors, and for the newly created role of the Vice Chairman of the Board of Directors, were increased.

Board of Directors: new share plan, stock options discontinued

It is no longer envisaged that members of the Board of Directors will receive stock options. Instead, part of their fixed compensation will be paid in the form of GAM Holding AG shares. These shares will vest on an annual basis at the end of a Board member's current term of office.

Group Management Board: variable compensation linked to key performance indicators (KPIs) and capped

With the appointment of the new Group Management Board in the 2013 financial year we have more closely linked the Group's performance with the compensation of that body. The Compensation Committee determines in advance the budget available for the aggregate variable compensation of the Group Management Board for a given financial year. This budget is set on the basis of pre-defined financial performance measures and targets. Furthermore, in order to avoid the potential for excessive payments, the Compensation Committee limits the available variable compensation pool with a hard cap, expressed in absolute Swiss franc terms. At the end of the relevant financial year, once the Group's financial results are available, the Compensation Committee determines the actual available variable compensation pool to be distributed to the members of the Group Management Board.

The maximum amount available for the annual variable compensation of the seven Group Management Board members – including the value of deferred share-based compensation, cash bonuses and related pension fund contributions, but excluding employer social security obligations – is currently hard-capped at CHF 13 million. At present, the Compensation Committee deems the Group's underlying pre-tax profit (as defined in the Business Review of this Annual Report in the section Group Performance Review) as the most suitable measure to determine the actual variable compensation pool of the Group Management Board. The assessment of the appropriate metrics remains at the discretion of the Compensation Committee and may change in future periods. The Compensation Committee also decided that variable compensation paid to a Group Management Board member in 2013 should not be higher than twice the member's base salary.

Group Management Board and select key position holders: deferral of variable compensation

Part of the variable compensation to members of the Group Management Board and to select key position holders is share-based and deferred over three years.

5.2 COMPENSATION PRINCIPLES

In order to create lasting value for our shareholders we operate a compensation structure that is aligned with the Group's overall long-term objective of sustainable growth and profitability as well as its tolerance for risk. Our approach provides for compensation that attracts and retains employees in a given local market, motivates them to contribute to the development and growth of our business and discourages excessive risk taking. A robust performance management system forms part of the compensation process and enables us to reward success and minimise the possibility of payment for failure.

Our compensation philosophy and structure is based on the following principles:

- The compensation structure is simple and straight-forward. It is first and foremost designed to safeguard the long-term success and prosperity of the Group and our shareholders.
- Total compensation is fully aligned with our Group's financial performance and risk tolerance. Variable compensation – in particular for the members of the Group Management Board – is directly tied to the operating performance, the financial strength and profitability of the Group.
- Variable compensation is paid based on the income earned in each financial year, excluding any income that reflects taking an up-front or net-present-value of theoretical future year profits. Cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Group, either via direct balance sheet exposure or through the potential for other negative income events, are prohibited.
- For members of the Group Management Board and select key position holders, a portion of variable compensation is paid in the form of deferred share-based awards. The balance between cash bonuses and deferrals is carefully chosen in order to achieve maximum shareholder alignment without generating unwanted costs associated with complex deferral mechanisms.
- By differentiating compensation levels based on an individual's achievement of pre-set targets and contribution to the Group's development, we foster a work ethic that is driven by high performance and tangible results.
- For every Group employee expected performance and targets are clearly defined, forming the basis for discretionary compensation decisions.
- Retirement plans for employees are aligned with the Group's capacity to fund and honour its commitments made under these plans in a sustainable fashion.
- All employees receive a range of benefits in line with local market practices, generally targeting the mean level of benefits paid in a given market.

5.3 COMPENSATION GOVERNANCE

5.3.1 COMPENSATION AUTHORITIES — OVERVIEW

The authorities in compensation matters are summarised in the following table. Under this framework, which was effective for the financial year 2013, ultimate responsibility in compensation matters was held by the Board of Directors. The Board of Directors was supported by its Compensation Committee, which determined the financial resources available for employee compensation.

AUTHORITIES IN COMPENSATION MATTERS

	GROUP CEO	COMPENSATION COMMITTEE	BOARD OF DIRECTORS
Definition of the Group Compensation Policy and share-based compensation plans	Proposal	Proposal	**Approval**
Total expenditure for variable compensation (annual, Group-wide)	Proposal	**Approval**	
Chairman of the Board of Directors, total compensation		**Decision**	
Members of the Board of Directors (other than the Chairman), total compensation		Proposal	**Approval**
Group CEO, total compensation		**Decision**	
Members of the Group Management Board (other than the Group CEO), total compensation	Proposal	**Approval**	
Individual employees (other than Group Management Board members) with total compensation above CHF 1 million	**Approval**	Review	

5.3.2 BOARD OF DIRECTORS

The Board of Directors has established and implemented a Group Compensation Policy, which reflects our overall approach to compensation including compliance with local regulatory requirements. This policy is designed to reflect guidance from regulatory agencies and market practice, as well as support the strategic development and profitability of the Group. The Group Compensation Policy contains rules for the determination of compensation for all our employees including the Group Management Board. With the support of the Group Head of Human Resources and the Compensation Committee, the Board of Directors regularly reviews this Group Compensation Policy in order to meet any important regulatory developments and the objectives of the Group.

The tasks of the Compensation Committee, as assigned by the Board of Directors, are set out in the next section.

5.3.3 COMPENSATION COMMITTEE

The Compensation Committee supports the Board of Directors in setting compensation guidelines, establishing compensation plans and approving compensation levels.

As at 31 December 2013, the Compensation Committee is composed of three non-executive members of the Board of Directors: Dieter A. Enkelmann who chairs the Committee, Daniel Daeniker and Diego du Monceau. The Compensation Committee is supported by advice from the Group Head of Human Resources, who participates in meetings of the Committee.

The Compensation Committee reviews and recommends any necessary amendments to the Group Compensation Policy. It also reviews and recommends (to the Board of Directors) any necessary amendments to any compensation plan offered to the Group as a whole and any compensation plan within the Group that is linked to shares in GAM Holding AG.

The Compensation Committee oversees the operational implementation of applicable compensation policies and rules including the Group Compensation Policy by Group Human Resources, which provides reporting to the Committee and assists in the ongoing development of the Group Compensation Policy.

The Compensation Committee annually assesses the performance of the Chairman of the Board of Directors, the members of the Board of Directors and the Group CEO against previously agreed objectives. The Group CEO evaluates the performance of the other members of the Group Management Board on an ongoing basis and reports to the Compensation Committee on this topic.

The Compensation Committee approves the aggregate annual expenditure for variable compensation of the Group. In particular, it determines the variable compensation pool for the Group Management Board (including the Group CEO), first by setting the budget amount available for a given financial year and then, at the end of the financial year, once the Group's financial results are available, by deciding on and approving the actual variable compensation for the past financial year including deferred, share-based payments. The total variable compensation pool for Group Management Board members is determined on the basis of financial performance measures and targets predefined by the Compensation Committee and hard-capped. At present, the metric used is the Group's underlying pre-tax profit in a given financial year and the hard cap for the pool is set at CHF 13 million (including the value of deferred share-based payments). The Compensation Committee further reviews individual compensation payments to be made to senior staff within the Group and any individual total compensation for employees exceeding CHF 1 million.

The Compensation Committee determines the total compensation of the Chairman of the Board of Directors. It prepares and provides to the Board of Directors for its approval all compensation proposals relating to the members of the Board of Directors (other than its Chairman) based upon input and recommendations from the Group Head of Human Resources. It also reviews and approves any non-standard contracts of employment and termination agreements for members of the Board of Directors and the Group Management Board.

The Compensation Committee regularly reports back to the Board of Directors on the status of its activities, the development of the compensation levels, as well as on the operational implementation of the Group Compensation Policy.

Wherever possible, individuals whose compensation is being determined or approved at a particular meeting of the Compensation Committee will not participate in those discussions.

5.3.4 GROUP CHIEF EXECUTIVE OFFICER

The Group CEO, supported by Group Human Resources, prepares a recommendation of the Group's total annual compensation expenditure, including the total discretionary bonus pool for the Group and the variable compensation for the other members of the Group Management Board. This is then submitted for the Compensation Committee's approval.

Once the Compensation Committee has approved the actual pool available for the variable compensation of the Group Management Board, the Group CEO evaluates the performance and contribution of the individual members of the Group Management Board against pre-defined targets, and proposes to the Compensation Committee for its final approval the individual levels of variable compensation he deems appropriate, including the amount to be deferred over three years in the form of a share-based award.

For all other employees, the Group CEO, supported by the Group Head of Human Resources, first allocates sub-pools of the approved total discretionary bonus pool to the various business areas and teams and develops guidelines for the awards of annual discretionary bonuses for all line managers, in order to ensure distribution is fair and aligned with individual contribution and performance. The Group CEO approves any individual total compensation for employees exceeding CHF 500,000.

5.4 COMPENSATION COMPONENTS

5.4.1 COMPENSATION OVERVIEW

While the compensation of members of the Board of Directors is fixed and does not include a variable performance-based element, the total compensation for the Group's employees consists of a base salary and an annual variable award. The level of the variable award is driven by the performance of the individual employee – measured by the achievement of annual objectives established as part of the annual performance appraisal process – and the Group's profitability. The weighting of individual performance against the Group's overall financial results generally decreases with higher levels of seniority and responsibility. It is lowest for members of the Group Management Board, where the achievement of personal targets determines only a fraction of their variable compensation. As a general principle, our compensation framework provides that around 70% of a Group Management Board member's individual variable compensation is determined by the Group's underlying pre-tax profit in a given financial year and 30% by the member's personal achievements against pre-set targets. Furthermore, approximately 30% of the variable compensation of the members of the Group Management Board is deferred over three years, reflecting their accountability for the operating results achieved and the impact of their decisions on the Group's future development.

COMPENSATION COMPONENTS

	BOARD OF DIRECTORS	GROUP MANAGEMENT BOARD	SELECT KEY POSITION HOLDERS[1]	OTHER PERMANENT EMPLOYEES
Base pay/salary, fixed, cash	●	●	●	●
Fees for the membership in, the role of chairman of, committees of the Board of Directors, fixed, cash	●			
Restricted shares, fixed	●			
Cash bonus, variable[2]		●	●	●
Deferred share-based award, variable		●	●	
Benefits[3]		●	●	●

[1] Mainly members of the boards of local legal entities where industry regulation and best practice encourages a deferred compensation element.
[2] Individual cash bonuses are generally discretionary. In certain markets, bonus pools for investment management and distribution teams are formula-driven, in line with local market practice.
[3] Benefits depend on local market practice and consist of at least the minimum benefits required by law, such as sick pay, pensions and maternity/paternity leave.

5.4.2 BASE SALARY

The base salary reflects an employee's role and experience and takes into account local practices. Our aim is to pay market rates comparable to those paid for similar roles within the financial services industry, giving our employees the guarantee of a regular income so that they can plan their financial affairs. As base salaries represent a fixed cost element, adjustments are made only on a selective basis and an individual level, for instance when there is a significant change in job responsibility or considerable market pressure. A change in industry regulation or an increase in local personal taxation or employee social security contributions is not considered sufficient reason to inflate base salaries, particularly for high-earners.

Base salaries are regularly reviewed and compared with external benchmarks, to ensure that our salaries remain competitive. Group Human Resources receives data from recognised market data providers, the choice of which may vary in different locations and for different positions. Data sets are tailored to exclude certain sector participants that are not considered appropriate comparables, such as insurance companies. Market data is, however, only one of the sources of information used. As part of its efforts to attract employees with the appropriate skills and experience for particular positions, Group Human Resources has also acquired its own data on base salaries. Group Human Resources is assisted in its activities by external recruitment agencies and it maintains close and regular contact with these agencies to ensure that it has as accurate and current an understanding of local hiring conditions as possible.

5.4.3 VARIABLE CASH BONUS

All our permanent employees are eligible for an annual performance-based award, in order to incentivise and reward their individual contribution to the overall success of the Group.

DISCRETIONARY BONUS

All employees, except those who participate in a formula-driven incentive, are considered for a discretionary bonus. The available bonus pool is approved by the Compensation Committee and depends on the Group's performance over the past financial year, with individual payments reflecting an employee's performance against defined objectives. The overall pool for discretionary bonuses is determined by the Group's operating performance, its financial strength and prospects for future profitability as well as the competitive landscape. At present, the most important metric determining the overall pool of discretionary bonuses to our staff is underlying pre-tax profit. In the event of a fall in our underlying pre-tax profit, unsatisfactory results in relation to any other key performance indicators (KPI) or an expected future deterioration in the Group's operating performance or its financial strength, the discretionary bonus pool would be reduced – materially, if required.

On an individual level, outstanding contributors will always receive the most significant awards, while underperformance will result in reductions in bonuses, and could potentially lead to no bonus being paid. In setting individual bonus levels, Group Human Resources consults with the Group's Risk and Compliance functions to receive input on the risk profile of specific business areas and to take into account any concerns expressed on the conduct of individual employees.

The annual appraisal process is used to evaluate and measure an employee's performance against defined objectives, which are required to be specific, measurable, achievable, realistic and time-bound. Employees agree on their annual objectives with their line manager at the start of each calendar year and can potentially apply a weighting to individual objectives. Objectives are linked to the culture and risk appetite of the Group and whilst some may be standardised within certain functions, most are tailored to the individual employee's role and responsibilities. For control functions, bonus payments are not directly linked to the profitability of the business areas that they support so as to maximise the independence of such functions.

Performance against agreed objectives is monitored on an ongoing basis and in consultation with the employee. Objectives may be changed during the course of the year if circumstances or responsibilities change. Formal performance reviews occur once each year. At the end of each calendar year individuals complete a written self-evaluation including an assessment of their performance against the agreed objectives. They are also required to grade their contribution and competency based upon a fixed, Group-wide scale. Line managers discuss and formally record their assessment of an individual's performance and may request input from additional nominated managers or peers of the employee concerned. Group Human Resources oversees compliance with the process and provides training on objective setting and management skills throughout the year.

An overriding principle of our performance measurement and bonus structure is to prohibit paying cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Group, either via direct balance sheet exposure or through the potential for other negative income events. We adopt the most conservative stance of only paying discretionary or formula bonus amounts based on income earned in each calendar year, excluding any income that reflects taking an up-front or net-present-value of theoretical future year profits. If we were to engage in business activities where market practice dictated that annual bonus payments factor in the up-front accounting income created over multiple years, we would structure bonus payments to defer amounts into future years approximately proportionate with the amount and time profile of the associated income. In any such case, deferred bonus amounts would be paid only to the degree that the originally calculated profit actually crystallised in the accounts of the Group in the respective future year. Should such accounting profits fail to materialise then all deferred amounts would be forfeited. No payments of this type were made in 2013.

FORMULA BONUS

In certain of our core markets and for certain product types it is common for asset management firms to determine part or all of the bonuses of fund managers and sales personnel based upon an agreed formula. In these areas of our business, we tend to follow this practice as we strongly believe it is key to attract and retain the best-quality professionals.

Our formula-bonuses are always defined on a team basis. The achievements of a respective team determine the available bonus pool, which is then allocated by its head to individual team members. Individual allocations within teams are at the discretion of the team heads, set in consultation with the Group CEO, and can be flexed to reflect individual contribution, experience and performance. Where formula bonus payments form only part of an individual's total variable compensation, the balance comprises a discretionary payment determined as detailed in this section 5.4.3 above.

For teams involved in the direct management of funds and segregated accounts, the formula is based on the level of assets managed and any performance fees earned for the successful management of such assets against defined benchmarks. Employees who participate in a fund manager formula bonus scheme are not eligible for the Group's discretionary bonus scheme.

Consistent with the fundamental principle of paying cash bonus amounts only related to income actually generated in each calendar year, all formula bonuses are calculated based only on the actual fee income generated in each calendar year. Thus, the fund manager of a three-year equity mandate paying a 1% management fee per annum would receive a bonus based only on the income associated with the 1% fee generated each year. Equally, all bonuses linked to performance fee income are only paid once the respective performance fee has been crystallised and actually received from the client without any potential contractual right for full or partial refund.

In a few markets we do incentivise teams responsible for distribution activities with formula bonus arrangements. The formula-bonus only forms a part of these teams' total variable compensation and is typically based on sales volumes and client retention. In some situations new business is rewarded over a multi-year time horizon.

5.4.4 CURRENT EQUITY PARTICIPATION PROGRAMMES

The Compensation Committee supports the Board of Directors by drafting and reviewing any compensation plan offered to the Group as a whole and any compensation plan within the Group that is linked to shares or options over shares in GAM Holding AG (equity participation programmes).

The equity participation programmes described below reflect the situation as at 31 December 2013, with further details disclosed in Note 23 of the Consolidated Financial Statements. The GAM Holding AG registered shares required to settle obligations under these programmes were and will be procured in the market.

2009 LONG-TERM INCENTIVE PLAN

In 2009, we introduced a long-term incentive (LTI) plan to mark the occasion of our listing as an independent asset management group. All employees and officers within the Group as at the date of the plan's creation in October 2009 received an award of options over GAM Holding AG shares. From 2010 to 2013 additional options were granted under this plan, principally to select new employees. Each option awarded under the 2009 LTI plan is equity-settled and corresponds to one GAM Holding AG share. The level of individual awards was based upon a recipient's role, and the same performance and contribution criteria were applied as are used to determine the level of discretionary bonus payments (see section 5.4.3 above). Whenever granted, options under the 2009 LTI plan vest over three years and, save in certain limited circumstances (not including change of control events), will only be exercisable after the end of this period. While the majority of options granted under this LTI plan were exercised during the first half of 2013, 7.0 million options were still outstanding at year-end 2013. The majority of these remaining outstanding options are exercisable over a 12-month period commencing on 28 March 2014 and ending on 28 March 2015. It is the current intention of the Company to settle these options by delivering only that number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the share price as at the date of exercise (physical net settlement). More information on this equity participation programme is disclosed in Note 23 of the Consolidated Financial Statements.

With the introduction of the deferred compensation scheme for members of the Group Management Board and select key position holders in June 2013 (see below), we do not plan to make further grants under the 2009 LTI plan.

SHARE PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS

In 2013, we introduced a separate share plan for the members of the Board of Directors, addressing the feedback of certain investors and shareholder representatives on the historical participation of the Board of Directors in the 2009 LTI plan. Under this new plan, members of the Board of Directors receive a fixed amount in the form of GAM Holding AG shares as part of their compensation. These shares will vest annually at the conclusion of a Board member's term of office. The shares are not designed or intended as variable compensation. These annual awards, however, will ensure an appropriate exposure to the Group's share price performance during a director's term of office.

Under this plan, the members of the Board of Directors were granted on 25 June 2013 the right to receive an aggregate total of 71,429 shares (with a value of CHF 14.00 each based on the closing price on 24 June 2013, or an aggregate fair value of CHF 1.0 million). These rights will vest on 14 April 2014, the day before the 2014 AGM, provided the member is proposed, or decides not to stand, for re-election.

With the introduction of this plan, it is envisaged that the Board of Directors members will no longer participate in any future option plan nor participate in the same performance-based compensation scheme as members of the Group Management Board.

2013 DEFERRED COMPENSATION SCHEME FOR MEMBERS OF THE GROUP MANAGEMENT BOARD AND SELECT KEY POSITION HOLDERS

With the introduction of our new Group structure and the constitution of the Group Management Board in the second quarter of 2013, we decided to defer part of the variable compensation of members of the new Group Management Board and select key position holders over three years through an annual variable share-based grant. This ensures that the Group Management Board maintains a long-term personal exposure to the Company's share price, aligning their compensation with industry standards and best practices.

The deferred share-based grants were made on 25 June 2013, with an aggregate fair value of CHF 6.2 million, and will vest on 15 August 2016 subject to a recipient continuing to be employed with the Group at that date. Recipients of the grants were members of the Group Management Board (excluding the Group CEO) and select key position holders, mainly members of the boards of local legal entities where industry regulation and best practice encourages a deferred compensation element (for the share-based awards made to the Group CEO please refer to section 5.6.3 below). The size of the grant varied based on seniority and individual performance contribution. For Group Management Board members, it is designed to represent around a third of their total variable compensation.

The vesting date in mid-August 2016 was defined in order to avoid any conflict with the publication of our half-year results and the associated trading restrictions that we impose upon our employees. Once they vest, the grants will convert automatically into GAM Holding AG shares. The number of shares delivered will depend on the average daily closing price on the 124 trading days prior to vesting on 15 August 2016. With this, we cover two financial disclosure cycles and take into account developments in the Group's performance over a prolonged period. If the average daily closing price of the GAM Holding AG shares on the 124 trading days prior to vesting is below the exercise price of CHF 14.00 (closing price on 24 June 2013), the grants will expire without value. This approach is in line with best corporate governance practices and we believe that, by referring to the average performance over the preceding six months, it ensures that the value realised by the recipients properly reflects the sustainable development of our share price.

It is the current intention of the Company to settle these grants by delivering only the number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the average daily closing price on the 124 trading days prior to vesting (physical net settlement). More information on this equity participation programme is disclosed in Note 23 of the Consolidated Financial Statements.

In 2014, this scheme for Group Management Board members and key position holders will be replaced with a modified variable restricted stock plan that is described under section 5.7.2 below.

5.4.5 BENEFITS

Benefits are provided to promote employees' well-being both in and out of the workplace and to assist with their financial security when they retire. They vary from location to location depending upon local market conditions and consist of at least the minimum benefits required by law, such as sick pay, pensions and maternity/paternity leave. Members of the Board of Directors (other than any previous executive members) are not entitled to receive any retirement or other benefits.

5.5 COMPENSATION OF THE BOARD OF DIRECTORS IN 2013

5.5.1 BENCHMARKING OF THE BOARD OF DIRECTORS' COMPENSATION

The compensation of the members of the Board of Directors, including its Chairman, consists of an annual base pay in cash, complemented by fee amounts paid in cash for serving – as a member or chairman – on the committees of the Board of Directors and share-based payments. All these elements of compensation are fixed.

In 2013, the Compensation Committee reviewed the fixed base pay and Committee fees on the basis of a benchmarking analysis provided by the Group Head of Human Resources. The peer group included a wide range of UK and Swiss companies, such as Aberdeen Asset Management, Schroders, Henderson, Man Group, Credit Suisse, Partners Group, Sarasin and UBS. The selection was based on a number of criteria: the comparability of their size and business mix, but also of the location of their headquarters and of the prevalent regulatory environment impacting the duties and responsibilities of non-executive members of the Board of Directors. We also took into consideration companies in the financial services industry that may offer comparable roles to actual and potential candidates for our Board of Directors.

As a result of this benchmarking exercise, the Compensation Committee recommended a number of changes to the Board of Directors' compensation. These changes were approved and became effective following the Company's AGM in April 2013 and are reflected in our disclosure below and in Note 11 of the Parent Company Financial Statements.

