ANNUAL 2016 REPORT

Following GAM's announcement on 30 January 2020 regarding the Sanctions Commission of SIX Exchange Regulation AG decision, GAM has restated, where required, the comparative amounts relating to prior periods in its 2019 consolidated financial statements. The restatement relates to the recognition of a financial liability for future performance fees payable to the former partners of Cantab, a business acquired by GAM in 2016. Please refer to note 28.1 of the 2019 annual report and the five-year financial summary on page 192, which reflects the restatement of historical amounts since 2016.

GAM

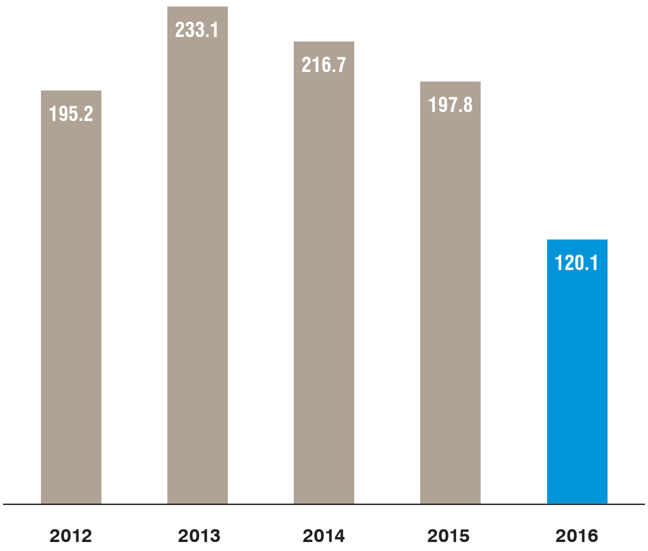
Advancing potential

CONTENTS

KEY FIGURES

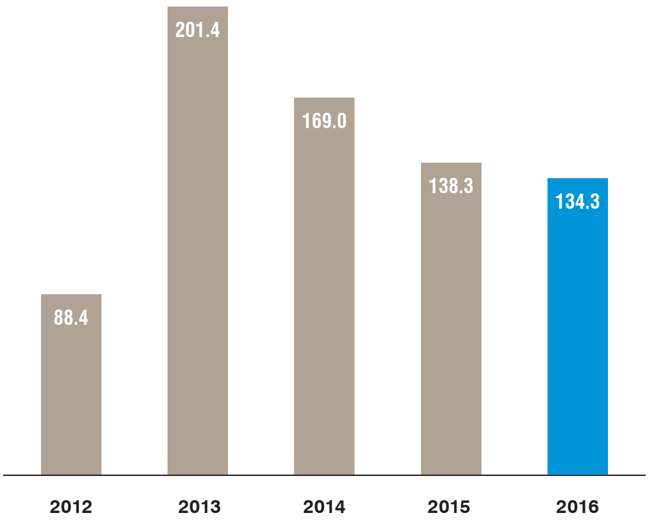
Underlying profit before taxes (CHF m)

CHF 120.1 m



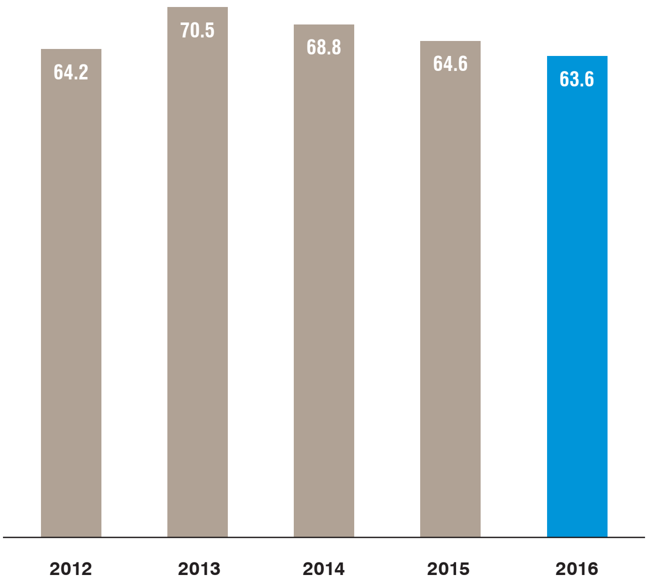
IFRS net profit (CHF m)

