GAM | Holding AG

ANNUAL REPORT

2014

CONTENTS

KEY FIGURES

	2014	2013	CHANGE IN %
GROUP INCOME STATEMENT CHF M			
Operating income	623.5	670.2	-7
Operating expenses	406.8	437.1	-7
Underlying profit before taxes	**216.7**	**233.1**	**-7**
Underlying income taxes	39.5	22.9	72
Underlying net profit[1]	**177.2**	**210.2**	**-16**
IFRS net profit	169.0	201.4	-16
GROUP BALANCE SHEET CHF M			
Net cash	643.9	592.6	9
Assets	2,370.7	2,329.7	2
Equity	1,915.9	1,919.7	0
Tangible equity[2]	540.6	551.4	-2
RATIOS			
Cost/income ratio	65.2%	65.2%	-
Return on tangible equity[3]	32.2%	37.3%	-
CLIENT ASSETS - INVESTMENT MANAGEMENT CHF BN			
Assets under management at the end of the year	76.1	69.8	9
Average assets under management[4]	72.9	73.1	0
Net new money[5]	2.4	-2.6	-
Return on assets (bps)	77.8	84.3	-8
Return on assets - excluding performance fees (bps)	68.8	70.5	-2
CLIENT ASSETS - PRIVATE LABELLING CHF BN			
Assets under management at the end of the year	47.1	44.6	6
Average assets under management[4]	46.7	44.5	5
Net new money	-0.8	-1.1	-
Return on assets (bps)	8.8	8.7	1

[1] The underlying net profit for 2014 excludes the adjustment of the GAM Lugano deferred liability of CHF 5.9 million and the impairment of investments of CHF 2.3 million. Including these items, the Group's IFRS net profit for 2014 was CHF 169.0 million.
The underlying net profit for 2013 excludes 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 these items, the Group's IFRS net profit for 2013 was CHF 201.4 million.

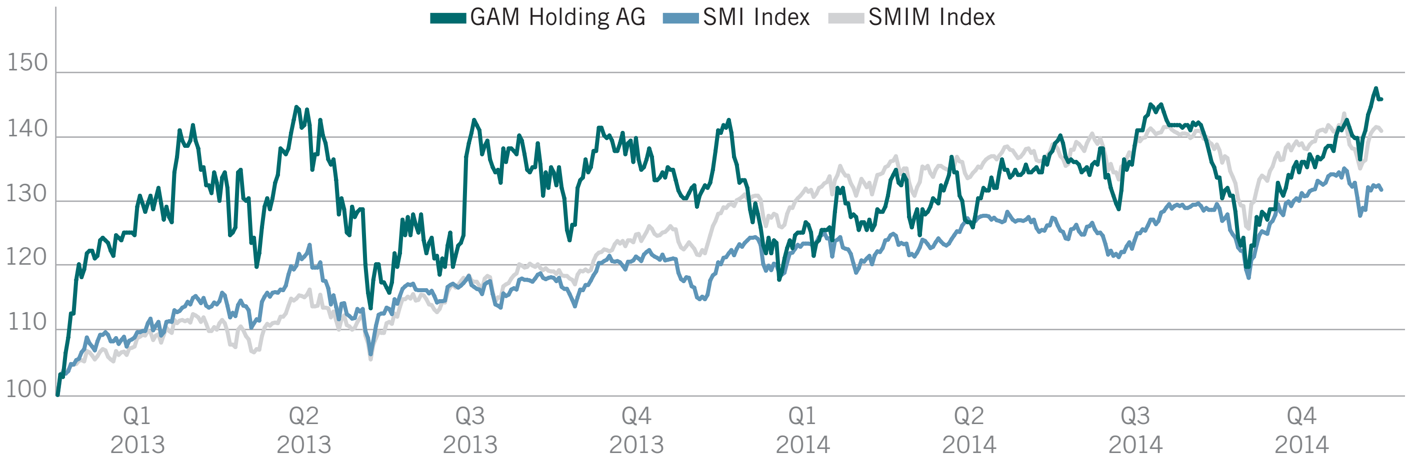
[2] Equity excluding non-controlling interests, goodwill and other intangible assets.

[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).

[5] Includes CHF 361 million acquired from Singleterry Mansley Asset Management in June 2014.

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)

	2014	2013	CHANGE IN %
SHARE INFORMATION CHF			
Basic EPS[1]	1.07	1.26	-15
Closing price	18.00	17.35	4
Highest price	18.20	17.85	2
Lowest price	14.55	12.70	15
Market capitalisation at the end of the year (CHF m)	3,000	3,006	0
Weighted average number of shares outstanding[2]	162,270,492	163,380,288	-1
PERSONNEL			
Number of full-time equivalents at the end of the year	1,094	1,072	2
in Switzerland	348	340	2
in the United Kingdom	372	371	0
in the rest of Europe	265	250	6
in the rest of the world	109	111	-2

1 Underlying net profit excluding non-controlling interests / weighted average number of shares outstanding.
2 Daily weighted average of shares outstanding which excludes treasury shares.

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.

Our Group Management Board

From top left to bottom left
Alexander S. Friedman : Group Chief Executive Officer
Michele Porro : Region Head Continental Europe
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

THE GROUP AT A GLANCE

GAM Holding AG

Independent, pure-play asset manager	CHF 123.2 bn in assets under management[1], of which ▸ Investment management business is CHF 76.1 bn ▸ Private labelling business is CHF 47.1 bn
Substantial resources	149 investment professionals 1,094 employees Strong liquidity and capital base
Global presence and reach	Listed on the SIX Swiss Exchange 5 investment centres (London, Zurich, Lugano, New York and Hong Kong) Offices in 11 countries
Breadth and depth	Distinctive offering covering full spectrum of asset classes and strategies, underpinned by commitment to active investment management
Two leading investment brands[2]	GAM Julius Bär *Funds*

[1] As at 31 December 2014.
[2] Swiss & Global Asset Management is the exclusive manager of Julius Baer Funds.

JOINT LETTER FROM THE CHAIRMAN AND CEO

DEAR READER

We are pleased to present our financial results for 2014.

Profitability was driven by our diversified sources of revenue and a flexible cost base. It remained resilient despite a challenging macro environment. We realised significant growth in assets under management, underscoring the healthy underlying momentum in our business. Our balance sheet and capital base are highly robust.

We have a strong foundation to shape a promising future and we have undertaken a focused strategic growth agenda for the coming years, which builds on our strengths as a leading manager of absolute return, multi-asset and specialised investment strategies, and also addresses attractive secular industry opportunities.

Although near-term financial market conditions remain volatile, we are confident in our ability to deliver on our plans.

For 2014, we report an **underlying net profit of CHF 177.2 million**. This represents a decline of 16% from the previous year. Besides other factors which we will discuss later in this letter, this development is partly due to the return to a more normalised tax rate from the aberrationally low one we experienced in 2013. Earnings per share for 2014 were CHF 1.07, down 15%; this decline is less than the change in our profitability and is attributable to our ongoing share buy-back programme, which is part of our active approach to managing our capital and returning the operating cash flows not required to run and grow our business to our shareholders. In line with our commitment to sustainable dividend payments, subject to shareholders' approval at the upcoming Annual General Meeting on 30 April 2015, the Board of Directors plans to leave the **dividend unchanged at CHF 0.65**.

According to IFRS, net profit was CHF 169.0 million, of which CHF 165.8 million is attributable to the shareholders of GAM Holding AG. The IFRS figure includes two items that are not reflected in underlying net profit: a non-cash charge of CHF 2.3 million for the residual write-down of a minority investment in US-based asset manager QFS which was fully redeemed, and an increase of CHF 5.9 million in the deferred liability related to the former Arkos business acquired in 2012. The latter represents the deferred purchase payment obligation to the previous owners and minority shareholders of Arkos, linked to the profitability of the acquired business. Its actual development and outlook proved to be better than anticipated. The upward adjustment of our deferred liability is therefore a reflection of the success of our acquisition.

On a pre-tax basis, underlying profitability decreased by 7%, driven primarily by reduced performance fees. This revenue category is directly tied to the investment returns of certain investment strategies and is therefore, by definition, variable. A softer contribution from macro/managed futures and non-directional equity strategies led to a decline of 35% from the strong levels we achieved in 2013. Such a degree of fluctuation is natural and is mitigated by three factors. The first is the diversification of our performance fee-eligible strategies. In 2014, performance fees for our unconstrained/absolute return bond strategy were higher than in the previous

"OUR BUSINESS MODEL IS WORKING, AS DEMONSTRATED BY PROFIT RESILIENCE IN 2014."

year, partly offsetting the decline elsewhere. The second is net management fees and commissions, which represent around 85% of our overall operating income and are tied to the level and composition of our assets under management. Net management fees and commissions in 2014 were solid, down 2%, as shifts in the mix of assets under management affected our blended gross margin. Our flexible cost base and spending discipline is the third factor that allows us to respond to variations in operating income. In particular, a substantial portion of personnel expenses is aligned to business and investment performance. As a result, our cost/income ratio for 2014 remained unchanged from the previous year, at 65.2%.

Assets under management in our core investment management business, which represents over 90% of our revenues, rose from CHF 69.8 billion to **CHF 76.1 billion** in 2014. Our private labelling business also experienced an increase in assets under management from CHF 44.6 billion to CHF 47.1 billion. The positive development in investment management was driven by **net new money inflows of CHF 2.4 billion**, helped by currency movements and market performance. Broad-based inflows across our product range as well as the acquisition of Singleterry Mansley – a specialist in US asset and mortgage-backed securities – more than offset net outflows in certain concentrated areas.

For instance, we recorded redemptions in our physical gold ETF, a development that is not surprising in light of the contraction in client demand for the asset class in general. Our traditional funds of hedge funds experienced outflows driven by general industry trends in this area. Furthermore, temporary performance headwinds in our unconstrained/absolute return bond strategy produced some outflows from financial intermediaries, a segment that is more susceptible to performance fluctuations. With its 10-year track record of capital protection across market cycles and superior returns, however, the unconstrained/absolute return bond strategy continued to win substantial inflows from institutional investors, particularly in the US and Asia.

In directional fixed income, specialist products made a strong contribution to net new money inflows throughout the year. Particularly good results came from European asset-backed securities, investment grade credit and catastrophe bonds. In emerging market fixed income, flows were positive for the inflation-linked strategy and for funds investing in hard currency bonds, but negative for our directional strategy focused exclusively on local currency emerging market debt – a generally 'unloved' asset class in 2014. Non-directional equity strategies had strong net new money inflows and represented one of the fastest-growing areas in our absolute return offering. Long-only equity products had robust net inflows too, in particular our well-established and highly active Japan and global equity strategies. Our 2014 results were also positive for two areas where we see attractive further growth potential in the future: our multi-asset class business and customised liquid alternative solutions.

Overall, 2014 demonstrated that our business model is working. At a time when active investment management faced fundamental challenges at an industry level, our unique business mix served to effectively ensure profit resilience and asset growth. Looking forward, we will seek to capitalise on our strengths to address secular industry trends – in particular, ageing demographics in developed markets, wealth creation in Asia and global investor demand for products and solutions that help them to respond to the complex asset allocation needs posed by the current environment of low yields and divergent monetary policy.

It is increasingly evident that **growth opportunities** in asset management will be bifurcated between low-cost passive products and highly active, absolute return/alternative strategies and solutions. Our history, product offering and reputation provide us with the credentials needed to succeed in the latter space. To take one example, thanks to three decades of experience in absolute return investing we have successfully built an alternative UCITS range which now – only five years after its launch – is the number two in the industry. We have also continuously broadened our manager skillset,

> *“OUR GROWTH PLANS FOR THE COMING YEARS ARE AMBITIOUS, BUT IN OUR VIEW REALISTIC.”*

with the latest addition being the hiring in late 2014 of a team specialised in liquid alternatives and quantitative strategies that will help us grow our offering of uncorrelated systematic strategies targeting the needs of institutional investors.

Looking at pension funds, high net-worth individuals, family offices, charities, endowments and their advisors, we see a clear demand for ‘outsourced Chief Investment Officer’ solutions for investment and asset allocation decisions considering specific risk budgets and return targets. With 30-plus years of experience in this segment and current assets under management of approximately CHF 12.5 billion, we are committed to increasing the market penetration of our diverse spectrum of multi-asset class solutions. In order to build a cohesive offering, we are strengthening the investment process, centralising the resources supporting our multi-asset class teams, and plan to invest further in this area.

When appropriate opportunities arise, we intend to complement **organic growth** initiatives with **focused acquisitions**, targeted at balancing our geographic reach and our investment capabilities. From our strong presence in Europe and the UK, we aim to expand our product offering and distribution footprint in the US, the world’s largest pool of institutional assets, and in Asia, where wealth creation will continue to support industry growth. We are also looking to add select investment teams in areas where we see good prospects for skilled active managers to generate superior returns.

Finally, we plan to enhance the operating leverage inherent in our business model. Rather than radical restructurings, we envisage a constant, intellectually honest review and adjustment of our structure. We will seek to eliminate unnecessary complexity and redundancy in our operations, our product offering and our brand architecture.

Our plans are ambitious, but in our view realistic. Our strategy is focused on driving growth while ensuring we are strong and flexible enough to withstand the inevitable headwinds and surprises in today’s volatile financial market environment.

A striking reminder of the volatility inherent in the current market was provided on 15 January of this year, when the Swiss National Bank (SNB) abandoned the minimum Swiss franc exchange rate against the euro. The abrupt appreciation of the franc in January did not cause us any immediate losses. It has also had no material impact on our investment strategies. However, as with any company which reports results in Swiss francs but is exposed to other currencies, we have assessed what this means over the longer term. In our case, a strong franc generally reduces our assets under management, due to the translation of our funds’ base currencies – mostly the euro, US dollar and British pound – into our reporting currency. Depending on how exchange rates develop from here, this will affect our revenues. On the other hand, we also incur a substantial part of our costs outside Switzerland, which will help to mitigate the overall impact on our profitability. While the appreciation of the franc has no bearing on the fundamentals of our business, it underscores the need to manage our cost structure optimally.

Looking at **broader market developments**, there is little doubt that in 2015 there will be elevated levels of volatility. Monetary policy between the major economies is starting to diverge and central bank liquidity continues to drive equity market valuations and suppress yields. Developed economies are still struggling with the after-effects of the 2008 financial crisis, and the pace of political and fiscal reform is highly uneven, creating huge gaps in competitiveness between (and within) major economic regions. Conventional wisdom suggests that this kind of market environment will be difficult for asset managers. We, on the other hand, believe that for truly active investors like us, increased volatility – while certainly challenging – offers a more desirable backdrop to producing alpha through conviction investing, which is core to our firm's DNA.

In closing we would like to express our thanks to our previous Group CEO, David M. Solo, who stepped down at his own request in September 2014. David played a critical role in building the robust business that we have the honour of leading today.

The state of our business is sound, and we are highly focused on accelerating our growth efforts. Thanks to the tireless support of our employees, and the trust we enjoy from our clients and shareholders, we expect to be able to execute successfully on our strategy.

With best regards,

Johannes A. de Gier	Alexander S. Friedman
Chairman	Group CEO

Zurich, 3 March 2015

BUSINESS REVIEW

Strategy and 2014 performance

INDUSTRY TRENDS

- **Robust industry growth** spurred by demographic trends in developed markets and wealth creation in Asia
- **Search for reliable investment returns** in low-yielding environment impacts investor demand
- **Alternative / absolute return** and highly active investing poised for growth
- Challenging asset allocation decisions increase the demand for **multi-asset class solutions**
- Asset management regulation adds **costs and complexity**

OUR STRATEGIC RESPONSE : MID-TERM GROWTH INITIATIVES

- **Balance geographic and product footprint** – add investment capabilities and expand client coverage in the US and Asia
- Leverage our **DNA as leading alternative / absolute return investors**
- Capitalise on and expand **our multi-asset class capabilities**
- **Enhance operating leverage** through cost efficiency and brand building

OUR MID-TERM FINANCIAL TARGETS

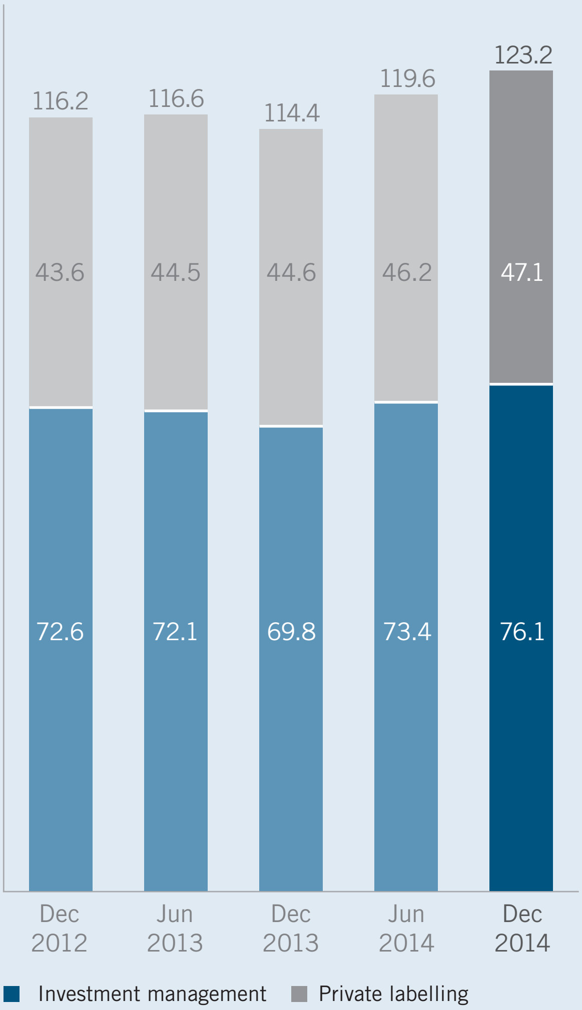
Over a business cycle, we aim to achieve:

- **annualised growth of basic earnings per share in excess of 10%**
- **a cost/income ratio of 60–65%**

PERFORMANCE AGAINST TARGETS

- **Basic earnings per share** declined 15% year-on-year to CHF 1.07. Decline in profitability was slightly offset by a reduction in weighted average shares outstanding through ongoing share buy-backs
- **Cost/income ratio** of 65.2%, unchanged from 2013. Flexible cost base enabled reduction of costs in line with revenue decrease

ASSETS UNDER MANAGEMENT (CHF BN)



INVESTMENT MANAGEMENT

Description

- All investment strategies, mandates and funds managed across the Group, for institutional and private clients as well as financial intermediaries; represents over 90% of the Group's revenues

2014 snapshot

- Net new money inflows of CHF 2.4 billion across product range
- Positive impact from currency and market performance
- 80% of assets in funds outperforming their benchmark over three years (excluding segregated accounts and mandates)

PRIVATE LABELLING

Description

- Outsourcing and private labelling solutions for third parties (fund administration and management company services); represents approximately 7% of the Group's revenues

2014 snapshot

- Net new money outflows of CHF 0.8 billion reflecting redemptions from private labelling clients and the closure of certain partnerships
- Partly offset by mandate wins and fund launches in Switzerland as well as favourable market performance and currency effects

Our strategy

OUR STRATEGIC POSITIONING

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

We are an independent Group, focused exclusively on asset management for institutional and private investors. Our autonomy enables us to pursue and develop our business free from the compromises, restrictions and pressures typical for larger financial conglomerates. This makes us an attractive home for investment talent and a preferred partner for our clients.

CORE BUSINESS : ACTIVE INVESTMENT MANAGEMENT

Our Group is run with the long-term view required for successful active investing. This approach is reflected in our investment-led culture, processes and structures, which are designed to foster independent thinking and facilitate nimble and swift action. Decentralised investment decision-making and the absence of a 'house view' give our investment professionals the freedom to realise the full potential inherent in their portfolios.

The heads of all our investment management teams report directly to the Group CEO. The skills of our 149 in-house professionals are complemented by select third-party specialist managers, with proven expertise in their respective areas. 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. We generally measure the success of our active strategies by their ability to meaningfully outperform an appropriate benchmark over a rolling three-year period.

The individual investment teams share their opinions informally and at regular meetings. This creates an environment where investment ideas and market information are shared and macroeconomic views debated and challenged. Investment decision-making is supported by robust investment processes, sophisticated risk management systems and rigorous portfolio monitoring.

We aim to focus exclusively on client segments seeking premium active management as opposed to benchmark-oriented and minimum-fee products.

In addition to our core investment management business, we also run 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.

FINANCIAL STRENGTH : CAPITAL DISCIPLINE AND SUSTAINABLE 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.

Our business activities generally do not consume high amounts of capital, but generate strong levels of cash. We are therefore 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 – not required for the growth of our business – 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 sole focus on asset management allows us to take advantage of growth opportunities in a consolidating and evolving industry – by employing or partnering with talented investment professionals, expanding our distribution partnerships in target markets, or making accretive and complementary acquisitions when such opportunities arise. The goal of any such steps

"OUR FINANCIAL STRENGTH PROVIDES US WITH THE FOUNDATION TO EXECUTE ON OUR STRATEGY."

will be to position the Group to capitalise on areas of growing client demand.

When evaluating potential growth investments – organic and M&A – as well as partnerships, we are very disciplined and prudent: 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.

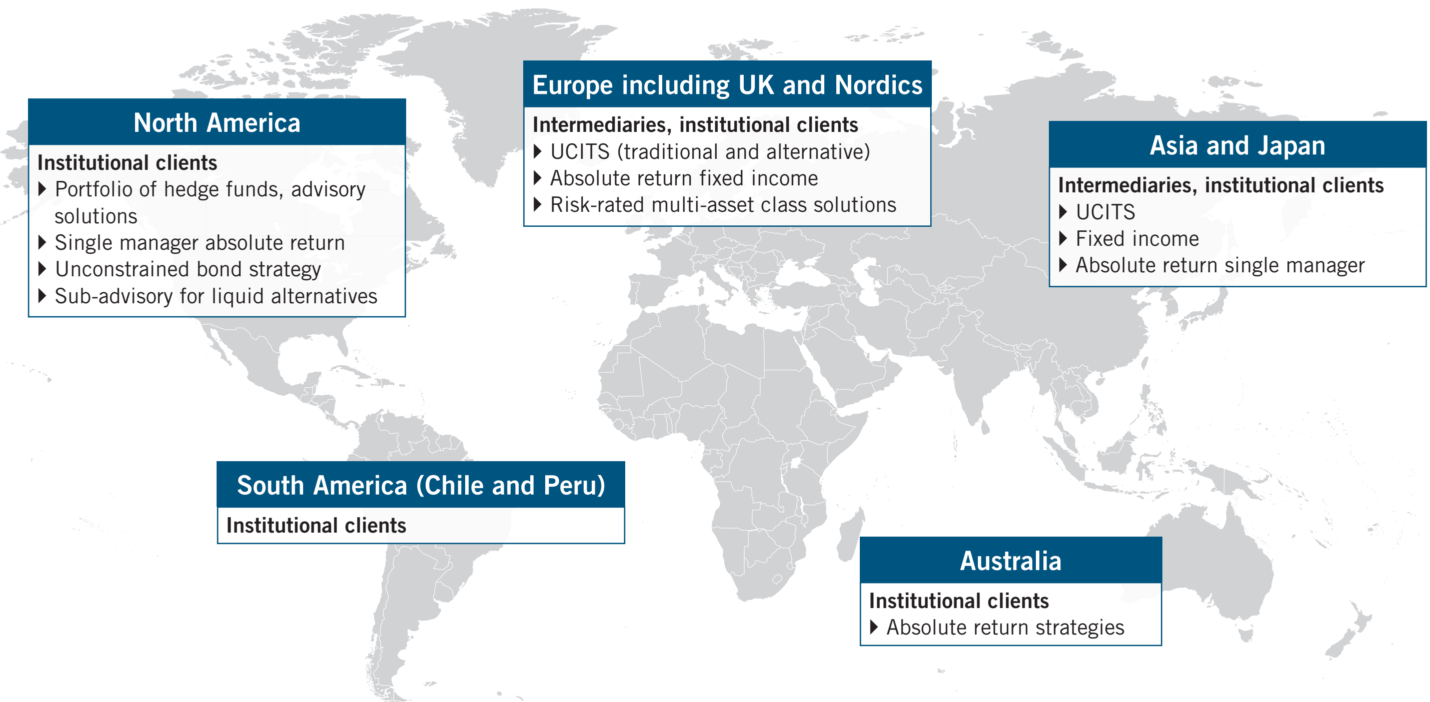
DISTRIBUTION AND PRODUCT DEVELOPMENT : DIVERSIFICATION ACROSS ASSET CLASSES, CLIENT SEGMENTS AND GEOGRAPHIES

The diversification of our business enables us to mitigate as far as possible the impact of cyclical fluctuations in financial markets and investor demand.

It starts with a broad mix of capabilities, which covers all asset classes. We market our offering under two well-established brands – GAM and Julius Baer Funds. These brands have complementary strengths in different geographic markets and client segments, allowing us to target institutions, charities, private investors and third-party asset managers around the world. They are served by 82 relationship managers who in turn are supported by over 100 employees in marketing, sales support and product specialists working in eight countries.

As an asset manager without a captive distribution arm, we maintain a strong network of distribution partners, including financial intermediaries and financial advisers. Private investors in mutual funds are particularly sensitive to investment trends and broader financial market developments,

GLOBAL DISTRIBUTION STRATEGY: CORE MARKETS AND PRIORITIES



“A DIVERSIFIED BUSINESS ENABLES US TO MITIGATE MARKET FLUCTUATIONS AND CYCLICAL INVESTOR DEMAND.”

with highly concentrated inflows into a limited number of strongly performing products and accelerated outflows during extended market downturns. Therefore, we offer our distribution partners a broad range of products across asset classes and investment styles, in order to ensure a successful rotation of products across market cycles.

Institutional investors, in comparison, show a more resilient demand for active and alternative strategies across market and performance cycles, making them an important client segment for us. In this growing market, we compete based on longer-term performance track records, demonstrated risk management skills, the depth and tenure of investment teams and our corporate reputation. Given the significant intermediation through investment consultants, we ensure our sales and marketing organisation is equipped to deal with the demanding selection and decision-making processes of these counterparties. We focus on providing tight, compelling investment propositions and customised solutions. All of these are backed by advanced risk management techniques designed to address the stringent requirements institutional clients face from their stakeholders, such as beneficiaries and supervisory bodies.

In designing our offering, we place great importance on cooperation and alignment between marketing, distribution, product development and our investment management teams. This ensures that value propositions and product innovation are targeted, but at the same time driven by a constant search for sustainable, long-term return opportunities. Seed capital investments, in line with the guidelines approved by the Board of Directors, allow us to develop credible track records ahead of the emergence of popular trends in client demand. Our operational infrastructure supports a range of structures and regulatory domiciles, giving us the flexibility required by a global and diverse client base. This allows us to cultivate a successful and attractive product pipeline, without the conflicts or tensions that come from being part of a financial institution with captive distribution channels.

INDUSTRY TRENDS[1]

ROBUST INDUSTRY GROWTH SPURRED BY DEMOGRAPHIC TRENDS IN DEVELOPED MARKETS AND BY WEALTH CREATION IN ASIA

After a substantial period of stagnation following the 2008 financial crisis, the volume of professionally managed assets across the globe is increasing again. According to The Boston Consulting Group[2], industry assets under management rose to a record USD 68.7 trillion in 2013. The increase came primarily from higher asset values but also from new flows, driven by revived interest in rising equity markets. There was growth in developed markets but a slowdown in Latin America. In Asia, Japan and Australia grew at a stronger pace in 2013 than the remainder of the region.[2]

Over the last 10 years, Asia has shown the fastest growth, with an annual rate of 9%. However, over the full decade, 87% of incremental assets came from US and European mutual funds, which combined account for 88% of global assets under management.[3] Together with Japan and Australia, North America and Europe also provide the largest pools of institutional assets, and ageing populations with longer life expectancies will continue to support their growth into the future. Individuals in these regions will need to save more to secure their standard of living. In addition, the reduction – or absence – of adequate public sector pension solutions will mean that the majority of retirement assets will be primarily held in vehicles and plans managed by professional investors in the private sector.

Another supportive trend for the asset management industry remains wealth creation driven by economic growth – a factor that will continue to drive opportunities in Asia.

[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] The Boston Consulting Group, Global Asset Management 2014 – Steering the course to growth, July 2014.
[3] Goldman Sachs Global Investment Research, Competitive positioning in the global asset management industry, October 2014.