5.5.2 CHAIRMAN OF THE BOARD OF DIRECTORS

In 2013, Johannes A. de Gier was compensated with CHF 1,019,578 for his services as Chairman of the Board of Directors and Chairman of the Governance and Nomination Committee. For the period from 1 January to 17 April 2013, prior to relinquishing his position as CEO, he was paid CHF 743,748 for this executive role. In aggregate, this represents a decline of 41% when compared to his total compensation of CHF 3,000,793 for 2012.

With the decision to move away from a pure financial holding to a Group structure as from the 2013 AGM, the role of Chairman of the Board of Directors and CEO were separated, and the Chairman now serves as a non-executive member of the Board of Directors only. This change in our governance model required a review of the fixed base pay for the Chairman's role.

Based on the benchmarking exercise described in section 5.5.1 above, the Compensation Committee decided to set the fixed annual cash base pay for the Chairman of the Board of Directors at CHF 600,000 commencing with his election at the Company's 2013 AGM. Furthermore, under the restricted share plan described in section 5.4.4 above, the Chairman of the Board of Directors received an amount of CHF 499,996 in the form of GAM Holding AG shares. Based on the fair value at grant, this corresponded to 35,714 shares.

Under our compensation framework, the Chairman of the Board of Directors does not receive any variable compensation. He is also no longer eligible to participate in any performance-based compensation schemes available to the Group Management Board. Furthermore, the Chairman, being a non-executive director does not have an employment contract with the Group but is elected for a defined term of office by the Company's shareholders and there are no agreements that provide for severance payments.

5.5.3 BOARD OF DIRECTORS

The fixed annual cash base pay for the members of the Board of Directors other than its Chairman was left unchanged in 2013 at CHF 100,000. This is the same level we have been paying for each of the last three years. Based on the benchmarking exercise described in section 5.5.1 above, the Compensation Committee, however, proposed the adjustment of certain committee fees, which are also paid in cash and designed to reflect the workload in serving on the Board of Directors' various committees. The Board of Directors approved the following fee changes each for a one-year term of office, effective as of their election at the Company's 2013 AGM:

- The fee for the role of Chairman of the Audit Committee was raised from CHF 20,000 to CHF 70,000. The fee for each other member of the Audit Committee was kept unchanged at CHF 20,000.
- The fee for the role of Chairman of the Governance and Nomination Committee and the role of Chairman of the Compensation Committee were increased from CHF 8,500 to CHF 30,000, and the fee for the other members of these two committees from CHF 8,500 to CHF 10,000.
- An additional annual fee of CHF 10,000 was introduced for the newly created role of Vice Chairman of the Board of Directors.

Under the restricted share plan described in section 5.4.4 above, each member of the Board of Directors (other than its Chairman) received CHF 100,002 in the form of GAM Holding AG shares, which will vest on 14 April 2014. Based on the fair value at grant, this corresponded to an individual award of 7,143 shares.

Under our compensation framework, the members of the Board of Directors do not receive any variable compensation. They are also no longer eligible to participate in any performance-based compensation schemes available to the Group Management Board. They are all non-executive directors and therefore have no employment contract but are elected for a defined term of office by the Company's shareholders.

The details of the payments made in 2013 to the members of the Board of Directors are disclosed in Note 11 of the Parent Company Financial Statements.

5.6 COMPENSATION OF THE GROUP MANAGEMENT BOARD IN 2013

5.6.1 PRINCIPLES AND COMPENSATION STRUCTURE

The members of the Group Management Board receive a fixed base salary and are eligible to receive an annual variable compensation award, which is at the discretion of the Compensation Committee. To ensure that the overall compensation for the Group Management Board is sufficiently tied to the Group's performance, the Compensation Committee determines in advance the budget available for the aggregate variable compensation of the Group Management Board for a given financial year. This budget amount is set on the basis of pre-defined financial performance measures and targets that can change over time, depending on the evolution of our Group and external developments in our industry or in the broader market environment. Further, in order to avoid the potential for excessive payments, the Compensation Committee limits the available variable compensation pool with a hard cap expressed in absolute Swiss franc terms. At the end of the relevant financial year, once the Group's financial results are available, the Compensation Committee determines the actual variable compensation pool to be distributed to the members of the Group Management Board.

In light of our objective to grow profitability and the all-encompassing importance of generating sustainable profits for the long-term viability of our business, the Compensation Committee presently deems the Group's actual underlying pre-tax profit in a given financial year as the most suitable measure to determine the actual variable compensation pool of the Group Management Board. This measure of profitability forms the basis for our internal analysis of our results and for managing the Group. It excludes certain items by use of adjustments from our profit reported under IFRS, in order to better reflect the operating performance and future growth potential of our business. Such adjustments are made for non-cash accounting gains or losses unrelated to our core business operations as well as for non-recurring gains or losses that are neither indicative of the underlying performance of our business nor of its future growth potential. The Audit Committee ensures that these adjustments are applied consistently as part of their review of our financial reporting and disclosure.

Furthermore, the Compensation Committee introduced a hard cap of CHF 13 million for the 2013 total variable compensation pool of the Group Management Board (including the value of deferred share-based compensation, cash bonuses and related pension fund contributions, but excluding mandatory social security contributions made by the employer). The Committee also decided that the variable compensation paid to a Group Management Board member in 2013 should not be higher than twice the member's base salary.

Around a third of the variable compensation of each Group Management Board member is paid in the form of a share-based grant deferred over three years, ensuring the members maintain a long-term personal exposure to the Company's share price development. The level of the award, fair valued at the date of grant, is performance-based and thus variable. For details on the share-based awards to the Group CEO please refer to section 5.6.3 below, for those to all other members of the Group Management Board see section 5.4.4 above.

As a general principle, our compensation framework provides that around 70% of a Group Management Board member's individual variable compensation is determined by the Group's underlying pre-tax profit in a given financial year and 30% by the member's personal achievements against pre-set targets.

In setting individual variable compensation levels of members of the Group Management Board the Compensation Committee considers factors such as:

- specific key performance indicators for the individual members relevant to their role including cost/income ratio, return on assets and net new money growth and/or other measures of operating effectiveness and cost efficiency;
- if applicable, the impact an individual had in servicing and growing our client relationships;
- the degree to which the individual anticipates, manages and controls risk; and
- each individual's contribution in managing the Group's resources carefully, fostering responsible business practices and behaviour and thereby acting as a role model, and in attracting, retaining and motivating high-performing staff.

EMPLOYMENT CONTRACT AND SEVERANCE TERMS

Employment contract terms for members of the Group Management Board do not include severance payments or supplementary contributions to pension plans, also known as 'golden parachutes'. All their employment contracts contain a notice period of six months, and any future Group Management Board employment contract will have a maximum notice period of 12 months.

REPLACEMENT AWARDS

Wherever possible, we do not buy out deferred bonuses for new hires. However, in light of the increasingly predominant practice in the financial services industry towards multi-year deferred compensation schemes for executive personnel, the Compensation Committee may decide, in certain instances, to make a replacement award appropriately matching the terms and conditions of the awards granted by an executive's previous employer. The Compensation Committee will ensure that these grants are commensurate with the Group's financial results and are made exclusively through deferred awards whose conditions are at least as strict as those of the forfeited compensation.

5.6.2 GROUP MANAGEMENT BOARD COMPENSATION FOR THE FINANCIAL YEAR 2013

As disclosed in Note 11 of the Parent Company Financial Statements, the members of the senior management of the Group received a total aggregate compensation of CHF 14,907,562. This amount reflects compensation to the current members of the Group Management Board (salaries from mid-April to December 2013 and their total full-year variable compensation). It further includes compensation of the former

Executive Board under our previous leadership structure from January to mid-April 2013, including the termination payment to a senior manager who left the former Executive Board in January 2013 and the Group in February 2013 (for details please refer to Note 11 of the Parent Company Financial Statements).

On a pro forma basis the total aggregate compensation (including pension fund contributions) for the current members of the Group Management Board as at 31 December 2013 for the full-year 2013 would have amounted to CHF 14,942,096. Of this total, CHF 5,876,245 relate to fixed base salaries. The actual total variable compensation including related pension fund contributions was set below the CHF 13 million hard cap, at CHF 8,252,171, representing 3.9% of the Group's underlying pre-tax profit of CHF 210.2 million. On average, 34.6% of the variable compensation of each member of the Group Management Board was paid in the form of a three-year deferred share-based grant.

5.6.3 HIGHEST PAID GROUP MANAGEMENT BOARD MEMBER

The highest paid Group Management Board member in 2013 was the Group CEO, David M. Solo, with a total compensation of CHF 3,380,106 (including pension fund contributions). As disclosed in Note 11 of the Parent Company Financial Statements, CHF 1,406,567 represent his base salary from his appointment on 17 April 2013 to year-end 2013. His total variable compensation for the full-year 2013 amounted to CHF 1,700,006.

Around a third (CHF 500,006) of the variable compensation was granted in the form of restricted shares in GAM Holding AG. For 2013, the Compensation Committee concluded that it would be more consistent with emerging best practices to use restricted shares for the Group CEO rather than the currently uncapped deferred compensation scheme available for the other members of the Group Management Board. The shares were granted on 30 January 2014 and, at a fair value of CHF 15.05 per share (the closing price on 29 January 2014), the grant corresponded to 33,223 shares. The Compensation Committee determined that these shares will vest in the three years following their grant date.

5.7 OUTLOOK FOR COMPENSATION IN 2014

5.7.1 COMPENSATION FOR THE BOARD OF DIRECTORS IN 2014

For 2014, the Compensation Committee anticipates the fixed cash base pay for the members of the Board of Directors, including the fees for the various committee memberships to remain unchanged. The Compensation Committee further envisages granting the members of the Board of Directors – once elected at the 2014 AGM – an aggregate amount of around CHF 1 million in the form of GAM Holding AG shares. These shares will vest on the day prior to the 2015 AGM, provided the member is proposed, or decides not to stand, for re-election. On this basis, the Compensation Committee anticipates that the aggregate total compensation for the Board of Directors for 2014 will not exceed CHF 2.3 million (excluding mandatory social security contributions paid by the Group).

5.7.2 COMPENSATION FOR THE GROUP MANAGEMENT BOARD IN 2014

The Compensation Committee does not anticipate making any increase to the fixed base salaries of the Group Management Board in 2014. Therefore, the maximum amount of fixed compensation to be paid to Group Management Board members in 2014 (including pension fund contributions but excluding mandatory social security contributions) is expected not to exceed CHF 7 million.

For variable compensation, the Compensation Committee continues to deem the Group's underlying pre-tax profit as the most suitable basis for the definition of the Group Management Board's aggregate variable compensation, and the hard cap of CHF 13 million to remain appropriate. Thus, the Compensation Committee determined that the aggregate variable compensation of the Group Management Board for 2014 be capped at the lesser of 5% of the Group's actual underlying pre-tax profit in 2014 or CHF 13 million (including cash bonuses, the value of deferred share-based payments and related pension fund contributions, but excluding employer social security taxes). While our practice not to provide forward-looking profit guidance remains unchanged, we believe that the disclosure provided in this report gives shareholders a solid basis upon which to form a view as to the total compensation likely to be paid to the Group Management Board for the 2014 financial year. Overall, the Compensation Committee decided that the variable compensation for any Group Management Board member should not be higher than twice such member's fixed base salary.

The Compensation Committee determined that the current deferred share-based variable compensation scheme for the Group Management Board and key position holders will be replaced by a capped Variable Restricted Stock (VRS) plan for the financial year 2014. For members of the Group Management Board, the VRS grants will represent a value of approximately 30% of their total variable compensation. Under the plan, recipients receive a nominal number of VRS units vesting three years after the grant date subject to a recipient continuing to be employed with the Group. The final number of shares received is dependent on the performance of the GAM Holding AG shares over the three years following the grant of the VRS:

- Should the share price fail to increase relative to the price on the grant date, the recipient will receive zero GAM Holding AG shares. The award is therefore fully at risk.
- The target share price appreciation for the GAM Holding AG share over the three-year vesting period is set at 50%:
  - If the 50% target increase is achieved, then each VRS unit will entitle the recipient to one GAM Holding AG share.
  - Should the share price appreciate by 200% (tripling the share price on the date of grant) or more, the recipient is entitled to two GAM Holding AG shares. Hence, awards are capped at two times the number of VRS units originally granted.
  - For increases in the GAM Holding AG share price between 0% and 200% the value of shares delivered for each VRS unit will vary linearly.

As with the current deferred share-based variable compensation scheme, the exercise of the VRS units is determined by taking the six-month average closing prices prior to the vesting date. This date is set in an 'open' window, typically after the publication of annual results. This implies that the vesting period in practice may be slightly longer than three years and reflects feedback we received from investors and shareholder representatives as well as best corporate governance practice.

6. SHAREHOLDERS’ PARTICIPATION RIGHTS

6.1 VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party at the Annual General Meeting.

There are no voting-rights restrictions. Each share entitles its holder to one vote.

6.2 STATUTORY QUORUMS

Except where otherwise required by mandatory law and/or by Article 8.14 of the Articles of Incorporation (which can be found at www.gamholding.com/aoi2013), all resolutions of the Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

6.3 CONVOCATION OF THE ANNUAL GENERAL MEETING

The convocation of the Annual General Meeting complies with applicable legal regulations. The convocation of an Annual General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested Annual General Meeting within six weeks of receiving the request.

6.4 AGENDA

Shareholders who represent shares of a nominal value of CHF 100,000 may demand that matters be put on the agenda. Such requests must be submitted to the Company at least six weeks before the date of the respective Annual General Meeting. The request to convene a meeting and to put a matter on the agenda must be in writing, and include full details of the proposals.

6.5 REGISTRATIONS IN THE SHARE REGISTER

In the invitation to the Annual General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register in order to be eligible to participate and vote at the meeting.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER

According to the Swiss Stock Exchanges and Securities Trading Act, an investor who acquires more than 33 1/3% of all voting rights, either directly, indirectly or in concert with a third party, and whether the rights are exercisable or not, has to submit a take-over offer for all shares outstanding. GAM Holding AG has not applied to opt out of, or to increase, the percentage threshold applicable to this obligation.

7.2 CLAUSES ON CHANGE OF CONTROL

There are no provisions on change of control benefiting the members of the Board of Directors and/or the Group Management Board under their mandates or contracts of employment.

8. AUDITORS

8.1 DURATION OF MANDATE AND TERM OF OFFICE OF LEAD AUDITOR

In accordance with the Articles of Incorporation, the external auditor must be elected at each Annual General Meeting for a term of office of one year. KPMG AG has been the statutory external auditor of the Company since the Annual General Meeting on 12 April 2006. Philipp Rickert has served as the Lead Auditor since 2011. The Lead Auditor may hold this engagement for a maximum of seven consecutive years, but may resume the engagement after a break of three years.

8.2 EXTERNAL AUDITING AND ADDITIONAL FEES

The Group paid KPMG AG auditing fees totalling CHF 1.62 million in the 2013 financial year (CHF 1.54 million in the 2012 financial year). For non-auditing services such as tax advisory work, the Group paid KPMG AG fees totalling CHF 0.25 million in the 2013 financial year (CHF 0.30 million in the 2012 financial year).

In addition, KPMG AG received CHF 2.21 million (whereof CHF 2.13 million auditing fees) in the 2013 financial year (CHF 2.06 million (whereof CHF 1.94 million auditing fees) in the 2012 financial year) for services performed on behalf of, and for, investment funds managed/operated by subsidiaries of GAM Holding AG.

8.3 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE EXTERNAL AUDITOR

The Audit Committee of the Board of Directors pre-approves the fee amounts for services rendered by KPMG AG to the Group in order to ensure their independence. As to non-audit work related services rendered by KPMG AG to the Group, such pre-approval is granted by means of a budget envelope given by the Audit Committee to the Group Chief Financial Officer available for disposal. The Audit Committee then receives regular updates from the Group Chief Financial Officer on KPMG AG's activities for the Group and the related incurred year to date fees. Thus, any use of KPMG AG by the Group for non-audit work is overseen by the Audit Committee and coordinated by the Group Chief Financial Officer.

Furthermore, the Audit Committee confers regularly with the Lead Auditor of KPMG AG about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the Audit Committee at all times and participate at every regular quarterly meeting of the Audit Committee.

8.4 INTERNAL AUDIT

The Internal Audit function provides independent, objective assurance and advisory services to the Board of Directors, the Audit Committee and the Group Management Board. It carries out operational and system audits in accordance with a risk-based Internal Audit plan and assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit plan, which consists of a work schedule as well as budget and resource requirements for the next audit cycle (1 January to 31 December of each calendar year), is at least annually submitted by the Head of Internal Audit to the Group Management Board (for its review) and to the Audit Committee (for its approval), and is developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior executives within the Group, the Group Management Board, the Board of Directors and the external auditors. In addition to the approved Internal Audit plan, the Chairman of the Board of Directors or the Chairman of the Audit Committee may instruct Internal Audit to carry out special assignments. Furthermore, members of the Group Management Board may ask Internal Audit for assistance in carrying out special assignments after consultation with the Chairman of the Board of Directors or the Chairman of the Audit Committee.

The Head of Internal Audit reports to the Chairman of the Audit Committee but is expected to have regular and unrestricted access to the Chairman of the Board of Directors. In addition, the Head of Internal Audit is expected to provide regular reporting on the activities of the Internal Audit function to the Audit Committee and is a participant at all regular quarterly meetings of the Audit Committee. The Audit Committee regularly reviews the independence, activities and results of Internal Audit. The Audit Committee also evaluates the performance of, and ultimately determines the compensation paid to, the Head of Internal Audit.

9. INFORMATION POLICY

GAM Holding AG provides regular information to its shareholders and the public each year by means of the Annual Report as well as a half-year report. Its current policy is additionally to provide voluntary Interim Management Statements twice each year, covering material developments between the publication of the annual and half-year results and the date of such statements. Additional ad-hoc publications will be made where they are considered appropriate or where required under applicable law or regulation. Published materials are available to the public in electronic form (subscription to GAM Holding AG's news alert for corporate information and ad-hoc publications is possible under www.gamholding.com/news-alert-subscription) as well as in print form from the address mentioned in section 9.2 below.

9.1 CORPORATE CALENDAR

15 April 2014	Interim Management Statement
15 April 2014	Annual General Meeting, Zurich
12 August 2014	Release of half-year results
21 October 2014	Interim Management Statement

9.2 CONTACTS

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FURTHER INFORMATION

Our website provides further information on GAM Holding AG, including share price data, details of our share buy-back programme, media releases, historical annual reports and an events calendar.

www.gamholding.com

Detailed information on our operating businesses and their products and services can be found on:

www.gam.com
www.swissglobal-am.com

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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ADDITIONAL NOTES

CONSOLIDATED INCOME STATEMENT

	NOTE	2013 CHF M	2012[1] CHF M *restated*	CHANGE IN %
Fee and commission income		1,029.3	957.5	7
Distribution, fee and commission expenses		-475.2	-460.7	3
Net management fees and commissions	*5*	**554.1**	**496.8**	**12**
Net performance fees	*5*	100.7	82.1	23
Net fee and commission income		**654.8**	**578.9**	**13**
Other operating income	*6*	28.5	16.0	78
Operating income		**683.3**	**594.9**	**15**
Personnel expenses	*7*	321.3	293.0	10
General expenses	*8*	110.2	106.9	3
Depreciation and amortisation	*17*	18.8	18.9	-1
Impairments	*14.2*	8.9	56.3	-84
Operating expenses		**459.2**	**475.1**	**-3**
Profit before taxes		**224.1**	**119.8**	**87**
Income taxes	*9*	22.7	31.4	-28
Net profit		**201.4**	**88.4**	**128**
Net profit attributable to:				
- the shareholders of the Company		196.8	87.1	126
- non-controlling interests		4.6	1.3	254
		201.4	**88.4**	**128**
Earnings per share				
Basic earnings per share	*10*	1.20	0.51	136
Diluted earnings per share	*10*	1.19	0.51	132

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2013 CHF M	2012[1] CHF M *restated*	CHANGE IN %
Net profit		**201.4**	**88.4**	**128**
Remeasurements of defined benefit pension plans		-	-8.2	100
Items that will not be reclassified subsequently to the income statement, net of taxes		**-**	**-8.2**	**100**
Net gains/(losses) on financial assets available-for-sale		16.7	8.1	106
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-16.9	-3.9	-333
Translation differences		-1.9	2.2	-186
Net (gains)/losses on translation differences reclassified to the income statement		-	7.0	-100
Items that may be reclassified subsequently to the income statement, net of taxes		**-2.1**	**13.4**	**-116**
Other comprehensive income, net of taxes	*9*	**-2.1**	**5.2**	**-140**
Total comprehensive income		**199.3**	**93.6**	**113**
Total comprehensive income attributable to:				
- the shareholders of the Company		194.7	92.3	111
- non-controlling interests		4.6	1.3	254
		199.3	**93.6**	**113**

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

CONSOLIDATED BALANCE SHEET

	NOTE	31.12.2013 CHF M	31.12.2012[1] CHF M restated	01.01.2012[1] CHF M restated	CHANGE FROM 31.12.2012 IN %
Cash and cash equivalents		592.6	504.0	600.1	18
Trade and other receivables		64.9	53.7	107.8	21
Accrued income and prepaid expenses	*11*	125.9	143.3	105.8	-12
Financial investments	*12.1*	74.7	82.6	118.1	-10
Assets held for sale	*13*	52.3	101.7	-	-49
Current assets		**910.4**	**885.3**	**931.8**	**3**
Financial investments and other financial assets	*12.1*	2.5	1.5	0.8	67
Investments in associates	*14.1*	3.1	-	76.5	-
Deferred tax assets	*16.1*	30.4	23.7	19.3	28
Property and equipment	*17*	19.9	22.4	26.4	-11
Goodwill and other intangible assets	*17*	1,363.4	1,372.8	1,375.5	-1
Non-current assets		**1,419.3**	**1,420.4**	**1,498.5**	**-0**
Assets		**2,329.7**	**2,305.7**	**2,430.3**	**1**

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	NOTE	**31.12.2013** CHF M	31.12.2012[1] CHF M *restated*	01.01.2012[1] CHF M *restated*	CHANGE FROM 31.12.2012 IN %
Trade and other payables		19.1	17.1	16.9	12
Other financial liabilities	*12.2*	0.4	1.1	13.5	-64
Accrued expenses and deferred income	*18*	251.6	237.2	235.1	6
Current tax liabilities		28.2	46.3	44.9	-39
Provisions	*19*	1.5	0.2	0.2	650
Liabilities held for sale	*13*	8.4	5.9	-	42
Current liabilities		**309.2**	**307.8**	**310.6**	**0**
Financial liabilities	*12.2*	28.5	22.3	4.0	28
Provisions	*19*	3.1	1.9	1.7	63
Pension liabilities	*15*	69.2	70.9	55.7	-2
Deferred tax liabilities	*16.2*	-	-	0.1	-
Non-current liabilities		**100.8**	**95.1**	**61.5**	**6**
Liabilities		**410.0**	**402.9**	**372.1**	**2**
Share capital		8.7	9.2	9.8	-5
Capital reserves		1,537.4	1,736.0	1,998.4	-11
Retained earnings		599.4	480.7	411.3	25
Other components of equity		-85.3	-83.2	-96.6	-3
Treasury shares		-145.5	-241.9	-264.7	40
Equity attributable to the shareholders of the Company	*20*	**1,914.7**	**1,900.8**	**2,058.2**	**1**
Non-controlling interests		5.0	2.0	-	**150**
Equity		**1,919.7**	**1,902.8**	**2,058.2**	**1**
Liabilities and equity		**2,329.7**	**2,305.7**	**2,430.3**	**1**