CHF 134.3 m



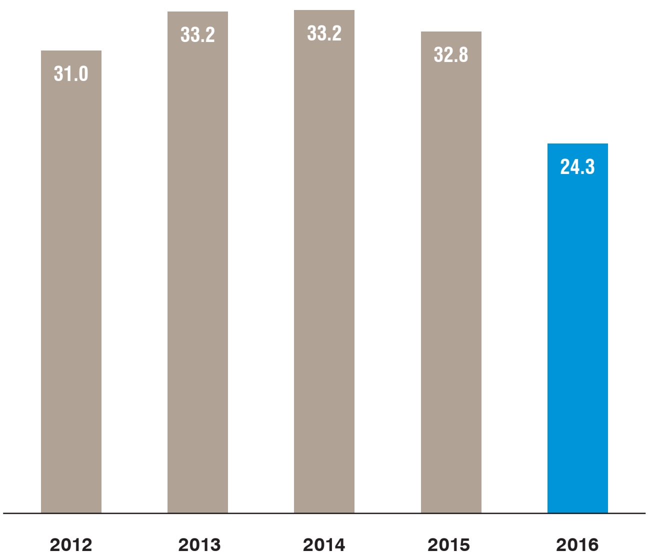
Management fee margin – investment management (bps)

63.6 bps



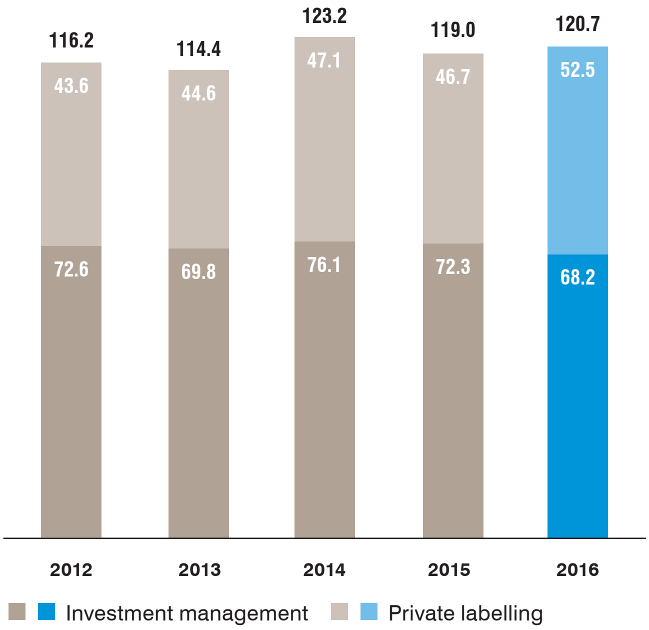
Operating margin (%)

24.3 %



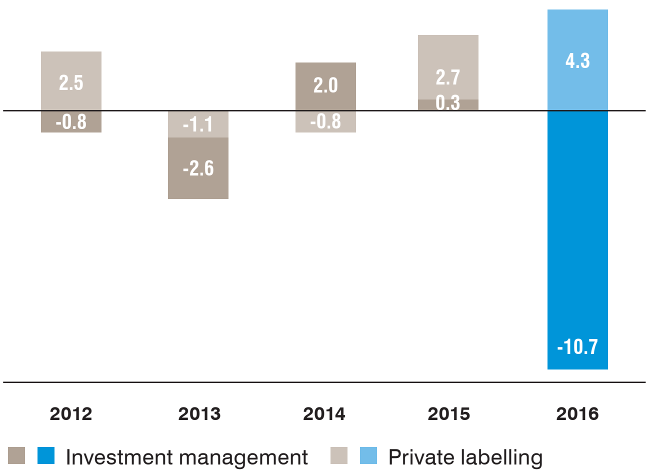
Assets under management (CHF bn)

CHF 120.7 bn



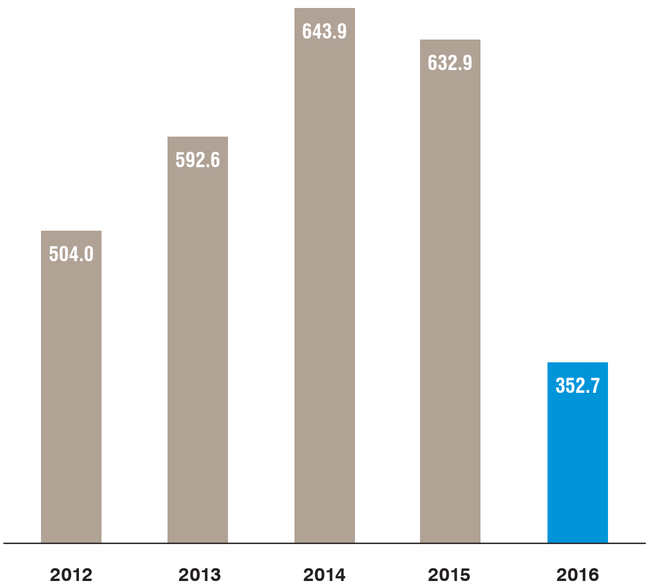
Net flows (CHF bn)