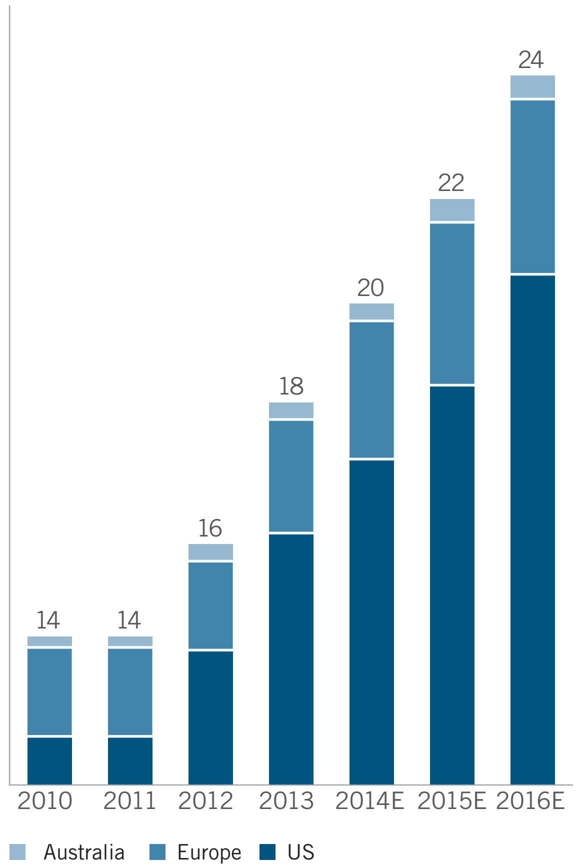
SEARCH FOR RELIABLE INVESTMENT RETURNS IN A LOW-YIELD ENVIRONMENT IMPACTS INVESTOR DEMAND

Since 2008, asset prices have been driven by coordinated and unconventional central bank policy. This unprecedented broad-based lowering of interest rates and surge in global liquidity has compressed yields and driven up equity valuations. It is clear that, over the medium to long term, investors cannot expect assets to perform the way they have over the past three years. When it comes to retirement assets in particular, investors increasingly appreciate the fact that capital is not primarily to be used to maximise short-term returns but to satisfy the demanding liabilities of the future.

Over the short to medium term, the search for higher returns and the need to preserve purchasing power in a world with negative real interest rates should continue to drive even the most conservative investors back into equities. This is particularly true for those who have longer investment horizons and more tolerance for short-term volatility.

However, a large share of investors – in particular institutions – will need to remain invested in fixed income for a number of reasons. Firstly, demographic trends in developed markets inevitably reduce the time span over which pension funds can absorb investment risks and equity market volatility. In a number of countries, regulation prescribes that retirement schemes and insurances invest the majority of their assets in fixed income assets. In addition, new accounting standards designed to reflect more accurately the funding levels of corporate pension funds are leading to higher volatility in pension deficit charges. All of this results in a reduction in the equity allocations of pension funds just when the overwhelming majority of available bond investments return less than 2%, and most funds require stronger returns to meet their future obligations.

GLOBAL AUM FORECASTS IN USD TRILLION[1]



[1] Source: Goldman Sachs Global Investment Research, Competitive positioning in the global asset management industry, October 2014.

Driven by these requirements, investor demand is undergoing a structural shift, reducing allocations to traditional bond or equity investments in favour of specialist and absolute return strategies that employ alternative investment techniques or unconventional instruments in order to generate higher and more reliable returns and reduce volatility.

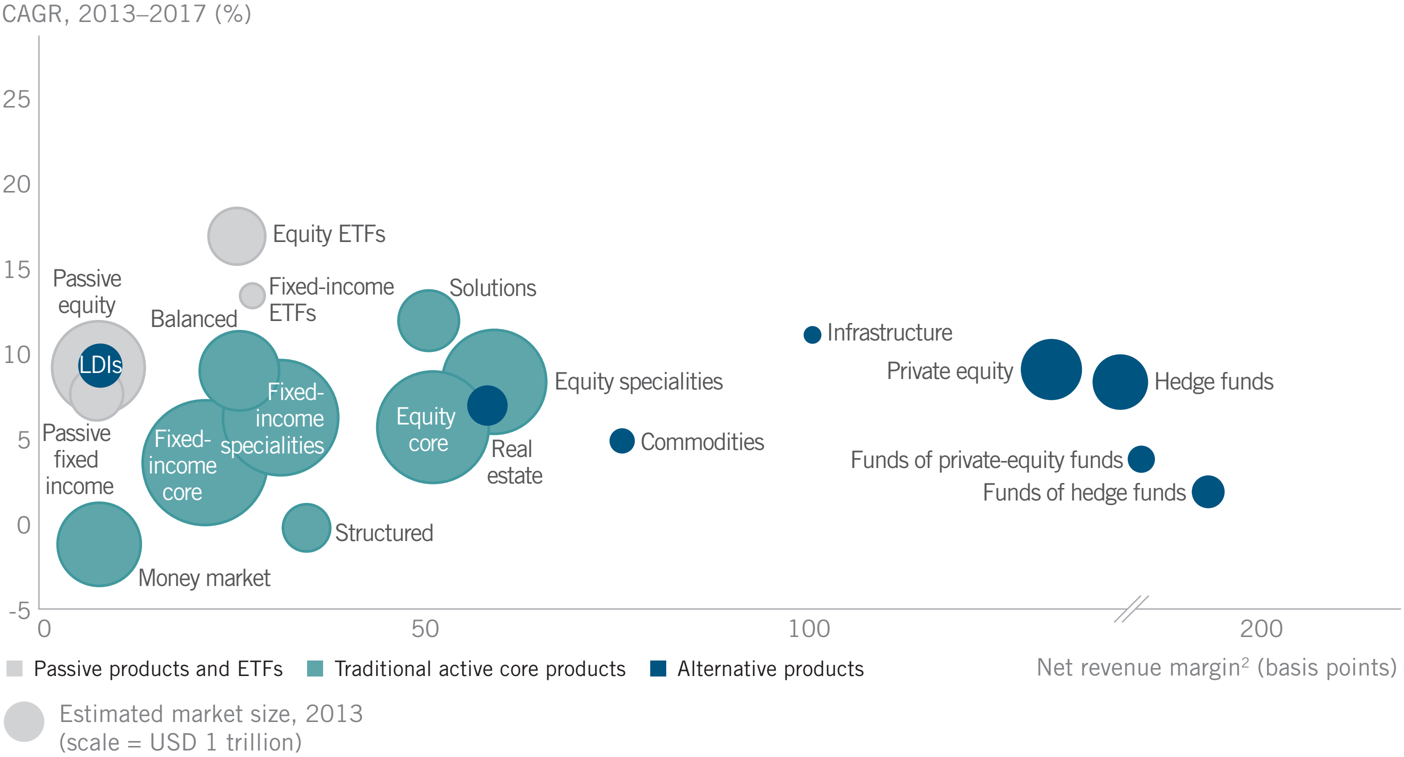
ALTERNATIVE / ABSOLUTE RETURN AND HIGHLY ACTIVE INVESTING POISED FOR GROWTH

Over the past six years, mutual fund sales in Europe and the US have seen two poles of growth: the low-cost passive sector on the one hand, and differentiated, specialised and highly active strategies on the other. This is a trend we see continuing well into the future.

Bifurcated growth at the two ends of the spectrum – passive and alternatives – will add pressure on the historically dominant traditional mutual funds with little active investment content, whose market share will continue to shrink. According to The Boston Consulting Group, the share of traditional 'actively' managed assets is expected to decline to less than half of global assets under management by 2017, with so-called 'closet indexers' being squeezed out of the market. At the active end of the spectrum, their products will be replaced by actively managed speciality investments in both equity and fixed income (such as emerging market assets, asset-backed securities, convertibles, credit, high-yield, etc.) as well as absolute return and alternative investments, making fee levels for these market participants fairly resilient for many years to come.

This development is evidenced by the success of sophisticated strategies offered in the form of regulated products around the world. For instance, between 2008 and 2014 the market for alternative UCITS grew from EUR 34 billion to EUR 231

GROWTH BY PRODUCT TYPES : BY 2017[1]



LDI = Liability-driven investment

[1] Source: The Boston Consulting Group, Global Asset Management 2014: Capitalizing on the recovery, July 2014.

[2] Management fees net of distribution costs.

“STRUCTURAL SHIFTS IN CLIENT DEMAND FAVOUR SPECIALIST AND ALTERNATIVE STRATEGIES TO COMPLEMENT ALLOCATIONS TO PASSIVE PRODUCTS.”

billion.[1] As the UCITS format becomes a standard not only for European but also for Asian investors, we expect this field to attract more alternative investment managers in the coming years. In the US, alternative products have seen similar annual growth rates of around 40%, particularly those offered through ’40 Act funds.[2,3] Over the next three years, McKinsey expects direct allocations to these strategies to increase further across client segments – these include the insurance sector, pension funds, endowments and foundations as well as individual investors.[3] Large and sophisticated investors will focus on customised solutions with controlled beta and volatility.

Looking at passive investments, it is clear that with their ability to provide investors with broad-based market exposure at attractive prices, this category will continue to grow in both the retail and institutional space. The ongoing fierce pricing competition in the passive investment segment will, however, increase the pressure for consolidation and only dominant, large-scale providers will be able to profit over the longer term. The wide-spread use of passive index products is also essentially creating an industry-wide cost and performance benchmark, while at the same time eroding the returns these products claim to offer by influencing the prices of underlying securities rather than reflecting them. This increases the scope for active managers with the ability and skills to deviate from benchmark allocations to create meaningful long-term outperformance.

In light of the need for higher investment returns, passive investments will have to be complemented by dynamic allocations to strongly performing active funds and alternative strategies. Such allocations are widely seen in the 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, and further support the success of alternative / absolute return strategies.

CHALLENGING ASSET ALLOCATION DECISIONS INCREASE THE DEMAND FOR MULTI-ASSET CLASS SOLUTIONS

In the coming years we expect the investment environment to be driven by divergence. Major central banks have already started to follow different courses in their policies. The pace of economic and fiscal reform between countries within single regions is highly uneven, creating huge gaps in competitiveness between nations and within sectors. In addition, rising geopolitical tensions are likely to create unpredictable divides between states, affecting global trade and a number of industries around the world. This will affect the performance of financial investments, which we anticipate to be highly unequal not only across, but also within asset classes. Combined with an ever-increasing choice of investment products and the pressure to generate reliable and, over the long term, higher returns, allocation decisions for investors are becoming increasingly complex.

Rather than simply selling products, asset managers will therefore be confronted with the requirement to provide solutions to investors’ problems. Private investors, endowments and charities will look for holistic approaches across all asset classes that cater to their individual risk profiles and provide the required level of diversification and downside protection. These clients and their advisors will hand complex asset allocation decisions to professional partners who will act as ‘outsourced Chief Investment Officers’. With a 10-year compound annual growth rate of 13%, multi-asset funds have in fact outpaced most other types of products.[4] We expect this trend to continue and fuel both the need for customised portfolio management as well as model-based allocations in the form of risk-rated mutual funds.

Institutions will need flexible allocations that take into account the dynamics of the market environment and of correlations between asset classes, combined with their long-term return objectives and their specific appetite for risk. Successfully developing and marketing such capabilities, as well as managing the complexity of a solutions-oriented business,

[1] Absolut Research, Absolut monitor alternative UCITS, Q4 2014.
[2] Deutsche Bank, From alternatives to mainstream (part two), September 2014.
[3] McKinsey, The trillion-dollar-convergence: Capturing the next wave of growth in alternative investments, August 2014.
[4] Goldman Sachs, Global Investment Research, Global flows in 2014, December 2014.

requires deep technical knowledge, long-standing experience in risk management, pricing discipline and flawless operations delivered by nimble middle and back offices. Sales cycles in this segment are often longer for customised products than for simpler mandates or comingled funds. Customised products can, however, help asset managers build longer-term relationships directly with their clients – overcoming, to a certain extent, the intermediation by investment consultants.

ASSET MANAGEMENT REGULATION ADDS COSTS AND COMPLEXITY

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. Higher 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 driving up competitive pressure and the cost of cross-border distribution of active and more sophisticated investment products. Combined, these factors will over the longer term benefit groups like ours 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.

"WE WILL ACTIVELY SEEK TO EXPAND OUR FOOTPRINT AND SHARE OF BUSINESS IN THE US AND ASIA."

MID-TERM GROWTH INITIATIVES

BALANCE OUR GEOGRAPHIC FOOTPRINT – ADD INVESTMENT CAPABILITIES AND DISTRIBUTION COVERAGE IN THE US AND ASIA

Geographically, we have had the largest local presence and client base, as well as the strongest and broadest recognition, in the UK and Continental Europe. Over the coming years, we will actively seek opportunities to expand our footprint and share of business in the US and Asia. In the US, we plan to progressively grow our local investment capabilities and the breadth of our offering. We will look to add capabilities where there are good prospects for skilled active managers to generate superior returns, such as equities, credit and distressed assets as well as multi-asset class and alternative solutions (discussed in detail further below).

In Asia Pacific, one of the most attractive markets is Australia where the progressive shift towards international providers in the superannuation market has already been an important driver of the growth in our fixed income capabilities. Increasing our distribution strength in key Asian markets, in particular in the ASEAN countries and China, remains an important objective going forward.

In order to balance our offering and our geographic presence, we intend to make targeted organic investments such as the hiring of local teams. We will also seek partnerships, for instance in distribution, and take advantage of opportunities for accretive fill-in acquisitions.

LEVERAGE OUR DNA AS LEADING ALTERNATIVE / ABSOLUTE RETURN INVESTORS

The importance of absolute return and alternative investment strategies will continue to grow, as described above, in particular at the expense of conventional, benchmark-oriented active investment funds. This trend plays to our heritage, which combines the investment culture and skills typically found in the alternative sector, and the robust infrastructure and processes of traditional asset management houses. This is demonstrated by the success of our single manager fund range in the alternative UCITS market, which we entered in 2009 and where we now are the number two both in terms of number of products and assets.[1]

Our operating platform allows us to offer alternative and absolute return strategies in a variety of structures – onshore or offshore funds, segregated mandates and customised solutions – making them a central part of our offering. This breadth enables us to grow across client segments. In particular, our proven expertise in due diligence, and risk and liquidity management across market cycles gives us the credibility to compete successfully with institutional investors globally.

In late 2014 we expanded our bench of alternative investment talent with the hiring of a quantitative team specialised in liquid alternatives (see also "Investment Management, 2014 Initiatives and Achievements"). The team has taken over our risk premia solution and will help us to introduce further uncorrelated systematic strategies targeting the needs of institutional investors. We will continue to look for similar opportunities to further expand our resources and skillset.

CAPITALISE ON AND EXPAND OUR MULTI-ASSET CLASS CAPABILITIES

Our multi-asset class capabilities are highly diversified, with total assets under management of approximately CHF 12.5 billion (as at 31 December 2014). We cover a broad set of client segments – from pension funds, family offices, charities and independent financial advisers to private individuals. Global wealth creation, regulatory and industry trends will increase their demand for advice on investment decision-making and for asset allocation solutions. We therefore believe they will provide the best growth opportunities at overall attractive margins over the coming years.

The individual teams have compelling long-term track records in their respective fields and an established presence in their historical core markets. To date, they have been operating

[1] Absolut Research, Absolut monitor alternative UCITS, Q4 2014.

> *OUR GROWTH EFFORTS ARE TO BE COMPLEMENTED BY THE SEARCH FOR GREATER EFFICIENCY.*

relatively independently from each other. Through a pooling of these skills and a targeted push in distribution and marketing, we will now aim to increase our global market penetration.

We are taking steps towards building a more cohesive offering which combines the resources and skills of our multi-asset teams around the world. We are establishing a global investment process to provide more consistency while still giving scope to local tailoring. We have strengthened our Investment Advisory Board (IAB), which brings together a number of senior in-house investment specialists and independent, external global strategists. The IAB meets regularly to discuss its strategic and tactical views, in order to enhance our understanding of market dynamics and the opportunities they create.

Our multi-asset class offering will encompass today's capabilities in the areas of relative return, absolute return and risk-rated solutions. It will be complemented by income solutions, which we are in the process of developing. In the future, we envisage adding allocations centred on environmental, social and governance (ESG) considerations, an area where we see a long-term growth trend. According to industry surveys, in the US these assets now account for more than one out of every six dollars under professional management and are showing double-digit annual growth rates in Europe.[1]

All our solutions use a variety of instruments, ranging from single securities to funds, including third-party funds, passive products and smart ETFs. To support our multi-asset class professionals, we are increasing the quality and quantity of the resources available to them. This includes our in-house specialist manager/financial instruments research team, which now acts formally as a resource for the entire multi-asset class group.

ENHANCE OPERATING LEVERAGE THROUGH COST EFFICIENCY AND BRAND BUILDING

Our growth efforts will be complemented by the search for greater efficiency. Rather than radical restructurings, we envisage a constant, intellectually honest review of our set-up. By eliminating unnecessary internal complexity and focusing our efforts where they really make a difference in achieving our ambitions, we maintain a strong grip on costs and over time aim to enhance the operating leverage of our growth initiatives. In the near future, we will look particularly at three areas: the active management of our product offering, our operations and our brand architecture.

Over the past five years, we have successfully shifted and diversified our product shelf towards a broad range of high-growth and higher margin segments. While innovation and time-to-market have become important drivers for our seeding pipeline, the expansion of our offering and move into new markets call for structured and disciplined lifecycle management, in order to focus our product management, sales and marketing efforts on turning new launches into commercial successes and on areas with the biggest growth potential.

As part of our diversification strategy, we need to cover a multitude of product structures and address the complex and evolving regulatory requirements of different fund domiciles and distribution markets. This flexibility requires a nimble operations platform. However, as a result of our history, our infrastructure, systems and processes may be more fragmented across our legal entities than required. We have started to analyse the entire operations and technology ecosystem supporting our investment capabilities and product offering, with the aim of identifying areas where we can achieve greater consistency and efficiency without sacrificing scope and diversification.

[1] US SIF, Eurosif, 2014.

Finally, we believe that brands, along with compelling investment track records, are important growth drivers, especially for independent asset managers. In order to focus our brand-building resources, we want to simplify our brand architecture. In the coming months, we will discontinue the use of the Swiss & Global Asset Management name. Instead, we will strengthen GAM as the Group's master brand and focus on positioning our two product brands – GAM and Julius Baer Funds. This move is consistent with our transition to an integrated Group structure, initiated in 2013, and will make our communication and marketing efforts more effective and efficient. In particular, it will provide a solid foundation to increase the impact of our content marketing activities, which we plan to intensify and broaden. Brand building will therefore form an integral part of our future growth strategy.

MID-TERM FINANCIAL TARGETS[1]

Over a business cycle, 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. Performance against this objective is best measured by **annualised growth of basic earnings per share**, which we will aim to be **in excess of 10%**

- 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%**

Sustainable efficiency and profitability will always take precedence in our business decisions. Net new money growth is one of the key drivers of profitability and operating leverage, and therefore implicitly included in our mid-term financial targets above. For this reason, we have decided to no longer include a specific quantitative target for annualised net new money growth (previously set at 5–10% in investment management and 5% in private labelling).

[1] 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 38.

What we do

INVESTMENT MANAGEMENT

In investment management, we offer clients directional and non-directional strategies across a breadth of asset classes as well as alternative strategies. 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, including customised solutions.

INVESTMENT CAPABILITIES

The breadth of our product range, distributed under the GAM and the Julius Baer brands, stems from our expertise in identifying investment talent from across the asset management industry. Having pioneered the open architecture approach by working with external managers in the 1980s, GAM has now developed into a home for investment skill, with 149 in-house professionals based in London, Zurich, Hong Kong, New York and Lugano. In select areas we continue to work with third-party investment specialists, and a number of the industry's leading managers distribute their strategies exclusively under our brands.

In **equity**, we offer highly active funds following directional as well as absolute return strategies, with a regional or thematic focus. Each team works with its own internal research, following its distinct approach but benefiting from our collaborative and collegial culture, which allows teams to share insights, views and information. As a result we are able to offer a broad range of investment styles, including value, growth and GARP (growth at a reasonable price), and running the gamut from thematic approaches to pure bottom-up stock pickers. Our strategies are typically benchmark-agnostic and, as a consequence, deviate significantly from conventional market indices.

The **fixed income** range, an important pillar of our offering, covers the breadth of fixed income instruments and diverse active investment styles. Investors can access strategies that seek excess returns relative to a benchmark by investing in specialist areas such as catastrophe bonds, mortgage and asset-backed securities and a broad range of developed and emerging market credit. Total and absolute return approaches, on the other hand, aim to offer more dynamic sets of returns across market cycles, using active asset allocation across bond sectors and focusing on yield generation and downside protection.

In **currencies**, we offer traditional fundamental active foreign exchange management and quantitative short-term foreign exchange strategies. Our innovative physical metals funds include aluminium, copper, gold, platinum, silver and zinc. We also offer highly active strategies that invest in commodity futures, with rotating exposures across agriculture, energy and metals.

Our **alternative investments solutions** team is one of the most experienced and knowledgeable in the industry. Its expertise, gained over more than 25 years of managing portfolios of hedge funds for a broad global client base, is combined with a disciplined and structured investment and risk management process. It offers multi-manager and quantitative, liquid alternatives capabilities as well as bespoke portfolio management.

INVESTMENT MANAGEMENT AT A GLANCE

- Comprises all investment strategies, mandates and funds managed and distributed across the Group for our institutional and private clients as well as financial intermediaries
- Covers both product brands GAM and Julius Baer Funds
- Assets under management as at 31.12.2014: CHF 76.1 billion, contributing over 90% of the Group's revenues

INVESTMENT CAPABILITIES BY ASSET CLASS

Absolute return	Fixed income	Equity	Alternative investments solutions	Multi-asset class solutions	Commodities
Fixed income ▸ Unconstrained/ absolute return bond ▸ Emerging markets debt **Macro/managed futures** **Equity long/short** ▸ Global ▸ Europe ▸ Emerging markets ▸ Non-directional ▸ Thematic **Currencies** **Commodities futures**	**Global** ▸ Traditional ▸ Total return ▸ Inflation linked **Regional** ▸ Europe ▸ US ▸ Emerging markets **Specialist** ▸ Cat bonds ▸ Emerging market credit ▸ Developed market credit ▸ Mortgage- and asset-backed securities ▸ Convertibles	**Regional** ▸ Global ▸ North America ▸ Europe ▸ Asia ▸ Emerging mkts ▸ Active ETFs **Thematic** ▸ Energy ▸ Healthcare ▸ Infrastructure ▸ Luxury brands ▸ Natural resources ▸ Technology	**Discretionary management** ▸ Single strategy ▸ Multi-strategy ▸ Customised **Alternative risk premia** **Advisory solutions**	**Risk-rated strategies** **Private client portfolios** **Institutional funds**	**Physical metals** ▸ Precious metals ▸ Industrial metals **Commodities**

Our **multi-asset teams** provide an active, top-down allocation tailored to the specific investment needs of a variety of clients. Our GAM entities offer advisory and discretionary portfolios for private clients globally, and for independent advisers and charities. The teams in our Swiss & Global Asset Management entities manage balanced portfolios for institutional clients mainly in Continental Europe. They run a broad range of institutional Julius Baer-branded funds designed to act as standardised components in a portfolio tailored to client needs, as well as customised mandates. Since early 2014, all the Group's multi-asset teams have a joint leadership, and share research, information and market perspectives.

2014 INITIATIVES AND ACHIEVEMENTS

LAUNCH OF INDIAN EQUITY STRATEGY

In 2014 we worked with a Mumbai-based investment advisor to develop a new strategy under the GAM brand that invests in publicly listed Indian companies. The strategy launched in February 2015 and is run by New Horizon, which consists of a team of four investors with more than 60 years of combined financial experience.

Founded by Madhav Bhatkuly in 2007, the team now oversees assets exceeding USD 500 million. New Horizon's existing Indian equity strategy, adapted for our daily dealing GAM UCITS fund, has achieved consistently strong performance independent from market cycles.

Companies in the strategy's portfolio are selected either for their ability to produce predictable, stable earnings that continually raise the intrinsic value of the portfolio, or for their ability to provide strong long-term returns through growth from depressed prices. The combination of these criteria is designed to enable the strategy to produce returns independently of the often highly volatile Indian market cycles.

EXPANSION OF ALTERNATIVE INVESTMENTS SOLUTIONS WITH EXPERIENCED QUANTITATIVE TEAM

In November 2014 we appointed three senior professionals to the GAM alternative investments solutions group. The team had previously operated independently under the name Alternative Beta Partners, a Swiss-based boutique specialised in liquid alternative solutions. The move will significantly enhance our existing quantitative investment skills and portfolio construction capabilities for risk premia solutions, an area where we see robust demand from institutional clients looking to complement their existing traditional and alternative investment exposures.

ACQUISITION OF SINGLETERRY MANSLEY ASSET MANAGEMENT

In June 2014 we acquired Singleterry Mansley Asset Management, a US-based specialist in mortgage and asset-backed securities, further expanding our leading alternative and specialist fixed income franchise. The transaction was structured as an asset purchase, meaning that all of the company's assets under management (CHF 361 million), its principals Gary Singleterry and Tom Mansley and their team, as well as all client relationships were transferred to GAM.

Singleterry Mansley has been managing mandates for institutions for 12 years and has built an exceptionally strong track record of absolute and relative outperformance through a number of different market, interest rate and credit cycles. Its offshore fund will be distributed under the GAM brand. In addition, in July we launched a new dedicated GAM-branded UCITS fund based on the same unlevered strategy the team has been employing since 2002.

CREATION OF A GROUP-WIDE INVESTMENT TEAM FOR GLOBAL EMERGING MARKET EQUITIES

At the end of May 2014 we created a Group-wide investment team for our Global Emerging Market Equities strategies. The team comprises six fund managers working in London and Zurich who are responsible for strategies distributed under both the GAM and Julius Baer brands.

This move allows us to pool our expertise in an asset class which is likely to attract substantial allocations from our clients in the years to come. It provides full coverage of all emerging and frontier economies around the globe, including Eastern Europe, Latin America, Africa, China and other Asian countries. The diversity of risks and opportunities in these equity markets plays to the strengths of active investing but requires an in-depth knowledge of this vast and complex investment universe. A larger team which combines investment experience across industries in several emerging economies, as well as diverse backgrounds and language skills, will increase our credibility and effectiveness in advising our clients.

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 we manage and distribute, in exchange for an ongoing revenue-based licence fee (for further details, please refer to page 139).

The Julius Baer-branded product range includes over 100 funds, available to end-investors through independent third-party wholesale intermediaries.

PRODUCT LAUNCHES[1] SINCE 2008

	2008 / 2009	2010	2011	2012	2013	2014 / Q1 2015
Absolute return	**Global equity l/s** **Global rates** **Discretionary FX**	**Macro/mgd futures** **EM rates** **Convertibles** **EUR equity long/short**		Commodities		**Tech equities l/s**
Specialist fixed income	**Inflation-linked** **Credit opportunities** Euro bonds		**Credit opportunities** **Total return** **EM inflation-linked**	**Cat bonds** EM corporate	**EM investment grade**	EM opportunities
Equities	**Luxury** **Healthcare** Energy Asia Pacific	**EU large cap** Swiss sustainable Asia	**Technology** **Global** **Emerging markets** Emerging Asia	Emerging markets Active ETFs		China Swiss opportunities China A shares[2] India
Alternative investments solutions				**Alternative risk premia**		
Multi-asset solutions				**Risk-rated multi-asset solutions**		
Commodities	**Physical gold**	**Physical silver** **Physical palladium** **Physical platinum**			Physical aluminium Physical nickel Physical copper Physical zinc	

GAM Julius Bär *Funds* **Bold font:** strategies exceeding USD 100m

[1] New strategies launched for in-house or external fund managers (excluding products added through an acquisition and repositionings, new share classes, segregated accounts or customisations of existing strategies).
[2] Pending quota allocation

CONTINUOUS PRODUCT INNOVATION

Product development and innovation has allowed us to successfully address the drastic shifts in client demand experienced in the aftermath of the 2008 financial crisis. Today, two-thirds of our assets under management come from products and strategies we developed and launched after 2008. Foresight in our product innovation and seeding efforts allows us to cultivate credible track records prior to the emergence of explicit trends in client demand.

In 2014 and early 2015 we have continued to expand our product pipeline across different asset classes and investment styles as shown in the graphic above.

JULIUS BAER SMART EQUITY ETFS – FIRST ACTIVELY MANAGED ETFS TO BE LISTED ON THE SWISS STOCK EXCHANGE

At the end of March 2014 we were the first provider to list actively managed equity ETFs on the SIX Swiss Exchange. The Julius Baer-branded Smart Equity ETF range was launched in 2012 with a listing on the Deutsche Börse in Frankfurt, making us one of the pioneers in giving European investors access to this innovative investment vehicle, and one of the few so far to enter this promising but still very young market segment.

The products capitalise on our proven 20-year track record in systematic stock picking, combining this expertise with the advantages of exchange-traded products. As ETFs they offer investors the real-time pricing, transparency and liquidity they seek, while keeping the potential for outperformance intact and eliminating some of the obvious weaknesses of purely passive index replication.