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY[1]

	NOTE	SHARE CAPITAL CHF M	CAPITAL RESERVES CHF M	RETAINED EARNINGS CHF M
Published balance at 1 January 2012		9.8	1,998.4	452.6
Effect of adoption of IAS 19 revised[1]		-	-	-41.3
Restated balance at 1 January 2012		**9.8**	**1,998.4**	**411.3**
Net profit		-	-	87.1
Remeasurements of defined benefit pension plans[1]		-	-	-8.2
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-	-	-
Translation differences		-	-	-
Net realised (gains)/losses on translation differences reclassified to the income statement		-	-	-
Other comprehensive income, net of taxes		**-**	**-**	**-8.2**
Total comprehensive income		**-**	**-**	**78.9**
Capital reduction	*20*	-0.6	-174.6	4.7
Dividends paid to shareholders of the Company		-	-87.8	-
Acquisition of subsidiary	*26*	-	-	-18.2
Share-based payment transactions	*9/23*	-	-	8.4
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	-4.4
Balance at 31 December 2012		**9.2**	**1,736.0**	**480.7**
Net profit		-	-	196.8
Remeasurements of defined benefit pension plans[1]		-	-	-
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-	-	-
Translation differences		-	-	-
Other comprehensive income, net of taxes		**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**196.8**
Capital reduction	*20*	-0.5	-116.8	-23.9
Dividends paid	*20*	-	-81.8	-
Share-based payment transactions	*9/23*	-	-	10.3
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	-64.5
Balance at 31 December 2013		**8.7**	**1,537.4**	**599.4**

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

	OTHER COMPONENTS OF EQUITY					
	FINANCIAL ASSETS AVAILABLE-FOR-SALE, NET OF TAXES CHF M	FOREIGN CURRENCY TRANSLATION RESERVE CHF M	TREASURY SHARES CHF M	**EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY** CHF M	NON-CONTROLLING INTERESTS CHF M	**EQUITY** CHF M
	-2.4	-94.2	-264.7	**2,099.5**	-	**2,099.5**
	-	-	-	-41.3	-	-41.3
	-2.4	**-94.2**	**-264.7**	**2,058.2**	**-**	**2,058.2**
	-	-	-	**87.1**	1.3	**88.4**
	-	-	-	**-8.2**	-	**-8.2**
	8.1	-	-	**8.1**	-	**8.1**
	-3.9	-	-	**-3.9**	-	**-3.9**
	-	2.2	-	**2.2**	-	**2.2**
	-	7.0	-	**7.0**	-	**7.0**
	4.2	**9.2**	**-**	**5.2**	**-**	**5.2**
	4.2	**9.2**	**-**	**92.3**	**1.3**	**93.6**
	-	-	170.5	**-**	-	**-**
	-	-	-	**-87.8**	-	**-87.8**
	-	-	-	**-18.2**	0.7	**-17.5**
	-	-	-	**8.4**	-	**8.4**
	-	-	-152.1	**-152.1**	-	**-152.1**
	-	-	4.4	**-**	-	**-**
	1.8	**-85.0**	**-241.9**	**1,900.8**	**2.0**	**1,902.8**
	-	-	-	**196.8**	4.6	**201.4**
	-	-	-	**-**	-	**-**
	16.7	-	-	**16.7**	-	**16.7**
	-16.9	-	-	**-16.9**	-	**-16.9**
	-	-1.9	-	**-1.9**	-	**-1.9**
	-0.2	**-1.9**	**-**	**-2.1**	**-**	**-2.1**
	-0.2	**-1.9**	**-**	**194.7**	**4.6**	**199.3**
	-	-	141.2	**-**	-	**-**
	-	-	-	**-81.8**	-1.6	**-83.4**
	-	-	-	**10.3**	-	**10.3**
	-	-	-109.3	**-109.3**	-	**-109.3**
	-	-	64.5	**-**	-	**-**
	1.6	**-86.9**	**-145.5**	**1,914.7**	**5.0**	**1,919.7**

CONSOLIDATED STATEMENT OF CASH FLOWS[1]

	NOTE	2013 CHF M	2012 CHF M restated
Net profit		**201.4**	**88.4**
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit and other adjustments:			
- Income from investments in associates		-	-1.6
- Impairments	*14.2*	8.9	56.3
- Depreciation and amortisation	*17*	18.8	18.9
- Share-based payment expenses	*23*	2.2	8.4
- Other non-cash items		-16.5	1.2
Net increase/decrease in operating assets and liabilities:			
- Financial investments and other financial assets[2]		75.1	-24.0
- Operating financial liabilities		6.1	-12.5
- Trade and other receivables (excluding tax receivable)		-10.9	55.8
- Accrued income and prepaid expenses (excluding accrued interest)		15.9	-36.6
- Trade and other payables		2.1	-0.2
- Accrued expenses and deferred income (excluding accrued interest)		14.3	-1.5
Dividends received from investments in associates		-	1.6
Adjustment for interest income and expenses		-0.8	-0.4
Interest received		1.1	0.9
Interest paid		-0.3	-0.5
Adjustment for income tax expenses		22.7	31.4
Income taxes paid		-39.1	-33.1
Cash flow from operating activities		**301.0**	**152.5**
Acquisition of subsidiary (net of cash)	*26*	-	-5.8
Acquisition of investment in associates	*14.1*	-9.3	-
Purchase of property, equipment and intangible assets	*17*	-9.1	-3.7
Disposal of property, equipment and intangible assets	*17*	0.1	-
Cash flow from investing activities		**-18.3**	**-9.5**
Purchase of treasury shares	*20*	-109.3	-152.1
Dividends paid	*20*	-83.4	-87.8
Cash flow from financing activities		**-192.7**	**-239.9**
Effects of exchange rate changes on cash and cash equivalents		-1.4	0.8
Net increase/(decrease) in cash and cash equivalents		**88.6**	**-96.1**
Cash and cash equivalents at the beginning of the year		504.0	600.1
Cash and cash equivalents at the end of the year		**592.6**	**504.0**

[1] Comparative figures have been restated to reflect the adoption of new accounting policies. For further information see Notes 3.3 and 3.4.

[2] This line item includes the increase in liabilities held for sale (which form a disposal group together with the assets held for sale) of CHF 2.5 million (2012: CHF 5.9 million).

	2013 CHF M	2012 CHF M
Cash and cash equivalents at the beginning of the year	504.0	600.1
Cash flow from operating activities	301.0	152.5
Cash flow from investing activities	-18.3	-9.5
Cash flow from financing activities	-192.7	-239.9
Effects of exchange rate changes on cash and cash equivalents	-1.4	0.8
Cash and cash equivalents at the end of the year	**592.6**	**504.0**

Cash and cash equivalents are structured as follows:

	31.12.2013 CHF M	31.12.2012 CHF M
Cash at bank	484.2	422.2
Short-term deposits	108.4	81.8
Cash and cash equivalents	**592.6**	**504.0**

Additional information:

	2013 CHF M	2012 CHF M
Dividends received (including from investments in associates)	-	2.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

GAM Holding AG (the Company) is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The consolidated financial statements as at 31 December 2013 comprise those of GAM Holding AG and all its subsidiaries (together referred to as the 'Group') including structured entities under control and the Group's investments in associates.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets at fair value through profit or loss, derivative financial instruments and financial investments available-for-sale.

Except as otherwise indicated in these consolidated financial statements, all financial information is presented in millions of Swiss francs.

CHANGES IN PRESENTATION

Certain reclassifications have been made to the prior year's consolidated income statement to conform to the current year's presentation of net fee and commission income. These had no impact on net profit or total equity. For more information please refer to Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. USE OF ESTIMATES AND JUDGEMENTS IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates. Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are discussed in the corresponding notes:

- determining fair values of financial instruments (Notes 3.2.6, 3.3 'IFRS 13' and 12.5)
- determining whether the Group controls another entity (Notes 3.2.1, 3.3 'IFRS 10' and 13)
- accrual of performance fees (Notes 3.2.3 and 5)
- measurement and timing of provisions (Notes 3.2.10 and 19)
- measurement of defined benefit obligations (Notes 3.2.15, 3.3 'IAS 19' and 15)
- utilisation of tax losses and deferred tax assets (Notes 3.2.14 and 16.1)
- determining the fair value of share-based payments (Notes 3.2.16 and 23)
- measurement of the recoverable amount of goodwill and other intangible assets as well as investments in associates (Notes 3.2.1 and 14 as well as Notes 3.2.9 and 17)

3.2. ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which remained the same as in the previous year, except as outlined in Note 3.3.

3.2.1. SUBSIDIARIES AND ASSOCIATES

Subsidiaries are entities in which the Group exercises control and which are therefore fully consolidated. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date control ceases. The effects of all intercompany transactions and balances are eliminated on consolidation.

Associates are all entities over which the Group has directly or indirectly significant influence but no control. Generally, significant influence is assumed when the Group holds between 20% and 50% of the voting shares of an entity. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. Distributions received from the associate, such as dividends, reduce the carrying amount of the investment.

The financial statements of an associate used in the preparation of these consolidated financial statements are prepared as of the same reporting date using uniform accounting policies for like transactions and other events in similar circumstances.

After application of the equity method the requirements for impairment of financial assets (please refer to section 3.2.6 below) are applied to determine whether it is necessary to recognise any impairment loss with respect to the net investment in the associate.

3.2.2. FOREIGN CURRENCY TRANSLATION

The Group companies prepare their financial statements in the respective functional currency. Assets and liabilities of Group companies that are denominated in foreign currencies are translated into Swiss francs at the closing exchange rates on the balance sheet date. Average exchange rates for the reporting period are used for the income statement. Foreign currency differences arising from consolidation using closing and average exchange rates for the reporting period are recognised in other comprehensive income.

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Monetary assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on equity financial assets available-for-sale are a component of the change in their entire fair value and are recognised in other comprehensive income.

The following exchange rates were used for the major currencies:

	YEAR-END EXCHANGE RATES		AVERAGE EXCHANGE RATES FOR THE YEAR	
	31.12.2013	31.12.2012	**2013**	2012
USD/CHF	0.8894	0.9154	0.9241	0.9326
EUR/CHF	1.2255	1.2068	1.2287	1.2038
GBP/CHF	1.4730	1.4879	1.4464	1.4850

3.2.3. INCOME RECOGNITION

Income from investment management and other fund-related services is either recognised at the time the service is performed, ie upon execution of a transaction, or in the corresponding periods over the life of a contract if services are provided over a certain period of time.

Fee and commission income includes client management fees and fund management fees that are recognised in the period in which the services are rendered.

Client management fees are calculated as a percentage of the clients' assets under management. Fund management fees are paid based on contractual agreements and received by Group companies for providing various services to those funds.

Fees or components of fees that are based on performance are recognised once their value can be determined with a reasonable degree of accuracy and it is highly probable that they will be collected within a reasonable timeframe, ie they are recognised at the time when all performance criteria are fulfilled.

3.2.4. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of the Company by the weighted average number of shares outstanding (excluding treasury shares held) during the reporting period.

Diluted earnings per share is calculated using the same method as for basic earnings per share, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options, warrants, convertible debt securities or other contracts to issue shares were converted or exercised into shares.

3.2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, call deposits held with banks and short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2.6. FINANCIAL INSTRUMENTS

The Group classifies its financial assets in the following categories: financial assets available-for-sale, financial assets at fair value through profit or loss, and loans and receivables. Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss, and other financial liabilities. Management determines the classification of its financial instruments at initial recognition.

All regular way purchases and sales of financial assets are recognised and derecognised on the trade date – the date on which the Group commits to purchase or sell the asset.

All financial instruments are recognised initially at fair value plus, in the case of instruments not classified at fair value through profit or loss, directly attributable transaction costs.

FINANCIAL ASSETS AVAILABLE-FOR-SALE

Security positions that are not held for trading purposes and are not initially designated at fair value through profit or loss are reported as financial assets available-for-sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement.

Interest on debt securities is accrued using the effective interest method and, together with dividend income on equity securities, recognised in other operating income.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or a financial liability is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset or a financial liability is designated at fair value through profit or loss if one of the following conditions is met:

a) it is a hybrid instrument that consists of a host and an embedded derivative component;
b) it is part of a portfolio that is risk-managed on a fair value basis; or
c) the application of the fair value option significantly reduces or eliminates an accounting mismatch that would otherwise arise.

Derivatives are categorised as held for trading. They are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Realised gains and losses on derecognition and unrealised gains and losses from changes in the fair value are recognised in the income statement in other operating income.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement through the amortisation process and when loans and receivables are derecognised or impaired.

OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Other financial liabilities are financial liabilities not classified at fair value through profit or loss. After initial measurement, such financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement through the amortisation process and when other financial liabilities are derecognised.

IMPAIRMENT

At the end of each reporting period the Group assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event(s) impacted on the estimated future cash flows of the financial asset. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

When a decline in the fair value of a financial asset available-for-sale has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to the income statement.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The amount of the loss is recognised in the income statement.

HEDGE ACCOUNTING

The Group uses derivative financial instruments for hedging fair values (fair value hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. Changes in the fair value of the hedged item that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement. Fair value changes attributable to the hedged risk of a financial asset available-for-sale are recognised in the income statement (and not in other comprehensive income).

3.2.7. PROPERTY AND EQUIPMENT

Property and equipment includes IT hardware, communication systems, leasehold improvements as well as furniture and other office equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

IT hardware and communication systems are depreciated over a period not exceeding five years, furniture and other office equipment over a period not exceeding eight years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life up to a maximum period of 10 years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a provision for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that additional future economic benefits associated with the item will flow to the Group. Current maintenance and servicing costs are expensed through the income statement.

At each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

3.2.8. LEASING

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership; otherwise it is classified as an operating lease.

Under an operating lease, the leased assets are not recognised on the balance sheet, as the risks and rewards of ownership remain with the lessor. Lease payments for operating leases are recognised in general expenses in the income statement over the lease term on a straight-line basis.

Under finance leasing, a leased asset and a corresponding lease liability are initially recognised on the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the term of the lease.

3.2.9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are classified into the following categories:

Goodwill: In a business combination, the acquiree's identifiable assets and liabilities are recognised at their respective fair value at the acquisition date. Goodwill is measured as the difference between the sum of the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree, and the recognised amount of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised; it is tested for impairment annually at the cash-generating-unit level and an impairment loss is recognised if the recoverable amount is less than its carrying amount.

Customer relationships: This comprises long-term intangible customer relationships from recent business combinations. Customer relationships are amortised over their estimated useful life up to a maximum period of 10 years using the straight-line method.

Brand: The Group considers the capitalised brand to have an indefinite useful life. It is therefore not amortised, but tested for impairment and confirmation of its indefinite status on an annual basis.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised over its estimated useful life up to a maximum period of five years using the straight-line method.

On each balance sheet date, the intangible assets are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable and an impairment loss is recognised if the carrying amount exceeds the recoverable amount.

3.2.10. PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a legal or constructive present obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties related to the obligation.

3.2.11. SHARE CAPITAL

Ordinary shares are classified as equity since the shares are non-redeemable. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

3.2.12. TREASURY SHARES AND DERIVATIVES ON OWN SHARES

Shares of the Company held by the Group are classified in equity as treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of income taxes, if any) is recognised in retained earnings.

Contracts over shares of the Company that require settlement in a fixed number of shares for a fixed amount are recognised in retained earnings. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also recognised in retained earnings.

Contracts over shares of the Company that must be net settled in cash or net settled in shares of the Company or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in other operating income.

3.2.13. NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

3.2.14. INCOME TAXES

Income tax expense comprises current and deferred taxes. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the balance sheet liability method for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from tax loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or tax loss carry-forwards can be offset.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realised, or the tax liabilities settled.

Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, an enforceable right to offset exists and they are intended to be settled net or realised simultaneously. The same rule applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to equity. Current and deferred taxes are credited or charged to other comprehensive income if the taxes refer to items that are credited or charged to other comprehensive income.

3.2.15. POST-EMPLOYMENT BENEFITS

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad.

The pension plan obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group.

DEFINED BENEFIT PENSION PLANS

In the case of defined benefit pension plans, the pension plan obligations are measured according to the projected unit credit method. The corresponding calculations are carried out by independent qualified actuaries.

The pension plan expenses for the defined benefit pension plans (which comprise service cost and net interest on the net defined benefit liability/(asset)) correspond to the actuarially determined expenses minus the employee contributions and are recognised in the income statement in personnel expenses.

Remeasurements of the net defined benefit liability/(asset) (which include actuarial gains and losses) are recognised in other comprehensive income.

Net defined benefit assets are only recognised in the balance sheet to the extent that the present value of any economic benefits is available to the Group in form of cash refunds from the plan or reductions in future contributions to the plan.

DEFINED CONTRIBUTION PENSION PLANS

In the case of defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Group.

3.2.16. SHARE-BASED PAYMENTS

The Group maintains a number of share-based payment plans in the form of share option plans or share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period.

Share-based payment plans that are settled in own equity instruments (shares or options) result in a corresponding increase in equity and are not remeasured for subsequent changes in the fair value of the underlying equity instruments. Share-based payment plans that are settled by the payment of cash are recognised as a liability and are adjusted through the income statement for changes in fair value of the underlying equity instruments until final settlement.

3.2.17. SEGMENT REPORTING

IFRS 8 *Operating Segments* requires disclosures to reflect the information that the Group Management Board, being the body that is the Group’s chief operating decision maker, uses to assess performance and to allocate resources. The Group is managed as a single business segment for reporting and control purposes, offering different investment management solutions and products across multiple asset classes and strategies that are managed across a range of products, distribution channels and geographic regions.

Discrete financial information is prepared to allow for an analysis at different levels, however, the Group Management Board reviews and uses for its decisions the aggregated financial information at Group level only.

3.3. CHANGES IN ACCOUNTING POLICIES

The Group applied the following new and revised accounting standards for the first time in 2013:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 and IFRS 7)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 19 – Employee Benefits
- IFRS 10 and 12 as well as IAS 27 and 28 – consolidation standards
- IFRS 13 – Fair Value Measurement

The most significant changes and their impact on the Consolidated Financial Statements of GAM Holding AG are described below:

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (AMENDMENTS TO IAS 32 AND IFRS 7)

The amendments to IAS 32 clarify the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or are subject to master netting arrangements or similar agreements.

The amendments to IFRS 7 are applicable for annual periods beginning on or after 1 January 2013 and the amendments to IAS 32 will be applicable for annual periods beginning on or after 1 January 2014. The amendments to IAS 32 have been early adopted.

The adoption of these standards did not have any impact.

RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS (AMENDMENTS TO IAS 36)

The Group has early adopted the amendments to IAS 36. These amendments require expanded disclosures of recoverable amounts when they are based on fair value less costs of disposals and an impairment is recognised. The adoption of these amendments did not have any impact on the consolidated financial statements of the Group.

IAS 1 — PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to IAS 1 retain the ‘one or two statement’ approach at the option of the entity and only revise the way other comprehensive income is presented, by requiring separate subtotals for those elements that may be ‘recycled’ (eg gains or losses on financial assets available-for-sale, cash-flow hedging, foreign currency translation), and those elements that will not (see consolidated statement of comprehensive income).

IAS 19 — EMPLOYEE BENEFITS

THESE AMENDMENTS INTRODUCE THE FOLLOWING KEY CHANGES:

The ‘corridor mechanism’ used for accounting of pension obligations to defer actuarial gains and losses has been removed, ie there will no longer be unrecognised actuarial gains and losses that arise in respect of a company’s plan assets or when the company changes its estimate of a defined benefit obligation. These movements in pension assets and liabilities are recognised immediately through other comprehensive income, resulting in future volatility of equity. Therefore, the pension assets and liabilities presented in the balance sheet are now equal to the surplus or deficit of the defined benefit pension plans.

The expected return on the plan assets has been replaced by a ‘net interest’ calculation, equalling the discount rate of the defined benefit obligation, with a direct impact on expenses and profit or loss. Service cost (including past service cost) and net interest are recognised in profit or loss, whereas remeasurements of the net defined benefit liability are recognised in other comprehensive income within equity.

IMPACT OF THE ADOPTION OF IAS 19 REVISED:

Given the unrecognised actuarial losses and unrecognised past service cost as at 31 December 2012, the removal of the 'corridor mechanism' led to a reduction of current pension assets and an increase in current pension liabilities with a corresponding reduction in equity, as unrecognised actuarial gains and losses are recognised in other comprehensive income under the revised standard. Based on the actuarial valuations, the overall impact of the first-time application of the amendment led to a reduction in equity of CHF 63.4 million before taxes as at 31 December 2012. Considering the positive impact on deferred taxes of CHF 12.9 million, a net reduction in equity of CHF 50.5 million resulted (CHF 41.3 million as at 1 January 2012).

The replacement of the expected return on plan assets by a net interest expense on the net defined benefit obligation and no further required amortisation of actuarial losses represent the main impact on profit or loss. The application of the amended IAS 19 resulted in an additional expense of CHF 0.7 million in personnel expenses for the financial year 2012. After taxes, the impact on net profit amounts to a decrease of CHF 0.4 million. In addition, the amendment introduces new presentation and disclosure requirements in the annual report.

IFRS 10 AND 12 AS WELL AS IAS 27 AND 28 — CONSOLIDATION STANDARDS

THESE AMENDMENTS INTRODUCE THE FOLLOWING KEY CHANGES:

IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entitie*s. The most significant changes under IFRS 10 are:

- Introduction of a single control model to assess whether to consolidate an investee.
- Substantive potential voting rights held by the investor and other parties taken into account when assessing control.
- Explicitly included are 'de facto control' in a new control model as well as an 'agent versus principal concept'.

The standard has to be applied retrospectively and comparative amounts have been restated.

IFRS 12 *Disclosure of Interests in Other Entities* – which accompanies IFRS 10 and IAS 28 – is a new comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities (off-balance-sheet vehicles). The objective of IFRS 12 is to require disclosure that helps users of financial statements to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

Expanded and new disclosures are required under the new IFRS.

IMPACT OF THE ADOPTION OF IFRS 10 AND 12:

From time to time, the Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size. Such investments had previously been presented in the balance sheet line item 'financial investments'.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates such investments. In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for these investments as at 31 December 2012. As a consequence, the Group has changed its control conclusion in respect of certain investments and consolidates these where the Group is deemed to have control under the new control model.