CHF -6.4 bn



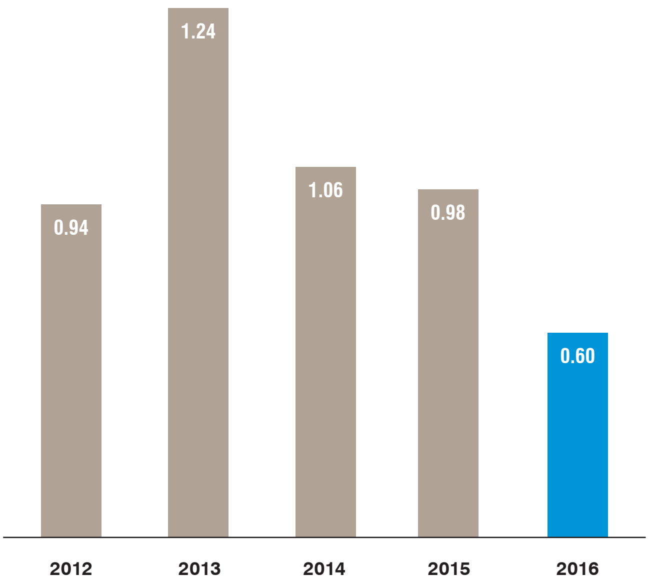
Net cash (CHF m)

CHF 352.7 m



Diluted underlying EPS (CHF)

CHF 0.60



OUR BOARD OF DIRECTORS






From top left to bottom right

Johannes A. de Gier: Chairman of the Board of Directors and Chairman of the Governance and Nomination Committee

Nancy Mistretta: member of the Compensation Committee and the Governance and Nomination Committee

Diego du Monceau: Chairman of the Compensation Committee and member of the Audit Committee

Ezra S. Field: member of the Governance and Nomination Committee

Hugh Scott-Barrett: Chairman of the Audit Committee

Benjamin Meuli: member of the Audit Committee and the Compensation Committee

OUR GROUP MANAGEMENT BOARD






From top left to bottom right

Alexander S. Friedman: Group Chief Executive Officer

Larry Hatheway: Group Head of GAM Investment Solutions and Group Chief Economist

Richard McNamara: Group Chief Financial Officer

Tim Dana: Group Head of Corporate Development

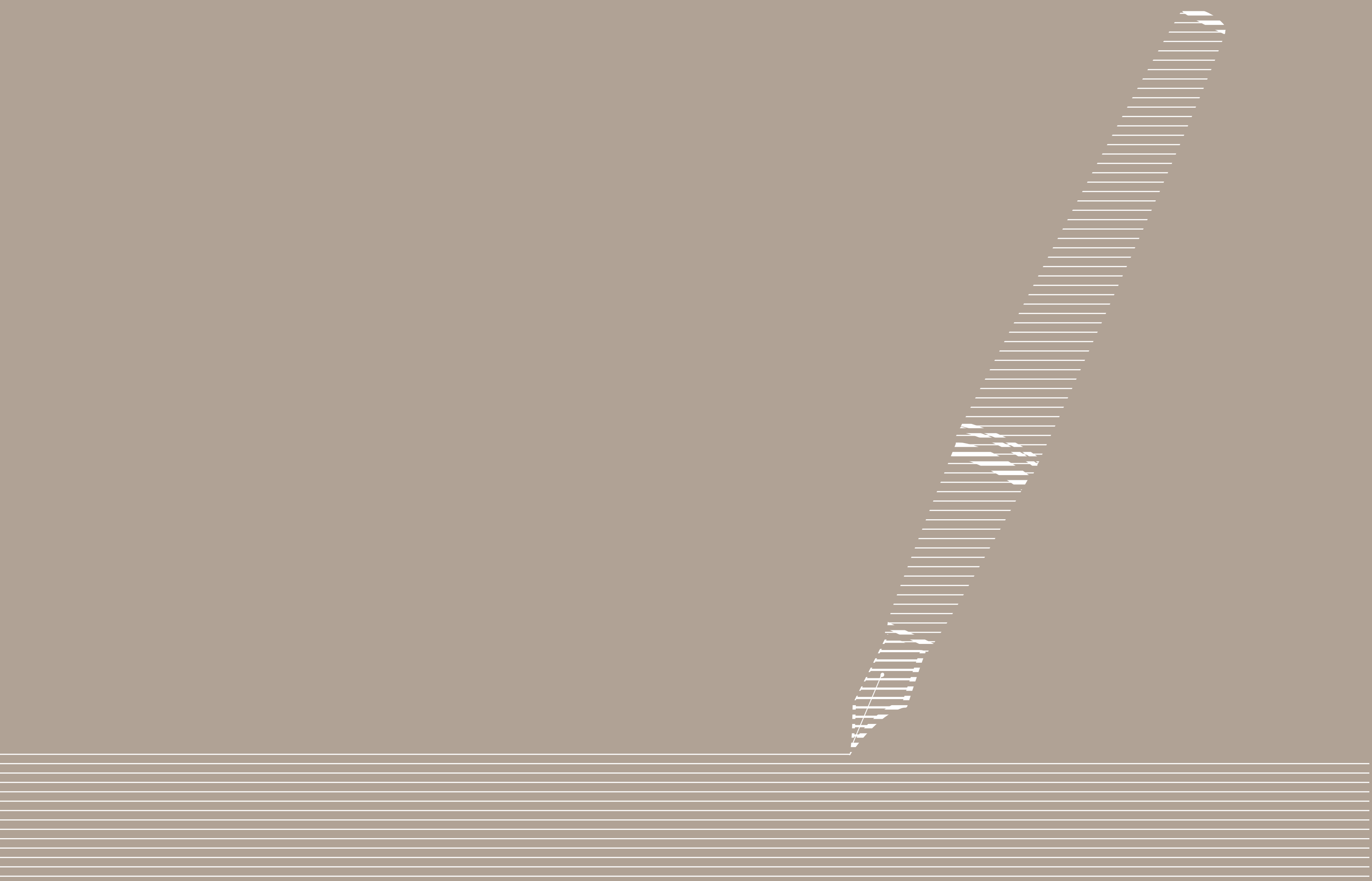
Craig Wallis: Group Head of Distribution and Operations[1]