EXPANDING OUR PRESENCE IN ASIA PACIFIC

Asia Pacific has been an important market for our Group in the past and it is one where we aim to grow in the years ahead. While our key markets in this area so far include Hong Kong, Taiwan, South Korea and Singapore, we are planning to increase our coverage in the ASEAN countries as well as in China. In China – a difficult market to enter, and one in which it can take years to build up relationships leading to meaningful investments – we were able to place a number of our strategies on the distribution lists of a number of banks. Both our GAM and Julius Baer brands enjoy an excellent reputation in these markets and, paired with a compelling offering, we are confident in our ability to grow in the region over time. Overall, we see increasing investor appetite for focused regional strategies with compelling track records such as our GAM-branded China strategy (one of the most successful in its class) as well as our Japan, US or European strategies.

In order to support our efforts to grow our presence in Asia, in August 2014 we opened an office in Singapore. Initially occupied by a small number of personnel, the office will provide a base for business activity in one of the major financial hubs of the influential ASEAN region. This additional location has increased the Group's global presence to 11 countries.

PRIVATE LABELLING

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 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 provide effective operating leverage on the infrastructure we have in place to run our own investment management activities.

2014 INITIATIVES AND ACHIEVEMENTS

COOPERATION WITH STATE STREET GLOBAL ADVISORS

In 2014 we extended our cooperation with State Street Global Advisors, appointing the firm as custodian and fund administrator for the majority of funds operated by Swiss & Global Asset Management and domiciled in Luxembourg and

Switzerland. This includes both our in-house managed Julius Baer-branded funds as well as the third-party products we service as part of our private labelling business. The migration of the funds onto the State Street platform proceeded successfully throughout 2014 and is expected to be concluded during 2015.

State Street is one of the leading global providers in this area and, over the years, has proven to be a strong and reliable partner. Focusing our outsourcing relationship allows our private labelling business to reduce its interfaces and to focus on its core strengths in the advisory and client service of third-party asset managers. The agreement also includes the mutual support of business development activities in Switzerland and Luxembourg.

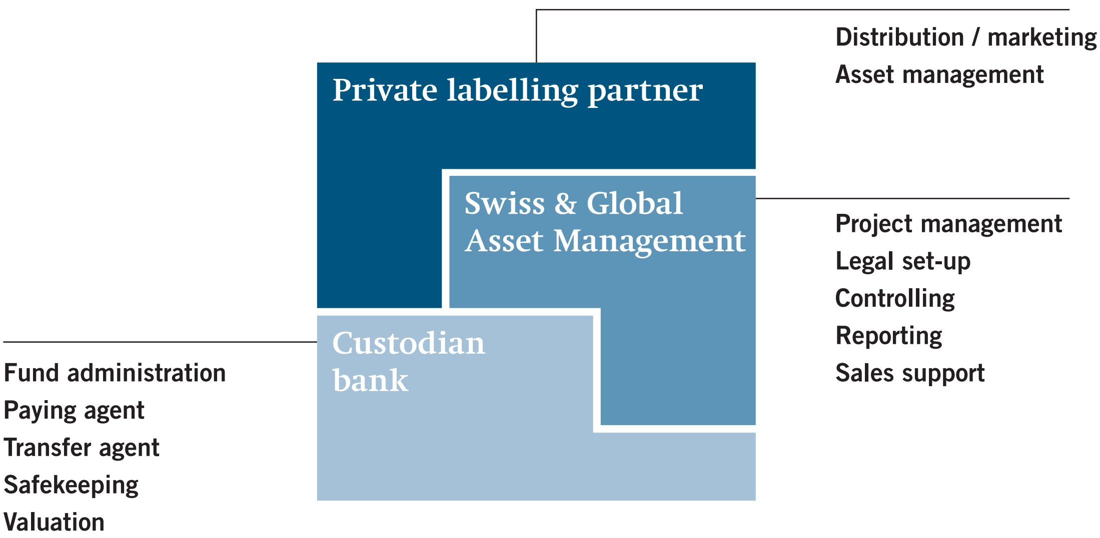
SWISS & GLOBAL ASSET MANAGEMENT OBTAINS AIFM STATUS

Our Luxembourg fund management company is now authorised as an Alternative Investment Fund Manager (AIFM) by the Luxembourg regulator CSSF. The Alternative Investment Fund Managers Directive (AIFMD) targets fund managers that are not subject to the UCITS directive, such as hedge funds or private equity funds, and includes structural rules as well as disclosure and transparency requirements. As an AIFM we are now able to expand our Luxembourg-based management company services to third parties wanting to market liquid alternative strategies in the context of Luxembourg Part II as well as Specialised Investment Funds (SIF) structures. Part II and SIF funds can offer a broad range of alternative investment techniques and assets, giving their managers a large amount of flexibility, with SIF funds being reserved for sophisticated, well-informed investors.

PRIVATE LABELLING AT A GLANCE

- Includes outsourcing and private labelling solutions for third parties, such as fund administration and management company services.
- These services are provided by our Swiss & Global Asset Management entities
- Assets under management as at 31.12.2014: CHF 47.1 billion, contributing around 7% of the Group's revenues

PRIVATE LABELLING : SHARING RESPONSIBILITIES



How we work

WORKING WITH OUR CLIENTS

We are a company built by investors, for investors – this includes those who invest directly in the strategies we manage as well as their beneficiaries. Earning our clients' trust, through a strong direct relationship, or by building sustainable and constructive partnerships with distributors and intermediaries, is our overriding objective.

This means first of all safeguarding our clients' interests by protecting and enhancing the economic value of their investments. Rigorous risk management, due diligence and portfolio monitoring are therefore a must.

As active managers, we are further expected to be skilled investors with the courage to deviate from indices, and to offer products and solutions that deliver what they promise. Neither our clients, nor we, are prepared to accept a gap between fees charged and long-term value achieved. We therefore strive to be transparent with our clients, to act with fairness and to maintain an uncompromising focus on quality. This is the key to client satisfaction, business growth and ultimately the creation of shareholder value.

Having a meaningful dialogue with our clients and our distribution partners, one in which we articulate and show accountability for our approach to investing, is crucial when it comes to gaining their confidence – among other things by helping them understand the long-term time horizons we need to deliver on our promise of superior investment returns. New market entry opportunities are carefully evaluated against the servicing standards we set for ourselves, such as the ability to provide value-added support through our relationship managers and client servicing teams, as well as rapid access to investment experts.

SUSTAINABLE INVESTING

As active investors, we have a duty to explore all the factors that could potentially impact the financial performance of individual companies – and these often include environmental, social and governance (ESG) issues. When considering these matters and engaging with investee companies, our duty is to act in the interests of our clients and their beneficiaries. Where appropriate, we meet with the board and senior management of investee companies, and intervene where we believe this will enhance the long-term value of our investments.

As part of our ongoing effort to foster sustainable investing across the Group, in December 2014 we became a signatory of the United Nations'-supported Principles for Responsible Investment (PRI). The PRI is an international global network of asset managers, owners and service providers working together to put responsible investment into practice. The principles, which are voluntary and designed to be aspirational, aim to provide a framework for integrating ESG considerations into investment decision-making and ownership practices.

In order to become better aligned with the PRI guidelines, we have devised a high level plan of the steps we need to undertake in 2015. These steps include developing a global sustainable investing policy which describes our general approach to ESG matters followed by a subsequent integration into our investment decision-making. Later in 2015, we will focus on the documentation to satisfy the annual PRI reporting requirements.

> *“RESPONSIBLE AND INDEPENDENT THINKING IS A KEY INGREDIENT IN OUR SUCCESS.”*

OUR 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. At that time we established ourselves as an independent Group without any related personnel departures, essentially no client attrition and no disruptive management changes or restructurings. All the subsequent acquisitions we have made have been successfully integrated, 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 an open culture, 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.

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 our Group, we want employees to feel encouraged to attain a level of professional competence appropriate to their responsibilities, to promote the development of their colleagues, and to continue to update their own skills and knowledge. 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 norms) are designed to promote diversity and equality. Our fringe benefits for employees are competitive in their local market contexts.

We encourage our staff to play an active role in their communities, for instance by supporting participation in local volunteering activities. We also invest in good causes that are aligned with our own culture and values. Each year the Group allocates a global budget to match staff donations. Examples for our engagements can be found on our website www.gam.com/corporate-responsibility.

OUR EMPLOYEES[1] – SNAPSHOT 2014

45 different nationalities

On average, 39.5 years old

149 investment professionals working from London, Zurich, Lugano, Milan, New York and Hong Kong
- on average, 16.5 years of investment experience; ranging from 1–50 years
- average tenure of 8 years
- 18% women

82 relationship managers in investment management, serving our global client base
- average tenure of 7 years
- supported by over 100 employees working in eight 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 2014, the Group employed 1,094 full-time equivalents.

RESPONSIBLE BUSINESS PRACTICES

Responsible business behaviour is driven by long-term thinking. As a company, all our activities are designed to meet our commitments to our main stakeholders: our clients, employees, shareholders and regulators.

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.

The principles and practices we expect every employee in our Group to follow are set out in our Code of Conduct, which can be found on our website www.gam.com/code-of-conduct.

OUR CORE VALUES

We value:

- **our people**
- **professional excellence**
- **entrepreneurial flair**
- **team spirit**

HOW WE HAVE EVOLVED

GAM was founded in 1983 by **Gilbert de Botton** as an independent investment boutique aiming to provide superior risk-adjusted returns for its clients. 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.

GAM was acquired by UBS in 1999 and by Julius Baer in 2005. In October 2009, the former Julius Baer Group was split into two separate entities, both **listed on the SIX Swiss Exchange**: one focused on private banking, one on asset management. The bank's asset management business, whose roots go back to 1970, was renamed Swiss & Global Asset Management and brought together with GAM under the GAM Holding Group.

Over the last six years, GAM has expanded its original focus on high-net worth individuals to institutions and intermediaries, gradually overcoming dependency on 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, benefiting 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.

Our history

30+ years of active investing

2014 GAM acquires Singleterry Mansley Asset Management

2012 GAM acquires Arkos Capital SA

2009 Separation from Julius Baer to form an independent, pure-play asset management 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

1992 Launch of first Private Label Fund

1983 GAM founded by Gilbert de Botton

Since the separation from the bank in October 2009, the core activities of GAM and Swiss & Global Asset Management have converged to a great degree. 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, was no longer 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. The majority of support functions (legal and compliance, finance, risk control, human resources) were integrated and teams co-located by the end of 2013, with a related consolidation of office space in Zurich and London. Throughout 2013 and 2014, we also combined the marketing, sales and product development teams for both product brands under a joint leadership.

Having overseen the successful transformation of the Group since 2004, in September 2014 David M. Solo stepped down from his role as Group CEO at his own request. Effective 8 September 2014, the Board of Directors appointed **Alexander S. Friedman** as his successor. He has defined and initiated a number of mid-term strategic initiatives that will shape the Group in the coming years and allow us to achieve our ambitious growth targets. They are described in detail in the section "Our strategy". Details on Alexander Friedman's background can be found in the Corporate Governance section of this Annual Report.

2014 results

GROUP PERFORMANCE

- **Underlying net profit** of CHF 177.2 million, down 16% from 2013
- **Operating income** declined 7%, mainly due to a decrease in performance fees
- **Operating expenses** (down 7%) were reduced in line with revenues
- **Tax rate** of 18.2%; at a more normalised level compared to the unusually low tax expense in 2013

GROUP BALANCE SHEET

- **Net cash** of CHF 643.9 million, up 9% year-on-year
- **Tangible equity** of CHF 540.6 million, 2% lower than at year-end 2013

GROUP RESULTS ACCORDING TO IFRS

- **Net profit** of CHF 169.0 million, of which CHF 165.8 million attributable to the shareholders of GAM Holding AG
- **Items** included in IFRS results but **not in underlying net profit**:
  - CHF 2.3 million, residual write-down of stake in US-based asset manager QFS
  - CHF 5.9 million, increase of deferred liability related to the acquisition of Arkos (now GAM Lugano)

DIVIDEND AND SHARE BUY-BACKS

- Proposed **dividend** of CHF 0.65 per share for the 2014 financial year, unchanged from the previous year
- 3.3 million **shares bought back for cancellation** (1.2 million shares under the expired 2011–2014 programme and 2.0 million shares under the current programme launched in April 2014). Current programme allows repurchase of up to 16.7 million shares over a maximum period of three years

Performance review

GROUP FINANCIAL RESULTS

Operating income for 2014 totalled CHF 623.5 million compared to CHF 670.2 million a year earlier, reflecting a 7% decline in net fee and commission income.

The reduction in **net fee and commission income** was mainly driven by lower performance fees, which declined 35% to CHF 65.9 million. The performance fee contribution from the non-directional equities range and our global rates strategy was robust, but below the strong levels of 2013. The unconstrained/absolute return bond, whose annual performance fees are largely booked at the end of June, in contrast recorded higher performance fees than in the previous year.

Net management fees and commissions declined 2%. This reflects slightly lower return on assets in investment management due to a change in the overall asset mix, with a higher proportion in directional equity and fixed income relative to the higher-margin absolute return products.

Other operating income – which includes the impact of foreign exchange movements, gains and losses on seed capital investments as well as recurring fund-related fees and service charges – was CHF 14.7 million, compared to CHF 15.4 million in 2013.

Operating expenses were CHF 406.8 million for 2014, compared with CHF 437.1 million for the previous year (down 7%).

Personnel expenses were CHF 293.2 million, 9% lower than in 2013. Salaries and other personnel expenses were flat year-on-year. While the additional headcount and the strengthening of the British pound did result in higher salary expenses, the charges for severance payments in 2014 were substantially lower than in the prior year, when we moved to a more integrated Group structure. Share-based payment expenses declined significantly, reflecting lower accruals for social security costs on our share-based compensation plans. These costs fluctuate with movements in our share price and

GROUP INCOME STATEMENT

	2014 CHF M	2013 CHF M	CHANGE IN %
Net management fees and commissions	542.9	554.1	-2
Net performance fees	65.9	100.7	-35
Net fee and commission income	**608.8**	**654.8**	**-7**
Other operating income	14.7	15.4	-5
Operating income	**623.5**	**670.2**	**-7**
Personnel expenses	293.2	321.3	-9
General expenses	105.8	108.7	-3
Depreciation and amortisation	7.8	7.1	10
Operating expenses	**406.8**	**437.1**	**-7**
Underlying profit before taxes	**216.7**	**233.1**	**-7**
Underlying income taxes	39.5	22.9	72
Underlying net profit[1]	**177.2**	**210.2**	**-16**

[1] The underlying net profit for 2014 excludes the adjustment of the GAM Lugano deferred liability of CHF 5.9 million and the impairment of investments of CHF 2.3 million. Including these items, the Group's IFRS net profit for 2014 was CHF 169.0 million.
The underlying net profit for 2013 excludes 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 these items, the Group's IFRS net profit for 2013 was CHF 201.4 million.

resulted in a charge of CHF 12.3 million in 2013 and of only CHF 0.1 million in 2014. Variable compensation was reduced by 14%, as contractual bonus payments declined in line with lower revenues and discretionary bonus payments were reduced.

General expenses were down 3%, to CHF 105.8 million, reflecting CHF 2.1 million in non-recurring credits relating to expenses booked in prior years as well as lower consulting fees. This was partly offset by higher one-off project costs from the switch to a new outsourcing partner in fund administration.

Year-on-year, the Group's **cost/income ratio** remained unchanged at 65.2%, as costs were flexed in the same proportion as revenues declined. The ratio was at the top end of the 60–65% range we aim to achieve over a business cycle.

With a 7% decline year-on-year, **underlying profit before taxes** fell at the same rate as operating income, as a reduction in operating expenses helped to mitigate the impact of lower revenues.

HOW WE REPORT OUR RESULTS

To give our investors 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 discuss business developments and metrics along these two areas individually.

At the Group level, our disclosure consists in a consolidated income statement and balance sheet reported in accordance with International Financial Reporting Standards (IFRS). The discussion and analysis of our financial results focuses 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.

We release interim management statements for the first and third quarter, with updates on assets under management. The full set of our financial results including audited Consolidated Financial Statements is provided annually, where we discuss the developments in the year in review by comparing them with the prior twelve months. The half-year report, which includes a performance review and unaudited Condensed Interim Consolidated Financial Statements, aims to give an update on the developments during the first six months of the year.

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

For 2014, our underlying **tax expense** amounted to CHF 39.5 million. This compares to CHF 22.9 million in 2013, when we reported the release of tax accruals relating to prior years and benefited from substantial tax deductions for share-based payments. Our tax expense in 2014 was not mitigated by such factors, and the 18.2% tax rate therefore represents a more normalised level considering the current geographic mix in our earnings.

The 7% reduction in our pre-tax profit coupled with the increase in our tax expense led to a reduction in **underlying net profit** by 16% to CHF 177.2 million.

Basic earnings per share fell by CHF 0.19 to CHF 1.07 per share. The decline of 15% was smaller than the decrease in underlying net profit, as it was partially offset by the reduction in the number of shares outstanding through our buy-back activity. **Return on tangible equity** was 32.2% compared to 37.3%, with the fall in profitability outpacing the decline in tangible equity.

Net profit according to IFRS was 16% lower than in 2013, at CHF 169.0 million, of which CHF 3.2 million was attributable to non-controlling interests (resulting from our acquisition of a majority stake in Arkos in 2012) and CHF 165.8 million to the shareholders of GAM Holding AG.

Net profit according to IFRS for 2014 includes two **items not reflected in our underlying net profit**:

- a **non-cash charge** of CHF 2.3 million for the residual write-down of the value of our minority stake in QFS, a US-based alternative asset manager, fully redeemed in 2014;
- an **adjustment** of CHF 5.9 million of the deferred liability related to the acquisition of Arkos (now GAM Lugano) in 2012, initially booked against equity. This liability represents the part of the purchase price which was deferred over five years starting in 2015. It is linked to the actual development of the profitability and outlook for GAM Lugano, which has improved from our original estimate.

RECONCILIATION OF UNDERLYING TO IFRS NET PROFIT

	2014 CHF M	2013 CHF M
Underlying net profit	**177.2**	**210.2**
Adjustment deferred liability GAM Lugano	-5.9	-
Impairment of investments[1]	-2.3	-5.8
Gain from sale of investment in Artio	-	13.1
Amortisation of customer relationships	-	-11.6
Zurich/London office move expenses[2]	-	-4.5
IFRS net profit	**169.0**	**201.4**

[1] Reduction of carrying value of the former investment in QFS.
[2] Pre-tax expenses for office moves of CHF 4.7 million.

BALANCE SHEET

Total assets as at 31 December 2014 were CHF 2,370.7 million, compared to CHF 2,329.7 million a year earlier. This includes goodwill and other intangible assets of CHF 1,371.6 million, which were up CHF 8.2 million, mainly due to the inclusion of goodwill and customer relationships acquired with Singleterry Mansley Asset Management in 2014.

Cash and cash equivalents at the end of 2014 amounted to CHF 643.9 million, up from CHF 592.6 million a year earlier. Strong operating cash flow generated from our business activities plus inflows resulting from the sale of certain seed capital investments exceeded the cash used for the dividend payment relating to the 2013 financial year (CHF 105.5 million) and for the buy-back of our own shares for cancellation (CHF 52.7 million).

Trade and other receivables declined from CHF 64.9 million in 2013 to CHF 31.7 million. The reduction is explained by the fact that the 2013 figure included a receivable from the sale of a seed capital investment in late 2013 as well as a time deposit of CHF 10 million, which due to its original maturity did not qualify as cash and cash equivalent. Furthermore, there was a shift from receivables to accrued income.

Financial investments and assets held for sale predominantly represent our seed capital investments. The increase in financial investment and the corresponding decrease in assets held for sale reflects a reclassification of such seed capital investments, as our holdings in these investments reduced to a level where – according to IFRS 10 – we were no longer deemed to be in control.

Investments in associates fell to zero, as our minority stake in QFS was fully redeemed in 2014. This resulted in a residual write-down of our investment in the amount of CHF 2.3 million.

The CHF 44.8 million increase in **liabilities** is mainly due to an increase in pension liabilities, totalling CHF 27 million in 2014, the remeasurement of our deferred payment obligation related to the Arkos acquisition (as discussed in more detail on page 39) and the deferred payment obligation for Singleterry Mansley Asset Management, acquired in 2014.

The increase in pension liabilities followed the reduction in discount rates in both the UK and Switzerland and the strengthening of the British pound against the Swiss franc, leading to a rise in the defined benefit obligations outweighing the increase in the fair value of plan assets.

As in previous years, we have no financial debt.

GROUP BALANCE SHEET

	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Cash and cash equivalents	643.9	592.6	9
Trade and other receivables	31.7	64.9	-51
Accrued income and prepaid expenses	138.0	125.9	10
Financial investments	117.7	74.7	58
Assets held for sale	14.4	52.3	-72
Current assets	**945.7**	**910.4**	**4**
Investments in associates	-	3.1	-100
Goodwill and other intangible assets	1,371.6	1,363.4	1
Other non-current assets	53.4	52.8	1
Non-current assets	**1,425.0**	**1,419.3**	**0**
Assets	**2,370.7**	**2,329.7**	**2**
Trade and other payables	37.7	19.1	97
Accrued expenses and deferred income	249.3	251.6	-1
Other current liabilities	32.3	38.5	-16
Current liabilities	**319.3**	**309.2**	**3**
Pension liabilities	96.2	69.2	39
Other non-current liabilities	39.3	31.6	24
Non-current liabilities	**135.5**	**100.8**	**34**
Liabilities	**454.8**	**410.0**	**11**
Share capital	8.3	8.7	-5
Treasury shares	-81.9	-145.5	-44
Other equity components	1,989.5	2,056.5	-3
Equity	**1,915.9**	**1,919.7**	**0**
Liabilities and equity	**2,370.7**	**2,329.7**	**2**
Tangible equity[1]	540.6	551.4	-2

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

IMPACT OF SWISS FRANC APPRECIATION (EVENT AFTER THE REPORTING PERIOD)

On 15 January 2015, the Swiss National Bank (SNB) announced its decision to discontinue the minimum exchange rate of CHF 1.20 against the euro. Immediately following this announcement, the Swiss franc appreciated against the euro and other major currencies, such as the US dollar and the British pound. As we report our results in Swiss francs but conduct our business largely in other currencies, we are complementing the discussion of the 2014 financial year with an analysis of what this market event meant for us in January 2015 and how it could influence our future results.

The SNB decision had no impact on our income statement and balance sheet as at 31 December 2014. Neither did we incur an immediate loss in 2015, as we do not engage in proprietary currency trading, and because it is our policy to hedge our foreign currency denominated seed capital investments. While a number of our funds and mandates take active currency positions as part of their investment strategy and approach, the January 2015 movements in foreign exchange markets had no meaningful impact on their performance.

The sharp appreciation of the Swiss franc in January 2015 did, however, influence book **equity** and our **assets under management**. Based on January month-end foreign exchange rates, the negative effect on total book equity amounts to 1% and on tangible equity to 4%, as the translation of the balance sheets of our foreign subsidiaries (whose functional currency is not the Swiss franc) into our reporting currency leads to a foreign currency translation adjustment in other comprehensive income.

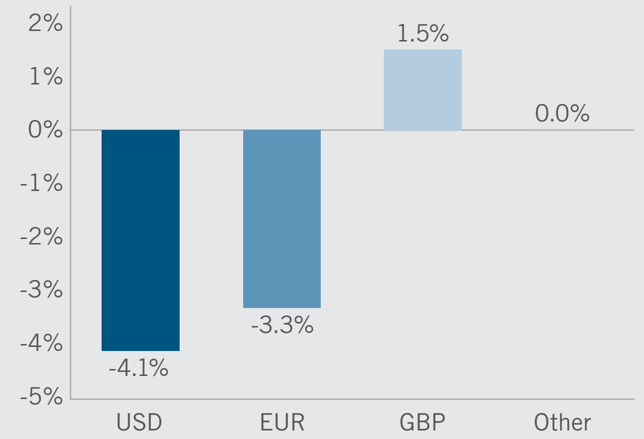
Overall, approximately 70% of our assets under management are denominated in foreign currencies. This is particularly pronounced in our investment management business, where the foreign currencies account for 82% of our assets under management. Due to the translation of the assets held in funds or mandates with a base currency other than the Swiss franc into our reporting currency, the franc's appreciation reduces the level of assets under management we disclose, even though it has no bearing on their net asset value in the respective base currency.

The longer-term impact on our earnings will depend on the future development of the Swiss franc exchange rate. As with assets under management, the largest part of our **revenues** is generated in other currencies. However, we also incur approximately 70% of our **costs** in foreign currencies. This circumstance acts as a natural buffer and greatly reduces our exposure to currency translation adjustments, although they cannot be entirely eliminated.

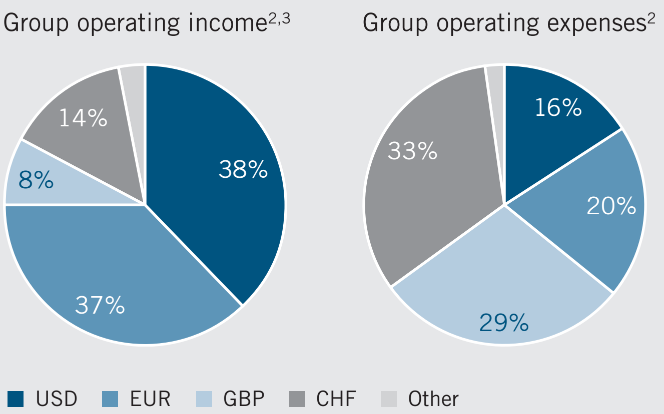
We have calculated the **sensitivity** of our underlying net profit and assets under management to a sudden 5% depreciation of major foreign currencies versus the Swiss franc. Each currency was individually exposed to a 5% shock against the franc using exchange rates as of 31 December 2014, on the basis that the movement would occur at the beginning of the period and last for the full year. The outcome of this analysis is presented in the following graphs, in addition to a foreign exchange breakdown of revenues, costs and assets under management.

A sensitivity analysis based on a gradual depreciation of the foreign currencies would result in a significantly lower impact on underlying net profit. It is important to note that the sensitivity analysis does not represent a prediction of the aggregate future profitability. Such a projection cannot be provided, since individual exchange rates will move independently from each other (rather than simultaneously as assumed for the calculation of sensitivities) and cannot be forecast with any certainty.

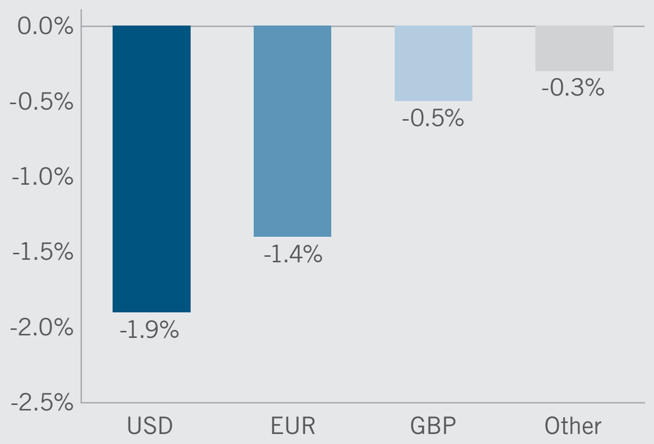
INVESTMENT MANAGEMENT : FX SENSITIVITY OF UNDERLYING NET PROFIT[1]



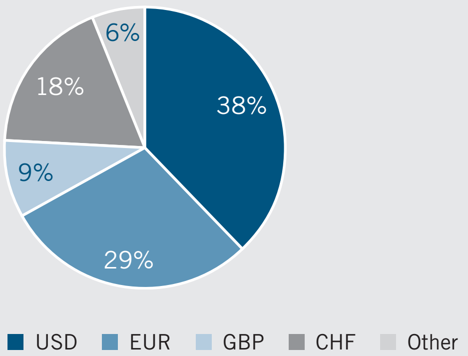
APPROXIMATE REVENUE & COST ANALYSIS : BY CURRENCY, 2014



INVESTMENT MANAGEMENT : FX SENSITIVITY OF AUM[1]



INVESTMENT MANAGEMENT : AUM CURRENCY SPLIT



[1] Sensitivity of our underlying net profit and AuM to a sudden 5% depreciation of foreign currencies versus the Swiss franc. Each currency was individually exposed to a 5% shock using exchange rates as of 31.12.2014 as the basis.
[2] Composition evolves over time, based on evolving fund performance.
[3] Based on base currency of underlying funds.

CAPITAL MANAGEMENT

Total equity as at 31 December 2014 amounted to CHF 1,915.9 million. Excluding non-controlling interests, goodwill and other intangible assets, our **tangible equity** stood at CHF 540.6 million, CHF 10.8 million lower than at year-end 2013, as our dividend payment, the repurchase of own shares and the remeasurement of our pension liabilities exceeded the IFRS net profit for the year.