Disposal groups in respect of those financial investments under control, which are available for immediate sale and for which management expects to complete the sale within one year, are presented in the balance sheet line items ‘assets held for sale’ and ‘liabilities held for sale’ in accordance with IFRS 5 *Non-current Assets Held for Sale*.

The adoption of these accounting pronouncements led to a restatement of certain prior-year figures:

- Financial investments under control of CHF 68.2 million as at 31 December 2012 were reclassified from the line item ‘financial investments’ to the line item ‘assets held for sale’ in the balance sheet. In addition, the total balance sheet sum as at 31 December 2012 increased by CHF 5.9 million due to the gross presentation of these now consolidated financial investments as disposal groups in the line items ‘assets held for sale’ and ‘liabilities held for sale’.
- In 2012, some of the financial investments under control were accounted for as financial investments available-for-sale with fair value changes recognised in other comprehensive income until sold or impaired. As the underlying investments, which are now consolidated, are accounted for as ‘financial assets at fair value through profit or loss’, unrealised gains of CHF 0.8 million previously recognised in other comprehensive income were restated and reclassified to the income statement, thereby increasing net profit for the financial period 2012, and other comprehensive income was reduced by the same amount. As a result, there was no impact on total equity as at 31 December 2012.
- There was no impact as at 1 January 2012 as control of the financial investments concerned was obtained after 1 January 2012.

IFRS 13 — FAIR VALUE MEASUREMENT

This amendment aligns the fair value definitions contained within various standards in order to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements. The most significant changes under IFRS 13 are:

- The definition of fair value (eg exit price, price is not adjusted for transaction costs).
- The provision of a clear framework for measuring fair value.
- More detailed disclosures about fair value measurements and for ‘level 3’ financial instruments, providing a measurement uncertainty analysis disclosure about fair value measurements categorised within level 3 of the fair value hierarchy. That disclosure would require an entity to take into account the correlation between unobservable inputs when performing the measurement uncertainty analysis, if such correlation is relevant in the analysis.

The standard has to be applied prospectively and comparative amounts are not required to be restated.

There is no impact from adoption of this standard apart from additional disclosures.

3.4. RESTATEMENT DUE TO CHANGES IN ACCOUNTING POLICIES

The adoption of the new accounting policies led to a restatement of certain prior-year figures:

Impact on the balance sheet and retained earnings

	01.01.2012 PUBLISHED CHF M	RESTATEMENT IAS 19 REVISED CHF M	RESTATEMENT IFRS 10 CHF M	**01.01.2012 RESTATED CHF M**
Pension assets	5.6	-5.6	-	**-**
Deferred tax assets	9.1	10.2	-	**19.3**
Pension liabilities	8.6	47.1	-	**55.7**
Deferred tax liabilities	1.3	-1.2	-	**0.1**
Retained earnings	452.6	-41.3	-	**411.3**

	31.12.2012 PUBLISHED CHF M	RESTATEMENT IAS 19 REVISED CHF M	RESTATEMENT IFRS 10 CHF M	**31.12.2012 RESTATED CHF M**
Pension assets	6.5	-6.5	-	**-**
Deferred tax assets	12.1	11.6	-	**23.7**
Pension liabilities	14.0	56.9	-	**70.9**
Deferred tax liabilities	1.3	-1.3	-	**-**
Financial investments	150.8	-	-68.2	**82.6**
Assets held for sale	27.6	-	74.1	**101.7**
Liabilities held for sale	-	-	5.9	**5.9**
Retained earnings	529.8	-49.9	0.8	**480.7**
Other components of equity	-81.8	-0.6	-0.8	**-83.2**

Impact on the income statement and other comprehensive income

	2012 PUBLISHED CHF M	RESTATEMENT IAS 19 REVISED CHF M	RESTATEMENT IFRS 10 CHF M	**2012 RESTATED CHF M**
Other operating income	15.2	-	0.8	**16.0**
Personnel expenses	292.3	0.7	-	**293.0**
Income taxes	31.7	-0.3	-	**31.4**
Net profit	88.0	-0.4	0.8	**88.4**
Remeasurements of defined benefit pension plans, net of taxes	-	-8.2	-	**-8.2**
Net gains/(losses) on financial assets available-for-sale	8.9	-	-0.8	**8.1**
Translation differences	2.8	-0.6	-	**2.2**
Other comprehensive income, net of taxes	14.8	-8.8	-0.8	**5.2**
Total comprehensive income	102.8	-9.2	-	**93.6**

3.5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial periods. The Group chooses not to adopt these in advance. These changes are not expected to have any significant impact on the Group's consolidated financial statements, except for the IFRS 9 standard.

IFRS 9 — FINANCIAL INSTRUMENTS

The new standard, which is the first part of the replacement of IAS 39, includes the following changes to the current accounting for financial instruments:

All recognised financial assets are measured at either amortised cost or fair value.

Only a debt instrument that (a) is held within a business model whose objective is to collect the contractual cash flows and (b) has contractual cash flows that are solely payments of principal and interest may be measured at amortised cost. If a debt instrument measured at amortised cost is derecognised prior to maturity, the gain or loss has to be presented separately in the income statement, with an analysis of that gain or loss and the reasons for the sale. In addition, a fair value option is available.

Otherwise, debt instruments are measured at fair value with gains and losses recognised in profit or loss.

Equity instruments are to be measured at fair value, with the recognition of gains and losses in the income statement, with the exception of equity instruments designated as at fair value through other comprehensive income. Only if an equity instrument is not held for trading an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income (equity), without any subsequent reclassification to the income statement (ie the current requirement to perform an assessment of impairment and to reclassify cumulative gains and losses on disposal no longer applies).

For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognised directly in other comprehensive income, unless it creates or increases an accounting mismatch. The amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished. The at-cost-exemption in IAS 39 for derivative liabilities to be settled by delivery of unquoted equity instruments is eliminated.

The IASB decided to defer the previous mandatory effective date of IFRS 9 (1 January 2015) and that the mandatory effective date should be left open pending the finalisation of the impairment and classification and measurement requirements. However, early application is still permitted. The Group is currently in the process of evaluating the potential effect on the Group's consolidated financial statements of the newly published IFRS 9.

4. COMMENT ON RISK AND CAPITAL MANAGEMENT

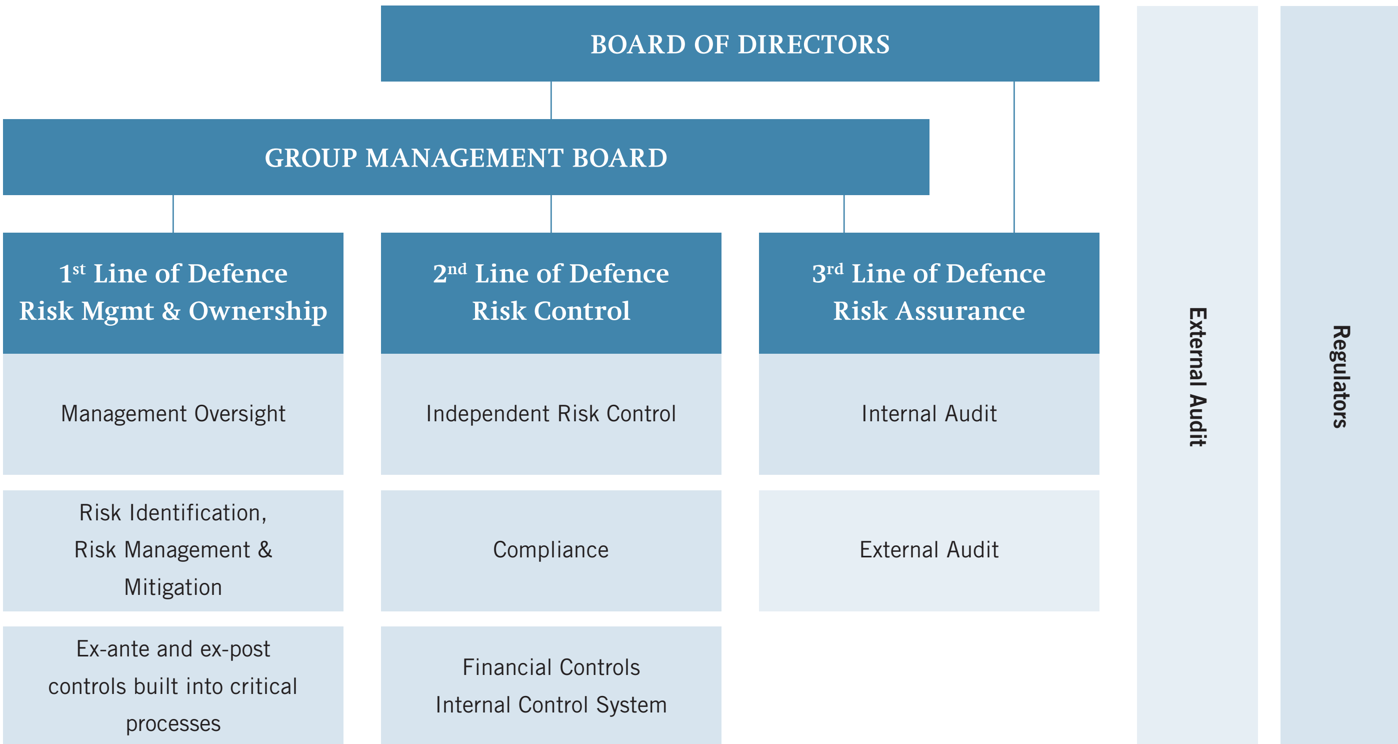
Effective risk and capital management is fundamental to all stakeholders of the Group, including shareholders, clients and employees, and is of interest to the wider financial services sector. Regulators continually assess our capital positions as well as our approach to risk and expect us to adhere not only to the minimum regulatory requirements but equally to best industry practice. The Group regards the effective management of its risk and capital as being central to the successful achievement of its business objectives. It therefore has in place frameworks that are designed to embed the management of risk and capital at different levels within the organisation.

4.1. RISK MANAGEMENT FRAMEWORK AND PROCESS

The Group's approach to risk management and control is a structured process that identifies, measures, reports, mitigates and controls risk. It is designed to identify potential changes in the risk profile of the business and is built on the three lines of defence model, supported by formal governance processes, individual responsibility and senior management oversight.

Risk management is not the responsibility of one single individual or department, but is the duty of all employees within the Group. It forms an integral part of good management practice and normal business processes. Line management forms our first line of defence in risk management; the various risk control and compliance oversight functions established by management are the second line and independent assurance as provided by our internal and external auditors represents our third line of defence.

THE THREE LINES OF DEFENCE MODEL



The Group's risk management framework defines the Group's fundamental approach to risk and guides the management and control of all types of risks at different levels within the organisation. It also serves to ensure that the Group's aggregate risk exposure is commensurate with its risk capacity and risk appetite as determined by the Board of Directors, taking into consideration the Group's earnings capacity and capital position.

The Group Management Board is responsible for implementing the overall risk strategy and the risk management framework as determined by the Board of Directors, for managing the risks of the Company and for monitoring the risk exposure, risk reports and risk management processes of the operating entities. The designated individual in charge of Risk Control at the Company is the Group Chief Financial Officer.

The Group Management Board is guided in its overall risk control and monitoring activity by the Group Chief Financial Officer, who in his capacity as responsible of risk control, oversees the Risk Control functions throughout the Group and is responsible for ensuring and independently and continuously assessing and reporting the risks of the Company. Day-to-day independent and objective assessment and monitoring of risk in each Group entity is also provided by other control functions including dedicated Risk Control units, Finance and Legal and Compliance, whose activities are coordinated and overseen by the Group Chief Financial Officer and the Group General Counsel respectively.

The Group has instituted a crisis management committee, which includes the most senior managers within the Group, and can be invoked at short notice. The committee is empowered and designed to facilitate a swift, coordinated and well-informed response to potentially extraordinary events.

The Group's risk landscape is dynamic and continually evolves as the Group's business mix and the market environment change. The identification of existing and potentially newly emerging risks is a continuous task, involving all management levels within the Group and control functions, as well as the Group Management Board and the Board of Directors.

Annually, we define a risk landscape resulting from the analysis and assessment of the potential impact that internal and external events might have on the Group and that might give rise to direct or indirect losses. This analysis starts with the identification of the significant inherent risks and is followed by the assessment of the effectiveness of our existing controls and/or other mitigating measures that could be taken, and ultimately results in an assessment of the remaining residual risks. The resulting annual risk landscape reports are discussed and approved by the Group Management Board and the Board of Directors, and are used for strategic planning purposes and for our risk-based internal audit planning.

4.2. RISK TYPES

Risk is defined as any potential event that may have an adverse effect on the Group's ability to achieve its operational objectives or execute its strategies successfully, consequently preventing value creation or eroding existing value. In common with many businesses, the Group is exposed to a range of risks across many of its activities, including:

- Strategic and business risk
- Operational risk
- Reputational risk
- Financial risk

4.2.1. STRATEGIC AND BUSINESS RISK

Strategic and business risks represent those events that could lead to an erosion in our market position, compromise the future profitability of the Group, or impair the sustainability of our franchise. Strategic and business risks arise when our revenues fall and any reduction in costs is insufficient to offset the decline in revenues. These risks can be driven by many events, both industry-wide or specific to our Group, which could adversely affect investment performance, have an adverse effect on our net new money flows, assets under management, related fee income and capital basis. Strategic and business risks can also arise if events such as regulatory changes result in an increase in costs, or if the competitive dynamics lead to an erosion in profit margins or if the effective corporate tax rate increases.

The key strategic and business risks for the Group include:

DECLINE IN SECURITIES MARKETS
A decline in securities markets would lead to a fall in the value of our assets under management and result in a reduction in the level of the Group's fee revenues that are based on the value of those assets under management. We regularly model various market scenarios and assess the effects on our profitability.

CHANGE IN INVESTOR APPETITE
Extreme events in financial markets can cause gradual or rapid shifts in asset allocations and a change in investor appetite for our products and services. Reduced investor demand for our products and services could lead to lower sales and higher redemptions from our fund products. In response, we have a targeted set of products that offer investors a range of risks and returns depending on their risk appetite. Furthermore, our client services departments ensure that there is active and timely communication with investors to provide them with the appropriate information to make informed investment decisions.

LOSS OF INVESTMENT PROFESSIONALS
The departure of professionals, in particular of investment professionals, could result in a loss of knowledge or expertise and, among other things, lead to a fall in assets under management and therefore a fall in our revenues and profitability. We manage this risk by providing our investment professionals with a platform and an environment within which they can prosper and succeed. Furthermore, our incentive packages are designed to be competitive and to recognise and reward good performance and risk management. Our scale and product diversification also serve as a risk mitigant in relation to the potential loss of investment professionals.

POOR INVESTMENT PERFORMANCE
Poor investment performance within our product offerings could lead to a decline in their value and result in lower assets under management and lower management fee revenues, as well as reduced or no performance fee revenues. Underperformance of fund products in a particular style compared with other investment products could also lead to increased redemptions and lower future sales, thereby reducing assets under management as well as management and performance fee revenues. We operate a robust investment process, have sophisticated risk management processes and systems, provide regular oversight of the performance of our investment professionals and take active steps to address underperformance when it occurs.

PRODUCT PROFITABILITY
We operate in a competitive environment and therefore are subject to market dynamics that could lead to a reduction in historical product profit margins. Our business model, however, gives us flexibility to mitigate the effects of this risk. Our focus is on delivering investment outperformance so our products enjoy continued demand from clients and investors. Providing quality client services – for example, transparent and comprehensive reporting – adds value for investors in our products. We constantly look to develop new investment opportunities and to develop new products so that we can ensure the breadth of our product range is differentiated and attractive to potential clients and investors.

CLIENT AND INVESTOR CONCENTRATION
We distribute our products to a broad range of institutional investors, wholesale intermediaries and private clients across multiple geographic regions. We mitigate client and investor concentration risk through the continued growth and diversification of our distribution network, and through having a breadth of products targeted to different segments of the market.

FOREIGN EXCHANGE RISK

The Group reports its results in Swiss francs. It is exposed to foreign exchange risk, as a large proportion of its revenue and expenses relate to currencies other than its Swiss franc reporting currency. Fluctuations in exchange rates against the Swiss franc will impact the results of the Group. We may engage in foreign exchange hedging transactions in an effort to mitigate the negative impact of exchange rate movements on our results. See also the currency risk description included in section 4.2.4. below.

SOUNDNESS OF FINANCIAL INSTITUTIONS

The financial crisis has highlighted the interconnection of the global markets and demonstrated how the deteriorating financial condition of one institution may materially and adversely impact the performance of other institutions. The Group, and the fund products and client accounts that we manage, routinely execute transactions with counterparties in the financial industry. We actively seek to mitigate the resulting credit exposures through the use collateral and by applying other exposure mitigation techniques and we continuously monitor the credit quality of counterparties. We and the fund products and client accounts that we manage, however, are not immune to credit, operational or other risks in the event of any default by a counterparty, or in the event of other unrelated systemic failures in the markets.

USE OF JULIUS BAER BRAND

Based on an arm's-length agreement with Julius Baer entered into in 2009, we have been granted an exclusive, worldwide licence to use the Julius Baer name to brand certain funds operated by Swiss & Global Asset Management in exchange for an ongoing revenue-based licence fee. Whilst this licence is perpetual in nature, Julius Baer can request us to re-brand the relevant funds and discontinue the use of the Julius Baer brand over a one-year transitional period, which would simultaneously bring to an end our obligation to pay the brand licence fee to Julius Baer. Should we decide at that time that it is not in our interests to implement the fund re-branding exercise, Julius Baer's sole remedy is the right to purchase the Swiss & Global Asset Management business based upon a pre-agreed valuation mechanic that is intended to value the business at no less than its then current market value. Between October 2013 and October 2014 this valuation mechanic employs a pre-agreed fixed multiple and as from October 2014 it will be based on a multiple derived from a pre-agreed peer group. Separately, we continuously maintain the right to terminate the brand licence with 12 months' notice to Julius Baer over which time all named Julius Baer funds would need to be re-branded and after which the licence fee payments would terminate. There is a risk that asset levels may be adversely impacted as a result of any discontinued use of the Julius Baer brand.

LEGAL AND REGULATORY CHANGE

Legal and regulatory change may affect the investment management sector either directly or indirectly. The environment in which we operate is highly regulated and subject to frequent changes as witnessed over the last few years, and such a trend is likely to continue. We constantly monitor our products and sales practices to ensure that they are compliant with existing and emerging regulations. Changes in, and judicial interpretation of, applicable laws affecting such areas of our business can, however, result in previously unanticipated costs or expenses. Legal and regulatory considerations impact all areas of our business, from our corporate governance, to the structuring and distribution of our products and to the way we undertake business in many jurisdictions. We have in place a strong legal and regulatory framework to address these requirements, built into our entities and underpinned by our Legal and Compliance function, which comprises individuals with experience across the entire range of legal and regulatory topics that affect our businesses.

FISCAL CHANGES

Fiscal changes could either increase our long-term effective corporate tax rate or adversely affect our investment funds compared with other forms of investment products. We monitor relevant fiscal developments and, in particular, regularly review our transfer pricing policies and procedures in order to comply with applicable local tax and transfer pricing regulations.

CHANGES IN ACCOUNTING RULES

During the past few years we have experienced a heavy agenda of changes in internationally accepted accounting rules. These changes can affect the way we present our economic results in our income statements and equally how we recognise assets and liabilities in our balance sheets (see Notes 3.3 to 3.5). For instance, last year's introduction of IAS 19 (employee benefits) for the accounting of pension plans not only had a one-time impact on our book equity but will likely result in ongoing credits and/or debits to our book equity as a consequence of changes in the market value of the pension plan assets or actuarial valuations of our pension plan obligations.

4.2.2. OPERATIONAL RISK

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes or procedures, people and systems or from external events; it also includes legal, regulatory, compliance and tax risk resulting from failure to comply with relevant laws and regulations as well as contractual obligations. Examples of operational risks in the Group's business activities could, for example, include mis-selling of products or errors in fund prospectuses, failures of due diligence or breach of investment guidelines, failures by third-party providers of critical services, technology failures, infrastructure breakdowns, fund valuation and pricing errors or fraud and financial crime.

Asset managers have to address conflicts between themselves and their customers, and between the interests of their different customers. The Group has procedures and controls in place that are reasonably designed to appropriately address conflicts of interest.

The contracts under which we manage clients' assets contain diverse investment guidelines and other contractual requirements that we are obliged to comply with in providing our asset management services. We have systems and processes in place that shall ensure compliance with these investment guidelines. In order to meet increasing demands we are continuously improving the resilience of our ex ante and ex post controls by enhancing our systems and processes.

The Group, to varying degrees depends on services provided to us or our funds by external service providers (including fund accounting, transfer agency, portfolio management and/or other services). In such instances, we impose high-quality requirements in the selection of such external service providers, we ensure that the service level is sufficiently documented in appropriate delegation agreements and we equally ensure that the service providers and the quality of their services are subject to ongoing monitoring.

The Group continually develops and enhances its internal operational processes and procedures to support the development of the business and the wider environment in which it operates. These enhancements are developed in conjunction with a dynamic risk control framework that aims to mitigate and enable early identification of potential operational risks to support a proactive approach to the management of those risks.

Significant resources are devoted to protecting the resilience of the Group's IT systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for its key locations. Business continuity for its core activities is regularly tested to maintain its effectiveness.

The system of internal control is subject to regular review by the Group's Internal Audit function, based on an audit plan approved annually by the Audit Committee of the Board of Directors. The plan covers the business areas and processes that management believes are the most significant in terms of the Group's risk profile and where there are key controls on which the Group relies. An insurance programme provided by a syndicate of third-party insurers is tailored to the Group's risk profile and designed to increase the breadth of cover and certainty of response in respect of certain potential material liabilities arising.

4.2.3. REPUTATIONAL RISK

The Group's ability to conduct its business is critically dependent on the reputation it has earned. Maintaining its good reputation is therefore vitally important for the Group and requires that every employee, but in particular those involved in risk decisions, makes the Group's reputation an overriding concern. Responsibility for the risk of damage to the Group's reputation cannot be delegated or syndicated. The Group regards the risk of damage to its reputation, however, as more likely to result from one of the risks described in this section 4.2. materialising rather than as a standalone risk. The Group believes that avoidance of reputational risk is achieved through ensuring that the mitigation of these other risks is effective. In addition, it maintains an effective means of communication with shareholders and analysts to address rumours and misrepresentations of its position to further mitigate the risk of damage to its reputation.

4.2.4. FINANCIAL RISK

For the purpose of this section, we are guided by IFRS 7 and accordingly report our exposure to credit, market, liquidity and financing risks from our use of financial instruments.