Martin Jufer: Region Head Continental Europe

Scott Sullivan: Group General Counsel / Region Head Asia Pacific[1]

[1]until 31 December 2016

CHAIRMAN CEO LETTER



Dear Reader

2016 was an eventful and testing year for the markets, our industry and our company. Against a challenging environment, we made real and tangible progress on all our strategic initiatives to position GAM for long-term growth, while keeping a tight control on costs.

First, our external positioning and brand recognition improved substantially in 2016. Second, we are well ahead of plan in delivering cost savings and have further projects in place to significantly enhance operating efficiency in 2017 and beyond. Third, in investment management we continued to refine our product range by closing or merging sub-optimal funds and at the same time launching promising strategies designed for today's volatile and low-yield market environment. We made a significant acquisition to diversify our active investment capabilities into the systematic space; this complements our successful discretionary offering and enabled us to launch our new GAM Systematic platform. And, importantly, we strengthened the senior leadership team with external and internal appointments.

Despite this broad progress, our 2016 earnings were disappointing on two fronts: we recorded net outflows for the year and realised very low performance fees, both hurting our earnings. Through our strategic initiatives, we are addressing the underlying causes and have undertaken a number of important steps to better position our business for future growth.

As of 1 January 2017, distribution, marketing and product development activities are led by Tim Rainsford, previously Global Co-Head of Sales and Marketing at Man Group. His expertise in selling and marketing sophisticated investment solutions, including systematic strategies, and his proven track record in business development across different geographies and client segments will be invaluable in achieving organic growth. We are focused on improving the quality of our distribution reach and have made a number of senior hires under Tim last month, with more to come. We are upgrading our distribution capabilities across the board to ensure we are aligned for growth in each of our core markets.

Over the past two years, we have been simplifying our brand architecture, redesigning and strengthening our master brand – GAM. The final step to reduce brand complexity was achieved through an agreement with Julius Baer to terminate our licence to use Julius Baer trademarks. This is an important milestone for our company, seven years after we separated from Julius Baer to form an independent pure-play asset management group. This now removes all confusion over our product branding, allowing us to invest in our single brand, and also positively impacts the Group's earnings.

Our high-performance culture gives us confidence that performance fees will be a meaningful contributor to earnings in the future. Over the previous five years, performance fees on average contributed about 12% of our total net fee and commission income. The mix of multiple and diverse products eligible for performance fees has generally provided a good offset between strategies surpassing their high-water mark performance levels and those underperforming. The strategies that were the most significant contributors to performance fees in the past, struggled to exceed their high-water marks in 2016 amid irrational and highly correlated markets. However, the upside potential from these and other performance fee-eligible strategies, which together make up about 30% of investment management assets, is still intact for future fee generation.