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 2014, our holding of own shares of 5.4 million was equivalent to 3.3% of shares issued. Of these shares, 2.2 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. This position decreased during 2014 by 1.6 million shares, following the exercise and net settlement of options awarded under the 2009 LTI plan and the share grants made to members of the Board of Directors as part of their annual compensation. The remaining 3.3 million shares were repurchased during 2014 over a second trading line at the SIX Swiss Exchange: 1,227,000 shares as part of our former buy-back scheme 2011–2014, which expired in April 2014, and 2,040,000 shares as part of our current programme. These shares are earmarked for cancellation.

CURRENT SHARE BUY-BACK PROGRAMME 2014–2017

The current share buy-back programme with the purpose of capital reduction started on 28 April 2014, following the expiration of its predecessor. It allows for the repurchase of up to 16.7 million shares over a maximum period of three years. The share buy-backs are executed over a second trading line at the SIX Swiss Exchange, where GAM Holding AG acts as sole buyer, and are funded from the Group's substantial cash flows. Over the course of 2014, we bought back 2,040,000 shares under this scheme, at an average share price of CHF 16.50, representing a total value of CHF 33.7 million.

DIVIDEND FOR THE 2014 FINANCIAL YEAR

At the upcoming Annual General Meeting (AGM) on 30 April 2015, the Board of Directors will propose a **dividend payment** of CHF 0.65 for the 2014 financial year. This is unchanged from 2013, when we increased the dividend by 30% from 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 105 million. The proposal underscores our commitment to return excess cash to our shareholders, primarily through 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 1,323 million at year-end 2014), making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

TREASURY SHARES

	31.12.2014	31.12.2013
Shares issued	**166,661,731**	**173,229,660**
Treasury shares held as a hedge for share-based compensation plans	-2,176,444	-3,778,079
Treasury shares bought back for cancellation (2011–2014 programme)	-1,227,000	-6,567,929
Treasury shares bought back for cancellation (2014–2017 programme)	-2,040,000	-
Shares outstanding	**161,218,287**	**162,883,652**

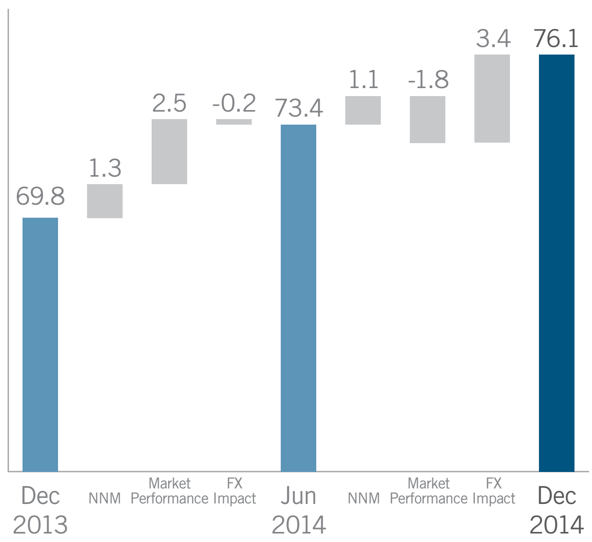
INVESTMENT MANAGEMENT RESULTS

REVENUES AND RETURN ON ASSETS

For 2014, the **return on assets** in investment management was 77.8 basis points, compared to 84.3 basis points a year earlier. Average assets under management in investment management were only CHF 0.2 billion lower, at CHF 72.9 billion, and overall net fee and commission income declined by 8%. Excluding performance fees, which were down 35% year-on-year, return on assets declined by 1.7 basis points to 68.8 basis points. This movement reflects a shift in the overall asset mix towards a higher share of directional equities and fixed income relative to higher-margin absolute return products.

Net management fees and commissions declined by 3% to CHF 501.6 million, reflecting the shift in the asset mix and impact on return on assets described above. **Performance fees** were CHF 65.9 million. The contribution from the non-directional equities range and our global rates strategy was still robust, but below the strong levels of 2013. The unconstrained/absolute return bond, whose annual performance fees are largely booked at the end of June, in contrast recorded higher performance fees than in the previous year.

INVESTMENT MANAGEMENT : AUM DEVELOPMENT (IN CHF BN)



INVESTMENT MANAGEMENT : KEY FIGURES

	2014	2013	CHANGE IN %
Net management fees and commissions (CHF m)	501.6	515.2	-3
Net performance fees (CHF m)	65.9	100.7	-35
Net fee and commission income (CHF m)	**567.5**	**615.9**	**-8**
Year-end AuM (CHF bn)	76.1	69.8	9
Average AuM (CHF bn)	72.9	73.1	0
Net new money (CHF bn)[1]	2.4	-2.6	-
Return on assets (bps)	77.8	84.3	-8
Return on assets - excluding performance fees (bps)	68.8	70.5	-2

[1] Includes CHF 361 million acquired from Singleterry Mansley Asset Management in June 2014.

AUM BREAKDOWNS INVESTMENT MANAGEMENT

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 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 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.

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

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.

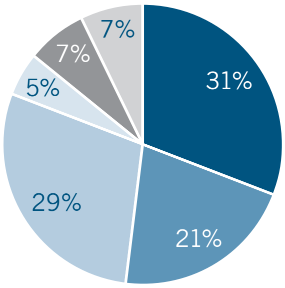
Total assets under management include all assets that generate a management fee for the Group. As at 31 December 2014, CHF 5.9 billion of assets are **double-counted**. They represent assets reinvested in our own funds, where we perform an additional level of investment management services for our clients, including advisory or discretionary management, and for which we earn an additional management fee.

INVESTMENT PERFORMANCE BY PRODUCT BRAND[1]

% OF AUM IN FUNDS OUTPERFORMING THEIR BENCHMARK OVER THREE YEARS	TOTAL	ABSOLUTE RETURN	EQUITY	FIXED INCOME	ALTERNATIVE INVESTMENTS SOLUTIONS
GAM	**86%**	97%	70%	100%	76%
Julius Baer Funds	**75%**	100%	23%	65%	n/a
Total funds	**80%**	**99%**	**55%**	**74%**	**76%**

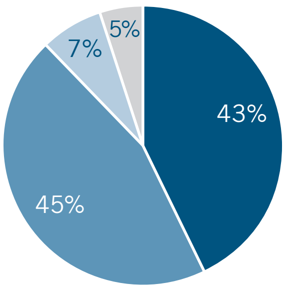
[1] Excludes mandates, segregated accounts and Julius Baer-branded multi-asset funds.

AUM BY PRODUCT TYPE : CHF 76.1 BN : AS AT 31 DECEMBER 2014



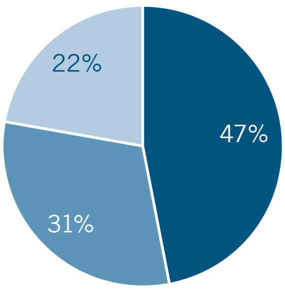
	31.12.2014	31.12.2013
Fixed income	31%	29%
Equity	21%	20%
Absolute return single manager	29%	32%
Commodities	5%	6%
Alternative investments solutions	7%	7%
Discretionary & advisory portfolios	7%	6%

AUM BY CLIENT SEGMENT : CHF 76.1 BN : AS AT 31 DECEMBER 2014



	31.12.2014	31.12.2013
Intermediaries	43%	46%
Institutional clients	45%	43%
Discretionary & advisory portfolios	7%	6%
Private clients	5%	5%

AUM BY MANAGER/DISTRIBUTOR : CHF 76.1 BN : AS AT 31 DECEMBER 2014



	31.12.2014	31.12.2013
GAM	47%	43%
Swiss & Global Asset Management	31%	30%
GAM managed, S&G AM distributed	22%	27%

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

Assets under management for the investment management activities as at 31 December 2014 amounted to CHF 76.1 billion, compared to CHF 69.8 billion at the end of 2013. Assets in our investment management activities are reported in Swiss francs but largely denominated in other currencies. Foreign exchange movements in 2014 had an overall positive impact of CHF 3.2 billion, reflecting the strengthening of the US dollar against the Swiss franc in the second half of the year. Over the full year, market performance added CHF 0.7 billion. The rebound in equity markets was partly offset by the adverse impact of declining precious metals prices and generally challenging conditions in fixed income markets, including local currency emerging debt where the US dollar strength softened prices.

For 2014, we reported **net new money** inflows of CHF 2.4 billion in investment management. The result, which includes assets of CHF 361 million acquired in June 2014 from Singleterry Mansley Asset Management, was fuelled by robust inflows from across our existing franchise. It also represents a return towards more normalised growth levels, after the net new money outflows of CHF 2.6 billion recorded in 2013.

A strong contribution came from specialist **fixed income** strategies, in particular the GAM-branded credit opportunities and cat bond strategies as well as the Julius Baer-branded European asset-backed securities strategy. Flows into emerging market strategies were mixed in 2014, in line with market sentiment. They were positive for our inflation-linked strategy and for strongly performing funds investing in hard currency bonds, but slightly negative for our directional strategy focused exclusively on local currency emerging market debt. The externally managed high-yield strategy, traditional bond strategies in general and low-margin money market funds experienced outflows.

Our **absolute return**/unconstrained bond strategy recorded overall net new money outflows for 2014, driven by redemptions from financial intermediaries in Continental Europe following the strategy's soft performance in the second half of the year. With its ten-year track record of capital protection across market cycles and superior returns, however, the strategy continued to win substantial inflows from institutional investors, particularly in the US and Australia.

Other absolute return single manager products achieved ongoing strong net new money inflows. Non-directional European equity strategies were in high demand, in particular the Julius Baer-branded long/short strategy. This was partly offset by outflows from macro/managed futures strategies and our non-directional convertible bond strategy.

Net new money inflows into directional **equity** products were solid, led by the Julius Baer-branded Japan strategy. Other important contributors were GAM's long-standing global equity strategy, its US equity and its flagship technology strategy. European long-only equity products and our luxury brand strategy posted outflows for the full year.

Redemptions from our physical gold ETF led to another year of net outflows from our **commodities** range, in line with the development of the gold price and the resulting broad-based market sell-off of the asset class.

In **alternative investments solutions**, institutional wins for alternative risk premia mandates were offset by outflows from more traditional fund of hedge funds strategies, driven by general industry trends.

Assets under management in our **discretionary and advisory multi-asset class portfolios** grew compared to December 2013. This was achieved thanks to growing inflows into the risk-rated model portfolios offered to independent financial advisers and net inflows from Continental European and Swiss institutions.

PRIVATE LABELLING RESULTS

REVENUES AND RETURN ON ASSETS

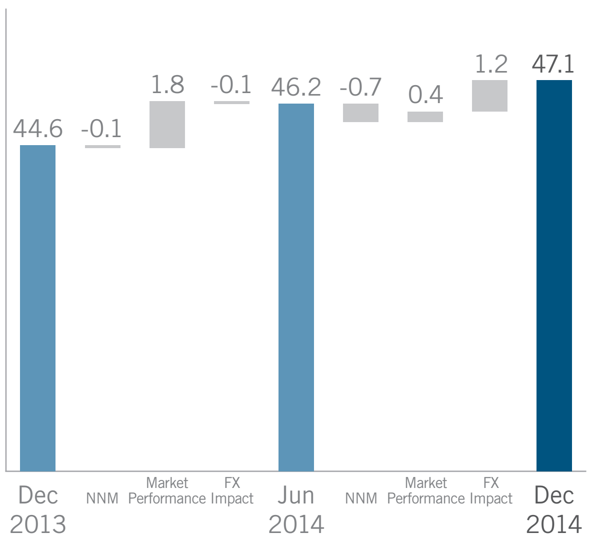
Return on assets in private labelling was 8.8 basis points for 2014, largely flat from 2013 (8.7 basis points). Average assets under management grew by 5% and net management fees and commissions increased by 6%.

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

Assets under management in private labelling were CHF 47.1 billion as at 31 December 2014, up CHF 2.5 billion from a year earlier, driven by the positive impact of market performance (CHF 2.2 billion) and foreign exchange movements (CHF 1.1 billion).

For 2014, the private labelling business reported **net new money** outflows of CHF 0.8 billion, compared to net outflows of CHF 1.1 billion in 2013. Outflows in Swiss and Luxembourg-domiciled funds due to redemptions from private labelling clients as well as the closure of certain partnerships were partly offset by mandate wins and launches of new funds in Switzerland.

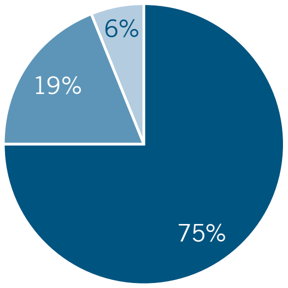
PRIVATE LABELLING : AUM DEVELOPMENT (IN CHF BN)



PRIVATE LABELLING : KEY FIGURES

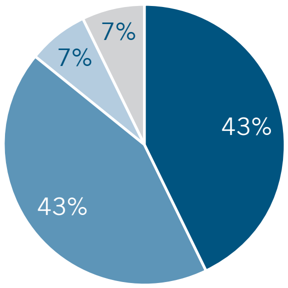
	2014	2013	CHANGE IN %
Net management fees and commissions (CHF m)	41.3	38.9	6
Net performance fees (CHF m)	-	-	-
Net fee and commission income (CHF m)	**41.3**	**38.9**	**6**
Year-end AuM (CHF bn)	47.1	44.6	6
Average AuM (CHF bn)	46.7	44.5	5
Net new money (CHF bn)	-0.8	-1.1	-
Return on assets (bps)	8.8	8.7	1

AUM BY FUND DOMICILE : CHF 47.1 BN : AS AT 31 DECEMBER 2014



	31.12.2014	31.12.2013
Switzerland	75%	78%
Luxembourg	19%	15%
Other	6%	7%

AUM BY ASSET CLASS : CHF 47.1 BN : AS AT 31 DECEMBER 2014



	31.12.2014	31.12.2013
Fixed income	43%	42%
Equity	43%	41%
Money market	7%	11%
Alternative	7%	6%

AUM BREAKDOWNS PRIVATE LABELLING

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.

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 business, with the goal of balancing and safeguarding the interests of the Company, its shareholders, customers, employees and other stakeholders.

The Company is subject to the laws of Switzerland, in particular the Swiss company and securities laws. In addition, the Company is subject to the rules of the SIX Swiss Exchange, including the Directive on Information Relating to Corporate Governance (the 'Corporate Governance Directive'), and is under consolidated supervision and regulation of the Swiss Financial Market Supervisory Authority FINMA.

In 2014, we introduced, among others, the following elements of the rules implementing the Minder Initiative (the 'Swiss Ordinance against Excessive Compensation in Listed Stock Companies'): a) the annual election by the Annual General Meeting of the Chairman of the Board of Directors, and of the members of the Board of Directors and the Compensation Committee of the Board of Directors, b) the possibility for shareholders to provide their voting instructions to the Independent Proxy electronically, and c) the ban of the corporate and custody proxies. In 2015, we will implement all other elements of the rules implementing the Minder Initiative by amending our Articles of Incorporation and asking our shareholders to approve them at the 2015 Annual General Meeting. Key aspects of these amendments will include: a) the principles concerning the tasks and responsibilities of the Compensation Committee, b) the details concerning the procedure for the new annually binding shareholder votes on the aggregate compensation amounts of the Board of Directors and the Group Management Board, c) the principles of our compensation policy, and d) the maximum number of allowable mandates outside the Group for members of the Board of Directors and Group Management Board.

The principles and rules on corporate governance are incorporated or defined in a number of documents, including 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 the Corporate Governance Directive of the SIX Swiss Exchange and takes into account the guidelines and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss business association economiesuisse. For the compensation paid to, and shareholdings of, the members of the Board of Directors and the Group Management Board, including the basic principles and elements of compensation and equity participation programmes and a description of the authorities and procedure for determining the same, as well as loans granted to those individuals, see our Compensation Report, beginning on page 83.

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’, ‘the Executive Board’ and ‘the Group Management Board’ shall each mean such bodies of GAM Holding AG.

The following information corresponds to the situation as at 31 December 2014 unless indicated otherwise.

1. Group structure and shareholders

1.1 OPERATIONAL GROUP STRUCTURE OF GAM HOLDING AG

Our operating businesses are conducted through GAM Holding AG's subsidiaries (operating legal entities). 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 in 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 the Group Chief Executive Officer and its membership was expanded from three to seven members 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

GROUP MANAGEMENT BOARD

Alexander S. Friedman – Group Chief Executive Officer[1]
Marco Suter – Group Chief Financial Officer
Scott Sullivan – Group General Counsel
Craig Wallis – Group Head of Distribution and Marketing[2]
Michele Porro – Region Head Continental Europe[2]
Andrew Hanges – Head Operations GAM and Region Head UK[2]
Martin Jufer – Head Operations Swiss & Global Asset Management[2]

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

[1] With effect from 8 September 2014, Alexander S. Friedman became a new member of the Group Management Board and assumed the role of Group CEO. From 18 April 2013 until 7 September 2014, David M. Solo acted as Group CEO.
[2] 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 2014.[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]	15.01%	-	**15.01%**
T. Rowe Price Associates Inc.[4]	5.01%	-	**5.01%**
GAM Holding AG[5]	3.27%[6]	-	**3.27%**
FIL Limited[7]	3.10%	-	**3.10%**
Kiltearn Partners LLP[8]	3.04%	-	**3.04%**

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 (as at 10 February 2014).
4 T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).
5 GAM Holding AG, Zurich, Switzerland (as at 31 December 2014).
6 As at 31 December 2014, GAM Holding AG also had a sale position of GAM Holding AG shares of 3.91% 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.
7 FIL Limited, Hamilton, Bermuda (as at 16 March 2012).
8 Kiltearn Partners LLP, Edinburgh, UK (as at 1 September 2014).

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2014 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 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%[5]	-	**5.97%**
Lazard Asset Management LLC[6]	5.32%	-	**5.32%**
BlackRock Inc.[7]	5.01%[8]	0.004%	**5.01%**
Credit Suisse Funds AG[9]	4.51%	-	**4.51%**
FIL Limited[10]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[11]	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 (as at 29 June 2012).
4 GAM Holding AG, Zurich, Switzerland (as at 31 December 2013).
5 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.
6 Lazard Asset Management LLC, New York, USA (as at 8 July 2013).
7 BlackRock Inc., New York, USA (as at 10 September 2012).
8 In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.
9 Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (as at 26 August 2011).
10 FIL Limited, Hamilton, Bermuda (as at 16 March 2012).
11 T. Rowe Price Associates Inc., Baltimore, USA (as at 3 December 2012).

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 2014, ordinary share capital existed in the amount of CHF 8,333,086.55. There is no authorised capital.

The share capital, which is fully paid, consists of 166,661,731 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.gam.com/aoi2014. 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

	2014[1]	2013
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 each (all entitled to dividends)	166,661,731	173,229,660

[1] By resolution of the Annual General Meeting on 15 April 2014, 6,567,929 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 maintains 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, registered office respectively, 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 2014, 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 the Compensation Report 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 2015) 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 2015). 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 2015). 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 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 2015). 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 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 2015). 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 2015). 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 13 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

In 2014, there have been no changes in the composition of the Board of Directors or its Committees.

3.2 ACTIVITIES AND FUNCTIONS OF BOARD MEMBERS OUTSIDE THE GROUP

In applying the Corporate Governance Directive of the SIX Swiss Exchange, we disclose mandates and interest ties of the members of the Board of Directors with domestic and foreign organisations, institutions and foundations outside the Group:

JOHANNES A. DE GIER

None

DANIEL DAENIKER

Member of the Board of Directors and Chairman of the Audit Committee of the Board of Directors of Kaba Holding AG, Switzerland (listed entity)
Member of the Board of Directors of Paris Orléans S.A., France (listed entity)
Member of the Board of Directors of Homburger AG, Switzerland (non-listed entity)

DIEGO DU MONCEAU

Member of the Board of Directors and Chairman of the Audit Committee of the Board of Directors of ING Belgium SA/NV, Belgium (non-listed entity)
Member of the Board of Directors of K & H Bank Zrt., Hungary (non-listed entity)
Member of the Board of Directors of WE International B.V., Belgium (non-listed entity)
Member of the Board of Directors and Chairman of the Audit Committee of the Board of Directors of Euro Shoe Group S.A., Belgium (non-listed entity)
Member of the Board of Directors of Foyer Finance S.A., Luxembourg (non-listed entity)

DIETER A. ENKELMANN

Member of the Board of Directors of iNNutriGel AG, Switzerland (non-listed entity)
Member of the Board of Directors, Chairman of the Audit Committee and member of the Nomination Committee of the Board of Directors of Cosmo Pharmaceuticals SpA, Italy (listed entity)
Member of the Executive Board and Chief Financial Officer of Julius Baer Group Limited, Switzerland (listed entity), and of Bank Julius Baer & Co. Limited, Switzerland (non-listed entity) (controlled by Julius Baer Group Limited)
Chairman of the Foundation for Applied Cancer Research ('Stiftung fuer angewandte Krebsforschung'), Switzerland (non-listed entity)

HUGH SCOTT-BARRETT

Executive Director of the Board and Chief Executive Officer of Capital & Regional plc, England (listed entity), and member of the Board of the following non-listed entities, all controlled by Capital & Regional plc: Capital & Regional Property Management Limited, Snozone Holdings Limited, The Mall Limited, Capital & Regional Earnings Limited, Capital & Regional Holdings Limited, and Capital & Regional Income Limited
Member of the Board of Goodwood Estate Company Limited, England (non-listed entity)

TANJA WEIHER

Member of the Board of Directors and managing partner of Weiher Partners AG, Switzerland (non-listed entity)

3.3 ELECTIONS AND TERMS OF OFFICE

The members of the Board of Directors are elected on an individual basis by the 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.

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. If the office of the Chairman of the Board of Directors is vacant, the Board of Directors appoints a new Chairman from among its members for the remaining term of office. If there are vacancies on the Compensation Committee, the Board of Directors fills the vacancies from among its members for the remaining term of office.

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 70. In exceptional cases, the Board of Directors can extend these term and age limits.

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 company law, the Company's Articles of Incorporation and Organisational Rules as well the Board of Directors' Charter.

According to the Swiss company law 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 the business 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. The Chairman of the Board of Directors and the members of the Compensation Committee are 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 constitutes itself and elects 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 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 regularly invited to participate in meetings of the full Board of Directors. The Board of Directors occasionally also invites other senior employees to attend meetings of the Board of Directors to present and discuss specific topics relating to, or affecting, the business of the Group. The Board of Directors regularly discusses the strategic direction of the Group. 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 Governance and Nomination Committee.

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 2014

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

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 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.

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 six meetings. All 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.

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 four meetings. All 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.

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 making preliminary selection of candidates as potential new members of the Board of Directors, as well as preparing election recommendations of the Board of Directors for the 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 three meetings. All 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.

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.

With effect from the day following its Annual General Meeting held in 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 the Group Chief Executive Officer and its membership was expanded from three to seven members to include core operations and distributions functions.

With effect from 8 September 2014, Alexander S. Friedman became a new member of the Group Management Board and assumed the role of Group Chief Executive Officer. From 18 April 2013 until 7 September 2014, David M. Solo acted as Group Chief Executive Officer.

As at 31 December 2014, the Group Management Board comprised seven members: Alexander S. Friedman 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 Region Head Continental Europe, Andrew Hanges as Head Operations GAM and Region Head UK, and Martin Jufer as Head Operations Swiss & Global Asset Management.

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 regularly 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 7.4 below.

4. Senior Management

4.1 MEMBERS OF THE GROUP MANAGEMENT BOARD

ALEXANDER S. FRIEDMAN, GROUP CHIEF EXECUTIVE OFFICER

Alexander S. Friedman was appointed Group Chief Executive Officer and became Chairman of GAM Holding AG's Group Management Board on 8 September 2014. Prior to joining the Group, Alexander Friedman served as the Global Chief Investment Officer of UBS Wealth Management and Wealth Management Americas, as Chairman of the UBS Global Investment Committee and as a group Managing Director. Before that, he was the Chief Financial Officer of the Bill & Melinda Gates Foundation. Alexander Friedman has been a senior advisor to Lazard, a member of the supervisory board of private equity firm Actis and managed Asymmetry, a private investment firm. In addition, he was a White House Fellow in the Clinton administration and an assistant to the US Secretary of Defense. He is a board member of several non-profit organisations and a member of the Council on Foreign Relations. Alexander Friedman holds a Juris Doctor from Columbia University School of Law, an MBA from Columbia University Business School and a BA from Princeton University. He was born in 1970 and is a US 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) in 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 in 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, REGION HEAD CONTINENTAL EUROPE

Michele Porro became a member of GAM Holding AG's Group Management Board in April 2013. As Region Head Continental Europe he is responsible for cross-functional and cross-entity collaboration. From April 2013 to August 2014, Michele Porro was Region Head for the Group's operating businesses in Switzerland and responsible for the Distribution function of Swiss & Global Asset Management worldwide and GAM in Continental Europe. Michele Porro 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. Prior to joining the Group, he was Head of Investment Management International at Winterthur Group and held several positions at Credit Suisse, including 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 AND REGION HEAD UK

Andrew Hanges became a member of GAM Holding AG's Group Management Board in 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 in 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 8 September 2014, Alexander S. Friedman joined the Group Management Board and took on the role of Group CEO from David M. Solo who, at that time, left the Group Management Board. David M. Solo acted as Group CEO from 18 April 2013 until 7 September 2014.

4.2 ACTIVITIES AND FUNCTIONS OF BOARD MEMBERS OUTSIDE THE GROUP

In applying the Corporate Governance Directive of the SIX Swiss Exchange, we disclose mandates and interest ties of the members of the Group Management Board with domestic and foreign organisations, institutions and foundations outside the Group:

ALEXANDER S. FRIEDMAN
Member of the Board of Directors of Social Finance Inc., USA (a non-profit public benefit corporation) (non-listed entity)
Member of the Board of Directors of Give2Asia, USA (a non-profit public benefit corporation) (non-listed entity)
Advisor of Maveron LLC, USA (non-listed entity)

MARCO SUTER
Member of the Board ('Kuratorium') of the Swiss Institute of International Studies, Switzerland (non-listed entity)

SCOTT SULLIVAN
Member of the Board of Directors of an investment fund domiciled in Luxembourg, which is not controlled but managed by a subsidiary of GAM Holding AG (non-listed entity)

CRAIG WALLIS
None

MICHELE PORRO
None

MARTIN JUFER
Member of the Board of Directors of the Swiss Funds & Asset Management Association SFAMA, Switzerland (non-listed entity)
Member of the Board of Directors of various investment funds domiciled in Luxembourg, which are not controlled but managed by subsidiaries of GAM Holding AG (listed and non-listed entities)

ANDREW HANGES
Member of the Board of Directors of various investment funds domiciled in Luxembourg, Ireland, the Cayman Islands, or the British Virgin Islands, which are not controlled but managed by subsidiaries of GAM Holding AG (listed and non-listed entities)

4.3 MANAGEMENT CONTRACTS

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

5. Shareholders' participation rights

5.1 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 or the Independent Proxy at the General Meeting. The Independent Proxy is elected by the General Meeting for a term of office until the next Annual General Meeting. Their term of office expires after completion of the Annual General Meeting. Re-election is possible. If the Company does not have an Independent Proxy, the Board of Directors appoints the Independent Proxy for the next General Meeting.

The Board of Directors offers shareholders the possibility to authorise and give their instructions to the Independent Proxy electronically. Shareholders may do so by accessing the website stated in the invitation to, and the registration form for, the General Meeting, and then following the guidance that is displayed on their computer screen. In addition to internet access, an e-mail address and a mobile telephone that can receive a code by text message are required. Shareholders receive their personal data for accessing this website with the registration form. The invitation to, and the registration form for, a General Meeting state the deadline until when instructions can be electronically given to the Independent Proxy.

The 2014 Annual General Meeting elected Mr Tobias Rohner, attorney-at-law, Froriep, Bellerivestrasse 201, 8034 Zurich, Switzerland, as Independent Proxy for a term of office until the end of the 2015 Annual General Meeting.

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

5.2 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.gam.com/aoi2014), all resolutions of the General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

5.3 CONVOCATION OF THE GENERAL MEETING

The convocation of the General Meeting complies with applicable legal regulations. The convocation of a 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 General Meeting within six weeks of receiving the request.

5.4 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 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.

5.5 REGISTRATIONS IN THE SHARE REGISTER

In the invitation to a 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. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

6. Change of control and defence measures

6.1 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.

6.2 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.

7. Auditors

7.1 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 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.

7.2 EXTERNAL AUDITING AND ADDITIONAL FEES

Services provided by KPMG AG to the Group comprise auditing and non-auditing services, the latter consisting of audit-related services, tax services and other services.

Auditing services include work performed to issue opinions on the parent company's and consolidated financial statements, to issue opinions relating to the effectiveness of the Group's internal control system over the financial reporting, and to issue reports on statutory financial statements of subsidiaries of GAM Holding AG. Also included is work that generally can only be performed by the statutory auditor.