As asset managers, the operating businesses act in an agency capacity, investing assets entrusted to them by their clients. These investments carry with them associated market, credit and liquidity risks that are borne by our clients and not by the operating entities and therefore do not form part of this financial risk section. They will nevertheless affect the growth of our assets under management.

CREDIT RISK

Credit risk is the risk that the Group's counterparties will not be able or willing to pay interest, re-pay principal, or otherwise fulfil their contractual obligations when they fall due. The Group is exposed to credit risk arising from (i) placing its cash and cash equivalents in the form of bank deposits, (ii) its receivables and accrued income, (iii) engaging in OTC transactions to hedge foreign exchange or equity price risks, and (iv) other financial assets.

The Group is not engaged in off-balance sheet transactions for its own account. The maximum amount of its credit risk exposure therefore is limited to the carrying amount of the relevant financial assets as indicated in the balance sheet.

The Group's credit risk exposure arising from derivative financial instruments is included in the balance sheet position financial investments (see Note 12.1 and 12.3) and represents the positive replacement value of the underlying contracts.

The Group manages and controls its credit risk by entering into relationships with a range of creditworthy counterparties to limit any significant concentrations, and also by monitoring exposures in relation to their ageing. The Group's bank counterparty policy establishes high internal credit and rating standards for acceptable bank counterparties as well as hard exposure limits per counterparty. Our receivables and accrued income exposures, by the very nature of our business, exhibit a very high credit quality and they are well-diversified. As a result of the high quality of our counterparties and by avoiding undue concentrations, the Group does not expect to incur any material credit losses on its financial assets.

The following table shows the Group's maximum exposure to credit risk as at the balance sheet date, which represents the exposure in the event of other parties failing to meet their obligations. For financial assets, these exposures are typically the gross carrying amount, net of any amounts offset on the balance sheet or any impairment losses recognised.

MAXIMUM EXPOSURE TO CREDIT RISK

	31.12.2013 MAXIMUM EXPOSURE CHF M	31.12.2012 MAXIMUM EXPOSURE CHF M
Cash and cash equivalents	592.6	504.0
Trade and other receivables	64.6	53.2
Accrued income	114.7	128.9
Financial investments and other financial assets	11.0	1.0
Total	**782.9**	**687.1**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2012: none) and there is no indication of any material negative impact on the credit quality of any financial asset. No significant impairments were recorded on financial assets exposed to credit risk in the financial year 2013.

The following table provides an analysis of the ageing of financial assets with credit risk exposure.

AGEING OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

	31.12.2013		31.12.2012	
	GROSS AMOUNT CHF M	IMPAIRMENT CHF M	GROSS AMOUNT CHF M	IMPAIRMENT CHF M
Not past due	782.3	-	685.3	-
Past due less than 3 months	0.2	-	1.1	-
Past due 3–12 months	0.1	-	0.5	-
Past due more than 12 months	0.3	-	0.2	-
Total	**782.9**	**-**	**687.1**	**-**

MARKET RISK

Market risk is the risk of loss due to fluctuations in market variables such as foreign exchange rates, equity prices and interest rates. The Group classifies exposures to market risk into currency risk, equity price risk and interest rate risk. The Group has no significant concentration of market risk, beyond that relating to its financial investments, which predominantly relate to investments in mutual funds and also comprises non-controlling investment in associates.

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As a result of its worldwide operations, the Group is exposed to movements in foreign exchange rates in relation to its operating results as well as to assets and liabilities contained within each entity's balance sheet, which can lead to foreign currency gains or losses. The Group's revenues are predominantly generated in US dollars and euros, whereas its expenses are incurred mainly in the British pound and Swiss franc. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and actively seeks to minimise its net exposure on foreign currency positions in relation to its functional currency. Net exposures result from net positions of assets and liabilities or revenues and expenses in the same foreign currency. In the case of such net exposure on foreign currency positions, hedging strategies may be used to ensure that there is no material adverse effect on the cash flow generated by future transactions and, as a consequence, on future profits resulting from future movements in currency rates.

Equity price risk is the risk that the fair value of an equity investment will fluctuate as a result of changes in equity prices, whether caused by factors specific to an individual investment, its issuer or other factors affecting instruments traded in the market. The Group is exposed to equity price risk resulting from investments held by the Group and classified as (i) equity financial assets available-for-sale, and (ii) financial assets designated at fair value through profit or loss. The Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size. In addition, the Group may hold – from time to time – a limited amount of product management investments in fund products to facilitate investor redemptions and switches. All seed capital and product management investments require the joint approval of the Group Chief Executive Officer and the Group Chief Financial Officer and they are periodically reviewed by the Group Management Board and the Audit Committee of the Board of Directors in order to ensure that their individual and aggregated size and risk profile are within the exposure limits as defined by the Group's risk policy.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's income and operating cash flows are substantially independent of changes in interest rates, which is why the related Group risk exposure is minimal.

The following table shows the interest-bearing financial instruments by their interest rate profile.

INTEREST RATE PROFILE

	31.12.2013 CHF M	31.12.2012 CHF M
Variable rate instruments		
Financial assets	592.6	504.0
Financial liabilities	-	-
Net amount	**592.6**	**504.0**
Fixed rate instruments		
Financial assets	10.6	5.0
Financial liabilities	-	-
Net amount	**10.6**	**5.0**

The interest-bearing financial assets include mainly cash and cash equivalents on which no significant exposure to interest rate risk is expected. Furthermore, the Group has no exposure to interest rate risk on financial liabilities.

LIQUIDITY AND FINANCING RISK

Liquidity risk is the risk of the Group being unable to meet its payment obligations when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the Group's reputation. The total amount of available liquidity is continuously monitored and periodically reported to the Group Management Board and the Audit Committee of the Board of Directors.

The following table shows an analysis of the Group's financial assets and liabilities by remaining contractual maturities as at the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual future undiscounted interest payments related to these financial assets and liabilities.

REMAINING CONTRACTUAL MATURITIES OF FINANCIAL ASSETS

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Cash and cash equivalents	484.2	108.4	-	-	-	**592.6**
Trade and other receivables	0.6	56.6	7.4	-	-	**64.6**
Accrued income	-	112.5	2.2	-	-	**114.7**
Financial investments	-	8.6	-	-	0.2	**8.8**
Other financial assets	-	-	-	1.1	0.4	**1.5**
Non-derivative financial assets at 31 December 2013	**484.8**	**286.1**	**9.6**	**1.1**	**0.6**	**782.2**
Derivatives – inflows	-	99.2	11.2	-	-	**110.4**
Derivatives – outflows	-	-98.6	-11.1	-	-	**-109.7**
Derivative financial assets at 31 December 2013	**-**	**0.6**	**0.1**	**-**	**-**	**0.7**
Cash and cash equivalents	422.2	81.8	-	-	-	**504.0**
Trade and other receivables	1.8	44.4	7.0	-	-	**53.2**
Accrued income	-	126.7	2.2	-	-	**128.9**
Financial investments	-	-	-	-	0.2	**0.2**
Other financial assets	-	-	-	0.6	0.1	**0.7**
Non-derivative financial assets at 31 December 2012	**424.0**	**252.9**	**9.2**	**0.6**	**0.3**	**687.0**
Derivatives – inflows	-	9.3	47.6	-	-	**56.9**
Derivatives – outflows	-	-9.2	-47.6	-	-	**-56.8**
Derivative financial assets at 31 December 2012	**-**	**0.1**	**-**	**-**	**-**	**0.1**

REMAINING CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Trade and other payables	0.1	18.0	1.0	-	-	**19.1**
Accrued expenses	-	241.1	10.5	-	-	**251.6**
Other and non-current financial liabilities	-	-	-	25.9	2.6	**28.5**
Non-derivative financial liabilities at 31 December 2013	**0.1**	**259.1**	**11.5**	**25.9**	**2.6**	**299.2**
Derivatives – inflows	-	-30.2	-	-	-	**-30.2**
Derivatives – outflows	-	30.6	-	-	-	**30.6**
Derivative financial liabilities at 31 December 2013	**-**	**0.4**	**-**	**-**	**-**	**0.4**
Trade and other payables	-	12.3	4.8	-	-	**17.1**
Accrued expenses	-	231.6	5.6	-	-	**237.2**
Other and non-current financial liabilities	-	-	-	14.6	7.7	**22.3**
Non-derivative financial liabilities at 31 December 2012	**-**	**243.9**	**10.4**	**14.6**	**7.7**	**276.6**
Derivatives – inflows	-	-32.6	-95.0	-	-	**-127.6**
Derivatives – outflows	-	33.2	95.5	-	-	**128.7**
Derivative financial liabilities at 31 December 2012	**-**	**0.6**	**0.5**	**-**	**-**	**1.1**

NET REMAINING CONTRACTUAL MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Financial assets	484.8	286.7	9.7	1.1	0.6	**782.9**
Financial liabilities	-0.1	-259.5	-11.5	-25.9	-2.6	**-299.6**
Net financial assets/(liabilities) at 31 December 2013	**484.7**	**27.2**	**-1.8**	**-24.8**	**-2.0**	**483.3**
Financial assets	424.0	253.0	9.2	0.6	0.3	**687.1**
Financial liabilities	-	-244.5	-10.9	-14.6	-7.7	**-277.7**
Net financial assets/(liabilities) at 31 December 2012	**424.0**	**8.5**	**-1.7**	**-14.0**	**-7.4**	**409.4**

4.3. CAPITAL MANAGEMENT

The Group continues to actively and prudently manage its capital. In determining our capital targets we abide by the following basic principles:

- we maintain sufficient capital to ensure that our assets are at all times financed with a commensurate amount of capital, taking into consideration the strategic importance of these assets to the Group as well as their respective liquidity and tail risks;
- our capital should at all times provide us with a sufficiently robust buffer to absorb severe unexpected losses (or other calls on capital) in those remote instances when they could exceed our earnings capacity. For this purpose, capital is defined as the tangible equity (i.e. total book equity excluding non-controlling interests, goodwill and other intangible assets) and on 31 December 2013 amounted to CHF 551.4 million (31 December 2012: CHF 528.0 million);
- the Group and all of its legal entities will at all times maintain sufficient regulatory capital to meet all applicable local regulatory requirements;
- the Group believes that a strong capital position is of critical importance in retaining the confidence of its clients and ensuring maximum financial and strategic flexibility; and
- excess capital not required for organic growth or for targeted accretive acquisitions will be returned to shareholders as efficiently as possible.

The Group is supervised and regulated on a consolidated basis by the Swiss Financial Market Supervisory Authority FINMA. Consequently, the Group's governance, internal controls and available capital are reviewed on a regular basis. Individual members of the Group are regulated by relevant regulatory authorities in Switzerland, United Kingdom, Luxembourg, Italy, Spain, Germany, Ireland, Japan, China (Hong Kong), United States of America, Cayman Islands and Bermuda.

Regulatory capital requirements may be based on factors such as an entity's level of assets under management, its fixed expenditures and/or the size and quality of its financial assets and liabilities. All Group entities currently maintain an appropriate level of capital resources relative to their respective applicable capital requirements. The aggregation of the current regulatory minimum capital requirements across the Group on 31 December 2013 amounts to approximately CHF 77 million (31 December 2012: CHF 92 million). The reduction compared to prior year was mainly due to lower regulatory minimum capital requirements for our UK entities resulting from lower levels of seed capital investments held by those entities. The aggregate minimum regulatory capital requirement remains exposed to exchange rate fluctuations between the relevant Group entities' respective functional currency and the Swiss franc, the ongoing development of the business, and changes in regulatory requirements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. NET FEE AND COMMISSION INCOME

	2013 CHF M	2012 CHF M *represented*	CHANGE IN %
Investment management fees	1,019.0	944.1	8
Other fund-related fees and commissions	10.3	13.4	-23
Distribution, fee and commission expenses	-475.2	-460.7	-3
Net management fees and commissions	**554.1**	**496.8**	**12**
Performance fees	108.3	83.8	29
Performance fees to external investment managers	-7.6	-1.7	-347
Net performance fees	**100.7**	**82.1**	**23**
Net fee and commission income	**654.8**	**578.9**	**13**

6. OTHER OPERATING INCOME

	2013 CHF M	2012 CHF M *restated*	CHANGE IN %
Foreign exchange gains/(losses)	1.3	-3.9	133
Interest income	1.1	0.9	22
Interest expenses	-0.3	-0.5	40
Net gains/(losses) on financial assets available-for-sale	17.1	6.2	176
Income from investments in associates	-	1.6	-100
Other income	9.3	11.7	-21
Other operating income	**28.5**	**16.0**	**78**

Other income includes CHF 8.4 million (2012: CHF 9.4 million) of income for services provided to investment funds managed or advised by the Group.

7. PERSONNEL EXPENSES

	2013 CHF M	2012 CHF M *restated*	CHANGE IN %
Salaries and bonuses	253.2	233.2	9
Social security expenses	36.8	14.6	152
Defined benefit pension plan expenses	11.3	19.2	-41
Defined contribution pension plan expenses	8.9	8.4	6
Share-based payment expenses	2.2	8.4	-74
Other personnel expenses	8.9	9.2	-3
Personnel expenses	**321.3**	**293.0**	**10**

In certain jurisdictions the share options granted under the Group's share-based payment plans can result in an increase or decrease of social security expenses when the value of these options changes as a result of changes in the share price of the Company. In 2013, social security expenses were negatively impacted by social security expenses on share-based payment plans in the amount of CHF 12.3 million resulting from the increase in our share price during 2013.

In 2010, the Company had entered into a total return swap over own shares to economically hedge such events. As this swap was entered into with the sole intent and purpose of mitigating the increased social security costs resulting from an increase in our share price, the fair value increase or decrease of this swap is recognised in social security expenses. On 14 September 2012, the swap with a reference price of CHF 12.55 was settled at a share price of CHF 12.85. In 2012, the aggregate total social security expenses amounted to CHF 22.9 million, with only minor social security expenses relating to the 2009 Long-Term Incentive Plan (for further information see Note 23). These costs were reduced by CHF 8.3 million as a result of the positive change in the fair value of the swap.

8. GENERAL EXPENSES

	2013 CHF M	2012 CHF M	CHANGE IN %
Occupancy expenses	29.4	27.6	7
IT expenses	21.3	22.1	-4
Communication and marketing expenses	28.3	28.3	0
Service and other fees and charges	19.2	17.1	12
Other general expenses	12.0	11.8	2
General expenses	**110.2**	**106.9**	**3**

9. INCOME TAXES

	2013 CHF M	2012 CHF M *restated*	CHANGE IN %
Income tax expense at applicable tax rate[1]	47.4	25.4	87
Applicable tax rates differing from Swiss statutory rate	-12.5	6.3	-298
Previously unrecorded tax losses now utilised	-3.3	-2.1	-57
Tax effects of current year losses not recognised	0.4	0.2	100
Adjustments related to prior years	-5.6	0.2	-
Non-deductible expenses	1.5	1.3	15
Other effects	-5.2	0.1	-
Income taxes	**22.7**	**31.4**	**-28**

[1] A Swiss statutory tax rate of 21% (2012: 21%) was used as applicable tax rate.

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 6.5 million (2012: CHF 16.6 million).
CHF 3.8 million (2012: CHF 6.6 million) of this amount will expire within 10 years, CHF 0.4 (2012: none) expire after 10 years and the remainder amounting to CHF 2.3 million (2012: CHF 10.0 million) has no expiry date.

	2013 CHF M	2012 CHF M *restated*	CHANGE IN %
Current income taxes	27.1	34.5	-21
Deferred income taxes	-4.4	-3.1	-42
Income taxes	**22.7**	**31.4**	**-28**

TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	PRE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2013 NET OF TAX AMOUNT CHF M
Remeasurements of defined benefit pension plans	1.4	-1.4	-
Net gains/(losses) on financial assets available-for-sale	17.0	-0.3	**16.7**
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement	-17.1	0.2	**-16.9**
Translation differences	-1.9	-	**-1.9**
Other comprehensive income	**-0.6**	**-1.5**	**-2.1**

	PRE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2012 NET OF TAX AMOUNT CHF M *restated*
Remeasurements of defined benefit pension plans	-9.2	1.0	**-8.2**
Net gains/(losses) on financial assets available-for-sale	8.2	-0.1	**8.1**
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement	-3.9	-	**-3.9**
Translation differences	2.2	-	**2.2**
Net (gains)/losses on translation differences reclassified to the income statement	7.0	-	**7.0**
Other comprehensive income	**4.3**	**0.9**	**5.2**

TAX CHARGED OR CREDITED DIRECTLY TO EQUITY

Tax effects on share-based payments recognised directly in equity amounted to CHF 8.1 million (2012: none) and have effectively increased the impact of the share-based payment expenses included in the respective line item within equity (see consolidated statement of changes in equity).

10. EARNINGS PER SHARE AND SHARES OUTSTANDING

10.1. EARNINGS PER SHARE

	2013	2012 *restated*
Basic earnings per share		
Net profit attributable to the shareholders of the Company (CHF m)	196.8	87.1
Weighted average number of shares outstanding	163,380,288	171,232,257
Basic earnings per share (CHF)	**1.20**	**0.51**
Diluted earnings per share		
Net profit attributable to the shareholders of the Company for diluted EPS (CHF m)	196.8	87.1
Weighted average number of shares outstanding	163,380,288	171,232,257
Dilution effect	2,617,477	-
Weighted average number of shares outstanding for diluted EPS	165,997,765	171,232,257
Diluted earnings per share (CHF)	**1.19**	**0.51**

10.2. SHARES OUTSTANDING

	2013	2012
Shares issued at the beginning of the year	183,355,000	196,300,000
Cancelled during the year	-10,125,340	-12,945,000
Shares issued at the end of the year	**173,229,660**	**183,355,000**
Treasury shares – share buy-back programme[1]	-6,567,929	-10,125,340
Treasury shares – share-based payment plans[2]	-3,778,079	-8,654,941
Shares outstanding at the end of the year	**162,883,652**	**164,574,719**

[1] These treasury shares are bought back for cancellation. For further information see section 'Treasury shares – share buy-back programme' in Note 20.

[2] These treasury shares are held as an economic hedge in respect of the Group's share-based payment plans. For further information see section 'Treasury shares – share-based payment plans' in Note 20 and regarding details to the share-based payments see Note 23.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2013 CHF M	31.12.2012 CHF M	CHANGE IN %
Accrued fee and commission income	114.7	128.9	-11
Prepayments	11.2	14.4	-22
Accrued income and prepaid expenses	**125.9**	**143.3**	**-12**

12. FINANCIAL INSTRUMENTS

12.1. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	NOTE	31.12.2013 CHF M	31.12.2012 CHF M *restated*	CHANGE IN %
Debt financial assets available-for-sale		0.2	0.2	0
Equity financial assets available-for-sale		49.4	72.7	-32
Derivative financial instruments	*12.3*	0.7	0.1	600
Financial assets designated at fair value through profit or loss		16.8	10.4	62
Financial assets at fair value held for trading		8.6	-	-
Other non-current financial assets		1.5	0.7	114
Financial investments and other financial assets		**77.2**	**84.1**	**-8**
Current		74.7	82.6	-10
Non-current		2.5	1.5	67
Financial investments and other financial assets		**77.2**	**84.1**	**-8**

12.2. OTHER AND NON-CURRENT FINANCIAL LIABILITIES

	NOTE	31.12.2013 CHF M	31.12.2012 CHF M	CHANGE IN %
Derivative financial instruments	*12.3*	0.4	1.1	-64
Financial liabilities at fair value through profit or loss		26.2	19.5	34
Other financial liabilities measured at amortised cost		2.3	2.8	-18
Other and non-current financial liabilities		**28.9**	**23.4**	**24**
Current		0.4	1.1	-64
Non-current		28.5	22.3	28
Other and non-current financial liabilities		**28.9**	**23.4**	**24**

12.3. DERIVATIVE FINANCIAL INSTRUMENTS

			2013
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivative financial instruments	99.7	0.4	0.2
Other derivative financial instruments (index and commodity futures)	56.3	0.2	0.2
Derivative financial instruments held for trading	**156.0**	**0.6**	**0.4**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	40.8	0.1	-
Derivative financial instruments designated as hedging instruments	**40.8**	**0.1**	**-**
Derivative financial instruments	**196.8**	**0.7**	**0.4**

			2012
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivative financial instruments	112.4	-	0.4
Equity derivative financial instruments (index futures)	39.3	-	-
Derivative financial instruments held for trading	**151.7**	**-**	**0.4**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	72.3	0.1	0.7
Derivative financial instruments designated as hedging instruments	**72.3**	**0.1**	**0.7**
Derivative financial instruments	**224.0**	**0.1**	**1.1**

Losses of CHF 1.1 million (2012: gains of CHF 0.9 million) on derivative financial instruments designated as hedging instruments and gains of CHF 0.8 million (2012: losses of CHF 1.6 million) on the hedged items attributable to the hedged risk (foreign exchange exposure of equity financial assets available-for-sale) result in a hedge ineffectiveness of CHF 0.3 million, which is recognised in the income statement in other operating income.

12.4. FINANCIAL INSTRUMENTS BY CATEGORY[1]

	31.12.2013 CARRYING AMOUNT CHF M	31.12.2012 CARRYING AMOUNT CHF M *restated*
Cash and cash equivalents	592.6	504.0
Trade and other receivables	64.6	53.2
Accrued income	114.7	128.9
Other financial assets	1.5	0.6
Financial assets measured at amortised cost[1]	**773.4**	**686.7**
Financial assets available-for-sale[2]	49.6	100.5
Derivative financial instruments held for trading	0.6	-
Derivative financial instruments designated as hedging instruments	0.1	0.1
Financial assets designated at fair value through profit or loss	16.8	10.4
Financial assets at fair value held for trading[3]	49.0	74.1
Financial assets measured at fair value	**116.1**	**185.1**
Financial assets	**889.5**	**871.8**
Trade and other payables	19.1	17.1
Accrued expenses	251.6	237.2
Other financial liabilities	2.3	2.8
Financial liabilities measured at amortised cost	**273.0**	**257.1**
Derivative financial instruments held for trading	0.4	0.4
Derivative financial instruments designated as hedging instruments	-	0.7
Financial liabilities designated at fair value through profit or loss[3]	34.6	25.4
Financial liabilities measured at fair value	**35.0**	**26.5**
Financial liabilities	**308.0**	**283.6**

[1] The Group has not disclosed the fair values for financial instruments such as trade and other receivables and payables, because their carrying amounts are a reasonable approximation of fair values. Regarding level in the fair value hierarchy for financial assets measured at fair value see Note 12.5.

[2] In 2012, this category included the Group's interest in Artio Global Investors Inc. of CHF 27.6 million, which was accounted for as a financial asset available-for-sale and presented in the balance sheet line item 'assets held for sale'. See Note 13 for more information.

[3] These categories include financial instruments included in the balance sheet line items 'assets held for sale' and 'liabilities held for sale'. See Notes 3.3 (paragraph regarding IFRS 10) and 13 for more information.