We improved investment processes, risk management systems, portfolio monitoring and support functions to assist investment managers as they focus on realising the full potential of their portfolios. We also continued to attract top investment talent and broaden our innovative product range in 2016.

To bolster our successful range of absolute return funds, we launched a merger arbitrage strategy in July under the leadership of a newly hired portfolio manager, Roberto Bottoli, an experienced and highly regarded investor in this category. We also launched two new factor-based target return products to complement our multi asset range and two trade finance investment solutions, adding to our private market offering. To further develop scalable equity strategies, in August 2016 we acquired the investment management business of Taube Hodson Stonex (THS), a UK-based global equity investment firm known for its successful thematic bottom-up and benchmark-agnostic approach. Last month we hired Matthew Beesley to a new role as Head of Equities to work with the various equity teams to optimise performance and risk management and ensure strong links with sales and marketing.

Finally, we launched GAM Systematic through the acquisition of Cantab Capital Partners (Cantab) in October 2016. With this step, we have expanded and diversified our active investment management capabilities into the systematic space – a segment at the forefront of investor demand and where returns show low correlation to traditional asset classes. We have already launched two new systematic products in the form of Undertakings for Collective Investment in Transferrable Securities (UCITS). The acquisition of Cantab will be highly accretive to our earnings from the first full year of ownership.

At the same time, we continued to optimise our product range to concentrate on the most promising and scalable strategies. In 2016, we merged or closed 25 funds in addition to 41 funds in the previous year, with a de minimis loss of assets. In 2017 we will continue to pare uncompetitive funds, ensuring our offering is relevant and lean across different product cycles, and will be guided by a strong emphasis on innovation and rigorous strategic thought.

“We made real and tangible progress on all our strategic initiatives to position GAM for long-term growth, while keeping a tight control on costs.”

The senior leadership team was strengthened with a number of key appointments and hires: Tim Rainsford, Head of Distribution; Dirk Spiegel, General Counsel; and Elmar Zumbuehl, Chief Risk Officer – all became members of the Group Management Board.

2016 results

Political and economic uncertainty heightened risk aversion among investors in 2016, impacting flows across our industry. Our investment management business reported net outflows of CHF 10.7 billion. The addition of CHF 6.2 billion of assets through the acquisitions of THS and Cantab and CHF 0.4 billion in net gains from market and foreign exchange movements partly offset the outflows, resulting in investment management assets of CHF 68.2 billion at the end of 2016 compared with CHF 72.3 billion a year earlier. This decrease was more than offset by an increase in private labelling assets, which rose to CHF 52.5 billion from CHF 46.7 billion as a result of inflows of CHF 4.3 billion and a net positive impact from market and foreign exchange movements. **Group assets under management rose to CHF 120.7 billion** from CHF 119.0 billion.

Net management fees and commissions declined 9% in 2016 to CHF 470.5 million. This was driven by lower average assets under management and a slight decline in management fee margins as a result of fluctuations in the asset mix between products and client segments, in particular outflows from higher-margin absolute return products. In private labelling, the margin was impacted by the sale of our Cayman business at the end of 2015, which operated above the average margin, and the average margin on new assets being lower than those redeemed. Performance fees fell to CHF 3.0 million from CHF 82.8 million.

We have managed costs tightly and cut total expenses 11% in 2016 compared with the previous year, despite the acquisitions of THS and Cantab. Variable compensation was 28% lower as both discretionary and contractual bonuses were reduced, helping partially mitigate the reduction in fee income. **Our underlying pre-tax profit of CHF 120.1 million** was down 39% from the previous year and our operating margin declined to 24.3% from 32.8%. The increase in the compensation ratio, which tracks our ability to manage our largest expense category (personnel expenses) in line with net fee and commission income, was less pronounced, rising to 52.0% from 48.3%.

Diluted underlying earnings per share fell to CHF 0.60 from CHF 0.98, as the benefit of our share buy-back programme, through the reduction in the number of shares outstanding, could only partly offset the decline in underlying net profit. In line with our commitment to sustainable, progressive and predictable dividend payments, the Board of Directors proposes to leave the **dividend unchanged at CHF 0.65 per share**, subject to shareholders' approval at the upcoming Annual General Meeting on 27 April 2017.