Audit-related services include those other assurance services provided by the independent auditor but not restricted to those that can only be provided by the statutory auditor. Tax services represent tax compliance and other tax-related services. And other services include mainly services in connection with human resources related matters.

The Group paid KPMG AG fees for auditing services totalling CHF 1.68 million in the 2014 financial year (CHF 1.62 million in the 2013 financial year). For non-auditing services, the Group paid KPMG AG fees totalling CHF 0.24 million in the 2014 financial year (CHF 0.25 million in the 2013 financial year), whereof CHF 0.15 million for audit-related services (CHF 0.11 million in the 2013 financial year), CHF 0.08 million for tax services (CHF 0.08 million in the 2013 financial year) and CHF 0.01 million for other services (CHF 0.06 million in the 2013 financial year).

In addition, KPMG AG received CHF 2.42 million (whereof CHF 2.38 million fees for auditing services) in the 2014 financial year (CHF 2.21 million (whereof CHF 2.13 million fees for auditing services) in the 2013 financial year) for services performed on behalf of, and for, investment funds managed by subsidiaries of GAM Holding AG. According to the Swiss collective investment scheme law, fund management companies and the investment funds managed by them must appoint the same statutory auditor.

7.3 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.

7.4 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 from 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 the 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.

8. 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.gam.com/news-alert-subscription) as well as in print form from the address mentioned in section 8.2 below.

8.1 CORPORATE CALENDAR

21 April 2015	Interim Management Statement
30 April 2015	Annual General Meeting, Zurich
11 August 2015	Release of half-year results
20 October 2015	Interim Management Statement

8.2 CONTACTS

GAM HOLDING AG
Hardstrasse 201
P.O. Box
CH-8037 Zurich
Switzerland

T +41 (0) 58 426 37 00
F +41 (0) 58 426 30 31
gamholding@gam.com

INVESTOR RELATIONS
Patrick Zuppiger
Head of Investor Relations

T +41 (0) 58 426 31 36
patrick.zuppiger@gam.com

MEDIA RELATIONS
Larissa Alghisi Rubner
Group Head of Communications

T +41 (0) 58 426 62 15
larissa.alghisi@gam.com

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.gam.com

COMPENSATION REPORT

1. Summary and latest developments

1.1 CHANGES TO COMPENSATION FRAMEWORK INTRODUCED BY THE BOARD OF DIRECTORS

In 2013, the Board of Directors made a number of changes to our compensation framework, designed to address best practices, as well as the feedback received from shareholders and shareholder representatives. Most importantly, we have introduced the following standards which we also applied consistently in 2014:

- All elements of the compensation to the Board of Directors are fixed. The members of the Board of Directors do not receive any type of variable compensation and do not participate in any performance-based compensation schemes available to the Group Management Board or to other Group employees. They also do not receive any stock options. Instead, part of their fixed compensation is paid in the form of GAM Holding AG shares.
- The Group Management Board's aggregate variable compensation is linked to key performance indicators (KPIs) and the annual expense for their variable compensation is capped. 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 targets. Furthermore, in order to avoid the potential for excessive payments, the Compensation Committee limits the available variable compensation pool and the related expense with a hard cap, expressed in absolute Swiss franc terms. After 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 variable compensation paid to a Group Management Board member should generally not be higher than twice the member's base salary.
- Around a third of the variable compensation to members of the Group Management Board is deferred over three years.

For the financial year 2014, we introduced new Variable Restricted Share (VRS) plans for members of the Group Management Board. The awards under these VRS plans are fully at risk, tied to share price performance, and the final number of shares received per VRS unit is capped. More details on these plans can be found under section 4.4.1 of this Compensation Report.

1.2 RECENT REGULATORY DEVELOPMENTS

Our compensation framework and policies are also aligned to new regulatory and legal developments. In 2014, the most important impact on GAM Holding AG as a Swiss-domiciled and listed company came from the rules implementing the Minder Initiative (the "Swiss Ordinance against Excessive Compensation in Listed Stock Companies"). Our response to this new legislation is explained in the sidebar below ("Our approach to the new Swiss legislation on compensation of the board of directors and executive management"). In particular, we have strived to make our compensation framework transparent and predictable for our shareholders: As part of this Compensation Report, focusing on decisions and payments made in relation to the 2014 financial year, we also provide decisions and budgets concerning the 2015 financial year.

In 2013, the EU introduced the Alternative Investment Fund Managers Directive (“AIFMD”), a harmonised framework for monitoring and supervising risks posed by alternative investment fund managers domiciled in the EU and the collective investment vehicles they manage. The transition period provided for by the legislation ended in July 2014, and compensation paid for 2014 by EU-domiciled alternative investment fund managers had to be compliant with the directive. Given our Group’s increasing focus on the management and distribution of products regulated under the EU Directive on Undertakings for Collective Investment in Transferable Securities (UCITS), and the fact that the range of non-UCITS products are typically neither domiciled nor widely distributed in the EU, AIFMD has been of limited impact for our business. Where required, however, we have aligned local compensation policies in order to comply with the AIFMD principles, such as the deferral of variable compensation.

OUR APPROACH TO THE NEW SWISS LEGISLATION ON COMPENSATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The “Swiss Ordinance against Excessive Compensation in Listed Stock Companies” came into effect on 1 January 2014, subject to certain transitional provisions. As of the 2015 Annual General Meeting (AGM), it requires all Swiss-domiciled publicly listed companies to annually submit the compensation of their executive management and board of directors to their shareholders for a binding vote at the general meeting. While we will provide all details in this respect (including the proposed changes to our Articles of Incorporation) as part of our invitation and agenda for the 2015 AGM, our general approach is fully aligned with our Compensation Principles, which are outlined in this Compensation Report.

In three separate votes at the Company’s 2015 AGM, the Board of Directors will ask our shareholders for a prospective approval of the maximum aggregate amount of:

- the compensation of the Board of Directors for their one-year term of office, starting with their election at the 2015 AGM and ending with the 2016 AGM;
- the fixed compensation of the Group Management Board for 2015; and
- the variable compensation of the Group Management Board for 2015.

With our disclosure in this Compensation Report, particularly in the Compensation Outlook for 2015 under section 8, we want to give shareholders reassurance that the Group Management Board’s variable compensation will be linked to actual results.

The Compensation Committee decided to cap the aggregate variable compensation in 2015 of all members of the Group Management Board other than those (if any) who only become members after the 2015 AGM at the lesser of CHF 13 million or 5% of the Group’s actual underlying pre-tax profit in 2015 (as disclosed in its Annual Report). Without providing forward-looking guidance, this should give shareholders a reliable basis upon which to form a view as to the actual variable compensation likely to be paid to the Group Management Board for 2015.

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 straightforward. 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 profit 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, 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.
- Expected performance and targets are clearly defined for every Group employee, 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.

3. Compensation governance

3.1 COMPENSATION AUTHORITIES — OVERVIEW

The internal bodies and individuals with responsibility for compensation matters are summarised in the following table. Under this framework, which was effective for the financial year 2014, ultimate responsibility in compensation matters was reserved to the Board of Directors. The Board of Directors was supported by its Compensation Committee, which determined the level of financial resources to be made available for employee compensation.

COMPENSATION RESPONSIBILITIES

	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	

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 standards 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.

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 2014, the Compensation Committee was 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 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. Group Human Resources 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 expense 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 is hard-capped. At present, the metric used is the Group's underlying pre-tax profit in a given financial year, as disclosed in the Group's Annual Report. 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.

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

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. Furthermore, the Compensation Committee oversees and advises the Board of Directors on the compensation reporting to our shareholders, in accordance with applicable laws and regulations.

3.4 GROUP CHIEF EXECUTIVE OFFICER

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

Furthermore, 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.

4. Compensation components

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 either driven by a team-based formula or, for discretionary bonuses, 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 the Group's overall financial results against individual performance for discretionary bonuses generally increases with higher levels of seniority and responsibility, and is highest for members of the Group Management Board. As a general principle, our compensation framework provides that around 70% of their 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 objectives. Their accountability for the operating results achieved and the impact of their decisions on the Group's future development is reflected in the vesting periods for deferred compensation: Approximately a third of the variable compensation of all members of the Group Management Board is deferred over three years and the long-term incentive award of the Group CEO is deferred over five years.

COMPENSATION COMPONENTS

	BOARD OF DIRECTORS	GROUP CEO	GROUP MANAGEMENT BOARD	SELECT EMPLOYEES	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[1]		●	●	●	●
Deferred share-based award, variable		●	●	●	
Benefits[2]		●	●	●	●

1 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.
2 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.

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.

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.

4.3.1 DISCRETIONARY BONUS

All employees, except those investment teams that participate in a formula-driven incentive, are considered for a discretionary bonus. The available discretionary 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 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. While some objectives 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 2014.

4.3.2 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 in attracting and retaining the best-quality professionals.

INVESTMENT MANAGEMENT

Our investment management 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.

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. 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.

SALES AND DISTRIBUTION

In select 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.

Where formula bonus payments form only part of an individual's total variable compensation, the balance comprises a discretionary payment determined as detailed in section 4.3.1 above.

4.4 EQUITY PARTICIPATION PROGRAMMES

The equity participation programmes described below, all linked to the GAM Holding AG share, include plans under which awards were outstanding as at 31 December 2014, with further details disclosed in Note 23 of the Consolidated Financial Statements, and plans constituting compensation paid for the 2014 financial year.

The GAM Holding AG shares required to settle obligations under these programmes were and will be procured in the market.

4.4.1 CURRENT PROGRAMMES
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 long-term incentive (LTI) plan. Under this new share 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 vest annually at the conclusion of a Board member's one-year term of office.

The grants 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 Board member's one-year term of office. With the introduction of this plan, the Board of Directors members will no longer participate in any future option plan or performance-based compensation scheme as members of the Group Management Board.

Under this plan, the members of the Board of Directors were granted on 24 April 2014 the right to receive an aggregate total of 63,290 GAM Holding AG shares (at a fair value of CHF 15.80 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 23 April 2014, or an aggregate fair value of CHF 999,982). These shares will vest and be delivered on the day before the Company's 2015 Annual General Meeting (AGM), provided the member is proposed, or decides not to stand, for re-election.

SHARE PLAN FOR THE GROUP CEO

In order to ensure long-term alignment with shareholders' interests, the Compensation Committee decided that about a third of the variable, performance-based compensation of the Group CEO should be paid in the form of restricted shares, resulting in an ongoing exposure of the Company's share price development.

33,223 GAM Holding AG shares (at 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, or an aggregate fair value of CHF 500,006) were granted on 30 January 2014 to the former Group CEO, David M. Solo, who stepped down in September 2014. These shares represented a variable deferred element of his total compensation for 2013 and will be delivered over a three-year period in three equal tranches at the respective anniversary of the date of grant.

17,787 GAM Holding AG shares (at a fair value of CHF 15.45 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on19 January 2015, or an aggregate fair value of CHF 274,815) were granted on 20 January 2015 to the current Group CEO, Alexander S. Friedman, as a variable deferred element of his total pro rata compensation for 2014. These shares will be delivered three years after their date of grant.

FIVE-YEAR VARIABLE RESTRICTED SHARE SCHEME FOR THE NEW GROUP CEO

The Compensation Committee decided that the new Group CEO, Alexander S. Friedman, appointed in September 2014, should receive a one-time long-term incentive award in the form of capped variable-restricted share (VRS) units deferred over five years. Accordingly, on 29 September 2014, he received 1,122,020 VRS units (at a fair value of CHF 6.67 per VRS unit based on the share's closing pricing on the first trading line at the SIX Swiss Exchange on 29 September 2014, or an aggregate fair value of CHF 7,483,873) which will vest annually in five equal tranches commencing on the first anniversary of the date of grant date.

The award that was granted on 29 September 2014 is fully at risk, tied to share price performance, and capped. The VRS units will vest subject to the Group CEO continuing to be employed with the Group, providing a strong alignment with shareholder interests and an effective retention mechanism. Should his employment be terminated for cause, any vested VRS units will become forfeit and no further units will vest. Furthermore, the vesting of the first tranche includes a two-year service condition: Should the Group CEO serve notice prior to the second anniversary of his employment, any VRS units already vested will become forfeit and all remaining units will lapse.

The final number of shares the Group CEO will receive is dependent on the performance of the GAM Holding AG share price over the five years following the grant of the VRS units, and the value of the shares delivered for each unit will vary linearly:

- Should the share price, being the average closing price of the share over the 124 business days immediately preceding the settlement date, fail to increase relative to the share's closing price on the grant date (CHF 16.70), the Group CEO 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 five-year vesting period is set at 65%. If the 65% hurdle is achieved, then each VRS unit will entitle the Group CEO to one GAM Holding AG share.
- Should the share price appreciate by 371% (4.71 times the share's closing price on the grant date) or more, the Group CEO is entitled to two GAM Holding AG shares per VRS unit. Hence, the maximum number of GAM Holding AG shares delivered for each VRS unit is capped at two.
- For increases in the GAM Holding AG share price between 0% and 371%, the value of shares delivered for each VRS unit will vary linearly.

Vested VRS units which have not been forfeited will be automatically physically settled at the latest on 30 September 2019. The settlement price will be determined by the average closing price of the GAM Holding AG share over the 124 business days immediately preceding the settlement date. With this, we want to ensure that the value realised by the recipient properly reflects the sustainable development of our share price.

THREE-YEAR VARIABLE RESTRICTED SHARE SCHEME FOR MEMBERS OF THE GROUP MANAGEMENT BOARD

For the 2014 financial year, the Compensation Committee determined that the previous 2013 deferred share-based variable compensation scheme for members of the Group Management Board (other than the Group CEO) will be replaced by a capped variable-restricted share (VRS) plan.

Under this scheme recipients receive a number of VRS units which will vest annually, subject to a recipient continuing to be employed with the Group or having retired and not subsequently taken up employment outside of the Group, in three equal tranches commencing on the first anniversary of the grant date. VRS units will be automatically physically settled three years after the grant date. The settlement price will be determined by the average closing price of the GAM Holding AG share over the 124 business days immediately preceding the settlement date. Should the employment of the recipients be terminated for cause, the granted VRS units will become forfeit. Should a recipient who has retired take up employment outside of the Group, the granted VRS units other than those which vested prior to the date of retirement will become forfeit. The final number of shares received is dependent on the performance of the GAM Holding AG share over the three years following the grant of the VRS units, and the value of the shares delivered for each unit will vary linearly:

- Should the share price, being the average closing price of the share over the 124 business days immediately preceding the settlement date, fail to increase relative to the share's closing price on the day before the grant date (CHF 15.45), 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% hurdle is achieved, then each VRS unit will entitle the recipient to one GAM Holding AG share.
- Should the share price appreciate by 200% (three times the share's closing price on the day before the grant date) or more, the recipient is entitled to two GAM Holding AG shares per VRS unit. Hence, the maximum number of GAM Holding AG shares delivered for each VRS unit is capped at two.
- 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.

Grants under this VRS plan were made on 20 January 2015 as a variable deferred compensation for 2014. In total, 425,695 VRS units were granted with an aggregate fair value of CHF 2,047,595.

Recipients of the grants were the members of the Group Management Board (excluding the Group CEO). The size of the grant varied based on seniority and individual performance contribution. It was designed to represent around a third of a recipient's total variable compensation for the 2014 financial year.

DISCRETIONARY EQUITY SCHEME FOR SELECT EMPLOYEES

In 2014, the Compensation Committee approved a new equity scheme for discretionary awards of restricted shares or options to select employees. Share-based grants made under this scheme are variable and typically have a three-year vesting period, conditional to pre-determined criteria such as continued employment at vesting. Awards may be reduced or forfeited entirely if recipients have engaged in serious misconduct or have caused wholly or in part a material loss for the Group as a result of reckless, negligent or willful actions or inappropriate values or behaviour.

Awards under this scheme may be made on an individual basis, to retain exceptionally strong performers and contributors to the Group's success – in which case they are generally awarded in addition to an employee's regular variable compensation – or to replace deferred compensation awards of new hires, in light of the increasing practice in the financial services industry to defer bonuses of senior personnel over multiple years. The scheme may also be used for employees where local regulation or best practice encourages a deferred component in their variable compensation.

In 2014, no awards were made to members of the Group Management Board under this scheme.

4.4.2 PREVIOUS PROGRAMMES
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. Options under the 2009 LTI plan vest over three years and 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, 1,036,498 options were still outstanding at year-end 2014. The majority of these remaining outstanding options are exercisable until 27 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).

With the introduction of the deferred equity-based schemes for members of the Group Management Board and select employees (see section 4.4.1 above), we do not plan to make further grants under this 2009 LTI plan.

2013 DEFERRED COMPENSATION SCHEME FOR MEMBERS OF THE GROUP MANAGEMENT BOARD AND SELECT EMPLOYEES

In 2013, following the introduction of our current Group structure and the constitution of the Group Management Board, we decided to defer part of the variable compensation of members of the Group Management Board and certain senior employees over three years through an annual variable share-based grant.

Deferred share-based grants under this scheme were made on 25 June 2013, with an aggregate fair value of CHF 6,198,459, and will vest on 15 August 2016 subject to a recipient continuing to be employed with the Group at that date. The size of the grant varied based on seniority and individual performance contribution. For Group Management Board members, it was designed to represent around a third of their total variable compensation.

Upon vesting 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.

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).

4.4.3 VALUATION METHOD

All awards made under our equity participation programmes mentioned in this section 4.4 are valued and disclosed at fair value at grant date. For deferred share-based units and options, the fair value is determined through established methods such as Black-Scholes or Monte Carlo simulation. We do not apply a discount for any type of deferral.

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. Compensation of the Board of Directors in 2014

5.1 PRINCIPLES AND COMPENSATION STRUCTURE

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. The members of the Board of Directors do not receive any type of variable compensation and do not participate in any performance-based compensation schemes available to the Group Management Board or to other Group employees. They also do not receive any stock options. Instead, part of their fixed compensation is paid in the form of GAM Holding AG shares.

5.2 CHAIRMAN OF THE BOARD OF DIRECTORS

For 2014, Johannes A. de Gier received a total compensation of CHF 1,323,517 (including CHF 154,508 employer's social security contributions) for his services as Chairman of the Board of Directors and Chairman of the Governance and Nomination Committee.

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. Since the 2013 AGM, the Chairman has served 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. In 2013, the Compensation Committee decided to set the fixed annual cash base pay for the role of Chairman of the Board of Directors at CHF 600,000 commencing with his election at the Company's 2013 AGM – this fixed annual cash base pay amount has since remained unchanged. Under the Share Plan for Members of the Board of Directors described in section 4.4.1 above, the Chairman of the Board of Directors received in 2014 an amount of CHF 499,991 in the form of restricted GAM Holding AG shares, which will vest on the day before the Company's 2015 AGM. Based on the fair value of CHF 15.80 per share at grant, this corresponded to 31,645 shares.

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

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 2014 at CHF 100,000. This is the same level we have been paying for each of the last four years.

The Committee fees for a one-year term of office, which are also paid in cash, are designed to reflect the workload in serving on the Board of Directors' various Committees. They have remained unchanged since the Company's 2013 AGM, when they were defined as follows:

- The fee for the role of Chairman of the Audit Committee was CHF 70,000. The fee for each other member of the Audit Committee was 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 was CHF 30,000, and the fee for the other members of these two Committees CHF 10,000.
- The fee for the role of Vice Chairman of the Board of Directors was CHF 10,000.

Under the Share Plan for Members of the Board of Directors described in section 4.4.1 above, each member of the Board of Directors (other than its Chairman) received in 2014 an amount of CHF 99,998 in the form of restricted GAM Holding AG shares, which will vest on the day before the Company's 2015 AGM. Based on the fair value of CHF 15.80 per share at grant, this corresponded to an individual award of 6,329 shares.

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

The details of the payments made for 2014 to the members of the Board of Directors are disclosed in the table below.

5.3.1 TABLE: COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS FOR 2014 (AUDITED)

		GROSS BASE PAY/ SALARY[2, 3] CHF	SHARE-BASED PAYMENTS[4, 5] CHF	PENSION FUND CONTRI-BUTION CHF	OTHER SOCIAL SECURITY CONTRI-BUTIONS CHF	VARIA CHF	**TOTAL COMPEN-SATION[8]** CHF
Compensation of the members of the Board of Directors							
Johannes A. de Gier, Chairman (and	2014	630,000	499,991	-	154,508	39,018	**1,323,517**
until 17 April 2013 CEO)	2013	1,226,427	499,996	-	234,745	36,904	**1,998,072**[1]
Daniel Daeniker	2014	130,000	99,998	-	15,331	-	**245,329**
	2013	126,136	100,002	-	15,243	-	**241,381**
Diego du Monceau	2014	130,000	99,998	-	-	-	**229,998**
	2013	129,554	100,002	-	-	-	**229,556**
Dieter Enkelmann	2014	130,000	99,998	-	15,331	-	**245,329**
	2013	129,558	100,002	-	15,466	-	**245,026**
Hugh Scott-Barrett	2014	170,000	99,998	-	35,803	-	**305,801**
	2013	157,665	100,002	-	35,765	-	**293,432**
Tanja Weiher (joined the	2014	130,000	99,998	-	15,331	-	**245,329**
Board of Directors on 17 April 2013)	2013	91,722	100,002	-	12,790	-	**204,514**
Total	**2014**	**1,320,000**	**999,982**	**-**	**236,304**[6]	**39,018**	**2,595,304**
	2013	**1,861,062**	**1,000,006**	**-**	**314,009**[7]	**36,904**	**3,211,981**

1 This member's total compensation in 2013 in the amount of CHF 1,998,072 (including CHF 234,745 social security contributions) includes CHF 839,895 (including CHF 96,146 social security contributions) which he received in his former role as Chief Executive Officer of GAM Holding AG.

2 The gross base pay/salary proportionately includes a fixed cash base pay for the role of Chairman of the Board of Directors of CHF 600,000 in respect of the one-year term of office from the 2014 to the 2015 Annual General Meeting and from the 2013 to the 2014 Annual General Meeting, and of CHF 250,000 in respect of the one-year term of office from the 2012 to the 2013 Annual General Meeting.

3 The gross 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 2014 to the 2015 Annual General Meeting and 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.

4 The share-based payments in 2014 consist of restricted shares which were granted on 24 April 2014 under the Group's 'Share Plan for Members of the Board of Directors' (in total 63,290 restricted shares were granted with a fair value of CHF 15.80 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 23 April 2014). These shares will vest and be delivered on the day before the Company's 2015 Annual General Meeting. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

5 The share-based payments in 2013 consist of restricted shares which were granted on 25 June 2013 under the Group's 'Share Plan for Members of the Board of Directors' (in total 71,429 restricted 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 vested and were delivered on 14 April 2014, the day before the Company's 2014 Annual General Meeting. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

6 For 2014, these other social security contributions in the total amount of CHF 236,304 include such notional contributions in the amount of CHF 103,048 calculated on the share-based payments.

7 For 2013, these other social security contributions in the total amount of CHF 314,009 include such notional contributions in the amount of CHF 101,550 calculated on the share-based payments.

8 All amounts are before deduction of employee's social security contributions and income tax due by the member of the Board of Directors. Not included is the reimbursement for travel and other necessary business expenses incurred in the performance of their services as these amounts are not considered compensation.

5.3.2 COMPENSATION TO FORMER MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

In 2014, no compensation was paid to members of the Board of Directors who left the Board of Directors in 2013 or earlier. No termination fees were paid to any member who left the Board of Directors.

5.3.3 LOANS TO MEMBERS OF THE BOARD OF DIRECTORS (AUDITED)

In 2014, no loans were granted to current or former members of the Board of Directors. No such loans were outstanding at year-end 2014.

5.3.4 COMPENSATION AND LOANS TO CLOSELY LINKED PARTIES (AUDITED)

In 2014, no compensation was paid to closely linked parties of current or former members of the Board of Directors. No loans were granted in, or were outstanding at the end of, 2014 to closely linked parties of current or former members of the Board of Directors.

6. Compensation of the Group Management Board in 2014

6.1 PRINCIPLES

6.1.1 COMPENSATION STRUCTURE

All 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. After 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 underlying pre-tax profit in a given financial year, as disclosed in the Group's Annual Report, 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 its review of our financial reporting and disclosure.

At the beginning of 2014, the Compensation Committee determined that the aggregate variable compensation of the then current members of the Group Management Board (including the value of deferred share-based compensation, cash bonuses and related pension fund contributions, but excluding employer's other social security contributions) was to be capped at the lesser of 5% of the Group's actual underlying pre-tax profit in 2014 or CHF 13 million. This cap did not take into consideration the Group CEO leadership change, which occurred later in the year, and any compensation associated with such change was therefore excluded from the application of this cap. The Compensation Committee also decided that the variable compensation for 2014 of the members of the Group Management Board who served throughout 2014 should generally 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 please refer to section 4.4.1 above.

As a general principle, our compensation policy 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 objectives.

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, for example, 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 to managing the Group's resources carefully, to fostering responsible business practices and behaviour (and thereby acting as a role model), and to attracting, retaining and motivating high-performing staff.

6.1.2 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.

6.1.3 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 comparable to those of the forfeited compensation.

Under the new Swiss legislation (the "Ordinance against Excessive Compensation in listed Stock Companies") effective as from 1 January 2014, any payments to executive management (in our case the Group Management Board) and the Board of Directors have to be subject to an annual shareholders' vote at the 2015 AGM (see also section 1 above). Companies, however, are allowed to include a supplementary compensation amount in their Articles of Incorporation to cover new executive management members who become members during a compensation period for which the shareholders have already (prospectively) voted on the compensation. The Board of Directors will submit a proposal for the required amendment in the Company's Articles of Incorporation at the upcoming 2015 AGM, reflecting the supplementary compensation amount deemed to be appropriate to warrant orderly and smooth leadership transitions at any given time.

6.2 GROUP MANAGEMENT BOARD

In 2014, the members of the Group Management Board received a total aggregate compensation of CHF 32,792,583 (including CHF 1,607,155 employer's social security contributions other than pension fund contribution). This amount reflects compensation to the members of the Group Management Board including the current Group CEO as well as all payments made in 2014 to his predecessor. Of this total, CHF 9,040,471 (including CHF 619,652 employer's social security contributions other than pension fund contribution) relate to fixed compensation (including payments to the former Group CEO for the full year 2014 and an amount equal to, and in lieu of, his six months' notice entitlement), the remaining CHF 23,752,112 (including CHF 987,503 employer's social security contributions other than pension fund contribution) to variable compensation.

Excluding the impact of the Group CEO leadership change, which took place on 8 September 2014:

- The fixed compensation of the Group Management Board would have amounted to CHF 6,703,002 (excluding CHF 537,551 employer's social security contributions other than pension fund contribution). This is within the CHF 7 million cap that was determined by the Compensation Committee at the beginning of 2014 (see section 6.1.1 above).
- The variable compensation of the Group Management Board would have amounted to CHF 8,444,181 (excluding CHF 779,856 employer's social security contributions other than pension fund contribution). This represents 3.9% of the Group's underlying pre-tax profit in 2014 and is within the CHF 13 million cap that was determined by the Compensation Committee at the beginning of 2014 (see section 6.1.1 above).

The variable compensation (including pension fund contribution but excluding other social security contributions) for 2014 compared to 2013 per member of the Group Management Board has developed differently with reductions up to -37%.

On average, 33.3% of the variable compensation of each member of the Group Management Board as at 31 December 2014 (excluding the new Group CEO, whose compensation is disclosed separately in section 6.3 below) was paid in the form of a three-year deferred share-based grant.

The details of the aggregate compensation paid to the members of the Group Management Board are disclosed in the table below.

6.2.1 TABLE: COMPENSATION TO THE GROUP MANAGEMENT BOARD IN 2014 (AUDITED)

		FIXED COMPENSATION ELEMENTS				
		GROSS BASE PAY/SALARY CHF	PENSION FUND CONTRIBUTION CHF	OTHER SOCIAL SECURITY CONTRIBUTIONS CHF	VARIA CHF	**TOTAL FIXED COMPEN-SATION CHF**
Compensation of the members of the Senior Management (Group Management Board)						
Total[1]	2014	7,650,648	633,346	619,652	136,826	**9,040,471**[3]
Total (until 17 April 2013 three-member Executive Board and as from 18 April 2013 seven-member Group Management Board)[2]	2013	5,212,129	508,393	536,253	134,869	**6,391,644**[4]

[1] The disclosed compensation for the members of the Senior Management for the year 2014 comprises the compensation of all members who served during the course of 2014.

[2] The disclosed compensation for the members of the Senior Management for the year 2013 comprises the compensation of all members who served during the course of 2013.

[3] The total fixed compensation in the amount of CHF 9,040,471 also includes the former Group CEO's fixed compensation for the full year 2014 and an amount equal to, and in lieu of, his six months' notice entitlement.