12.5. FINANCIAL INSTRUMENTS — FAIR VALUE DETERMINATION

For financial investments whose prices are quoted in an active market, the fair value is derived directly from the quoted market prices.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing at the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations and option models. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

Financial instruments measured at fair value subsequent to initial recognition are grouped into levels 1 to 3 based on the degree to which the fair value is observable, ie:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of total return swaps over shares is based on the fair value of the underlying shares.
- The fair value of forward foreign exchange contracts is determined by discounting the difference between the contractual forward exchange rate and the current forward exchange rate at the balance sheet date for the residual maturity of the contract.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

For a small portion of financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	LEVEL 1 CHF M	LEVEL 2 CHF M	LEVEL 3 CHF M	31.12.2013 **TOTAL** CHF M
Derivative financial instruments	-	0.7	-	**0.7**
Financial assets at fair value through profit or loss[1]	65.8	-	-	**65.8**
Financial assets available-for-sale	36.0	-	13.6	**49.6**
Financial assets measured at fair value	**101.8**	**0.7**	**13.6**	**116.1**
Derivative financial instruments	-	0.4	-	**0.4**
Financial liabilities at fair value through profit or loss[1]	8.4	-	26.2	**34.6**
Financial liabilities measured at fair value	**8.4**	**0.4**	**26.2**	**35.0**

	LEVEL 1 CHF M	LEVEL 2 CHF M	LEVEL 3 CHF M	31.12.2012 **TOTAL** CHF M *restated*
Derivative financial instruments	-	0.1	-	**0.1**
Financial assets at fair value through profit or loss[1]	84.5	-	-	**84.5**
Financial assets available-for-sale[2]	85.8	-	14.7	**100.5**
Financial assets measured at fair value	**170.3**	**0.1**	**14.7**	**185.1**
Derivative financial instruments	-	1.1	-	**1.1**
Financial liabilities at fair value through profit or loss[1]	5.9	-	19.5	**25.4**
Financial liabilities measured at fair value	**5.9**	**1.1**	**19.5**	**26.5**

[1] These categories include financial instruments included in the balance sheet line items 'assets held for sale' and 'liabilities held for sale'. See Notes 3.3 (paragraph regarding IFRS 10) and 13 for more information.

[2] In 2012, this category included the Group's interest in Artio Global Investors Inc. of CHF 27.6 million, which was accounted for as a financial asset available-for-sale and presented in the balance sheet line item 'assets held for sale'. See Note 13 for more information.

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during the period.

The valuation methods used to determine the fair value of level 3 financial instruments are as follows:

- Financial assets available-for-sale are measured based on the latest available financial information applying the adjusted net asset method. In case the Group is aware of other factors impacting the fair value, adjustments are made to best reflect the approximation of fair value.

- Financial liabilities at fair value through profit or loss are measured based on their contractual terms.

The following table presents the changes in level 3 financial instruments:

	FINANCIAL ASSETS AVAILABLE-FOR-SALE CHF M	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS CHF M
Balance at 1 January 2012	14.8	-
Additions	1.2	19.0
Disposals/settlements	-0.3	-
Total gains/losses:		
- in profit or loss	-0.2	0.5
- in other comprehensive income	-0.9	-
Translation differences	0.1	-
Balance at 31 December 2012	**14.7**	**19.5**
Additions	0.6	-
Disposals/settlements	-1.2	-
Total gains/losses:		
- in profit or loss	-0.4	6.7
- in other comprehensive income	-0.1	-
Translation differences	-	-
Balance at 31 December 2013	**13.6**	**26.2**

In 2013, net losses of CHF 7.1 million (2012: net losses of CHF 0.3 million) included in profit or loss relate to level 3 financial instruments held at the end of the reporting period.

SENSITIVITY OF FAIR VALUE MEASUREMENTS

As in the prior year, no reasonably possible change in the inputs used in determining the fair value would cause the fair value of level 3 financial instruments to change significantly.

13. ASSETS AND LIABILITIES HELD FOR SALE

From time to time, the Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size.

Those financial investments under control in accordance with IFRS 10, which are available for immediate sale and for which management expects to complete the sale within one year, are presented in the balance sheet line items 'assets held for sale' and 'liabilities held for sale' in accordance with IFRS 5 *Non-current Assets Held for Sale*. These balance sheet line items contain the controlled funds' direct investments into financial instruments and commodities (all measured at fair value through profit or loss and categorised within level 1 of the fair value hierarchy).

See Note 3.3 for details.

SALE OF INVESTMENT IN ARTIO GLOBAL INVESTORS INC.

On 21 May 2013, the Group sold its investment in Artio Global Investors Inc. and received a price of USD 2.75 per share, resulting in a gain for the Group of CHF 13.1 million, which is presented in other operating income.

Following management's decision to divest its investment in Artio and the subsequent partial sale of Artio shares in the second half of 2012, the investment in Artio ceased to be equity accounted due to the loss of significant influence and has been reclassified from investments in associates to asset held for sale measured at fair value and presented separately in the consolidated balance sheet. Until the disposal, the Group accounted for the investment as a financial asset available-for-sale with fair value changes recognised in other comprehensive income until sold or impaired.

Regarding impairments in prior year see Note 14.2.

14. INVESTMENTS IN ASSOCIATES AND IMPAIRMENTS

14.1 INVESTMENTS IN ASSOCIATES

On 6 February 2013, GAM acquired a minority interest in QFS Asset Management L.P. (QFS), a US-based alternative asset manager, for a cash consideration of CHF 9.3 million. Due to the existence of significant influence QFS is considered to be an associate and is accounted for using the equity method.

14.2 IMPAIRMENTS

	2013 CHF M	2012 CHF M
Impairment of investments in associates	5.8	35.4
Impairment of assets held for sale	-	20.2
Impairment of financial assets available-for-sale	-	0.7
Impairment of investments	**5.8**	**56.3**
Impairment of property and equipment	3.1	-
Impairments	**8.9**	**56.3**

IMPAIRMENT OF INVESTMENTS

Based on the financial information received an impairment test of the carrying value of the investment in QFS was performed at year-end. As a result, an impairment loss of CHF 5.8 million was recognised in 2013.

In 2012, subsequent to the reclassification of the investment in Artio from investments in associates to assets held for sale, the fair value of the Group's investment in Artio – reflected by the share price as of 31 December 2012 – declined significantly below its carrying amount. As there was objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income has been reclassified from equity to the income statement and presented as impairment.

IMPAIRMENT OF PROPERTY AND EQUIPMENT

Following the move of offices in Zurich and London in 2013 certain leasehold improvements had to be impaired. In addition, provisions for onerous rent contracts have been recognised (see Note 19).

15. PENSION PLANS

15.1. DEFINED CONTRIBUTION PENSION PLANS

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 8.9 million during the 2013 financial year (2012: CHF 8.4 million).

15.2. DEFINED BENEFIT PENSION PLANS

The Group maintains various defined benefit pension plans, mainly in Switzerland and the UK. The plans are exposed to actuarial risks based on the legal provisions in each country. Main risks include investment risk, interest risk, disability risk and the risk of longevity.

SWISS PLAN

The Swiss plan provides benefits in the event of retirement, death, or disability. The plans' benefits are based on age, years of service, salary and on an individual savings capital account. The plan is funded by assets held by a foundation. This separate legal entity is governed by a Foundation Board, which is made up of an equal number of employee and employer representatives who have to take all decisions jointly. The Foundation Board is responsible for defining the investment strategy, for making changes to the pension plan regulations and also for defining the financing of the pension benefits. In defining the benefits, the minimum requirements of the Swiss pension law (BVG) and its provisions must be observed.

The plan is financed by contributions paid by the employees and by the employer. In addition, interest is accrued on the savings capital accounts. The retirement age is 63 years. Upon retiring (including early and partial retirement) insured persons are entitled to a lifelong retirement pension. If they prefer, they may choose to have all or part of their savings paid out as a lump sum instead. The retirement pension is calculated on the basis of the accrued savings capital on the date of retirement and the conversion rate that applies at the time (current rate at the age of 63 is 6.3%). In addition to retirement benefits, the pension plan benefits include disability, partner and children pensions. These will be calculated as a percentage of the employee's annual pensionable salary and are funded by risk premiums contributed by the employees and employer. On leaving the company, the retirement savings will be transferred to the pension plan of the new employer. Actuarial calculations are based on the BVG 2010 GT actuarial tables.

If the Swiss plan became significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In such a situation, the resulting payments are shared between employer and employees, whereby the employer is legally obliged to cover at least 50% of the additional contributions required. The Swiss pension plan has an estimated technical funding ratio under Swiss pension law of 109% as at 31 December 2013 (31 December 2012: 106.5%) and thus it is not expected that additional contributions will be required in the next year.

UK PLAN

GAM UK operates a scheme with a defined benefit section (DB section) and a defined contribution section (DC section). The majority of members are in the DC section following scheme changes made on 31 March 2012. The UK pension scheme provides benefits in the event of retirement or death. The plan's benefits are primarily based on length of service and salary. The DB section closed to new entrants in January 2004.

The plan is funded by assets that are held in the form of a trust, as a separate legal entity governed by the trustees of the plan. Funding of the DB section is determined by the UK scheme specific funding regulations whereby the trustees and employer agree on a payment schedule in the event of any underfunding at the date of an actuarial valuation. The last such valuation was performed as at 31 March 2011. The trustees are responsible for the investment strategy of the assets held in the trust.

The DB section of the scheme is contracted-out of the state second pension on a salary-related basis. The normal retirement age is 60, and the DB section is fully funded by the employer with the DC section being primarily funded by the employer but additionally providing matching of employee contributions based on length of service. Active members of the DB section build up future benefits at an accrual rate of 1/60th based on their frozen final pensionable salary as at 31 March 2012. Deferred members of the DB section receive consumer price index-linked inflationary increases on their accrued past service benefits.

DEFINED BENEFIT PENSION PLANS[1]

	2013 CHF M	2012 CHF M *restated*
1. Movement in pension plan obligations and plan assets		
Present value of funded obligations at the beginning of the year	-352.4	-302.5
Current service cost	-11.4	-11.6
Gain/(loss) on non-routine settlements	-	4.0
Interest expense on benefit obligation	-12.5	-12.4
Curtailments and plan amendments	-	-7.3
Benefits paid/(received)	5.7	7.5
Actuarial gains/(losses)	-16.9	-25.7
Translation differences	1.6	-4.4
Present value of funded obligations at the end of the year	**-385.9**	**-352.4**
Fair value of plan assets at the beginning of the year	281.5	246.8
Interest income on plan assets	9.9	9.9
Return on plan assets excluding interest income	18.3	16.5
Employer's contributions	11.2	14.2
Employees' contributions	3.5	3.3
Settlements	-	-4.0
Benefits (paid)/received	-5.7	-7.5
Administration expenses	-0.8	-1.1
Translation differences	-1.2	3.4
Fair value of plan assets at the end of the year	**316.7**	**281.5**

	31.12.2013 CHF M	31.12.2012 CHF M *restated*
2. Balance sheet		
Fair value of plan assets	316.7	281.5
Present value of funded obligations	-385.9	-352.4
Net pension liabilities	**-69.2**	**-70.9**
Deferred tax assets	13.4	14.8
Net amount recognised in the balance sheet	**-55.8**	**-56.1**

[1] Benefit obligations and pension costs appear with a negative sign.

	SWITZERLAND CHF M	UK CHF M	REST OF THE WORLD CHF M	31.12.2013 TOTAL CHF M
Balance sheet by geographical locations and components				
Fair value of plan assets	129.2	184.1	3.4	**316.7**
Present value of funded obligations	-140.2	-241.8	-3.9	**-385.9**
Net pension liabilities	**-11.0**	**-57.7**	**-0.5**	**-69.2**
Deferred tax assets	1.7	11.5	0.2	**13.4**
Net amount recognised in the balance sheet	**-9.3**	**-46.2**	**-0.3**	**-55.8**
Active members/employees	-139.7	-23.9	-3.0	**-166.6**
Deferred members with vested benefits	-	-186.9	-0.9	**-187.8**
Pensioners	-0.5	-31.0	-	**-31.5**
Present value of funded obligations	**-140.2**	**-241.8**	**-3.9**	**-385.9**

	SWITZERLAND CHF M	UK CHF M	REST OF THE WORLD CHF M	31.12.2012 TOTAL CHF M *restated*
Fair value of plan assets	114.9	163.9	2.7	**281.5**
Present value of funded obligations	-133.1	-216.1	-3.2	**-352.4**
Net pension liabilities	**-18.2**	**-52.2**	**-0.5**	**-70.9**
Deferred tax assets	2.7	12.0	0.1	**14.8**
Net amount recognised in the balance sheet	**-15.5**	**-40.2**	**-0.4**	**-56.1**
Active members/employees	-132.6	-20.3	-2.4	**-155.3**
Deferred members with vested benefits	-	-165.3	-0.8	**-166.1**
Pensioners	-0.5	-30.5	-	**-31.0**
Present value of funded obligations	**-133.1**	**-216.1**	**-3.2**	**-352.4**

The weighted average duration of the defined benefit pension obligation as at 31 December 2013 is 22.1 years (2012: 21.9 years).

	2013 CHF M	2012 CHF M *restated*
3. Amounts recognised in the income statement		
Current service cost	-11.4	-11.6
Gain/(loss) on non-routine settlements	-	4.0
Interest expense on benefit obligation	-12.5	-12.4
Interest income on plan assets	9.9	9.9
Gain/(loss) on curtailment and plan amendments	-	-7.3
Settlements	-	-4.0
Administration expenses	-0.8	-1.1
Net pension cost for the period	**-14.8**	**-22.5**
Employees' contributions	3.5	3.3
Expense recognised in the income statement	**-11.3**	**-19.2**

	31.12.2013 CHF M	31.12.2012 CHF M
4. Amounts recognised in other comprehensive income		
Remeasurements		
- Actuarial gains/(losses) based on adjustment of demographic assumptions	2.0	-0.1
- Actuarial gains/(losses) based on adjustment of financial assumptions	-17.3	-11.8
- Experience adjustments	-1.6	-13.8
Return on plan assets excluding interest income	18.3	16.5
Remeasurements recognised in other comprehensive income	**1.4**	**-9.2**

	2013 CHF M	2012 CHF M *restated*
5. Movement in the net pension assets/(liabilities)		
Net pension liabilities at the beginning of the year	-70.9	-55.7
Expense recognised in the income statement	-11.3	-19.2
Remeasurements recognised in other comprehensive income	1.4	-9.2
Employer's contributions	11.2	14.2
Translation differences	0.4	-1.0
Net pension liabilities at the end of the year	**-69.2**	**-70.9**
Pension assets	-	-
Pension liabilities	-69.2	-70.9
Net pension liabilities at the end of the year	**-69.2**	**-70.9**
Actual return on plan assets	28.2	26.4

	QUOTED IN AN ACTIVE MARKET CHF M	UNQUOTED CHF M	**TOTAL** CHF M	**31.12.2013** PLAN ASSET ALLOCATION IN %
6. Asset allocation				
Cash and cash equivalents	6.9	-	**6.9**	2.2
Debt instruments	31.7	-	**31.7**	10.0
Derivatives	0.1	-	**0.1**	0.0
Investment funds				
- Money market	0.9	-	**0.9**	0.3
- Equity	164.4	-	**164.4**	51.9
- Bonds	66.5	-	**66.5**	21.0
- Real estate	16.2	-	**16.2**	5.1
- Other	16.0	10.2	**26.2**	8.3
Other investments	3.8	-	**3.8**	1.2
Fair value of plan assets	**306.5**	**10.2**	**316.7**	**100.0**

	QUOTED IN AN ACTIVE MARKET CHF M	UNQUOTED CHF M	**TOTAL** CHF M	31.12.2012 PLAN ASSET ALLOCATION IN % *represented*
Cash and cash equivalents	10.2	-	**10.2**	3.6
Debt instruments	18.3	-	**18.3**	6.5
Equity instruments	0.1	-	**0.1**	0.0
Investment funds				
- Money market	0.4	-	**0.4**	0.1
- Equity	142.6	-	**142.6**	50.7
- Bonds	62.2	-	**62.2**	22.1
- Real estate	15.8	-	**15.8**	5.6
- Other	18.6	11.8	**30.4**	10.8
Other investments	1.5	-	**1.5**	0.5
Fair value of plan assets	**269.7**	**11.8**	**281.5**	**100.0**

The pension plan assets are invested in accordance with local laws and do not include shares of GAM Holding AG.

It is a duty of the Foundation Board to review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and whether the risk budget is in line with the demographic structure.

ACTUARIAL CALCULATION OF FUNDED OBLIGATIONS

The latest actuarial calculation was carried out as at 31 December 2013. The actuarial assumptions are based on local economic conditions.

	SWITZERLAND		UK	
	2013	2012	**2013**	2012
Discount rate	2.25%	1.90%	4.50%	4.75%
Interest credit rate	2.25%	1.90%	n/a	n/a
Future pension increases in deferment	n/a	n/a	2.25%	2.00%
Future pension increases	0.00%	0.00%	3.30–4.15%	3.10–4.10%

SENSITIVITY ANALYSIS

The following table presents a sensitivity analysis for the significant actuarial assumptions showing how the defined benefit pension obligations would have been impacted as a result of a change in the respective actuarial assumptions at the balance sheet date. In addition to the actuarial assumptions, the measurement of the overall net pension liabilities is further affected by changes in the fair value of the plan assets.

Change in the present value of the defined benefit pension obligations:

					31.12.2013
		SWITZERLAND		UK	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION CHF M	DECREASE IN ASSUMPTION CHF M	INCREASE IN ASSUMPTION CHF M	DECREASE IN ASSUMPTION CHF M
Discount rate	0.25%	-4.4	4.8	-14.8	16.1
Interest credit rate	0.25%	1.5	-1.5	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	5.7	-5.5
Future pension increases	0.25%	2.6	n/a	2.0	-2.0

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit pension obligation to the significant actuarial assumptions, the same method has been applied as when calculating the pension liabilities recognised in the balance sheet.

The expected employer contributions for the 2014 financial year are estimated at CHF 9.8 million.

CURTAILMENT TO EXISTING DEFINED BENEFIT PENSION PLANS

In prior year, changes were made to the scheme of GAM UK as at 1 April 2012. The majority of active members chose to become deferred members of the defined benefit section of the scheme in the UK from April 2012 onwards and accrue future benefits in the defined contribution section. The resulting effect of the curtailment was a non-cash charge of CHF 8.3 million before taxes.

Considering a further curtailment of the defined benefit pension plan of GAM Hong Kong, which resulted in a gain of CHF 0.9 million before taxes, the total expense due to curtailments recognised in prior year amounted to CHF 7.4 million before taxes.

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1. DEFERRED TAX ASSETS

	2013 CHF M	2012 CHF M *restated*
Balance at the beginning of the year	23.7	19.3
Recognised in profit or loss	4.4	3.0
Recognised directly in equity	3.8	-
Recognised in other comprehensive income	-1.5	0.9
Translation differences and other adjustments	-	0.5
Balance at the end of the year	**30.4**	**23.7**
Components of deferred tax assets		
Employee compensation and benefits	14.7	16.0
Share-based payments	7.6	0.2
Property and equipment	1.7	1.9
Tax loss carry-forwards	6.4	5.4
Other	-	0.2
Deferred tax assets at the end of the year	**30.4**	**23.7**

16.2. DEFERRED TAX LIABILITIES

There is no deferred tax liability as at 31 December 2013 and 31 December 2012. The balance of CHF 0.1 million as at 1 January 2012 has been fully reversed in prior year.

17. PROPERTY AND EQUIPMENT, GOODWILL AND OTHER INTANGIBLE ASSETS

	PROPERTY AND EQUIPMENT CHF M	GOODWILL CHF M	CUSTOMER RELATION-SHIPS CHF M	BRAND CHF M	SOFTWARE CHF M	GOODWILL AND OTHER INTANGIBLE ASSETS CHF M
Historical cost						
Balance at 1 January 2012	**74.9**	1,841.3	995.6	273.0	26.0	**3,135.9**
Additions	**1.8**	-	-	-	1.8	**1.8**
Acquisition of subsidiary	**0.1**	8.5	-	-	-	**8.5**
Disposals[1]	**-0.6**	-	-	-	-	**-**
Translation differences	**-**	-	-	-	0.2	**0.2**
Balance at 31 December 2012	**76.2**	**1,849.8**	**995.6**	**273.0**	**28.0**	**3,146.4**
Additions	**6.6**	-	-	-	3.5	**3.5**
Disposals[1]	**-1.2**	-	-	-	-	**-**
Translation differences	**-0.5**	-	-	-	-0.1	**-0.1**
Balance at 31 December 2013	**81.1**	**1,849.8**	**995.6**	**273.0**	**31.4**	**3,149.8**
Accumulated depreciation and amortisation						
Balance at 1 January 2012	**48.5**	764.4	972.3	-	23.7	**1,760.4**
Additions	**5.8**	-	11.7	-	1.4	**13.1**
Disposals[1]	**-0.6**	-	-	-	-	**-**
Translation differences	**0.1**	-	-	-	0.1	**0.1**
Balance at 31 December 2012	**53.8**	**764.4**	**984.0**	**-**	**25.2**	**1,773.6**
Additions	**5.9**	-	11.6	-	1.3	**12.9**
Disposals[1]	**-1.1**	-	-	-	-	**-**
Impairment	**3.1**	-	-	-	-	**-**
Translation differences	**-0.5**	-	-	-	-0.1	**-0.1**
Balance at 31 December 2013	**61.2**	**764.4**	**995.6**	**-**	**26.4**	**1,786.4**
Carrying amounts						
Historical cost	**76.2**	1,849.8	995.6	273.0	28.0	**3,146.4**
Accumulated depreciation and amortisation	**53.8**	764.4	984.0	-	25.2	**1,773.6**
Balance at 31 December 2012	**22.4**	**1,085.4**	**11.6**	**273.0**	**2.8**	**1,372.8**
Historical cost	**81.1**	1,849.8	995.6	273.0	31.4	**3,149.8**
Accumulated depreciation and amortisation	**61.2**	764.4	995.6	-	26.4	**1,786.4**
Balance at 31 December 2013	**19.9**	**1,085.4**	**-**	**273.0**	**5.0**	**1,363.4**

[1] Includes derecognition of fully depreciated and amortised assets.

There is no capitalised property and equipment arising from finance leases.

IMPAIRMENT TESTING – INTANGIBLE ASSETS

The Group has undertaken an assessment of the carrying value of its intangible assets. When reviewing the carrying value of these assets, the Board of Directors and the Group Management Board consider the current situation of the Group and its prospects by taking into account both Group specific matters and the broader economic environment in which we operate. Significant management judgement is required with respect to the key assumptions used.

The Group holds goodwill on the 2005 acquisition of the cash-generating unit GAM and its investment management activities. Customer relationships as well as the brand relate to the same acquisition. As the brand is directly linked with the ongoing operations of GAM, the brand is considered to have an indefinite useful life.