Under IFRS, our net profit was CHF 134.3 million, 3% lower than in 2015. The IFRS figure includes two items that are not reflected in the underlying results: non-recurring items that resulted in a net gain of CHF 30.0 million and acquisition-related items that resulted in a net gain of CHF 10.1 million (all net of taxes). The former include the recognition of deferred tax assets related to the merger of certain Swiss legal entities, a credit arising from changes to the Swiss pension plan to ensure its long-term financial stability and a settlement from Julius Baer for the termination of the licence fee agreement, partly offset by reorganisation costs, deal and integration expenses and a revaluation of the deferred contingent consideration. Acquisition-related items include a reduction in our estimate of the deferred consideration liability for the acquisitions of Arkos (now GAM Lugano), Singleterry Mansley Asset Management and Renshaw Bay, partly offset by the amortisation of investment management and client contracts from businesses we acquired and finance charges on the deferred consideration liabilities.

Summary and outlook

We are steadfastly progressing with the business restructuring we started in 2015. Many of our strategic initiatives have started to bear fruit and our unrelenting focus on cost discipline is showing results. Our DNA as truly active managers of differentiated investment strategies continues to guide us as we transform GAM into a company with a far more efficient operating model, a more focused and balanced product shelf, strengthened distribution and powerful brand recognition.

The market and industry environment is not making this an easy journey, and it is clear to us that sustainable long-term growth cannot be achieved through cost savings alone. As the asset management industry goes through fundamental changes, the new GAM will be exceptionally well positioned to gain market share.

The market environment will continue to be affected by political uncertainty in 2017. The longer-term impacts from policies being implemented by US President Donald Trump are yet unclear. Elections in the Netherlands, France and Germany this year will test the era of centrist policies in Europe, while the UK government is progressing on the difficult process of exiting from the European Union. The key concern for 2017 is, therefore, whether politics will undermine a generally improving economic environment.

> “As the asset management industry goes through fundamental changes, the new GAM will be exceptionally well positioned to gain market share.”

For now, the market environment appears favourable for a continuation of the broad trends observed since mid-2016: higher global bond yields, underpinned by resilient economic growth and normalising monetary policies, and rotation away from traditional fixed income allocations toward equities, absolute return products as well as emerging markets. Dispersion of returns within markets is likely to become more pronounced, providing richer opportunities for selected absolute return and active management styles, positioning us well to capture investor demand in these areas.

Our business is highly scalable, and we can manage higher levels of assets without adding more resources. We are confident that we can navigate the challenging industry and market environment and reach our financial targets. We are committed to increasing diluted underlying earnings per share in excess of 10% on an annualised basis and achieving an operating margin of 35–40%, both over the five to eight-year business cycle.

We would like to thank our employees, clients and shareholders for their support, patience and loyalty.