[4] The total fixed compensation in the amount of CHF 6,391,644 includes the fixed compensation of the members who joined the Senior Management in April 2013 as from that date. It does not include the compensation amounting to CHF 1,019,578 paid to Johannes A. de Gier for his role as Chairman of the Board of Directors of GAM Holding AG.

[5] The total variable cash payments in the amount of CHF 6,849,988 also include the former Group CEO's variable compensation for 2014.

[6] Cash award granted to the (new) Group CEO in September 2014, which is deferred over four years and will vest, subject to his continued employment with the Group, in four equal tranches at the respective anniversary of the date of grant, being a replacement of less than half of the value of his deferred compensation from his former employer which he relinquished with his move to GAM Holding AG.

[7] Share-based payments in the amount of CHF 274,815 consist of restricted shares which were granted to the (new) Group CEO on 20 January 2015 under the Group's 'Share Plan for the Group CEO' as a variable deferred element of his total pro rata compensation for 2014 (in total 17,787 restricted shares were granted with a fair value of CHF 15.45 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 19 January 2015). These shares will vest be delivered three years after their date of grant. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

[8] Share-based payments in the amount of CHF 2,047,595 consist of variable-restricted share (VRS) units which were granted to the members of the Senior Management (other than the Group CEO) on 20 January 2015 under the Group's 'Three-Year Variable Restricted Share Scheme for Members of the Group Management Board' as a variable deferred element of their total compensation for 2014 (in total 425,695 VRS units were granted with a fair value of CHF 4.81 per unit based on the share's closing price on the first trading line at the SIX Swiss Exchange on 19 January 2015). These VRS units will vest annually, subject to a recipient continuing to be employed with the Group or having retired and not subsequently taken up employment outside of the Group, in three equal tranches commencing on the first anniversary of the date of grant. VRS units will be automatically physically settled three years after the date of grant. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

VARIABLE COMPENSATION ELEMENTS							
	DEFERRED ELEMENTS						
CASH PAYMENTS CHF	CASH PAYMENTS CHF	SHARE-BASED PAYMENTS CHF	PENSION FUND CONTRIBUTION CHF	OTHER SOCIAL SECURITY CONTRIBUTIONS CHF	**TOTAL VARIABLE COMPEN-SATION CHF**	TERMINATION PAY (INCL. SOCIAL SECURITY CONTRIBUTIONS) CHF	**TOTAL COMPEN-SATION[14] CHF**
6,849,988[5]	6,012,110[6]	9,806,283[7, 8, 9]	96,227	987,503[12]	**23,752,112**	n/a	**32,792,583**
5,331,136	-	2,817,309[10, 11]	103,726	808,254[13]	**9,060,425**	848,240	**16,300,309**

9 Share-based payments in the amount of CHF 7,483,873 consist of variable-restricted share (VRS) units which were granted to the (new) Group CEO on 29 September 2014 under the Group's 'Five-Year Variable Restricted Share Scheme for the New Group CEO' as one-time long-term incentive award (in total 1,122,020 VRS units were granted with a fair value of CHF 6.67 per unit based on the share's closing price on the first trading line at the SIX Swiss Exchange on 29 September 2014). These VRS units will vest annually, subject to the recipient continuing to be employed with the Group, in five equal tranches commencing on the first anniversary of the date of grant and will be automatically physically settled at the latest on 30 September 2019. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

10 Share-based payments in the amount of CHF 500,006 consist of restricted shares which were granted to the former Group CEO on 30 January 2014 under the Group's 'Share Plan for the Group CEO' 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). These shares will be delivered over a three-year period in three equal tranches at the respective anniversary of the date of grant. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

11 Share-based payments in the amount of CHF 2,317,303 consist of share-based grants (options) which were granted to the members of the Senior Management (other than the Group CEO) on 25 June 2013 under the Group's '2013 Deferred Compensation Scheme for Members of the Group Management Board and Select Employees' as a variable deferred element of their total compensation for 2013 (in total 1,176,296 options were granted with a fair value of CHF 1.97 per option based on the share's closing price on the first trading line at the SIX Swiss Exchange on 24 June 2013). These options will vest in full, subject to a recipient continuing to be employed with the Group, and be automatically physically net settled on 15 August 2016. For more details see section 4.4.2 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

12 For 2014, these other social contributions in the total amount of CHF 987,503 include such notional contributions in the amount of CHF 411,400 calculated on the deferred cash and share-based payments.

13 For 2013, these other social security contributions in the total amount of CHF 808,254 include such notional contributions in the amount of CHF 278,786 calculated on the deferred share-based payments.

14 All amounts are before deduction of employee's social security contributions and income tax due by the member of the Senior Management. Not included is the reimbursement for travel and other necessary business expenses incurred in the performance of their services as these amounts are not considered compensation.

6.2.2 COMPENSATION TO FORMER MEMBERS OF THE GROUP MANAGEMENT BOARD (AUDITED)

In 2014, no compensation was paid to former members of the Group Management Board who stepped down prior to 1 January 2014.

6.2.3 LOANS TO MEMBERS OF THE GROUP MANAGEMENT (AUDITED)

In 2014, no loans were granted to current or former members of the Group Management Board. No such loans were outstanding at year-end 2014.

6.2.4 COMPENSATION AND LOANS TO CLOSELY LINKED PARTIES (AUDITED)

In 2014, no compensation was paid to closely linked parties of current or former members of the Group Management Board. No loans were granted in, or were outstanding at the end of, 2014 to closely linked parties of current or former members of the Group Management Board.

6.3 HIGHEST PAID GROUP MANAGEMENT BOARD MEMBER

The highest paid Group Management Board member in 2014 was the current Group CEO, Alexander S. Friedman, with a total compensation of CHF 15,259,030 including amounts in respect of one-off retention and replacement awards and CHF 207,647 employer's social security contributions other than pension fund contribution.

Alexander Friedman joined the Group on 8 September 2014, therefore the total compensation includes his base salary for four months (CHF 630,268) and his pro rata variable compensation (CHF 824,445) for 2014, of which CHF 549,630 or two-thirds was paid in cash and CHF 274,815 or one-third in restricted shares (all amounts excluding employer's social security contributions). It also includes the replacement of less than half of the value of Alexander Friedman's deferred compensation from his former employer, which he relinquished with his move to GAM Holding AG. This replacement award was granted in the form of cash, which is deferred over four years and will vest, subject to Alexander Friedman's continued employment with the Group, in four equal tranches at the respective anniversary of the date of grant.

The Compensation Committee decided that Alexander Friedman should receive a one-time long-term incentive award in the form of capped variable-restricted share (VRS) units deferred over five years. This award, with an aggregate fair value of CHF 7,483,873 at grant on 29 September 2014, is fully at risk, tied to share price performance, and will vest subject to Alexander Friedman continuing to be employed with the Group. The details of this grant are described under section 4.4.1 of this Compensation Report.

6.3.1 TABLE: HIGHEST PAID GROUP MANAGEMENT BOARD MEMBER IN 2014 (AUDITED)

		FIXED COMPENSATION ELEMENTS				
		GROSS BASE PAY/SALARY CHF	PENSION FUND CONTRIBUTION CHF	OTHER SOCIAL SECURITY CONTRIBUTIONS CHF	VARIA CHF	**TOTAL FIXED COMPEN-SATION CHF**
Details of the compensation of the highest paid member of the Senior Management (Group Management Board)						
Alexander S. Friedman (joined Group Management Board on 8 September 2014)	2014	630,268	78,784	16,338	5,565	**730,955**
David M. Solo (joined Group Management Board on 18 April 2013)[1]	2013	1,406,567	190,030	91,493	83,503	**1,771,593**

[1] While the gross 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, his variable compensation for the year 2013 is, however, not proportionately but fully included.

[2] Cash award granted to this member in September 2014, which is deferred over four years and will vest, subject to his continued employment with the Group, in four equal tranches at the respective anniversary of the date of grant, being a replacement of less than half of the value of his deferred compensation from his former employer which he relinquised with his move to GAM Holding AG.

[3] Share-based payments in the amount of CHF 274,815 consist of restricted shares which were granted to this member on 20 January 2015 under the Group's 'Share Plan for the Group CEO' as a variable deferred element of his total pro rata compensation for 2014 (in total 17,787 restricted shares were granted with a fair value of CHF 15.45 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 19 January 2015). These shares will be delivered three years after their date of grant. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

[4] Share-based payments in the amount of CHF 7,483,873 consist of variable-restricted share (VRS) units which were granted to the (new) Group CEO on 29 September 2014 under the Group's 'Five-Year Variable Restricted Share Scheme for the New Group CEO' as one-time long-term incentive award (in total 1,122,020 VRS units were granted with a fair value of CHF 6.67 per unit based on the share's closing price on the first trading line at the SIX Swiss Exchange on 29 September 2014). These VRS units will vest annually, subject to the recipient continuing to be employed with the Group, in five equal tranches commencing on the first anniversary of the date of grant and will be automatically physically settled at the latest on 30 September 2019. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

VARIABLE COMPENSATION ELEMENTS						
	DEFERRED ELEMENTS					
CASH PAYMENTS CHF	CASH PAYMENTS CHF	SHARE-BASED PAYMENTS CHF	PENSION FUND CONTRIBUTION CHF	OTHER SOCIAL SECURITY CONTRIBUTIONS CHF	**TOTAL VARIABLE COMPEN-SATION CHF**	**TOTAL COMPEN-SATION [8] CHF**
549,630	6,012,110 [2]	7,758,688 [3, 4]	-	207,647 [6]	**14,528,075**	**15,259,030**
1,200,000	-	500,006 [5]	-	112,710 [7]	**1,812,716**	**3,584,309**

[5] Share-based payments in the amount of CHF 500,006 consist of restricted shares which were granted to the former Group CEO on 30 January 2014 under the Group's 'Share Plan for the Group CEO' 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). These shares will be delivered over a three-year period in three equal tranches at the respective anniversary of the date of grant. For more details see section 4.4.1 of this Compensation Report and Note 23 of the Consolidated Financial Statements.

[6] For 2014, these other social security contributions in the total amount of CHF 207,647 include such notional contributions in the amount of CHF 199,677 calculated on the deferred cash and share-based payments.

[7] For 2013, these other social security contributions in the total amount of CHF 112,710 include such notional contributions in the amount of CHF 33,000 calculated on the deferred share-based payments.

[8] All amounts are before deduction of employee's social security contributions and income tax due by the member of the Senior Management. Not included is the reimbursement for travel and other necessary business expenses incurred in the performance of their services as these amounts are not considered compensation.

7. Share and option holdings

7.1 BOARD OF DIRECTORS

		NUMBER OF VESTED SHARES	NUMBER OF VESTED OPTIONS
Share and option holdings of the members of the Board of Directors as at 31 December[1, 2]			
Johannes A. de Gier, Chairman	2014	19,642	-
	2013	-	-
Daniel Daeniker	2014	19,336	-
	2013	12,640	-
Diego du Monceau	2014	5,357	-
	2013	-	-
Dieter Enkelmann	2014	37,565	-
	2013	30,869	-
Hugh Scott-Barrett	2014	6,785	-
	2013	5,000	-
Tanja Weiher	2014	6,696	-
	2013	-	-
Total	**2014**	**95,381**	**-**
	2013	**48,509**	**-**

1 Including share and option holdings of closely linked parties.

2 This table shows vested holdings as at 31 December. Share-based payments which were awarded to the members of the Board of Directors in 2014 have not yet vested. For respective details see section 5.3.1 of the Compensation Report.

7.2 GROUP MANAGEMENT BOARD

		NUMBER OF VESTED SHARES	NUMBER OF VESTED OPTIONS/ VRS UNITS
Share and option / VRS unit holdings of the members of the Senior Management (Group Management Board) as at 31 December[1, 2]			
Alexander S. Friedman (joined Group Management Board on 8 September 2014)	2014	-	-
	2013	n/a	n/a
David M. Solo (left Group Management Board on 8 September 2014)	2014	n/a	n/a
	2013	-	-
Andrew Hanges	2014	19,161	-
	2013	19,161	-
Craig Wallis	2014	-	-
	2013	-	-
Marco Suter	2014	12,000	-
	2013	12,000	187,500[3]
Martin Jufer	2014	-	-
	2013	-	-
Michele Porro	2014	-	-
	2013	-	-
Scott Sullivan	2014	-	-
	2013	-	-
Total	**2014**	**31,161**	**-**
	2013	**31,161**	**187,500**

1 Including share and option holdings of closely linked parties.

2 This table shows vested holdings as at 31 December. In each year share-based payments were awarded to the members of the Senior Management (Group Management Board) that have not yet vested. For respective details see section 6.2.1 and section 6.3.1 of the Compensation Report.

3 These vested options were granted on 20 July 2011 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 20 July 2014. The options (each option being a call option and corresponding to one share with physical settlement) had an exercise price of CHF 12.35 and were exercisable as of 20 July 2014 during the following 90 days. For more details see section 4.4.2 of the Compensation Report and Note 23 of the Consolidated Financial Statements.

8. Compensation outlook for 2015 — information for the 2015 AGM vote

8.1 COMPENSATION OF THE BOARD OF DIRECTORS

For the one-year term of office as of the 2015 AGM to the 2016 AGM, the Compensation Committee anticipates the fixed annual cash base pay for the members of the Board of Directors, including the fees for the various Committee memberships to remain unchanged (except for the fee for the role of Chairman of the Compensation Committee which will be increased from CHF 30,000 to CHF 60,000). The Compensation Committee further envisages granting the members of the Board of Directors – once elected at the 2015 AGM – an aggregate amount of about CHF 1 million in the form of restricted GAM Holding AG shares. These shares will vest on the day prior to the 2016 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 the period starting at the 2015 AGM and ending on the 2016 AGM will not exceed CHF 2.5 million (including employer's social security contributions).

8.2 COMPENSATION OF THE GROUP MANAGEMENT BOARD

The Compensation Committee does not anticipate making any increase to the fixed base salaries of the current members of the Group Management Board in 2015. The aggregate maximum amount of fixed compensation paid to the current Group Management Board members in 2015 is expected not to exceed CHF 8 million (including employer's social security contributions).

For variable compensation, the Compensation Committee continues to deem the Group's underlying pre-tax profit (as disclosed in the Annual Report) 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 in 2015 of all members of the Group Management Board other than those (if any) who only become members after the 2015 AGM shall be capped at the lesser of 5% of the Group's actual underlying pre-tax profit in 2015 or CHF 13 million (including employer's social security contributions). While our practice not to provide forward-looking profit guidance remains unchanged, we believe that the disclosure provided in this Compensation 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 2015 financial year. Overall, the Compensation Committee further decided that the variable compensation of a member of the Group Management Board for the 2015 financial year, other than that of any member who only joins after the 2015 AGM, should generally not be higher than twice such member's base salary.

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box 18 72
CH-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 23 19
Internet www.kpmg.ch

Report of the Statutory Auditor to the General Meeting of Shareholders of

GAM Holding AG, Zurich

We have audited the accompanying Compensation Report of GAM Holding AG (sections 5.3.1 to 5.3.4, sections 6.2.1 to 6.2.4 and section 6.3.1) for the year ended 31 December 2014.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Compensation Report for the year ended 31 December 2014 of GAM Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Philipp Rickert	Patricia Bielmann
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 2 March 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	NOTE	2014 CHF M	2013 CHF M	CHANGE IN %
Fee and commission income		1,010.3	1,029.3	-2
Distribution, fee and commission expenses		-467.4	-475.2	-2
Net management fees and commissions	*5*	**542.9**	**554.1**	**-2**
Net performance fees	*5*	65.9	100.7	-35
Net fee and commission income		**608.8**	**654.8**	**-7**
Other operating income	*6*	10.9	28.5	-62
Operating income		**619.7**	**683.3**	**-9**
Personnel expenses	*7*	295.3	321.3	-8
General expenses	*8*	105.8	110.2	-4
Depreciation and amortisation	*17*	7.8	18.8	-59
Impairments	*14.2*	2.3	8.9	-74
Operating expenses		**411.2**	**459.2**	**-10**
Profit before taxes		**208.5**	**224.1**	**-7**
Income taxes	*9.1*	39.5	22.7	74
Net profit		**169.0**	**201.4**	**-16**
Net profit attributable to:				
- the shareholders of the Company		165.8	196.8	-16
- non-controlling interests		3.2	4.6	-30
		169.0	**201.4**	**-16**
Earnings per share				
Basic earnings per share	*10*	1.02	1.20	-15
Diluted earnings per share	*10*	1.01	1.19	-15

Consolidated statement of comprehensive income

	NOTE	2014 CHF M	2013 CHF M	CHANGE IN %
Net profit		**169.0**	**201.4**	**-16**
Remeasurements of pension liabilities		-18.5	-	-
Items that will not be reclassified subsequently to the income statement, net of taxes		**-18.5**	**-**	**-**
Net gains/(losses) on financial assets available-for-sale		4.5	16.7	-
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-6.1	-16.9	-
Translation differences		5.4	-1.9	-
Items that may be reclassified subsequently to the income statement, net of taxes		**3.8**	**-2.1**	**-**
Other comprehensive income, net of taxes	*9.2*	**-14.7**	**-2.1**	**-**
Total comprehensive income		**154.3**	**199.3**	**-23**
Total comprehensive income attributable to:				
- the shareholders of the Company		151.1	194.7	-22
- non-controlling interests		3.2	4.6	-30
		154.3	**199.3**	**-23**

Consolidated balance sheet

	NOTE	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Cash and cash equivalents		643.9	592.6	9
Trade and other receivables		31.7	64.9	-51
Accrued income and prepaid expenses	*11*	138.0	125.9	10
Financial investments	*12.1*	117.7	74.7	58
Assets held for sale	*13*	14.4	52.3	-72
Current assets		**945.7**	**910.4**	**4**
Financial investments and other financial assets	*12.1*	3.0	2.5	20
Investments in associates	*14.1*	-	3.1	-100
Deferred tax assets	*16.1*	32.4	30.4	7
Property and equipment	*17*	18.0	19.9	-10
Goodwill and other intangible assets	*17*	1,371.6	1,363.4	1
Non-current assets		**1,425.0**	**1,419.3**	**0**
Assets		**2,370.7**	**2,329.7**	**2**

Consolidated balance sheet *(continued)*

	NOTE	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Trade and other payables		37.7	19.1	97
Other financial liabilities	*12.2*	1.7	0.4	325
Accrued expenses and deferred income	*18*	249.3	251.6	-1
Current tax liabilities		30.2	28.2	7
Provisions	*19*	-	1.5	-100
Liabilities held for sale	*13*	0.4	8.4	-95
Current liabilities		**319.3**	**309.2**	**3**
Financial liabilities	*12.2*	35.6	28.5	25
Provisions	*19*	3.7	3.1	19
Pension liabilities	*15*	96.2	69.2	39
Non-current liabilities		**135.5**	**100.8**	**34**
Liabilities		**454.8**	**410.0**	**11**
Share capital		8.3	8.7	-5
Capital reserves		1,323.0	1,537.4	-14
Retained earnings		744.3	599.4	24
Other components of equity		-81.5	-85.3	-4
Treasury shares		-81.9	-145.5	-44
Equity attributable to the shareholders of the Company	*20*	**1,912.2**	**1,914.7**	**0**
Non-controlling interests		3.7	5.0	-26
Equity		**1,915.9**	**1,919.7**	**0**
Liabilities and equity		**2,370.7**	**2,329.7**	**2**

Consolidated statement of changes in equity

	NOTE	SHARE CAPITAL CHF M	CAPITAL RESERVES CHF M	RETAINED EARNINGS CHF M
Balance at 1 January 2013		**9.2**	**1,736.0**	**480.7**
Net profit		-	-	196.8
Remeasurements of pension liabilities	*9.2/15*	-	-	-
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		-	-81.8	-
Share-based payment transactions	*9.3/23*	-	-	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**
Net profit		-	-	165.8
Remeasurements of pension liabilities	*9.2/15*	-	-	-18.5
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		**-**	**-**	**-18.5**
Total comprehensive income		**-**	**-**	**147.3**
Capital reduction	*20*	-0.4	-108.9	15.7
Dividends paid	*20*	-	-105.5	-
Share-based payment transactions	*9.3/23*	-	-	4.6
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	-22.7
Balance at 31 December 2014		**8.3**	**1,323.0**	**744.3**

	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
	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**
	-	-	-	**165.8**	3.2	**169.0**
	-	-	-	**-18.5**	-	**-18.5**
	4.5	-	-	**4.5**	-	**4.5**
	-6.1	-	-	**-6.1**	-	**-6.1**
	-	5.4	-	**5.4**	-	**5.4**
	-1.6	**5.4**	**-**	**-14.7**	**-**	**-14.7**
	-1.6	**5.4**	**-**	**151.1**	**3.2**	**154.3**
	-	-	93.6	**-**	-	**-**
	-	-	-	**-105.5**	-4.5	**-110.0**
	-	-	-	**4.6**	-	**4.6**
	-	-	-52.7	**-52.7**	-	**-52.7**
	-	-	22.7	**-**	-	**-**
	-	**-81.5**	**-81.9**	**1,912.2**	**3.7**	**1,915.9**

Consolidated statement of cash flows

		2014 CHF M	2013 CHF M
Net profit		**169.0**	**201.4**
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit and other adjustments:			
- Impairments	*14.2*	2.3	8.9
- Depreciation and amortisation	*17*	7.8	18.8
- Share-based payment expenses	*23*	5.4	2.2
- Other non-cash items		-6.0	-16.5
Net increase/decrease in operating assets and liabilities:			
- Financial investments and other financial assets[1]		-9.1	75.1
- Trade and other receivables (excluding tax receivable)		34.8	-10.9
- Accrued income and prepaid expenses (excluding accrued interest)		-7.8	15.9
- Trade and other payables		15.5	2.1
- Accrued expenses and deferred income (excluding accrued interest)		-8.1	14.3
- Other financial liabilities		1.2	6.1
Adjustment for interest income and expenses		-0.5	-0.8
Interest received		0.9	1.1
Interest paid		-0.4	-0.3
Adjustment for income tax expenses		39.5	22.7
Income taxes paid		-32.6	-39.1
Cash flow from operating activities		**211.9**	**301.0**
Acquisition of business (net of cash)	*27*	-1.4	-
Acquisition/redemption of investment in associates	*14.1*	0.8	-9.3
Purchase of property, equipment and intangible assets	*17*	-6.4	-9.1
Disposal of property, equipment and intangible assets	*17*	0.1	0.1
Cash flow from investing activities		**-6.9**	**-18.3**
Purchase of treasury shares	*20*	-52.7	-109.3
Dividends paid to shareholders of the Company	*20*	-105.5	-81.8
Dividends paid to non-controlling interests		-4.5	-1.6
Cash flow from financing activities		**-162.7**	**-192.7**
Effects of exchange rate changes on cash and cash equivalents		9.0	-1.4
Net increase/(decrease) in cash and cash equivalents		**51.3**	**88.6**
Cash and cash equivalents at the beginning of the year		592.6	504.0
Cash and cash equivalents at the end of the year		**643.9**	**592.6**

[1] This line item includes the decrease in liabilities held for sale (which form a disposal group together with the assets held for sale) of CHF 8.0 million (2013: increase of CHF 2.5 million).

	2014 CHF M	2013 CHF M
Cash and cash equivalents at the beginning of the year	592.6	504.0
Cash flow from operating activities	211.9	301.0
Cash flow from investing activities	-6.9	-18.3
Cash flow from financing activities	-162.7	-192.7
Effects of exchange rate changes on cash and cash equivalents	9.0	-1.4
Cash and cash equivalents at the end of the year	**643.9**	**592.6**

Cash and cash equivalents are structured as follows:

	31.12.2014 CHF M	31.12.2013 CHF M
Cash at bank	483.8	484.2
Short-term deposits	160.1	108.4
Cash and cash equivalents	**643.9**	**592.6**

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 2014 comprise those of GAM Holding AG and all its subsidiaries (together referred to as the 'Group') including structured entities under control.

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.

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 and 12.5)
- determining whether the Group controls another entity (Notes 3.2.1 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 pension plan obligations (Notes 3.2.15 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 more than 20% 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	
	31.12.2014	31.12.2013	**2014**	2013
USD/CHF	0.9937	0.8894	0.9193	0.9241
EUR/CHF	1.2024	1.2255	1.2125	1.2287
GBP/CHF	1.5494	1.4730	1.5119	1.4464

3.2.3. INCOME RECOGNITION

Income from investment management and other fund-related services is either recognised at the time the service is performed, i.e. 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, i.e. 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 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 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 these 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 (ASSETS AND LIABILITIES) 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 and are presented in the balance sheet line items ‘assets held for sale’ and ‘liabilities held for sale’.

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 correspond to the actuarially determined net pension cost (which comprises service cost and net interest on the net defined benefit liability/(asset)) 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 the 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 2014:

- IFRIC 21 – Levies
- Annual improvements to IFRSs 2010 – 2012 cycle as well as 2011 – 2013 cycle – various standards

The adoption of these accounting pronouncements had no significant impact on the consolidated financial statements of the Group.

3.4. 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, but are not yet adopted by the Group. These changes are not expected to have any significant impact on the Group's consolidated financial statements, except for the IFRS 9 and the IFRS 15 standard.

The following standards, revisions and interpretations will be relevant to the Group:

IFRS 9 — FINANCIAL INSTRUMENTS

The new standard will replace the current IAS 39 and includes the three phases: classification and measurement, impairment, and hedge accounting. IFRS 9 includes the following changes to the current accounting for financial instruments:

All recognised financial assets are measured at either amortised cost or fair value with subsequent fair value changes recognised in either profit or loss (FVTPL) or other comprehensive income (FVOCI). The assessment as to how an asset should be classified is made on the basis of both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

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 usually measured at fair value with gains and losses recognised in profit or loss. However, the new standard introduces a fair value through other comprehensive income measurement category for eligible debt investments.

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 (i.e. the current requirement to perform an assessment of impairment and to reclassify cumulative gains and losses on disposal no longer applies).

Under IFRS 9, financial liabilities are generally classified as subsequently measured at amortised cost. 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 new standard replaces the 'incurred loss' with an 'expected loss' impairment approach and affects entities that hold financial assets or commitments to extend credit that are not accounted for at fair value through profit or loss. Under the new approach, it will no longer be necessary for a loss event to occur before an impairment loss is recognised and so, generally, all financial assets will carry a loss allowance, i.e. losses are recognised at an earlier stage.

The new requirements on hedge accounting align hedge accounting more closely with risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. IFRS 9 allows hedge accounting for equity instruments measured at fair value through other comprehensive income (OCI), even though there will be no impact on P&L from these investments. Hedge ineffectiveness is recognised in OCI.

The IASB decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. 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.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

A single revenue recognition model was published for all revenue transactions arising from contracts with customers, (i.e. contracts for goods, services, licences or fees). The goal was to prepare a new standard for revenue recognition which replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes and other revenue standards.

The new standard proposes the following changes:

- An entity has to recognise revenue when it satisfies its performance obligations in a contract by transferring goods and services to a customer.
- Under the new model, revenue is recognised when control is transferred, compared with the current model that focuses on the transfer of risks and rewards.
- The transaction price should reflect an estimate of variable or contingent consideration if it can be reasonably estimated.
- Extensive new disclosure requirements, e.g. information about contracts with customers and information about judgments and changes in judgments.
- Entities have to disclose disaggregated revenue information that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. These disclosures will also have to be presented in interim financial reports in accordance with IAS 34.

The IASB decided to require an entity to apply the revenue Standard for annual periods beginning on or after 1 January 2017. An entity will be able to choose to either apply the standard on a fully retrospective basis or apply a retrospective basis with the benefit of certain optional practical expedients. The IASB decided to allow early application for entities already applying IFRS. The Group is currently in the process of evaluating the potential effect on the Group's consolidated financial statements of the newly published IFRS 15.