As described in Note 21 'Reporting by segment', during the course of 2013 the Group shifted its operational model to a more integrated organisational structure and the group is now led and managed as a single business. The shift in the organisational structure largely reflected the fact that over time the investment management activities of GAM and Swiss & Global Asset Management have strongly converged. In particular, the success of Swiss & Global is largely dependent on the success and performance of the active investment management teams residing in GAM. The GAM active investment management know-how is the relevant revenue source for the cash-generating unit GAM. Therefore, all cash flows relating to assets managed by GAM's investment teams, including those distributed by Swiss & Global and managed by GAM, are allocated to the cash-generating unit GAM following the integration of the two former businesses.

GOODWILL

The Group tests goodwill for impairment annually, or whenever there are indications that goodwill might be impaired, by comparing its carrying amount with its recoverable amount. The recoverable amount based on the value in use is determined for the respective cash-generating units (ie for the smallest identifiable groups of assets that generate cash inflows independently from other assets).

The Group uses a model based on the discounted cash flow method to calculate the recoverable amount. The Group estimates the free cash flows expected to be generated from the continuing use of the respective cash-generating units based on its own three-year financial planning, taking into account the following key parameters and their individual components:

- assets under management
- gross margin on the average assets under management
- operating income and expenses
- applicable tax rate

Additional key assumptions used in the calculation of value in use were discount rate and terminal growth rate. The Group's approach to determining the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information as well as the current and expected market situations and the current and expected future relative market position of the GAM managed products vis-à-vis its respective competitors and in its industry.

The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 11.3% (2012: 9.4%) based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market and in the same currency as the cash flows. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers. To calculate the recoverable amount of the goodwill relating to the acquisition of GAM, the Group applies 2.0% (2012: 2.0%) as a terminal growth rate, which is in line with the Group's expected growth rate of the relevant long-term gross domestic products. The discount rates used in the above calculation represent the Group's specific risk-weighted rates.

Based on the impairment test performed considering the assumptions above there was no impairment loss in 2013 (2012: none).

CUSTOMER RELATIONSHIPS

This position comprised long-term customer relationship intangibles from the 2005 purchase of GAM. Customer relationships are amortised over their estimated useful life not exceeding a period greater than 10 years using the straight-line method.

As at 31 December 2013, the customer relationships were fully amortised. For 2012 there was no indication that customer relationships may be impaired. Therefore, the recoverable amount has not been estimated and no impairment loss resulted.

BRAND

The Group tests the brand name GAM for impairment annually, or whenever there are indications that the brand name might be impaired, by comparing its carrying amount with its recoverable amount using assumptions described above in relation to goodwill. The Group uses a model based on the discounted cash flow method to determine the recoverable amount. This recoverable amount is based on the projected 'royalty savings' (ie an internal licence fee for use of brands), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 11.3% (2012: 9.4%), and the rate used for the 'royalty savings' is 4.8% (2012: 4.8%). No impairment loss was recognised as a result of this review.

CHANGES IN KEY ASSUMPTIONS

Deviations of future actual results achieved versus forecasted/planned key assumptions as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets and/or the businesses may occur. Such deviations may result from changes in products and the client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost developments and/or changes in the implementation of existing or the addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the units' recoverable amounts or may even lead to a partial impairment of goodwill and the brand.

As in the previous year, no reasonably possible change in the key assumptions would cause the carrying amount of the goodwill and the brand to exceed the recoverable value.

IMPAIRMENT TESTING – PROPERTY AND EQUIPMENT

Following the move of offices in Zurich and London certain leasehold improvements had to be impaired (see Note 14).

18. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2013 CHF M	31.12.2012 CHF M	CHANGE IN %
Accrued commission expenses	114.6	105.9	8
Accrued operating expenses and deferred income	137.0	131.3	4
Accrued expenses and deferred income	**251.6**	**237.2**	**6**

19. PROVISIONS

			2013
	REINSTATEMENT OF LEASEHOLD IMPROVEMENTS CHF M	OTHER CHF M	TOTAL CHF M
Balance at the beginning of the year	1.9	0.2	**2.1**
Utilised during the year	-	-0.1	**-0.1**
Provisions reversed during the year	-	-0.2	**-0.2**
Provisions made during the year	1.2	1.6	**2.8**
Balance at the end of the year	**3.1**	**1.5**	**4.6**
Current	-	1.5	**1.5**
Non-current	3.1	-	**3.1**
Provisions at the end of the year	**3.1**	**1.5**	**4.6**

The Group rents a number of buildings and provides for the reinstatement costs of these in line with the rental agreements. This provision is not anticipated to be utilised during the next five years.

Other provisions relate to issues that have arisen as a result of potential obligations during the course of the Group's business activities. In addition, provisions for onerous rent contracts regarding the move of offices in Zurich and London have been recognised in the current year. These provisions are expected to be utilised during 2014.

20. EQUITY

SHARE CAPITAL

The share capital comprises all issued, fully paid registered shares of the Company.

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
Balance at 1 January 2011	206,630,756	10.3
Capital reduction	-10,330,756	-0.5
Balance at 31 December 2011	**196,300,000**	**9.8**
Capital reduction	-12,945,000	-0.6
Balance at 31 December 2012	**183,355,000**	**9.2**
Capital reduction	-10,125,340	-0.5
Balance at 31 December 2013	**173,229,660**	**8.7**
of which treasury shares	*-10,346,008*	

All registered shares are fully paid.

On 27 June 2013, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 17 April 2013 and cancelled 10,125,340 shares repurchased under its current share buy-back programme. The share capital of the Company now amounts to CHF 8,661,483 (173,229,660 registered shares at a par value of CHF 0.05 per share).

CONDITIONAL CAPITAL

	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the Annual General Meeting on 24 June 1993	10,000,000	0.5

There is no authorised capital.

For shares outstanding see Note 10.

CAPITAL RESERVES

Capital reserves represent the additional proceeds (premium) received from the issue of shares by the Company.

Capital reserves agree with the amount of capital contribution reserves as disclosed in the balance sheet and Note 6 of the financial statements for the parent company.

FINANCIAL ASSETS AVAILABLE-FOR-SALE RESERVE

The financial assets available-for-sale reserve represents the cumulative unrealised gains and losses arising from fair value changes of financial investments available-for-sale, net of taxes. When such financial investments are derecognised or impaired the related cumulative amount in the financial asset available-for-sale reserve is transferred to the income statement.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency, Swiss francs.

TREASURY SHARES

Treasury shares comprise the cost of shares of the Company held by the Group. The Group acquires treasury shares as an economic hedge in respect of its share-based payment plans and as part of its current share buy-back programme.

TREASURY SHARES – SHARE-BASED PAYMENT PLANS

The number of shares held by the Company in relation to the Group's share-based payment plans as at 31 December 2013 amounted to 3.8 million, equating to 2.2% of shares in issue (31 December 2012: 8.7 million, equating to 4.7% of shares in issue).

TREASURY SHARES – SHARE BUY-BACK PROGRAMME

The 2011–2014 share buy-back programme for the purpose of capital reduction, which commenced on 9 May 2011, is scheduled to run over a maximum period of three years and allows for the purchase of a maximum of 41.3 million shares.

10.1 million treasury shares purchased by the Company as part of this share buy-back programme were cancelled in 2013 as described above under the section Share Capital.

The number of shares held by the Company as part of its 2011–2014 share buy-back programme as at 31 December 2013 amounted to 6.6 million. A request to cancel these shares will be put to the Annual General Meeting to be held on 15 April 2014.

DISTRIBUTION OF DIVIDENDS

In 2013, a dividend of CHF 81.8 million was paid for the financial year 2012 (dividend per share: CHF 0.50). In 2012, a dividend of CHF 87.8 million was paid for the financial year 2011 (dividend per share: CHF 0.50). For the financial year 2013, a dividend of CHF 0.65 per share has been proposed. For further information, see the proposed appropriation of retained earnings in the financial statements for the parent company.

ADDITIONAL NOTES

21. REPORTING BY SEGMENT

On 16 January 2013, the Group announced a shift from its operating model as a pure financial holding company to a more integrated organisational structure, combining the management responsibility for its operating businesses at Group level.

IFRS 8 *Operating Segments* requires disclosures to reflect the information that the Group Management Board, being the body that is the Group's chief operating decision maker, uses to assess performance and to allocate resources. The Group is managed as a single business segment for reporting and control purposes, offering different investment management solutions and products across multiple asset classes and strategies that are managed across a range of products, distribution channels and geographic regions.

Discrete financial information is prepared to allow for an analysis at different levels, however, the Group Management Board reviews and uses for its decisions the aggregated financial information at Group level only.

INFORMATION ABOUT GEOGRAPHICAL AREAS

	2013 OPERATING INCOME CHF M	2012 OPERATING INCOME CHF M *re-presented*	**31.12.2013**[1] NON-CURRENT ASSETS CHF M	31.12.2012[1] NON-CURRENT ASSETS CHF M *re-presented*
Switzerland	204.6	156.6	1,373.9	1,387.1
Rest of Europe	413.5	374.5	6.7	4.7
Americas	48.7	47.9	2.3	3.0
Rest of the world	16.5	15.9	0.4	0.4
Total	**683.3**	**594.9**	**1,383.3**	**1,395.2**

[1] Non-current assets presented consist of property and equipment as well as goodwill and other intangible assets.

The geographical information for non-current assets is based on the location where the assets are held. Operating income is attributed based on the country of domicile of the service provider.

The information about geographical areas is disclosed in accordance with IFRS requirements and does not reflect the way the Group manages its business.

22. RELATED PARTY TRANSACTIONS[1,2]

	2013 CHF M	2012 CHF M
Salaries and other employee benefits	15.0	5.9
Share-based payment expenses	1.1	1.6
Post-employment benefits	0.6	0.1
Termination benefits	0.8	-
Social security expenses	2.9	1.3
Key management personnel compensation	**20.4**	**8.9**
Expense from services provided by associated companies	-	1.0

1 Key management personnel consists of the Board of Directors and the Group Management Board of GAM Holding AG.

2 GAM Holding AG or its subsidiaries obtain from time to time legal advice from, amongst other law firms, Homburger AG, Attorneys-at-law, Zurich, Switzerland. Mr Daniel Daeniker, member of the Board of Directors of GAM Holding AG, is one of more than 30 partners at Homburger AG. These mandates are not considered material either to Homburger AG or to GAM Holding AG. Furthermore, Mr Daeniker does not work on any such mandate for GAM Holding AG or its subsidiaries. Mr Daeniker's independence to fulfil his mandate as a member of the Board of Directors of GAM Holding AG is therefore ensured.

With effect from 18 April 2013, the Group shifted its operating model as a pure financial holding company to a more integrated organisational structure, combining the management responsibility for its operating businesses at Group level. As a result, the former Executive Board became a Group Management Board and its membership was expanded from three to seven members to include core operations and distributions functions.

Services with related parties are transacted at arm's length. The expense from services provided by associated companies relate to investment advisory fees. For information on compensation, loans and share and option holdings of the Board of Directors and the Senior Management in accordance with the Swiss Code of Obligations, see Note 11 of the financial statements for the parent company.

23. SHARE-BASED PAYMENTS

The plans described in detail below reflect the situation as at 31 December 2013. The registered shares that the Company requires to settle obligations under the Group's share-based payment plans are procured in the market.

2009 LONG-TERM INCENTIVE PLAN

On 28 October 2009, to mark the independent listing of GAM Holding AG, the Board of Directors approved the granting of options (each option corresponding to one share with physical settlement) over the Company's shares to every officer and employee of the Group. Since 2010, further options have been granted under this plan, principally to new employees of the Group. It is the current intention of the Company to settle these options by delivering to officers and employees only that number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the share price as at the date of exercise (net physical settlement).

The options that formed the original grant, and which form the vast majority of the plan, all carry an exercise price of CHF 12.28 and vest in four equal, yearly tranches, with the first tranche having vested at grant. Save in limited circumstances (not including change of control events) options are only exercisable after the end of the three-year vesting period and (with the exception of those modified, as detailed below) expired on 15 March 2013.

Each instalment of options granted is accounted for as a separate 'share-based payment arrangement' with associated expenses allocated over the relevant vesting period. Options were valued using a binomial option pricing model.

In September 2011, given concerns that the severity and likely duration of the economic downturn would frustrate certain key objectives for the plan, the Board of Directors decided to offer employees, other than members of senior management, the opportunity to extend the duration of their options. Hence, 7.3 million options were modified by extending the duration of the options in exchange for a 15% reduction (1.1 million options) in the number of options originally granted to each employee. The options for participants who took up this offer continue to vest on the existing schedule, at an unchanged exercise price, but can only be exercised over a 12-month period commencing on 28 March 2014. A revaluation of these options was performed at the date of modification. The resulting increase in fair value of CHF 2.0 million was charged to the income statement over the remaining vesting period (CHF 1.6 million in 2011 and CHF 0.4 million in 2012).

In September 2012, 20.5 million options were modified by extending the duration of the options originally granted to employees who did not participate in the 2011 modification offer. These options continued to vest on the existing schedule, at an unchanged exercise price, but could be exercised until 15 March 2013 instead of 26 January 2013. The short extension was agreed by the Board of Directors to reflect the considerable overlap between the original exercise period, which commenced on 28 October 2012, and the Group's internal restriction on employees trading shares or derivatives over shares of the Company ahead of the publication of its annual results. A revaluation of these options was performed at the date of modification. The resulting increase in fair value of CHF 2.2 million was charged to the income statement in 2012.

The number and weighted average exercise prices of options under this plan are as follows:

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF
Outstanding at the beginning of the year	25,053,168	12.32	29,718,283	12.32
Granted during the year	20,884	12.35	425,732	12.28
Exercised during the year	-17,714,068	12.28	-4,355,755	12.28
Forfeited/cancelled during the year	-347,288	12.28	-735,092	12.29
Outstanding at the end of the year	**7,012,696**	**12.29**	**25,053,168**	**12.32**
of which exercisable at the end of the year	-	-	*17,066,559*	*12.28*

The weighted average share price at the date of exercise for share options exercised in 2013 was CHF 16.98 (2012: CHF 13.36).

The inputs used in the measurement of the fair values at grant date were as follows:

	OPTIONS GRANTED IN 2009	OPTIONS GRANTED IN 2010	OPTIONS GRANTED IN 2011	OPTIONS GRANTED IN 2012
Fair value of share options and assumptions				
Fair value of options at grant date	2.48–2.63	1.98–2.47	1.80–1.97	1.18–1.34
Average remaining contractual life (in months)	15	15	10	16
Share price at grant date	12.28	11.60–13.93	12.35	10.65
Exercise price	12.28	12.28–13.93	12.35	12.28
Expected volatility	40.75%	34.5–38.5%	33.20%	34.50%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.98%	0.51–0.86%	0.40%	0.10%
Expense recognised in 2013 (CHF m)	-	0.1	0.4	0.1
Expense recognised in 2012 (CHF m)	4.4	0.2	0.8	0.4

In January 2013, additional 20,884 options with an exercise price of CHF 12.35 and a fair value of CHF 1.64 were granted.

2013 DEFERRED COMPENSATION SCHEME

On 25 June 2013, members of senior management received share-based grants (options) as a variable deferred element of their total compensation. The options (each option corresponding to one share with physical settlement) carry an exercise price of CHF 14.00 (closing price on 24 June 2013) and will vest on 15 August 2016, subject to recipients continuing to be employed with the Group on the vesting date. It is the current intention of the Company to settle these options by delivering to members of senior management only that number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the average daily closing price on the 124 trading days prior to vesting (net physical settlement).

As of the date of grant, the aggregate fair value of the options amounted to CHF 6.2 million. Expenses are allocated over the relevant vesting period. The options were valued using a Monte-Carlo simulation approach.

The number and weighted average exercise prices of options under this plan are as follows:

	2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF
Outstanding at the beginning of the year	-	-
Granted during the year	3,146,426	14.00
Outstanding at the end of the year	**3,146,426**	**14.00**
of which exercisable at the end of the year	-	-

No options were exercised during 2013.

The inputs used in the measurement of the fair values at grant date were as follows:

	OPTIONS VESTING ON 15 AUGUST 2016
Fair value of share options and assumptions	
Fair value of options at grant date	1.97
Average remaining contractual life (in months)	31.5
Share price at grant date	14.00
Exercise price	14.00
Expected volatility	31.25%
Expected dividend yield	4.50%
Risk-free interest rate	0.17%
Expense recognised for the period (CHF m)	1.0

SHARE PLAN FOR MEMBERS OF THE BOARD OF DIRECTORS

On 25 June 2013, members of the Board of Directors were granted the right to receive an aggregate total of 71,429 shares (with a value of CHF 14.00 based on the closing price of each share on 24 June 2013). These rights will vest on 14 April 2014, the day before the Company's 2014 Annual General Meeting, provided the member is proposed, or decides not to stand, for re-election. Expenses are allocated over the relevant vesting period. In 2013, an expense in the amount of CHF 0.6 million was recognised.

24. FUTURE COMMITMENTS UNDER OPERATING LEASES

The Group has non-cancellable operating leases for premises that usually include renewal options and escalation clauses, but no restrictions imposed on them, and are payable as follows:

	31.12.2013 CHF M	31.12.2012 CHF M
Maturity of up to 1 year	20.0	18.8
Maturity within 1–5 years	54.9	62.6
Maturity within 5–10 years	14.9	24.4
Maturity within 10–15 years	8.7	10.4
Maturity of over 15 years	6.0	9.2
Future commitments under operating leases	**104.5**	**125.4**

For 2013, operating leases in the gross amount of CHF 20.4 million are included in operating expenses (2012: CHF 18.9 million).

Future sublease payments of CHF 0.5 million are expected to be received.

25. CONSOLIDATED ENTITIES

LISTED COMPANY

	PLACE OF LISTING	CAPITALISATION AS AT 31.12.2013 CHF M	HEAD OFFICE	SHARE CAPITAL CHF M
GAM Holding AG	SIX Swiss Exchange	3,006	Zurich	8.661

Swiss securities number: 10265962, Reuters: GAMH.VX, Bloomberg: GAM VX

UNLISTED SUBSIDIARIES

	DOMICILE	CURRENCY	SHARE CAPITAL	EQUITY INTEREST IN %
GAM Group AG	Zurich	CHF	225,000,000	100
GAM (Schweiz) AG	Zurich	CHF	1,000,000	100
GAM Anlagefonds AG	Zurich	CHF	1,000,000	100
GAM Ltd.	Hamilton/Bermuda	USD	2,020,000	100
GAM Investment Management Lugano SA	Lugano	CHF	1,000,000	75
GAM (UK) Ltd.	London	GBP	1,000,000	100
GAM Investment Managers Ltd.	London	GBP	200,000	100
GAM International Management Ltd.	London	GBP	750,000	100
GAM London Ltd.	London	GBP	2,025,000	100
GAM Sterling Management Ltd.	London	GBP	50,000	100
GAM Fund Management Ltd.	Dublin	EUR	126,974	100
GAM Singapore Pte Ltd.	Singapore	SGD	4,600,000	100
GAM Hong Kong Ltd.	Hong Kong	HKD	5,000,000	100
GAM Japan Ltd.	Tokyo	JPY	549,000,000	100
GAM USA Inc.	Wilmington/USA	USD	100	100
GAM Services Inc.	Wilmington/USA	USD	100	100
GAM US Holding Inc.	Wilmington/USA	USD	10	100
Swiss & Global Asset Management Holding AG	Zurich	CHF	10,250,000	100
Swiss & Global Asset Management AG	Zurich	CHF	1,200,000	100
Swiss & Global Fund Administration (Cayman) Ltd.	George Town/Grand Cayman	USD	5	100
Directorate Inc.	Road Town/British Virgin Islands	USD	20,000	100
Swiss & Global Services (Italia) S.r.l.	Milan	EUR	50,000	100
Swiss & Global Asset Management (Italia) SGR S.p.A.	Milan	EUR	2,000,000	100
Swiss & Global Advisory S.A.	Luxembourg	EUR	75,000	100
Swiss & Global Asset Management (Luxembourg) S.A. (including branch offices in the United Kingdom and Spain)	Luxembourg	EUR	4,125,000	100
Swiss & Global Asset Management Kapital AG	Frankfurt	EUR	2,600,000	100

Regarding consolidated structured entities see Note 26.

CHANGES TO SUBSIDIARIES CONSOLIDATED

GAM (Dubai) Ltd. as well as GAM Funding Inc. were liquidated and GAM US Holding Inc. was established.

26. STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group acts as investment manager or investment advisor to a number of investment funds for the Julius Baer branded funds (distributed by Swiss & Global Asset Management) and GAM. The purpose of these investment funds is to generate fees from managing assets on behalf of third-party investors by providing investment strategies. These vehicles are financed through the issue of units to investors. The Group has no contractual obligations to provide financial support to these structured entities.

From time to time, the Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size.

Determining whether the Group controls such an investment fund primarily focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the investment manager.

CONSOLIDATED STRUCTURED ENTITIES

The Group consolidates seed capital investments where it is deemed to have control. Financial investments under control, which are available for immediate sale and for which management expects to complete the sale within one year, are presented in the balance sheet line items 'assets held for sale' and 'liabilities held for sale'. For further details see Note 3.3.

Non-controlling interests are not material to the Group.

UNCONSOLIDATED STRUCTURED ENTITIES

Where the Group acts as an agent for the investors it does not consolidate these investment funds. When the Group holds investments into unconsolidated investment funds they are classified either as financial investments available-for-sale or designated at fair value through profit or loss (for details see Notes 3.3 and 12). The fair value of these investments represents the Group's maximum exposure to loss from its investments into such unconsolidated investment funds.

27. ACQUISITION

On 31 July 2012, GAM Group AG, a wholly owned subsidiary of GAM Holding AG, acquired Arkos Capital SA – subsequently renamed GAM Investment Management Lugano SA (GAM Lugano) – a Swiss investment manager. Under the terms of the underlying agreements, GAM Group AG acquired 74.95% of the issued share capital and voting rights in GAM Lugano immediately. The remaining stake of 25.05%, currently held by the management of GAM Lugano, will be acquired in the future.

Details of the consideration transferred are as follows:

	CHF M
Cash consideration	9.8
Contingent consideration	1.0
Fair value of consideration transferred	**10.8**
Non-controlling interest	0.7
Fair value of net assets:	
- Cash acquired	-4.0
- Other assets acquired and liabilities assumed	1.0
Goodwill	**8.5**

28. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors approved these consolidated financial statements on 3 March 2014. In addition, they must be approved by the Annual General Meeting on 15 April 2014.

KPMG AG
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Report of the Statutory Auditor to the General Meeting of Shareholders of

GAM Holding AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of GAM Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 86 to 150) for the year ended 31 December 2013.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as 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 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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.