With best regards,

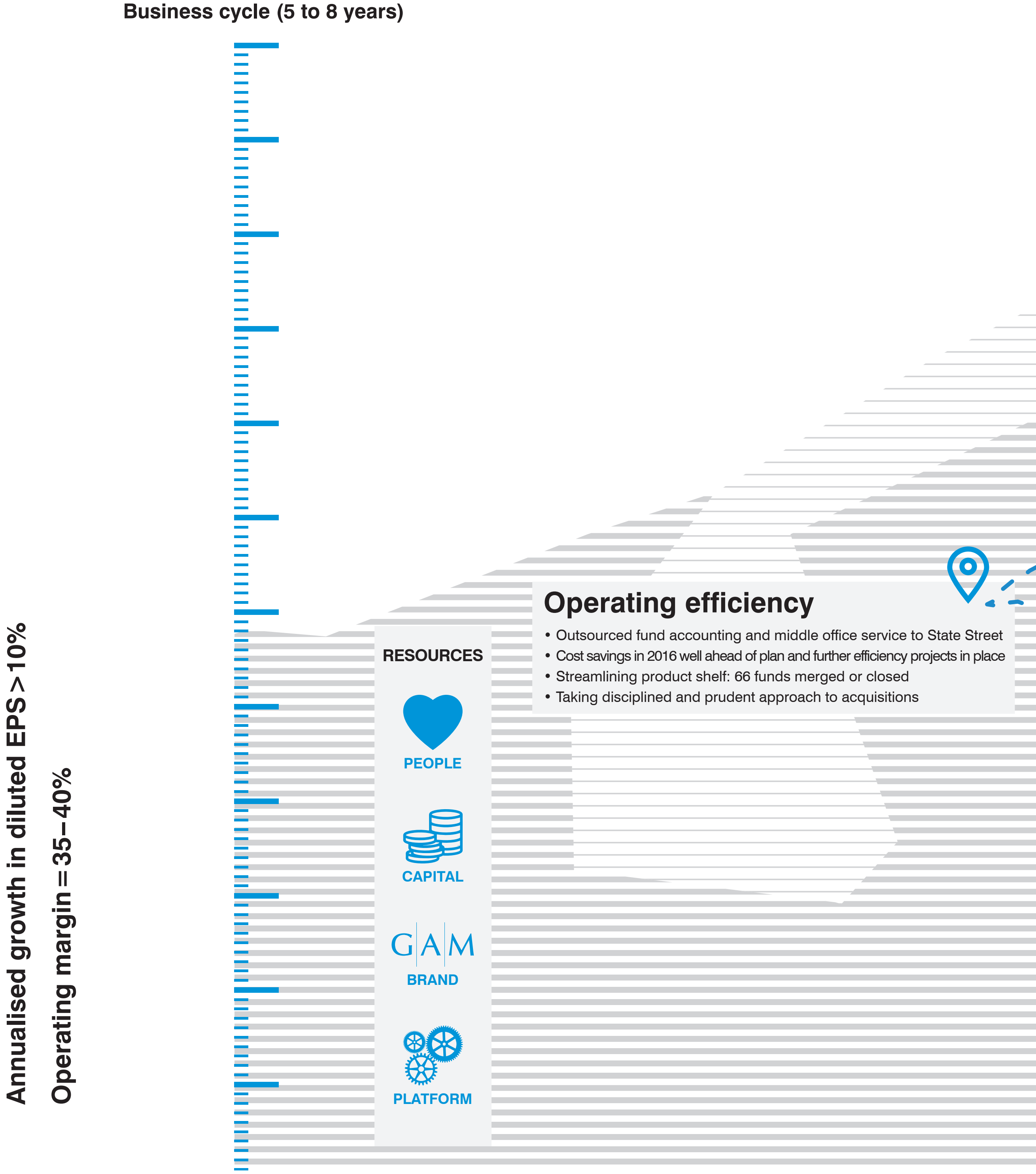
Johannes A. de Gier
Chairman

Alexander S. Friedman
Group Chief Executive Officer

Zurich, 2 March 2017

THE BUSINESS REVIEW

DIVERSIFIED ACTIVE INVESTMENT FIRM, CLIENT-CENTRIC AND GLOBAL



Operating efficiency

- Outsourced fund accounting and middle office service to State Street
- Cost savings in 2016 well ahead of plan and further efficiency projects in place
- Streamlining product shelf: 66 funds merged or closed
- Taking disciplined and prudent approach to acquisitions

Upcoming priorities

- Continue to improve investment performance
- Further broaden differentiated product offering
- Strengthen quality of global distribution and marketing
- Ensure the company is as efficient as possible

Growth and diversification

- Entered private market strategies: real estate debt and trade finance investments
- Strengthened global equities with THS acquisition
- Launched GAM Systematic and 2 new funds following Cantab acquisition
- Launched merger arbitrage strategy
- Launched 2 multi asset target return strategies
- Responsible investment framework rolled out

Repositioning GAM

- Brand architecture simplified
- Julius Baer trademarks being phased out
- GAM brand redesigned
- Increased external recognition for thought leadership
- Senior leadership strengthened

Strategic initiatives

- Repositioning GAM
- Operating efficiency
- Growth and diversification

Advancing the potential of our clients' capital

OUR STRATEGY

Our industry – challenges and opportunities

The asset management industry has faced growing challenges over the past few years. Professionally managed assets worldwide increased only 1% in 2015 to USD 71.4 trillion after growing at an average annualised rate of 5% from 2008 through 2014, driven mainly by rising asset prices.[1]

The current historically low yields and elevated asset prices, along with a slowdown in global wealth creation amid anaemic economic growth, leave little room for a repeat of these past growth rates. The outlook for net new industry flows may also be constrained as the retirement of the 'baby boomer' generation will require pension schemes around the globe to return funds to their beneficiaries and as sovereign wealth funds increasingly deploy capital to stimulate their economies.