4. COMMENT ON RISK AND CAPITAL MANAGEMENT

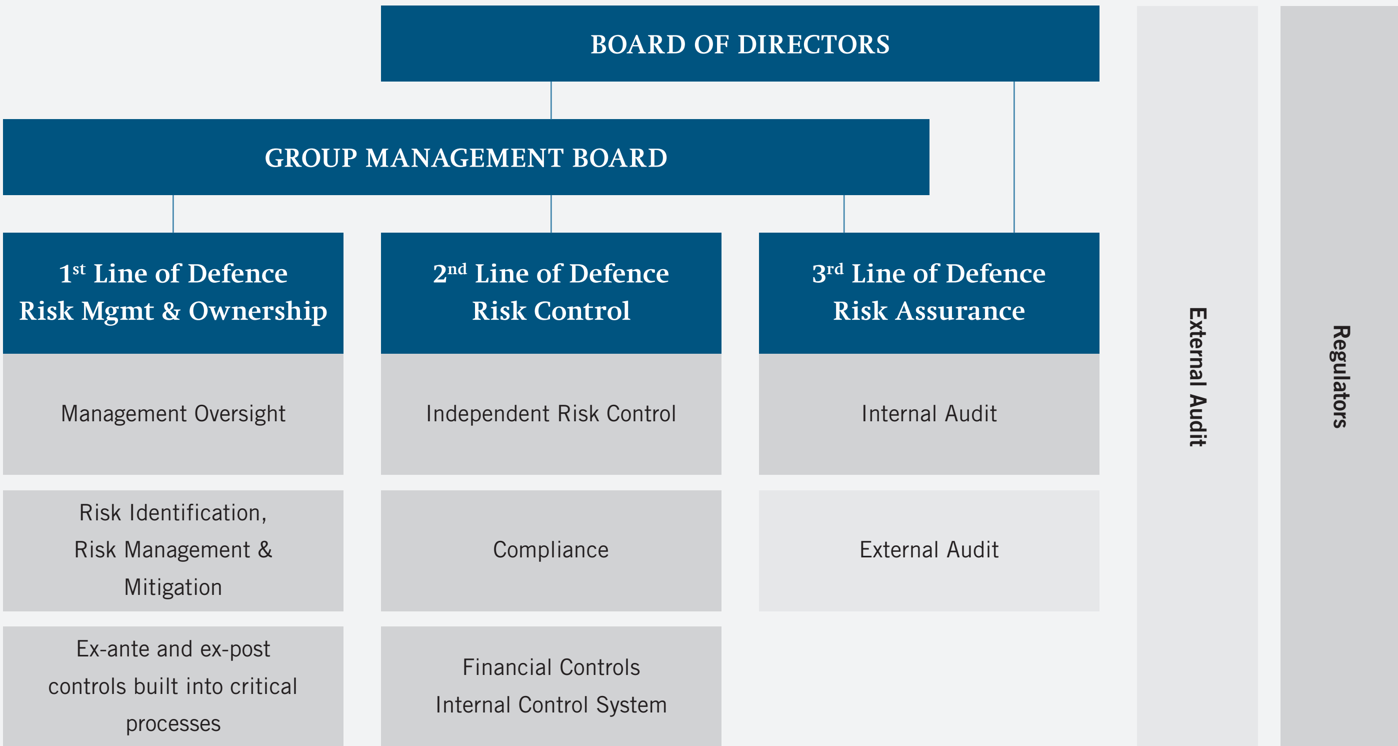
Effective risk and capital management is fundamental to all stakeholders of the Group, including shareholders, clients and employees, and is of interest to the wider financial services sector. Regulators continually assess our capital positions as well as our approach to risk and expect us to adhere 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 oversees the risk control functions throughout the Group and is responsible for ensuring and independently and continuously assessing and reporting on the risks faced by 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 all 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 and have a negative 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:

VOLATILITY AND DISRUPTION IN WORLD CAPITAL MARKETS AS WELL AS ADVERSE CHAGNES IN THE GLOBAL ECONOMY

We derive substantially all our revenues from investment management contracts, under which the majority of fees paid to us are typically based on the market value of assets under management. In the event of extreme circumstances, including economic, political or business crises, such as a widespread systemic failure or disruptions in the global financial system, we may suffer significant declines in assets under management which would adversely affect our operating results and impact our ability to attract and retain key employees. Illiquidity, high volatility and/or valuation issues could also negatively affect our ability to manage client inflows and outflows or to meet client redemption requests in a timely manner. These factors could ultimately impact our ability to realise the carrying value of our goodwill.

CHANGE IN INVESTOR APPETITE

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. 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. Additionally, a portion of our revenues is derived from performance fees on investment management contracts. Poor investment performance could result in a significant drop in performance fees or no performance fees at all. Underperformance of our products relative to that of other investment products available to investors could also lead to increased redemptions and lower future sales, thereby reducing assets under management as well as management and performance fee revenues. This is a key risk we have to accept in our business. To manage this risk, we focus on hiring and retaining highly skilled investment professionals who are incentivized to perform within the parameters of their mandate. We also 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 if 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 that our products enjoy continued demand from clients. Providing quality client services – for example, transparent and comprehensive reporting – adds value for investors in our products. We are constantly on the lookout to seize 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.

CLIENT CONCENTRATION

We have three broad client groups: institutional investors, often advised by consultants; retail investors, typically intermediated through banks, brokers and independent advisers; and private clients and charities. The loss of a large institutional investor or an important wholesale intermediary relationship could have an adverse effect on our Group and our products. We mitigate client concentration risk through the continued growth and diversification of our distribution network across multiple geographic regions, 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

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The recent financial crisis 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 of 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 BRANDS

The Group distributes its products under two widely recognised brands – GAM and Julius Baer. The inability to use or damage caused to either of these brands may result in negative client sentiment and reduced demand for our products. The use of the Julius Baer brand is based on an exclusive, arm's-length licence agreement entered into with Julius Baer. 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 a 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 legal entities exclusively utilising the brand based upon a pre-agreed peer group multiple that is intended to value the business at no less than its then current market value.

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 particularly witnessed over recent 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 evolving interpretation of, applicable laws and regulations 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, to the way we undertake business in many jurisdictions. We have in place a strong legal and regulatory control framework to address these requirements, built into our Group 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

Where governments around the world are confronted with fiscal deficits, there is pressure to increase private and corporate tax rates in those jurisdictions. Additionally, governments and multilateral organizations continue to combat what they consider unfair tax practices. Our group has substantial business operations spread across many countries, with varying effective tax rates.

Fiscal changes in any of these jurisdictions 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 international and local tax and transfer pricing regulations.

ACCOUNTING RISK

Accounting risks for the Group represent the risk that our financial statements and other statutory and regulatory reporting do not accord with International Financial Reporting Standards (IFRS) and/or other relevant statutory requirements, are not based on appropriate accounting policies and/or do not incorporate required disclosures. As the IFRS rules applied by our Group are subject to continued revisions and amendments by the standard setter, such changes can affect the way we present our economic results in our income statement and equally how we recognise assets and liabilities in our balance sheet (see Notes 3.3 to 3.4). We maintain a comprehensive group accounting and reporting manual, which is regularly reviewed and updated, if required, to ensure a consistent application of these accounting standards within the Group. We are also in continuous dialogue with our external auditors, which on an annual basis review our accounts and the controls aimed at detecting potential material accounting differences.

PENSION FUND ACCOUNTING

The asset liability mismatch inherent in defined benefit pension plans gives rise to pension fund deficit as determined in accordance with IAS 19 rules. Deficits calculated according to these IAS 19 rules are subject to volatility, depending on underlying changes in the input parameters, such as asset performance, inflation rate and discount rate (see Note 15).

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 risk in the Group's business activities could, for example, include the following: trade errors; mis-selling of products; errors in fund prospectuses; failures of due diligence, including client suitability; misjudgment of a product or new market's complexity; breach of investment guidelines; failures by third-party providers of critical services; technology failures; infrastructure breakdowns; fund valuation and pricing errors; fraud and financial crime; as well as evolving forms of operational risks such as information security breaches or cyber-crime. 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.

Serious legal, financial and reputational consequences would likely result in the case of a failure to maintain and implement adequate programs to combat money laundering and/or terrorist financing. As a Group active in the global marketplace, we also face the potential risk of violating existing or new sanction programs. The risk of violating sanctions increases as a business expands across borders. Our effective compliance guidance and monitoring is therefore critical to sustaining multinational growth.

Asset managers have to address potential conflicts between themselves and their clients, between the interests of their different clients, and between the organisation and their employees. The Group has procedures and controls in place that are reasonably designed to identify and 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 investment 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 depends to varying degrees on a number of key vendors for various fund administration, accounting, custody, risk analytics, market data, market indices, transfer agent, portfolio management and other operational needs. The failure or inability of the Group to diversify its sources for key services or the failure of any key vendor to fulfill their obligations could lead to operational and regulatory issues for the Group and certain of its products, which could result in reputational harm and financial losses for the Group. In order to manage and control key vendor risk, 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 development of exit plans, which describe and facilitate the process for transitioning services from one provider to another, also form part of our resilience arrangements.

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.

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.

EFFECTIVENESS OF CONTROLS AND RISK MANAGEMENT

Although we have adopted a comprehensive risk management and control process and continue to enhance various controls, procedures, policies and systems to monitor and manage risks, it cannot be guaranteed that such controls, procedures, policies and systems will successfully identify and manage internal and external risks to our businesses. We are subject to the risk that our employees, contractors or other third parties may deliberately seek to circumvent established controls to commit fraud or act in ways that are inconsistent with our controls, policies and procedures.

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. See also 'Use of Brands' in section 4.2.1 above.

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 fulfill 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) financial investments and 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

	31.12.2014 MAXIMUM EXPOSURE CHF M	31.12.2013 MAXIMUM EXPOSURE CHF M
Cash and cash equivalents	643.9	592.6
Trade and other receivables	31.2	64.6
Accrued income	128.0	114.7
Financial investments and other financial assets	3.2	11.0
Total	**806.3**	**782.9**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2013: none) and there is no indication of any material negative impact on the credit quality of any financial asset. No significant impairment losses were recorded on financial assets exposed to credit risk in the financial year 2014.

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

AGEING OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

	31.12.2014		31.12.2013	
	GROSS AMOUNT CHF M	IMPAIRMENT CHF M	GROSS AMOUNT CHF M	IMPAIRMENT CHF M
Not past due	804.1	-	782.3	-
Past due less than 3 months	1.3	-	0.2	-
Past due 3–12 months	0.8	-	0.1	-
Past due more than 12 months	0.1	-	0.3	-
Total	**806.3**	**-**	**782.9**	**-**

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 comprise 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. See also Note 28 for more details on the impact of the recent decision of the Swiss National Bank to discontinue the Swiss franc minimum exchange rate.

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 – from time to time – hold 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

	31.12.2014 CHF M	31.12.2013 CHF M
Variable rate instruments		
Financial assets	646.1	592.6
Financial liabilities	-	-
Net amount	**646.1**	**592.6**
Fixed rate instruments		
Financial assets	0.2	10.6
Financial liabilities	-	-
Net amount	**0.2**	**10.6**

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	483.8	160.1	-	-	-	**643.9**
Trade and other receivables	2.1	27.1	2.0	-	-	**31.2**
Accrued income	-	125.5	2.5	-	-	**128.0**
Financial investments	-	-	-	-	0.2	**0.2**
Other financial assets	-	-	-	1.9	0.1	**2.0**
Non-derivative financial assets at 31 December 2014	**485.9**	**312.7**	**4.5**	**1.9**	**0.3**	**805.3**
Derivatives – inflows	-	5.5	1.0	-	-	**6.5**
Derivatives – outflows	-	-5.5	-	-	-	**-5.5**
Derivative financial assets at 31 December 2014	**-**	**-**	**1.0**	**-**	**-**	**1.0**
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**

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	-	37.0	0.7	-	-	**37.7**
Accrued expenses	-	245.4	3.9	-	-	**249.3**
Other and non-current financial liabilities	-	-	-	35.0	0.6	**35.6**
Non-derivative financial liabilities at 31 December 2014	**-**	**282.4**	**4.6**	**35.0**	**0.6**	**322.6**
Derivatives – inflows	-	-110.8	-	-	-	**-110.8**
Derivatives – outflows	-	112.4	0.1	-	-	**112.5**
Derivative financial liabilities at 31 December 2014	**-**	**1.6**	**0.1**	**-**	**-**	**1.7**
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**

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	485.9	312.7	5.5	1.9	0.3	**806.3**
Financial liabilities	-	-284.0	-4.7	-35.0	-0.6	**-324.3**
Net financial assets/(liabilities) at 31 December 2014	**485.9**	**28.7**	**0.8**	**-33.1**	**-0.3**	**482.0**
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**

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 2014 amounted to CHF 540.6 million (31 December 2013: CHF 551.4 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 2014 amounted to approximately CHF 85 million (31 December 2013: CHF 77 million). The increase compared to prior year was mainly due to higher minimum regulatory capital requirements for GAM UK entities resulting from an update of the UK Group's Pillar 2 position. 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

	2014 CHF M	2013 CHF M	CHANGE IN %
Investment management fees	1,003.8	1,019.0	-1
Other fund-related fees and commissions	6.5	10.3	-37
Distribution, fee and commission expenses	-467.4	-475.2	-2
Net management fees and commissions	**542.9**	**554.1**	**-2**
Performance fees	73.8	108.3	-32
Performance fees to external investment managers	-7.9	-7.6	4
Net performance fees	**65.9**	**100.7**	**-35**
Net fee and commission income	**608.8**	**654.8**	**-7**

6. OTHER OPERATING INCOME

	2014 CHF M	2013 CHF M	CHANGE IN %
Foreign exchange gains/(losses)	1.5	1.3	15
Interest income	0.9	1.1	-18
Interest expenses	-0.4	-0.3	33
Net gains/(losses) on financial assets available-for-sale	6.2	17.1	-64
Other income	2.7	9.3	-71
Other operating income	**10.9**	**28.5**	**-62**

In 2013, net gains/(losses) on financial assets available-for-sale included a gain of CHF 13.1 million from the sale of the Group's investment in Artio Global Investors Inc. (see Note 13 for more details).

7. PERSONNEL EXPENSES

	NOTE	2014 CHF M	2013 CHF M	CHANGE IN %
Salaries and bonuses		237.9	253.2	-6
Social security expenses		22.6	36.8	-39
Defined benefit pension plan expenses	*15.2*	11.2	11.3	-1
Defined contribution pension plan expenses	*15.1*	9.0	8.9	1
Share-based payment expenses	*9.3/23*	5.4	2.2	145
Other personnel expenses		9.2	8.9	3
Personnel expenses		**295.3**	**321.3**	**-8**

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 2014, social security expenses were negatively impacted by social security expenses on share-based payment plans in the amount of CHF 0.1 million resulting from the increase in our share price during 2014 (2013: CHF 12.3 million).

8. GENERAL EXPENSES

	2014 CHF M	2013 CHF M	CHANGE IN %
Occupancy expenses	28.8	29.4	-2
IT expenses	22.7	21.3	7
Communication and marketing expenses	28.2	28.3	0
Service and other fees and charges	15.2	19.2	-21
Other general expenses	10.9	12.0	-9
General expenses	**105.8**	**110.2**	**-4**

9. INCOME TAXES

9.1. TAX EFFECTS RECOGNISED IN PROFIT OR LOSS

	2014 CHF M	2013 CHF M	CHANGE IN %
Income tax expense at applicable tax rate[1]	44.1	47.4	-
Applicable tax rates differing from Swiss statutory rate	-3.7	-12.5	-
Previously unrecorded tax losses now utilised	-0.6	-3.3	-
Tax effects of current year losses not recognised	0.2	0.4	-
Adjustments related to prior years	-0.7	-5.6	-
Non-deductible expenses	1.1	1.5	-
Other effects	-0.9	-5.2	-
Income taxes	**39.5**	**22.7**	**74**

[1] A Swiss statutory tax rate of 21% (2013: 21%) was used as applicable tax rate.

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 4.3 million (2013: CHF 6.5 million). CHF 4.1 million (2013: CHF 3.8 million) of this amount will expire within ten years, none (2013: CHF 0.4 million) will expire after ten years and the remainder amounting to CHF 0.2 million (2013: CHF 2.3 million) has no expiry date.

	2014 CHF M	2013 CHF M	CHANGE IN %
Current income taxes	35.8	27.1	32
Deferred income taxes	3.7	-4.4	-
Income taxes	**39.5**	**22.7**	**74**

9.2. TAX EFFECTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PRE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2014 NET OF TAX AMOUNT CHF M
Remeasurements of pension liabilities	-22.8	4.3	**-18.5**
Net gains/(losses) on financial assets available-for-sale	4.6	-0.1	**4.5**
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement	-6.2	0.1	**-6.1**
Translation differences	5.4	-	**5.4**
Other comprehensive income	**-19.0**	**4.3**	**-14.7**

	PRE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2013 NET OF TAX AMOUNT CHF M
Remeasurements of pension liabilities	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**

9.3. TAX EFFECTS RECOGNISED DIRECTLY IN EQUITY

Tax effects on share-based payments amounted to a tax charge to equity of CHF 0.8 million (2013: tax credit of CHF 8.1 million), effectively decreasing 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

	2014	2013
Basic earnings per share		
Net profit attributable to the shareholders of the Company (CHF m)	165.8	196.8
Weighted average number of shares outstanding	162,270,492	163,380,288
Basic earnings per share (CHF)	**1.02**	**1.20**
Diluted earnings per share		
Net profit attributable to the shareholders of the Company for diluted EPS (CHF m)	165.8	196.8
Weighted average number of shares outstanding	162,270,492	163,380,288
Dilution effect	1,172,019	2,617,477
Weighted average number of shares outstanding for diluted EPS	163,442,511	165,997,765
Diluted earnings per share (CHF)	**1.01**	**1.19**

10.2. SHARES OUTSTANDING

	2014	2013
Shares issued at the beginning of the year	173,229,660	183,355,000
Cancelled during the year	-6,567,929	-10,125,340
Shares issued at the end of the year	**166,661,731**	**173,229,660**
Treasury shares – share buy-back programme[1]	-3,267,000	-6,567,929
Treasury shares – share-based payment plans[2]	-2,176,444	-3,778,079
Shares outstanding at the end of the year	**161,218,287**	**162,883,652**

[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

	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Accrued fee and commission income	128.0	114.7	12
Prepayments	10.0	11.2	-11
Accrued income and prepaid expenses	**138.0**	**125.9**	**10**

12. FINANCIAL INSTRUMENTS

12.1. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	NOTE	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Debt financial assets available-for-sale		0.2	0.2	0
Equity financial assets available-for-sale		34.3	49.4	-31
Derivative financial instruments	*12.3*	1.0	0.7	43
Equity financial assets designated at fair value through profit or loss		83.2	16.8	395
Debt financial assets at fair value held for trading		-	8.6	-100
Other non-current financial assets		2.0	1.5	33
Financial investments and other financial assets		**120.7**	**77.2**	**56**
Current		117.7	74.7	58
Non-current		3.0	2.5	20
Financial investments and other financial assets		**120.7**	**77.2**	**56**

12.2. OTHER AND NON-CURRENT FINANCIAL LIABILITIES

	NOTE	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Derivative financial instruments	*12.3*	1.7	0.4	325
Financial liabilities at fair value through profit or loss		32.4	26.2	24
Other financial liabilities measured at amortised cost		3.2	2.3	39
Other and non-current financial liabilities		**37.3**	**28.9**	**29**
Current		1.7	0.4	325
Non-current		35.6	28.5	25
Other and non-current financial liabilities		**37.3**	**28.9**	**29**

12.3. DERIVATIVE FINANCIAL INSTRUMENTS

2014	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivative financial instruments	98.1	-	1.3
Other derivative financial instruments (index and commodity futures/swaps)	95.2	1.0	0.1
Derivative financial instruments held for trading	**193.3**	**1.0**	**1.4**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	18.2	-	0.3
Derivative financial instruments designated as hedging instruments	**18.2**	**-**	**0.3**
Derivative financial instruments	**211.5**	**1.0**	**1.7**

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**

Losses of CHF 2.9 million (2013: losses of CHF 1.1 million) on derivative financial instruments designated as hedging instruments and gains of CHF 2.8 million (2013: gains of CHF 0.8 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 0.1 million (2013: CHF 0.3 million), which is recognised in the income statement in other operating income.

12.4. FINANCIAL INSTRUMENTS BY CATEGORY[1]

	31.12.2014 CARRYING AMOUNT CHF M	31.12.2013 CARRYING AMOUNT CHF M
Cash and cash equivalents	643.9	592.6
Trade and other receivables	31.2	64.6
Accrued income	128.0	114.7
Other financial assets	2.0	1.5
Financial assets measured at amortised cost[1]	**805.1**	**773.4**
Financial assets available-for-sale	34.5	49.6
Derivative financial instruments held for trading	1.0	0.6
Derivative financial instruments designated as hedging instruments	-	0.1
Financial assets designated at fair value through profit or loss	83.2	16.8
Financial assets at fair value held for trading[2]	5.7	49.0
Financial assets measured at fair value	**124.4**	**116.1**
Financial assets	**929.5**	**889.5**
Trade and other payables	25.4	19.1
Accrued expenses	249.3	251.6
Other financial liabilities	3.2	2.3
Financial liabilities measured at amortised cost	**277.9**	**273.0**
Derivative financial instruments held for trading	1.4	0.4
Derivative financial instruments designated as hedging instruments	0.3	-
Financial liabilities designated at fair value through profit or loss[2]	45.1	34.6
Financial liabilities measured at fair value	**46.8**	**35.0**
Financial liabilities	**324.7**	**308.0**

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 These categories include financial instruments included in the balance sheet line items 'Assets held for sale' and 'Liabilities held for sale'. See Note 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, i.e.:

- 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	31.12.2014 **TOTAL** CHF M
Derivative financial instruments	-	1.0	-	**1.0**
Financial assets at fair value through profit or loss[1]	5.7	83.2	-	**88.9**
Financial assets available-for-sale	-	20.2	14.3	**34.5**
Financial assets measured at fair value	**5.7**	**104.4**	**14.3**	**124.4**
Derivative financial instruments	-	1.7	-	**1.7**
Financial liabilities at fair value through profit or loss[1]	0.4	-	44.7	**45.1**
Financial liabilities measured at fair value	**0.4**	**1.7**	**44.7**	**46.8**

	LEVEL 1 CHF M	LEVEL 2 CHF M	LEVEL 3 CHF M	31.12.2013 **TOTAL** *CHF M represented*
Derivative financial instruments	-	0.7	-	**0.7**
Financial assets at fair value through profit or loss[1]	40.4	25.4	-	**65.8**
Financial assets available-for-sale	-	36.0	13.6	**49.6**
Financial assets measured at fair value	**40.4**	**62.1**	**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**

[1] These categories include financial instruments included in the balance sheet line items 'Assets held for sale' and 'Liabilities held for sale'. See Note 13 for more information.

As described in Note 3.1., the determination of fair values of financial instruments and their level in the fair value hierarchy requires the use of judgement. In 2014, the Group changed to more stringent rules for determining what is an active market. Comparative figures in the amount of CHF 61.4 million have been represented to reflect this change.

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 2013	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**
Additions	-	-
Acquisition of business	-	7.0
Disposals/settlements	-1.1	-
Total gains/losses:		
- in profit or loss	1.3	10.7
- in other comprehensive income	0.5	-
Translation differences	-	0.8
Balance at 31 December 2014	**14.3**	**44.7**

In 2014, net losses of CHF 9.4 million (2013: net losses of CHF 7.1 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*. The balance sheet line item ‘Assets held for sale’ consists of the controlled funds’ direct investments in financial instruments in the amount of CHF 5.7 million (2013: CHF 40.4 million) and direct investments in commodities in the amount of CHF 8.7 million (2013: CHF 11.9 million). All commodities are measured at fair value through profit or loss and categorised within level 1 of the fair value hierarchy.

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.

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 has been considered to be an associate and was accounted for using the equity method until the full redemption of the interests in QFS in H2 2014.

14.2 IMPAIRMENTS

	2014 CHF M	2013 CHF M
Impairment of investments in associates	2.3	5.8
Impairment of investments	**2.3**	**5.8**
Impairment of property and equipment	-	3.1
Impairments	**2.3**	**8.9**

IMPAIRMENT OF INVESTMENTS

Based on the financial information received an impairment test of the carrying value of the investment in QFS was performed at half-year. As a result, an impairment loss of CHF 2.3 million was recognised (2013: CHF 5.8 million).

IMPAIRMENT OF PROPERTY AND EQUIPMENT

In 2013, following the move of offices in Zurich and London, certain leasehold improvements had to be impaired. In addition, provisions for onerous rent contracts were recognised in 2013 and were utilised during 2014 (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 9.0 million during the 2014 financial year (2013: CHF 8.9 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 plan's 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. Actuarial calculations are based on the BVG 2010 GT actuarial tables.

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 normal retirement age of the plan is 65 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 65 is 6.1%). 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.

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 110% as at 31 December 2014 (31 December 2013: 109%) 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 was 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 and a valuation as at 31 March 2014 is currently in progress and expected to be completed during the first half of 2015. 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

	2014 CHF M	2013 CHF M
1. Movement in pension plan obligations and plan assets		
Present value of funded obligations at the beginning of the year	385.9	352.4
Current service cost	11.0	11.4
Interest expense on benefit obligation	14.1	12.5
Benefits paid/(received)	-13.0	-5.7
Actuarial gains/(losses)	33.1	16.9
Translation differences	12.9	-1.6
Present value of funded obligations at the end of the year	**444.0**	**385.9**
Fair value of plan assets at the beginning of the year	316.7	281.5
Interest income on plan assets	11.4	9.9
Return on plan assets excluding interest income	10.3	18.3
Employer's contributions	10.3	11.2
Employees' contributions	3.4	3.5
Benefits (paid)/received	-13.0	-5.7
Administration expenses	-0.9	-0.8
Translation differences	9.6	-1.2
Fair value of plan assets at the end of the year	**347.8**	**316.7**

	31.12.2014 CHF M	31.12.2013 CHF M
2. Balance sheet		
Fair value of plan assets	347.8	316.7
Present value of funded obligations	444.0	385.9
Pension liabilities	**-96.2**	**-69.2**
Deferred tax assets	18.6	13.4
Net amount recognised in the balance sheet	**-77.6**	**-55.8**

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

	SWITZERLAND CHF M	UK CHF M	REST OF THE WORLD CHF M	31.12.2014 **TOTAL** CHF M
Balance sheet by geographical locations and components				
Fair value of plan assets	142.6	201.4	3.8	**347.8**
Present value of funded obligations	164.9	274.4	4.7	**444.0**
Pension liabilities	**-22.3**	**-73.0**	**-0.9**	**-96.2**
Deferred tax assets	3.6	14.6	0.4	**18.6**
Net amount recognised in the balance sheet	**-18.7**	**-58.4**	**-0.5**	**-77.6**
Active members/employees	163.1	15.3	2.6	**181.0**
Deferred members with vested benefits	-	208.9	2.1	**211.0**
Pensioners	1.8	50.2	-	**52.0**
Present value of funded obligations	**164.9**	**274.4**	**4.7**	**444.0**

	SWITZERLAND CHF M	UK CHF M	REST OF THE WORLD CHF M	31.12.2013 **TOTAL** CHF M
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**
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**

The weighted average duration of the defined benefit pension obligation as at 31 December 2014 is 21.3 years (2013: 22.1 years).

	2014 CHF M	2013 CHF M
3. Amounts recognised in the income statement		
Current service cost	-11.0	-11.4
Interest expense on benefit obligation	-14.1	-12.5
Interest income on plan assets	11.4	9.9
Administration expenses	-0.9	-0.8
Net pension cost for the period	**-14.6**	**-14.8**
Employees' contributions	3.4	3.5
Expense recognised in the income statement	**-11.2**	**-11.3**

	31.12.2014 CHF M	31.12.2013 CHF M
4. Amounts recognised in other comprehensive income		
Actuarial gains/(losses) based on adjustment of demographic assumptions	5.1	2.0
Actuarial gains/(losses) based on adjustment of financial assumptions	-52.1	-17.3
Experience adjustments	13.9	-1.6
Return on plan assets excluding interest income	10.3	18.3
Remeasurements recognised in other comprehensive income	**-22.8**	**1.4**

	2014 CHF M	2013 CHF M
5. Movement in pension liabilities		
Pension liabilities at the beginning of the year	-69.2	-70.9
Expense recognised in the income statement	-11.2	-11.3
Remeasurements recognised in other comprehensive income	-22.8	1.4
Employer's contributions	10.3	11.2
Translation differences	-3.3	0.4
Pension liabilities at the end of the year	**-96.2**	**-69.2**
Actual return on plan assets	21.7	28.2

	QUOTED IN AN ACTIVE MARKET CHF M	UNQUOTED CHF M	**TOTAL** CHF M	**31.12.2014** PLAN ASSET ALLOCATION IN %
6. Asset allocation				
Cash and cash equivalents	6.5	-	**6.5**	1.9
Debt instruments	46.0	-	**46.0**	13.2
Derivatives	-0.1	-	**-0.1**	0.0
Investment funds				
- Money market	1.6	-	**1.6**	0.5
- Equity	176.8	-	**176.8**	50.8
- Bonds	73.9	-	**73.9**	21.2
- Real estate	18.3	-	**18.3**	5.3
- Other	7.4	9.4	**16.8**	4.8
Other investments	8.0	-	**8.0**	2.3
Fair value of plan assets	**338.4**	**9.4**	**347.8**	**100.1**

	QUOTED IN AN ACTIVE MARKET CHF M	UNQUOTED CHF M	**TOTAL** CHF M	31.12.2013 PLAN ASSET ALLOCATION IN %
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**

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 and the trustees 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 2014. The actuarial assumptions are based on local economic conditions.