KPMG AG

Philipp Rickert	Patricia Bielmann
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 3 March 2014

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

	2013 CHF M	2012 CHF M	CHANGE IN %
Income from investments	279.2	41.5	573
Financial income	3.0	8.6	-65
Other operating income	1.5	7.2	-79
Operating income	**283.7**	**57.3**	**395**
Personnel expenses	93.0	6.7	-
General expenses	5.6	5.0	12
Financial expenses	2.2	1.4	57
Operating expenses	**100.8**	**13.1**	**669**
Profit before taxes	**182.9**	**44.2**	**314**
Taxes	-0.7	1.7	-141
Net profit	**183.6**	**42.5**	**332**

BALANCE SHEET

	31.12.2013 CHF M	31.12.2012 CHF M	CHANGE IN %
Cash and cash equivalents	180.8	182.8	-1
Securities	95.9	47.9	100
Trade and other receivables	13.9	2.7	415
Accrued income and prepaid expenses	130.4	34.1	282
Other financial assets	4.2	3.8	11
Current assets	**425.2**	**271.3**	**57**
Investments	1,684.2	1,728.8	-3
Treasury shares	151.0	213.1	-29
Non-current assets	**1,835.2**	**1,941.9**	**-5**
Assets	**2,260.4**	**2,213.2**	**2**
Due from group companies	130.5	34.7	276
Loans	36.3	-	-
Accrued expenses and deferred income	5.9	7.4	-20
Other liabilities	30.5	2.6	-
Liabilities	**72.7**	**10.0**	**627**
Share capital	8.7	9.2	-5
General legal reserve			
General reserve	5.3	5.3	0
Capital contribution reserve			
Reserve for treasury shares	160.5	234.3	-31
Other capital contribution reserve	1,376.9	1,501.7	-8
Other reserve	452.7	410.2	10
Retained earnings			
Net profit for the year	183.6	42.5	332
Equity	**2,187.7**	**2,203.2**	**-1**
Liabilities and equity	**2,260.4**	**2,213.2**	**2**
Due to group companies	36.8	1.8	-

NOTES

1. ACCOUNTING PRINCIPLES

GAM Holding AG presents its financial statements in accordance with Swiss law.

2. PERSONNEL EXPENSES

The accounting treatment for personnel expenses for share-based payments shows substantial differences between IFRS and Swiss Law. While according to IFRS the costs of our share-based payment schemes reflect the fair value at grant date and are recognised over the vesting period, under Swiss Law, the annual movement in the intrinsic value of the options granted is recognised every year. The personnel expense for 2013 under Swiss law includes a non-cash charge of CHF 82.5 million reflecting the accounting impact of our share price development in 2013 on the 2009 LTIP, which was granted to all employees at the time of separation from Julius Baer.

3. CONTINGENT LIABILITIES

GAM Holding AG is part of a value-added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value-added tax liabilities of other members.

4. SECURITIES

Securities are stated at fair value. Unrealised gains are recorded in financial income, unrealised losses are recorded in financial expenses.

5. INVESTMENTS

Please refer to Notes 14 and 25 of the Consolidated Financial Statements. Dividend income from subsidiaries is recorded in the same period as the corresponding income was earned at the relevant subsidiary.

6. CAPITAL CONTRIBUTION RESERVE

	CHF M
Balance at 1 January 2012	**1,998.4**
Thereof reserve for treasury shares	261.1
Thereof other capital contribution reserve	1,737.3
Cancellation of 12,945,000 shares	-174.6
Distribution to shareholders	-87.8
Balance at 31 December 2012	**1,736.0**
Thereof reserve for treasury shares	234.3
Thereof other capital contribution reserve	1,501.7
Cancellation of 10,125,340 shares	-116.8
Distribution to shareholders	-81.8
Balance at 31 December 2013	**1,537.4**
Thereof reserve for treasury shares	160.5
Thereof other capital contribution reserve	1,376.9

Distribution of capital contribution reserve is exempt from Swiss federal withholding tax of 35% and income tax-free for private investors resident in Switzerland.

7. TREASURY SHARES

	NUMBER OF SHARES	AVERAGE PRICE CHF	TOTAL VALUE CHF M
Balance at 1 January 2012	**19,235,910**	**10.29**	**197.9**
Purchase of treasury shares to cover the Group's 2009 Long-Term Incentive Plan	2,700,000	12.86	34.7
Delivery of shares due to exercise of options	-335,969	11.27	-3.7
Cancellation of shares approved at the Annual General Meeting on 18 April 2012	-12,945,000	10.29	-133.2
Share buy-back programme	10,125,340	11.59	117.4
Balance at 31 December 2012	**18,780,281**	**11.35**	**213.1**
Delivery of shares due to exercise of options	-4,876,862	11.06	-54.0
Cancellation of shares approved at the Annual General Meeting on 24 April 2013	-10,125,340	11.59	-117.4
Share buy-back programme	6,567,929	16.63	109.3
Balance at 31 December 2013	**10,346,008**	**14.60**	**151.0**

The shares are valued at the lower of purchase cost or market price.

8. CONDITIONAL CAPITAL

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the Annual General Meeting on 24 June 1993	10,000,000	0.5

9. RISK MANAGEMENT

Please refer to the Consolidated Financial Statements, Note 4: Comment on Risk and Capital Management.

10. SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2013.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
Silchester International Investors LLP[3]	10.09%	-	**10.09%**
GAM Holding AG[4]	5.97%[10]	-	**5.97%**
Lazard Asset Management LLC[5]	5.32%	-	**5.32%**
BlackRock Inc.[6]	5.01%[11]	0.004%	**5.01%**
Credit Suisse Funds AG[7]	4.51%	-	**4.51%**
FIL Limited[8]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[9]	3.06%	-	**3.06%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.

[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

[3] Silchester International Investors LLP, London, UK (reported on 3 July 2012).

[4] GAM Holding AG, Zurich, Switzerland (as at 31 December 2013).

[5] Lazard Asset Management LLC, New York, USA (reported on 10 July 2013).

[6] BlackRock Inc., New York, USA (reported on 21 September 2012).

[7] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).

[8] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).

[9] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).

[10] As at 31 December 2013, GAM Holding AG also had a sale position of GAM Holding AG shares of 5.91% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to Note 23 of the Consolidated Financial Statements.

[11] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

Based on notifications received by GAM Holding AG, each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2012.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
GAM Holding AG[3]	10.24%[9]	-	10.24%
Silchester International Investors LLP[4]	10.09%	-	10.09%
BlackRock Inc.[5]	5.01%[10]	0.004%	5.01%
Credit Suisse Funds AG[6]	4.51%	-	4.51%
FIL Limited[7]	3.10%	-	3.10%
T. Rowe Price Associates Inc.[8]	3.06%	-	3.06%

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.

[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.

[3] GAM Holding AG, Zurich, Switzerland (as at 31 December 2012).

[4] Silchester International Investors LLP, London, UK (reported on 3 July 2012).

[5] BlackRock Inc., New York, USA (reported on 21 September 2012).

[6] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).

[7] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).

[8] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).

[9] As at 31 December 2012, GAM Holding AG also had a sale position of GAM Holding AG shares of 13.66% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 23 of the Consolidated Financial Statements.

[10] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

11. COMPENSATION, LOANS AND SHARE AND OPTION HOLDINGS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

		BASE PAY/SALARY[3] CHF	SHARE-BASED PAYMENTS[4, 5] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL**[6] CHF
Compensation of the members of the Board of Directors					
Johannes A. de Gier, Chairman and (until 17 April 2013) CEO	2013	1,226,427	499,996	36,904	**1,763,327**[1]
	2012	2,605,830	329,115	65,848	**3,000,793**[2]
Daniel Daeniker	2013	126,136	100,002	-	**226,138**
	2012	117,000	-	-	**117,000**
Diego du Monceau	2013	129,554	100,002	-	**229,556**
	2012	128,500	-	-	**128,500**
Dieter Enkelmann	2013	129,558	100,002	-	**229,560**
	2012	128,500	32,911	-	**161,411**
Hugh Scott-Barrett	2013	157,665	100,002	-	**257,667**
	2012	128,500	32,911	-	**161,411**
Tanja Weiher (joined the Board of Directors on 17 April 2013)	2013	91,722	100,002	-	**191,724**
	2012	n/a	n/a	n/a	**n/a**
Total	**2013**	**1,861,062**	**1,000,006**	**36,904**	**2,897,972**
	2012	**3,108,330**	**394,937**	**65,848**	**3,569,115**

[1] This member's total compensation in 2013 in the amount of CHF 1,763,327 includes CHF 743,749 which he received for the period from 1 January to 17 April 2013 in his role as Chief Executive Officer of GAM Holding AG.

[2] This member's total compensation in 2012 in the amount of CHF 3,000,793 includes CHF 2,709,645 which he received in his role as Chief Executive Officer of GAM Holding AG.

[3] The base pay/salary proportionately includes the fees for the membership in, the role of Chairman of, the Committees of the Board of Directors as follows: (i) CHF 70,000 for the Chairman and CHF 20,000 for each other member of the Audit Committee, CHF 30,000 for the Chairman and CHF 10,000 for each other member of the Governance and Nomination Committee and the Compensation Committee, and CHF 10,000 for the role of Vice Chairman of the Board of Directors, in respect of the one-year term of office from the 2013 to the 2014 Annual General Meeting, and (ii) CHF 20,000 for the membership in the Audit Committee, and CHF 8,500 for the membership in the Governance and Nomination Committee and the Compensation Committee, in respect of the one-year term of office from the 2012 to the 2013 Annual General Meeting and from the 2011 to the 2012 Annual General Meeting.

[4] The share-based payments in 2013 consist of shares which were granted on 25 June 2013 based on the Share Plan for Members of the Board of Directors (in total 71,429 shares were granted with a fair value of CHF 14.00 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 24 June 2013). These shares will vest on 14 April 2014, the day before the Company's 2014 Annual General Meeting (see Note 23 of the Consolidated Financial Statements).

[5] The share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan which was implemented in September 2012; no grants of options were made to the members of the Board of Directors under this plan in the year 2012 (see Note 23 of the Consolidated Financial Statements).

[6] Mandatory employer's social security contributions are not included. For 2013, these contributions in total amounted to CHF 314,009, including such notional contributions in the amount of CHF 101,550 calculated on the share-based payments. For 2012, these contributions in total amounted to CHF 437,490, including such notional contributions in the amount of CHF 52,016 calculated on the share-based payments.

In 2013, no compensation was paid to members of the Board of Directors who left the Board of Directors in 2012 or earlier.
No compensation was paid to closely linked parties of members of the Board of Directors.
No termination fees were paid to any member of the Board of Directors who left the Board of Directors.

No loans to current members of the Board of Directors (or their closely linked parties) were granted and no loans to former members of the Board of Directors (or their closely linked parties) were granted in 2013 or were outstanding at year-end 2013.

		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS)		
			EXERCISE PRICE CHF		EXERCISABLE AS OF
			12.28[2]	13.93[3]	
Share and option holdings of the members of the Board of Directors[1]					
Johannes A. de Gier, Chairman	2013	-	-	-	-
	2012	-	-	-	-
Daniel Daeniker	2013	12,640	-	-	-
	2012	-	-	235,137[3]	13.04.13
Diego du Monceau	2013	-	-	-	-
	2012	-	-	235,137[3]	13.04.13
Dieter Enkelmann	2013	30,869	-	-	-
	2012	30,869	313,517[2]	-	28.10.12
Hugh Scott-Barrett	2013	5,000	-	-	-
	2012	5,000	313,517[2]	-	28.10.12
Tanja Weiher (joined the Board of Directors on 17 April 2013)	2013	-	-	-	-
	2012	n/a	n/a	n/a	n/a
Total	**2013**	**48,509**	**-**	**-**	
	2012	**35,869**	**627,034**	**470,274**	

[1] Including share and option holdings of closely linked parties.

[2] These vested options were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The granted options vested from the date of grant over a three year period in four tranches, with the first tranche having immediately vested at grant date and the last tranche on 28 October 2012. The options (each option corresponding to one share with physical settlement) had an exercise price of CHF 12.28 and were exercisable as of 28 October 2012 until 15 March 2013 (see Note 23 of the Consolidated Financial Statements).

[3] These vested options were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan. The granted options vested from the date of grant over a three year period in four tranches, with the first tranche having immediately vested at grant date and the last tranche on 13 April 2013. The options (each option corresponding to one share with physical settlement) had an exercise price of CHF 13.93 and were exercisable as of 13 April 2013 during the following 90 days (see Note 23 of the Consolidated Financial Statements).

				VARIABLE COMPENSATION			
					DEFERRED ELEMENT		
		BASE PAY/SALARY CHF	TERMINATION PAY CHF	CASH PAYMENTS CHF	SHARE-BASED PAYMENTS CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL**[6] CHF
Compensation of the members of the Senior Management							
Total (seven-member Group Management Board)[1]	2013	5,212,129	800,000	5,331,136	2,817,309[3, 4]	746,988	**14,907,562**
Total (three-member Executive Board)[2]	2012	2,996,041	-	1,968,600	450,339[5]	320,797	**5,735,777**

1 The disclosed compensation for the members of the Senior Management for the year 2013 includes the compensation of all members who served during the course of 2013. While the base pay/salary of members who joined or left the Senior Management in 2013 is included for the period they served as a member of the Senior Management, such members' variable compensation for the year 2013 is, however, not proportionately but fully included. It does not include compensation amounting to CHF 1,019,578 paid to Mr Johannes A. de Gier for his role as Chairman of the Board of Directors of GAM Holding AG.

2 The disclosed compensation for the members of the Senior Management for the year 2012 includes the compensation of the three members of the Senior Management at that time: the Chief Executive Officer, the Group Chief Financial Officer and the Group General Counsel. It does not include compensation amounting to CHF 291,148 paid to Mr Johannes A. de Gier for his role as Chairman of the Board of Directors of GAM Holding AG.

3 Share-based payments in the amount of CHF 500,006 consist of shares which were granted on 30 January 2014 to the Group Chief Executive Officer as a variable element of his total compensation for 2013 (in total 33,223 shares were granted with a fair value of CHF 15.05 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 29 January 2014). The shares will linearly vest over a three-year period in three tranches on 30 January 2015, 30 January 2016 and 30 January 2017.

4 Share-based payments in the amount of CHF 2,317,303 consist of share-based grants which the members of the Senior Management (other than the Group Chief Executive Officer) received based on the 2013 Deferred Compensation Scheme as a variable deferred element of their total compensation for 2013. On the vesting date of 15 August 2016, they will receive a number of GAM Holding AG shares based linearly on any increase in the price of the shares between the closing price on the first trading line at the SIX Swiss Exchange on 24 June 2013 (CHF 14.00, being the option's exercise price) and the average daily closing price on the 124 trading days prior to vesting. If the average daily closing price on the 124 trading days prior to vesting is below the exercise price of CHF 14.00, the options will expire without value. The options (each option corresponding to one share with physical settlement) were valued at a fair value of CHF 1.97 per option (see Note 23 of the Consolidated Financial Statements).

5 These share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan which was implemented in September 2012; no grants were made to the members of the Senior Management under this plan in the year 2012 (see Note 23 of the Consolidated Financial Statements). The value of the share-based payments cannot be compared with Note 22 on share-based payments of the Consolidated Financial Statements as the latter discloses the compensation expenses that have been recognised during the reporting periods.

6 Mandatory employer's social security contributions are not included. For 2013, these contributions in total amounted to CHF 1,392,747, including such notional contributions in the amount of CHF 278,786 calculated on the share-based payments. For 2012, these contributions in total amounted to CHF 662,191, including such notional contributions in the amount of CHF 56,339 calculated on the share-based payments.

				VARIABLE COMPENSATION			
					DEFERRED ELEMENT		
		BASE PAY/SALARY	TERMINATION PAY	CASH PAYMENTS	SHARE-BASED PAYMENTS	PENSION FUND CONTRIBUTION AND VARIA	**TOTAL** [5]
		CHF	CHF	CHF	CHF	CHF	CHF
Details of the compensation of the highest paid member of the Senior Management							
David M. Solo (joined the Senior Management on 18 April 2013)[1]	2013	1,406,567	-	1,200,000	500,006 [3]	273,533	**3,380,106**
Johannes A. de Gier (left the Senior Management on 17 April 2013)[2]	2012	2,347,330	-	-	296,467 [4]	65,848	**2,709,645**

[1] While the base pay/salary of this member who joined the Senior Management on 18 April 2013 is included for the period from 18 April to 31 December 2013, the member's variable compensation for the year 2013 is, however, not proportionately but fully included.

[2] The compensation disclosed includes payments for the year 2012 for the member's role as Chief Executive Officer of GAM Holding AG. It does not include compensation amounting to CHF 291,148 paid to this member of the Senior Management in his role as Chairman of the Board of Directors of GAM Holding AG.

[3] Share-based payments in the amount of CHF 500,006 consist of shares which were granted on 30 January 2014 to the Group Chief Executive Officer as a variable element of his total compensation for 2013 (in total 33,223 shares were granted with a fair value of CHF 15.05 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 29 January 2014). The shares will linearly vest over a three-year period in three tranches on 30 January 2015, 30 January 2016 and 30 January 2017.

[4] These share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan which was implemented in September 2012; no grants were made to the members of the Senior Management under this plan in the year 2012 (see Note 23 of the Consolidated Financial Statements). The value of the share-based payments cannot be compared with Note 22 on share-based payments of the Consolidated Financial Statements as the latter discloses the compensation expenses that have been recognised during the reporting periods.

[5] Mandatory employer's social security contributions are not included. For 2013, these contributions in total amounted to CHF 204,203, including such notional contributions in the amount of CHF 33,223 calculated on the share-based payments. For 2012, these contributions in total amounted to CHF 373,333, including such notional contributions in the amount of CHF 40,912 calculated on the share-based payments.

In 2013, no compensation was paid to former members of the Senior Management who left the Senior Management in 2012 or earlier. No compensation was paid to closely linked parties of members of the Senior Management or former members of the Senior Management.

No loans to current members of the Senior Management (or their closely linked parties) were granted and no loans to former members of the Senior Management (or their closely linked parties) were granted in 2013 or were outstanding at year-end 2013.

		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS)		
			EXERCISE PRICE CHF		EXERCISABLE AS OF
			12.28[2]	12.35[3]	
Share and option holdings of the members of the Senior Management[1]					
David M. Solo (joined the Senior Management on 18 April 2013)	2013	-	-	-	-
	2012	n/a	n/a	n/a	n/a
Johannes A. de Gier (left the Senior Management on 17 April 2013)	2013	n/a	n/a	n/a	n/a
	2012	-	-	-	-
Andrew Wills (left the Senior Management on 15 January 2013)	2013	n/a	n/a	n/a	n/a
	2012	185,000	732,899[2]	-	28.10.12
Andrew Hanges (joined the Senior Management on 18 April 2013)	2013	19,161	-	-	-
	2012	n/a	n/a	n/a	n/a
Craig Wallis (joined the Senior Management on 18 April 2013)	2013	-	-	-	-
	2012	n/a	n/a	n/a	n/a
Marco Suter (joined the Senior Management on 16 January 2013)	2013	12,000	-	187,500[3]	20.07.14
	2012	n/a	n/a	n/a	n/a
Martin Jufer (joined the Senior Management on 18 April 2013)	2013	-	-	-	-
	2012	n/a	n/a	n/a	n/a
Michele Porro (joined the Senior Management on 18 April 2013)	2013	-	-	-	-
	2012	n/a	n/a	n/a	n/a
Scott Sullivan	2013	-	-	-	-
	2012	-	732,899[2]	-	28.10.12
Total	**2013**	**31,161**	**-**	**187,500**	
	2012	**185,000**	**1,465,798**	**-**	

1 Including share and option holdings of closely linked parties.

2 These vested options were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The granted options vested from the date of grant over a three year period in four tranches, with the first tranche having immediately vested at grant date and the last tranche on 28 October 2012. The options (each option corresponding to one share with physical settlement) had an exercise price of CHF 12.28 and were exercisable as of 28 October 2012 until 15 March 2013 (see Note 23 of the Consolidated Financial Statements).

3 These vested options were granted on 20 July 2011 based on the Group's 2009 Long-Term Incentive Plan. The granted options vest from the date of grant over a three year period in four tranches, with the first tranche having immediately vested at grant date and the last tranche vesting on 20 July 2014. The options (each option corresponding to one share with physical settlement) have an exercise price of CHF 12.35 and will be exercisable as of 20 July 2014 during the following 90 days (see Note 23 of the Consolidated Financial Statements).

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND DISTRIBUTION PAYMENT

	2013 CHF M	2012 CHF M
Retained earnings		
Balance brought forward	-	-
Net profit for the year	183.6	42.5
Retained earnings available for appropriation	**183.6**	**42.5**
Allocation to other reserve	-183.6	-42.5
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve[1]	**105.9**	**82.3**

[1] The distribution total of CHF 105.9 million corresponds to a distribution of CHF 0.65 per registered share (excluding 10,346,008 treasury shares held by the Company as at 31 December 2013).

The Board of Directors proposes to the forthcoming Annual General Meeting the following appropriation of retained earnings and distribution payment to the shareholders:

- Distribution of CHF 0.65 per registered share (excluding treasury shares held by the Company) out of capital contribution reserve;
- Allocation of retained earnings of CHF 183.6 million to other reserve.

If the Board of Directors' proposal for the appropriation of retained earnings and distribution payment is approved, the distribution for the 2013 financial year will be paid on 24 April 2014, in accordance with payment instructions, and as this distribution is paid from capital previously contributed there will be no deduction of Swiss federal withholding tax of 35%.

The Board of Directors

Zurich, 3 March 2014

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Report of the Statutory Auditor to the General Meeting of Shareholders of

GAM Holding AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of GAM Holding AG, which comprise the balance sheet, income statement and notes (pages 156 to 167) for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and 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.

KPMG AG

Philipp Rickert	Patricia Bielmann
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 3 March 2014

'FORWARD-LOOKING STATEMENTS'

This Annual Report contains statements that constitute 'forward-looking statements', including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company's future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. The Company has tried to identify those forward-looking statements by using words such as 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'predict' and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company, which could affect the future accuracy of these forward-looking statements, include, but are not limited to, the effects of, and changes in, fiscal, monetary and tax policies; currency fluctuations; the effect of the current economic environment on the financial position or creditworthiness of the Company's clients and counterparties; the Company's ability to retain and attract the employees that are necessary to generate revenues and to manage its businesses effectively; possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements; changes in accounting standards or policies; limitations on the effectiveness of the Company's internal risk management processes, including the occurrence of operational failures; political and social developments, including war, civil unrest or terrorist activity; the adverse resolution of litigation and other contingencies; and changes in the size, capabilities and effectiveness of the Company's competitors. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company's expectations.

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FURTHER INFORMATION

Our website provides further information on GAM Holding AG, including share price data, details of our share buy-back programmes, media releases, historical financial information and an events calendar.

www.gamholding.com

Detailed information on our products and services can be found on:

www.gam.com
www.swissglobal-am.com