	SWITZERLAND		UK	
	2014	2013	**2014**	2013
Discount rate	1.10%	2.25%	3.75%	4.50%
Interest credit rate	1.50%	2.25%	n/a	n/a
Future pension increases in deferment	n/a	n/a	1.90%	2.25%
Future pension increases	0.00%	0.00%	2.65–4.10%	3.30–4.15%

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:

					31.12.2014
		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%	-6.0	6.5	-15.7	17.0
Interest credit rate	0.25%	1.9	-1.8	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	5.4	-5.2
Future pension increases	0.25%	3.7	n/a	8.7	-4.4

					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	7.9	-5.1

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 2015 financial year are estimated at CHF 11.1 million.

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1. DEFERRED TAX ASSETS

	2014 CHF M	2013 CHF M
Balance at the beginning of the year	30.4	23.7
Recognised in profit or loss	-3.7	4.4
Recognised directly in equity	-1.7	3.8
Recognised in other comprehensive income	4.3	-1.5
Acquired in business combination	1.7	-
Translation differences and other adjustments	1.4	-
Balance at the end of the year	**32.4**	**30.4**
Components of deferred tax assets		
Employee compensation and benefits	20.5	14.7
Share-based payments	3.0	7.6
Property and equipment	1.8	1.7
Tax loss carry-forwards	4.9	6.4
Other	2.2	-
Deferred tax assets at the end of the year	**32.4**	**30.4**

16.2. DEFERRED TAX LIABILITIES

There is no deferred tax liability as at 31 December 2014 and 31 December 2013.

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 2013	**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**
Additions	**3.1**	-	-	-	3.3	**3.3**
Acquisition of business	**-**	2.1	4.6	-	-	**6.7**
Disposals[1]	**-13.6**	-	-	-	-	**-**
Translation differences	**2.4**	0.2	0.5	-	0.6	**1.3**
Balance at 31 December 2014	**73.0**	**1,852.1**	**1,000.7**	**273.0**	**35.3**	**3,161.1**
Accumulated depreciation and amortisation						
Balance at 1 January 2013	**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**
Additions	**5.3**	-	0.3	-	2.2	**2.5**
Remeasurement of reinstatement provisions	**0.1**	-	-	-	-	**-**
Disposals[1]	**-13.6**	-	-	-	-	**-**
Translation differences	**2.0**	-	-	-	0.6	**0.6**
Balance at 31 December 2014	**55.0**	**764.4**	**995.9**	**-**	**29.2**	**1,789.5**
Carrying amounts						
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**
Historical cost	**73.0**	1,852.1	1,000.7	273.0	35.3	**3,161.1**
Accumulated depreciation and amortisation	**55.0**	764.4	995.9	-	29.2	**1,789.5**
Balance at 31 December 2014	**18.0**	**1,087.7**	**4.8**	**273.0**	**6.1**	**1,371.6**

[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 acquisition of the cash-generating unit GAM and its investment management activities. The brand relates 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. In June 2014, additional goodwill of CHF 2.1 million was recognised when the business of Singleterry Mansley Asset Management Company (SMAM) was acquired (see Note 27). This goodwill has been allocated to the cash-generating unit (CGU) GAM as the SMAM business has been integrated into GAM.

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 (i.e. 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 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 12.7% (2013: 11.3%) based on the risk-free rate obtained from the yield on 30-year bonds (2013: 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, the Group applies 2.0% (2013: 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 2014 (2013: none).

CUSTOMER RELATIONSHIPS

Until 31 December 2013, this position comprised long-term customer relationship intangibles from the 2005 purchase of GAM which was fully amortised by this date. In 2014, new customer relationships were recognised with the acquisition of the business of Singleterry Mansley Asset Management Company (see Note 27). Customer relationships are amortised over their estimated useful life not exceeding a period greater than ten years using the straight-line method.

Whenever there are indications that customer relationships are impaired, the Group uses a discounted cash flow model based on future cash flows attributable to identified customer relationships to determine the recoverable amount.

For 2014 there was no indication that customer relationships may be impaired. Therefore, the recoverable amount has not been estimated and no impairment loss resulted (2013: none).

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’ (i.e. 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 12.7% (2013: 11.3%), and the rate used for the ‘royalty savings’ is 4.8% (2013: 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 differing future 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

In 2013, 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

	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Accrued commission expenses	118.7	114.6	4
Accrued operating expenses and deferred income	130.6	137.0	-5
Accrued expenses and deferred income	**249.3**	**251.6**	**-1**

19. PROVISIONS

			2014
	REINSTATEMENT OF LEASEHOLD IMPROVEMENTS CHF M	OTHER CHF M	TOTAL CHF M
Balance at the beginning of the year	3.1	1.5	**4.6**
Utilised during the year	-	-1.5	**-1.5**
Provisions reversed during the year	-0.4	-	**-0.4**
Provisions made during the year	0.7	0.1	**0.8**
Translation differences	0.2	-	**0.2**
Balance at the end of the year	**3.6**	**0.1**	**3.7**
Current	-	-	**-**
Non-current	3.6	0.1	**3.7**
Provisions at the end of the year	**3.6**	**0.1**	**3.7**

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 four years.

Provisions for onerous rent contracts in the amount of CHF 1.5 million, recognised as other provisions during 2013, were fully utilised in the reporting year.

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 2012	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**
Capital reduction	-6,567,929	-0.4
Balance at 31 December 2014	**166,661,731**	**8.3**
of which treasury shares	*5,443,444*	

All registered shares are fully paid.

On 25 June 2014, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 15 April 2014 and cancelled 6,567,929 shares repurchased under its 2011–2014 share buy-back programme. The share capital of the Company now amounts to CHF 8,333,087 (166,661,731 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 correspond to 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 to meet the obligation to deliver shares for the different 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 2014 amounted to 2.2 million, equating to 1.3% of shares in issue (31 December 2013: 3.8 million, equating to 2.2% of shares in issue).

TREASURY SHARES – SHARE BUY-BACK PROGRAMMES

The 2014–2017 share buy-back programme for the purpose of capital reduction, which commenced on 28 April 2014, is scheduled to run over a maximum period of three years and allows for the purchase of a maximum of 16.7 million shares.

The number of shares held by the Company as part of its 2014–2017 share buy-back programme as at 31 December 2014 amounted to 2.0 million. A request to cancel these shares will be put to the Annual General Meeting to be held on 30 April 2015.

The 2011–2014 share buy-back programme for the purpose of capital reduction ended on 17 April 2014. 6.6 million treasury shares purchased by the Company as part of this share buy-back programme and held as at 31 December 2013 were cancelled in 2014 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 2014 amounted to 1.2 million. A request to cancel these shares will be put to the Annual General Meeting to be held on 30 April 2015.

DISTRIBUTION OF DIVIDENDS

In 2014, a dividend of CHF 105.5 million was paid for the financial year 2013 (dividend per share: CHF 0.65). In 2013, a dividend of CHF 81.8 million was paid for the financial year 2012 (dividend per share: CHF 0.50). For the financial year 2014, 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

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

	2014 OPERATING INCOME CHF M	2013 OPERATING INCOME CHF M	31.12.2014[1] NON-CURRENT ASSETS CHF M	31.12.2013[1] NON-CURRENT ASSETS CHF M
Switzerland	204.4	204.6	1,373.0	1,373.9
Rest of Europe	351.1	413.5	7.2	6.7
Americas	46.8	48.7	9.0	2.3
Rest of the world	17.4	16.5	0.4	0.4
Total	**619.7**	**683.3**	**1,389.6**	**1,383.3**

[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]

	2014 CHF M	2013 CHF M
Salaries and other short-term employee benefits	16.0	15.0
Share-based payment expenses	3.9	1.1
Post-employment benefits	0.7	0.6
Long-term employee benefits	1.0	-
Termination benefits	-	0.8
Social security expenses	1.7	2.9
Key management personnel compensation	**23.3**	**20.4**

[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 8 September 2014, Alexander S. Friedman became a new member of the Group Management Board and assumed the role of Group Chief Executive Officer. From 18 April 2013 until 7 September 2014, David M. Solo acted as Group Chief Executive Officer.

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.

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 please refer to the Compensation Report 2014.

23. SHARE-BASED PAYMENTS

The plans described below reflect the situation as at 31 December 2014. The registered shares that the Company requires to settle obligations under the Group's share-based payment plans are procured in the market. For further details on the plans please refer to the compensation report.

THREE-YEAR VARIABLE RESTRICTED SHARE (VRS) SCHEME FOR MEMBERS OF THE GROUP MANAGEMENT BOARD

On 20 January 2015, members of the Group Management Board (excluding the Group CEO) received 425,695 VRS units (options) as a variable deferred element of their total compensation for 2014 which will vest in equal tranches of 33.3% on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date or having retired and not subsequently taken up employment outside of the Group. Should a recipient who has retired take up employment outside of the Group, the granted VRS units other than those which vested prior to the date of retirement will become forfeit. 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 units:

- Should the share price fail to increase relative to the price on the grant date (CHF 15.45), the plan participants 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 plan participants to one GAM Holding AG share.
- Should the share price appreciate by 200% (three times the share price on the date of grant) or more, they are entitled to two GAM Holding AG shares per VRS unit. 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.

The VRS units will be automatically physically settled three years after the grant date. The settlement price of the VRS units is determined by taking the shares' average daily closing price on the 124 trading days prior to the vesting date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 2.0 million. Expenses are allocated over the relevant vesting period starting 1 January 2014. In 2014, an expense of CHF 0.7 million was recognised. The VRS units were valued using a Monte-Carlo simulation approach.

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

	VRS UNITS GRANTED ON 20 JANUARY 2015
Fair value of VRS units and assumptions	
Fair value of VRS units at grant date	4.81
Average remaining contractual life (in months)	37
Share price at grant date	15.45
Exercise price (equals share price at grant date)	15.45
Expected volatility	27.40%
Expected dividend yield	5.00%
Risk-free interest rate	-0.72%

FIVE-YEAR VARIABLE RESTRICTED SHARE (VRS) SCHEME FOR THE GROUP CEO

On 29 September 2014, the Group CEO received a one-time long-term incentive award in the form of 1,122,020 VRS units (options) which will vest in equal tranches of 20% on the first five anniversaries of the grant date subject to the Group CEO continuing to be employed with the Group. For IFRS purposes, as the first tranche contains a two-year service condition, the related expenses will be recognised over the first two years following the grant date. The final number of shares received is dependent on the performance of the GAM Holding AG shares over the five years following the grant of the VRS units:

- Should the share price fail to increase relative to the price on the grant date (CHF 16.70), the Group CEO 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 five-year vesting period is set at 65%.
- If the 65% target increase is achieved, then each VRS unit will entitle the Group CEO to one GAM Holding AG share.
- Should the share price appreciate by 371% (4.71 times the share price on the date of grant) or more, he is entitled to two GAM Holding AG shares per VRS unit. 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 371% the value of shares delivered for each VRS unit will vary linearly.

The VRS units will be automatically physically settled five years after the grant date. The settlement price of the VRS units is determined by taking the shares' average daily closing price on the 124 trading days prior to the vesting date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 7.5 million. Expenses are allocated over the relevant vesting period. In 2014, an expense of CHF 0.7 million was recognised. The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised during 2014. Thus, the number and weighted average exercise prices of VRS units under this scheme remained unchanged since the grant date.

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

	VRS UNITS GRANTED ON 29 SEPTEMBER 2014
Fair value of VRS units and assumptions	
Fair value of VRS units at grant date	6.67
Average remaining contractual life (in months)	57
Share price at grant date	16.70
Exercise price (equals share price at grant date)	16.70
Expected volatility	32.99%
Expected dividend yield	5.00%
Risk-free interest rate	0.06%

SHARE PLANS FOR THE GROUP CEO

On 20 January 2015, the current Group CEO was granted 17,787 GAM Holding AG shares with a fair value of CHF 15.45 per share (closing price on 19 January 2015) as part of his variable compensation for 2014. The shares will be delivered three years after their grant date. The aggregate fair value of these shares amounted to CHF 0.3 million and CHF 0.2 million was recognised as an expense in 2014.

On 30 January 2014, the former Group CEO was granted 33,223 GAM Holding AG shares with a fair value of CHF 15.05 per share (closing price on 29 January 2014) as part of his variable compensation for 2013. The shares will be delivered over a three-year period in three tranches following the grant date. The aggregate fair value of these shares amounted to CHF 0.5 million and was fully recognised as an expense in 2014.

SHARE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS

On 24 April 2014, the members of the Board of Directors were granted the right to receive an aggregate total of 63,290 shares at a fair value of CHF 15.80 per share (closing price on 23 April 2014). These rights will vest and be delivered on the day before the Company's 2015 Annual General Meeting in April 2015, subject to certain conditions being met. Expenses are allocated over the relevant vesting period. In 2014, an expense of CHF 0.7 million was recognised.

On 25 June 2013, the members of the Board of Directors were granted the right to receive an aggregate total of 71,429 shares at a fair value of CHF 14.00 per share (closing price on 24 June 2013). These rights vested and shares were delivered on 14 April 2014, the day before the Company's 2014 Annual General Meeting. Expenses were allocated over the relevant vesting period. In 2014, an expense of CHF 0.4 million was recognised (2013: CHF 0.6 million).

2013 DEFERRED COMPENSATION SCHEME

On 25 June 2013, members of the Group Management Board (excluding the Group CEO) and select key position holders received 3,146,426 share-based grants (options) as a variable deferred element of their total compensation for 2013. The options (each option corresponding to one GAM Holding AG share with physical settlement) carry an exercise price of CHF 14.00 (closing price of the share 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 only that number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the share's average daily closing price on the 124 trading days prior to vesting (physical net settlement).

As at 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. In 2014, an expense of CHF 2.0 million was recognised (2013: CHF 1.0 million). The options were valued using a Monte-Carlo simulation approach. No options were exercised during 2014. Thus, the number of options which carry an exercise price of CHF 14.00 remained unchanged since the grant date.

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)	19.5
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%

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 expired on 15 March 2013 (with the exception of those modified, as detailed below).

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.

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

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF
Outstanding at the beginning of the year	7,012,696	12.29	25,053,168	12.32
Granted during the year	-	-	20,884	12.35
Exercised during the year	-5,946,950	12.29	-17,714,068	12.28
Forfeited/cancelled during the year	-29,248	12.33	-347,288	12.28
Outstanding at the end of the year	**1,036,498**	**12.28**	**7,012,696**	**12.29**
of which exercisable at the end of the year	*610,766*	*12.28*	-	-

The weighted average share price at the date of exercise for share options exercised in 2014 was CHF 16.46 (2013: CHF 16.98).

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

	OPTIONS GRANTED IN 2009	OPTIONS GRANTED IN 2012
Fair value of share options and assumptions		
Fair value of options at grant date	2.48–2.63	1.18–1.34
Average remaining contractual life (in months)	3	4
Share price at grant date	12.28	10.65
Exercise price	12.28	12.28
Expected volatility	40.75%	34.50%
Expected dividend yield	5.00%	5.00%
Risk-free interest rate	0.98%	0.10%

The share-based payment expenses recognised for the various plans are as follows:

	2014 CHF M	2013 CHF M
Three-year Variable Restricted Share (VRS) Scheme for members of the Group Management Board	0.7	-
Five-year Variable Restricted Share (VRS) Scheme for the Group CEO	0.7	-
Share plans for the Group CEO	0.7	-
Share plans for members of the Board of Directors	1.1	0.6
2013 Deferred Compensation Scheme	2.0	1.0
2009 Long-Term Incentive Plan	0.2	0.6
Share-based payment expenses	**5.4**	**2.2**

24. FUTURE COMMITMENTS UNDER OPERATING LEASES

	31.12.2014 CHF M	31.12.2013 CHF M
Maturity of up to 1 year	20.2	20.0
Maturity within 1–5 years	58.8	54.9
Maturity within 5–10 years	10.6	13.9
Future commitments under operating leases	**89.6**	**88.8**

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

For 2014, operating leases in the gross amount of CHF 18.9 million are included in operating expenses (2013: CHF 20.4 million).

Future sublease payments of CHF 4.4 million are expected to be received.

25. CONSOLIDATED ENTITIES

LISTED COMPANY

	PLACE OF LISTING	CAPITALISATION AS AT 31.12.2014 CHF M	HEAD OFFICE	SHARE CAPITAL CHF M
GAM Holding AG	SIX Swiss Exchange	3,000	Zurich	8.333

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 Investment Management Singapore Pte. Ltd.	Singapore	SGD	600,000	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
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

Directorate Inc., British Virgin Islands, was liquidated and GAM Investment Management Singapore Pte. Ltd. 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 funds, into which seed capital investments are made, 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'.

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 in 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 Note 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 20 June 2014, GAM USA Inc. (GAM), a wholly owned subsidiary of GAM Holding AG, acquired the business of Singleterry Mansley Asset Management Company, LLC, a US-based specialist in mortgage and asset-backed securities. The acquisition is legally structured as an asset purchase; however, from an accounting point of view the transaction qualifies as a business combination in the scope of IFRS 3. All of the company's assets under management (CHF 361 million as at the acquisition date) and its client relationships in the form of investment management agreements have been transferred to GAM. The contingent portion of the total consideration transferred will be settled over a period of five years.

Details of the consideration transferred are as follows:

	CHF M
Cash consideration	1.4
Contingent consideration	7.0
Fair value of consideration transferred	**8.4**
Fair value of net assets:	
- Customer relationships acquired	-4.6
- Deferred tax assets	-1.7
Goodwill	**2.1**

28. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors approved these consolidated financial statements on 2 March 2015. In addition, they must be approved by the Annual General Meeting on 30 April 2015.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

As at 31 December 2014, the following exchange rates were used by the Group for the major currencies to translate monetary assets and liabilities into our reporting currency, Swiss francs: USD/CHF 0.9937, EUR/CHF 1.2024 and GBP/CHF 1.5494.

On 15 January 2015, the Swiss National Bank (SNB) announced its decision to abandon its policy of maintaining a minimum exchange rate for the Swiss franc against the euro. Following this announcement the Swiss franc appreciated significantly not only against the euro but also against other major currencies, such as the US dollar and the British pound, compared to the year-end exchange rates applied.

While the SNB's decision had no impact on our 2014 consolidated income statement and consolidated balance sheet prepared in accordance with IFRS, the resulting depreciation of the major currencies against the Swiss franc will impact our 2015 financial results, provided that the exchange rates remain on the post-SNB decision level throughout the 2015 financial year.

We generate large parts of our operating income in currencies other than the Swiss Franc, particularly in euros and US dollars. When translating this operating income into our Swiss Franc reporting currency, this exposes us to currency translation risk. The fact that approx. 70% of our operating expenses are also incurred in foreign currencies acts as a natural buffer and helps to reduce our currency translation exposure, but it does not entirely eliminate it.

An appreciation of the Swiss Franc against the EUR and USD therefore will typically have a negative impact on our net profit. At this point in time, however, one cannot reliable estimate the impact on our net profit for the 2015 financial year, as this will very much depend on the future development of the currency pairs.

Further, the translation of the net assets of our foreign subsidiaries with local functional currencies other than the Swiss Franc will likely result in a currency translation adjustment in other comprehensive income within equity. Based on the level of appreciation of the Swiss Franc that took place between year-end 2014 and the end of January 2015, this would result in a reduction in our total equity of approximately 1% in 2015.

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich
P.O. Box 18 72
CH-8026 Zurich
Telephone +41 58 249 31 31
Fax +41 58 249 23 19
Internet www.kpmg.ch

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 118 to 184) for the year ended 31 December 2014.

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 2014 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.

KPMG

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, 2 March 2015

PARENT COMPANY FINANCIAL STATEMENTS

Income statement

	2014 CHF M	2013 CHF M	CHANGE IN %
Income from investments	172.0	279.2	-38
Financial income	7.2	3.0	140
Other operating income	2.7	1.5	80
Operating income	**181.9**	**283.7**	**-36**
Personnel expenses	10.8	93.0	-88
General expenses	8.1	5.6	45
Financial expenses	5.4	2.2	145
Operating expenses	**24.3**	**100.8**	**-76**
Profit before taxes	**157.6**	**182.9**	**-14**
Taxes	-1.1	-0.7	-
Net profit	**158.7**	**183.6**	**-14**

Balance sheet

	31.12.2014 CHF M	31.12.2013 CHF M	CHANGE IN %
Cash and cash equivalents	155.4	180.8	-14
Securities	116.7	95.9	22
Trade and other receivables	4.6	13.9	-67
Accrued income and prepaid expenses	167.2	130.4	28
Other financial assets	4.3	4.2	2
Current assets	**448.2**	**425.2**	**5**
Investments	1,684.2	1,684.2	0
Treasury shares	76.7	151.0	-49
Non-current assets	**1,760.9**	**1,835.2**	**-4**
Assets	**2,209.1**	**2,260.4**	**-2**
Due from Group companies	166.4	130.5	28
Loans	51.7	36.3	42
Accrued expenses and deferred income	9.9	5.9	68
Other liabilities	15.8	30.5	-48
Liabilities	**77.4**	**72.7**	**6**
Share capital	8.3	8.7	-5
General legal reserve			
General reserve	5.3	5.3	0
Reserve for treasury shares	33.7	-	-
Capital contribution reserve			
Reserve for treasury shares	48.5	160.5	-70
Other capital contribution reserve	1,274.5	1,376.9	-7
Other reserve	602.7	452.7	33
Retained earnings			
Net profit for the year	158.7	183.6	-14
Equity	**2,131.7**	**2,187.7**	**-3**
Liabilities and equity	**2,209.1**	**2,260.4**	**-2**
Due to Group companies	53.4	36.8	45

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 included a non-cash charge of CHF 82.5 million reflecting the accounting impact of our share price development in 2013 on the 2009 LTIP. In 2014, our share price appreciated at a much lower rate compared with 2013; also, because the number of outstanding options decreased significantly during the course of 2014, the non-cash charge fell from CHF 82.5 million in 2013 to CHF 2.3 million in 2014. This development explains the sharp reduction in GAM Holding AG's personnel expense according to Swiss Law.

3. CONTINGENT LIABILITIES

	2014 CHF M	2013 CHF M
Guarantee obligations in favour of Group companies	5.3	-

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 2013	**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
Cancellation of 6,567,929 shares	-108.9
Distribution to shareholders	-105.5
Balance at 31 December 2014	**1,323.0**
Thereof reserve for treasury shares	48.5
Thereof other capital contribution reserve	1,274.5

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 2013	**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 2011-2014	6,567,929	16.63	109.3
Balance at 31 December 2013	**10,346,008**	**14.60**	**151.0**
Delivery of shares due to exercise of options	-1,601,635	11.06	-17.7
Cancellation of shares approved at the Annual General Meeting on 15 April 2014	-6,567,929	16.63	-109.3
Share buy-back programme 2011-2014	1,227,000	15.49	19.0
Share buy-back programme 2014-2017	2,040,000	16.50	33.7
Balance at 31 December 2014	**5,443,444**	**14.10**	**76.7**

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 2014.[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]	15.01%	-	**15.01%**
T. Rowe Price Associates Inc.[4]	5.01%	-	**5.01%**
GAM Holding AG[5]	3.27%[6]	-	**3.27%**
FIL Limited[7]	3.10%	-	**3.10%**
Kiltearn Partners LLP[8]	3.04%	-	**3.04%**

[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 (as at 10 February 2014).
[4] T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).
[5] GAM Holding AG, Zurich, Switzerland (as at 31 December 2014).
[6] As at 31 December 2014, GAM Holding AG also had a sale position of GAM Holding AG shares of 3.91% 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.
[7] FIL Limited, Hamilton, Bermuda (as at 16 March 2012).
[8] Kiltearn Partners LLP, Edinburgh, UK (as at 1 September 2014).

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%[5]	-	**5.97%**
Lazard Asset Management LLC[6]	5.32%	-	**5.32%**
BlackRock Inc.[7]	5.01%[8]	0.004%	**5.01%**
Credit Suisse Funds AG[9]	4.51%	-	**4.51%**
FIL Limited[10]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[11]	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 (as at 29 June 2012).
4 GAM Holding AG, Zurich, Switzerland (as at 31 December 2013).
5 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.
6 Lazard Asset Management LLC, New York, USA (as at 8 July 2013).
7 BlackRock Inc., New York, USA (as at 10 September 2012).
8 In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.
9 Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (as at 26 August 2011).
10 FIL Limited, Hamilton, Bermuda (as at 16 March 2012).
11 T. Rowe Price Associates Inc., Baltimore, USA (as at 3 December 2012).

11. SHARE AND OPTION HOLDINGS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

		NUMBER OF VESTED SHARES	NUMBER OF VESTED OPTIONS
Share and option holdings of the members of the Board of Directors as at 31 December[1, 2]			
Johannes A. de Gier, Chairman	2014	19,642	-
	2013	-	-
Daniel Daeniker	2014	19,336	-
	2013	12,640	-
Diego du Monceau	2014	5,357	-
	2013	-	-
Dieter Enkelmann	2014	37,565	-
	2013	30,869	-
Hugh Scott-Barrett	2014	6,785	-
	2013	5,000	-
Tanja Weiher	2014	6,696	-
	2013	-	-
Total	**2014**	**95,381**	**-**
	2013	**48,509**	**-**

[1] Including share and option holdings of closely linked parties.

[2] This table shows vested holdings as at 31 December. Share-based payments which were awarded to the members of the Board of Directors in 2014 have not yet vested. For respective details see section 5.3.1 of the Compensation Report.

Share and option / VRS unit holdings of the members of the Senior Management (Group Management Board) as at 31 December[1, 2]		NUMBER OF VESTED SHARES	NUMBER OF VESTED OPTIONS/ VRS UNITS
Alexander S. Friedman (joined Group Management Board on 8 September 2014)	2014	-	-
	2013	n/a	n/a
David M. Solo (left Group Management Board on 8 September 2014)	2014	n/a	n/a
	2013	-	-
Andrew Hanges	2014	19,161	-
	2013	19,161	-
Craig Wallis	2014	-	-
	2013	-	-
Marco Suter	2014	12,000	-
	2013	12,000	187,500[3]
Martin Jufer	2014	-	-
	2013	-	-
Michele Porro	2014	-	-
	2013	-	-
Scott Sullivan	2014	-	-
	2013	-	-
Total	**2014**	**31,161**	**-**
	2013	**31,161**	**187,500**

[1] Including share and option holdings of closely linked parties.
[2] This table shows vested holdings as at 31 December. In each year share-based payments were awarded to the members of the Senior Management (Group Management Board) that have not yet vested. For respective details see section 6.2.1 and section 6.3.1 of the Compensation Report.
[3] These vested options were granted on 20 July 2011 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 20 July 2014. The options (each option being a call option and corresponding to one share with physical settlement) had an exercise price of CHF 12.35 and were exercisable as of 20 July 2014 during the following 90 days. For more details see section 4.4.2 of the Compensation Report and Note 23 of the Consolidated Financial Statements.

12. EVENTS AFTER REPORTING PERIOD

On 15 January 2015, the Swiss National Bank (SNB) announced its decision to abandon its policy of maintaining a minimum exchange rate for the Swiss franc against the euro. Following this announcement the Swiss franc appreciated significantly not only against the euro but also against other major currencies, such as the US dollar and the British pound, compared to the year-end exchange rates applied. The impact of this event on the financial statements of GAM Holding AG is limited. The majority of assets and liabilities are either in Swiss francs or hedged against the Swiss franc. While revenues predominantly represent dividends received in Swiss francs from our direct Swiss subsidiaries, and as such are not directly exposed to swings in foreign currency rates, the future dividend paying capacity of our subsidiaries may – among other factors - be affected by fluctuations in foreign currency rates.

Proposed appropriation of retained earnings and distribution payment

	2014 CHF M	2013 CHF M
Retained earnings		
Balance brought forward	-	-
Net profit for the year	158.7	183.6
Retained earnings available for appropriation	**158.7**	**183.6**
Allocation to other reserve	-158.7	-183.6
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve	**104.8**[1]	**105.5**

[1] The distribution total of CHF 104.8 million corresponds to a distribution of CHF 0.65 per registered share (excluding 5,443,444 treasury shares held by the Company as at 31 December 2014).

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 158.7 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 2014 financial year will be paid on 7 May 2015, 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, 2 March 2015

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich
P.O. Box 18 72
CH-8026 Zurich
Telephone +41 58 249 31 31
Fax +41 58 249 23 19
Internet www.kpmg.ch

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 188 to 196) for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

KPMG

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, 2 March 2015

'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.

CONTACTS

GAM HOLDING AG

Hardstrasse 201
P.O. Box
CH-8037 Zurich
Switzerland

T +41 (0) 58 426 37 00
F +41 (0) 58 426 30 31
gamholding@gam.com

INVESTOR RELATIONS

Patrick Zuppiger
Head of Investor Relations

T +41 (0) 58 426 31 36
patrick.zuppiger@gam.com

MEDIA RELATIONS

Larissa Alghisi Rubner
Group Head of Communications

T +41 (0) 58 426 62 15
larissa.alghisi@gam.com

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.gam.com