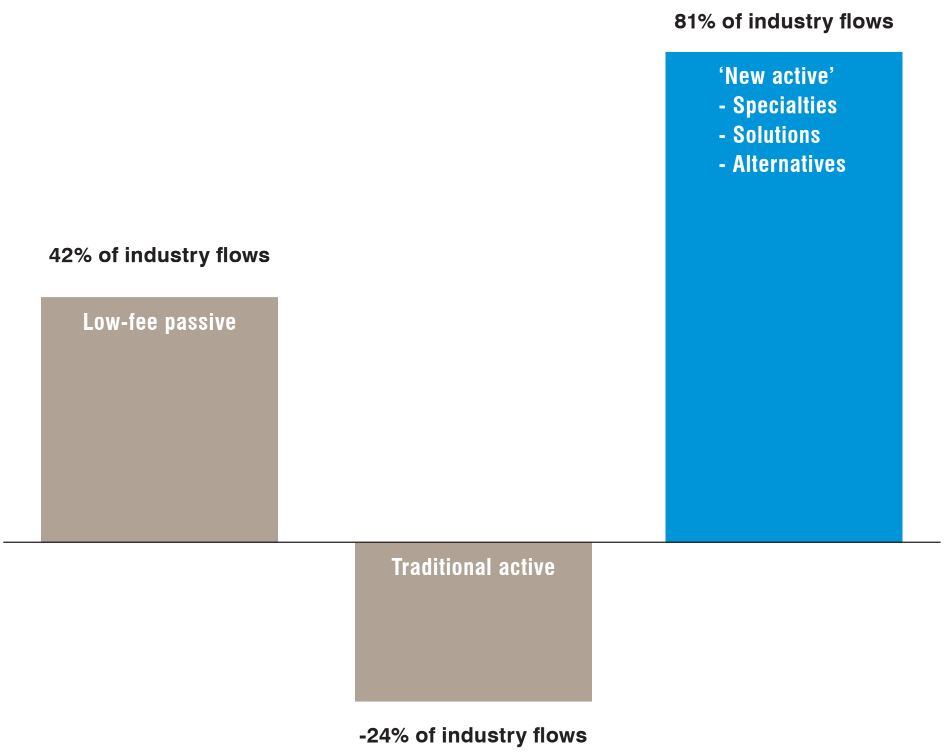
At the same time, regulatory and compliance costs are expected to continue to rise, with future increases likely outpacing industry revenue growth.[2] When making new investments, institutions and private individuals are already more conscious of fees and value created relative to their expectations.

This trend is expected to strengthen, reinforcing the industry's 'barbell dynamics', whereby traditional actively managed investment products are losing market share to benchmark-agnostic 'new actives' (such as specialty strategies, solutions and alternative investments) and to passive funds.[3] However, passive investments alone are not likely to deliver the returns that investors expect in the coming years.

Economies and markets are forecast to remain volatile in the face of monetary policy and fiscal challenges as well as political processes whose outcomes are difficult to predict. Markets and asset classes have recently been highly correlated, driven by expansionary monetary policy in major economies around the globe. Diverging and normalising monetary policy together with greater dispersion in markets will offer a fertile ground for active discretionary and quantitative managers to outperform. Investors will be looking for differentiated, benchmark-agnostic active funds, absolute return and systematic strategies to meet their needs.

Our product range is aligned to benefit from these market conditions, while the strategic initiatives we have been implementing since 2015 put GAM on the right track toward addressing long-term industry challenges.

'Barbell dynamics' – estimated industry flows (2016–2020)



Source: The Boston Consulting Group, Global Asset Management 2016 – Doubling Down on Data, July 2016.

[1] The Boston Consulting Group, Global Asset Management 2016 – Doubling Down on Data, July 2016.

[2] CaseyQuirk by Deloitte, Survival of the Fittest: Defining Future Leaders in Asset Management, December 2016.

[3] The Boston Consulting Group defines traditional active products to include domestic large-cap equity, domestic government and corporate debt, money market and structured products. Passives include equity and fixed income ETFs and other passive products. Specialties on the equity side include foreign, global, emerging market, small- and mid-cap, and sector products; and on the fixed income side – emerging market, global, high yield and convertible products. Solutions include target date, global asset allocation, flexible, income, liability-driven and traditional balanced investments. Alternatives include hedge funds, private equity, real estate, infrastructure, commodity funds and liquid alternative mutual funds (absolute return, long/short, market neutral and volatility).

Our mission

We are an independent global asset management firm built by investors, for investors. We focus on truly active management of differentiated investment strategies. We share insights, act with integrity and execute with purpose to advance the potential of capital by making the right decisions to achieve investor aspirations.

Our strategy

With a 30+ year heritage, we invest our clients' capital using active strategies across discretionary, systematic and specialist solutions. As our industry evolves, we develop new products with global appeal and attractive returns to access new pools of client assets and to adapt to our clients' changing needs.

Our strategic priorities are superior investment returns, a differentiated product offering, global distribution strength and operating efficiency. We execute these priorities with a high-performance culture motivated by sustainable growth for all stakeholders. We create shareholder value through long-term earnings growth and predictable capital returns.

We seek superior investment returns from active, high-conviction strategies managed by independent and talented teams. We value original thinking, integrity, swift decision making and a disciplined approach to investing. We have no 'house view' to constrain investment decisions. We measure success over the medium to long term against our clients' expectations and appropriate benchmarks or peers.

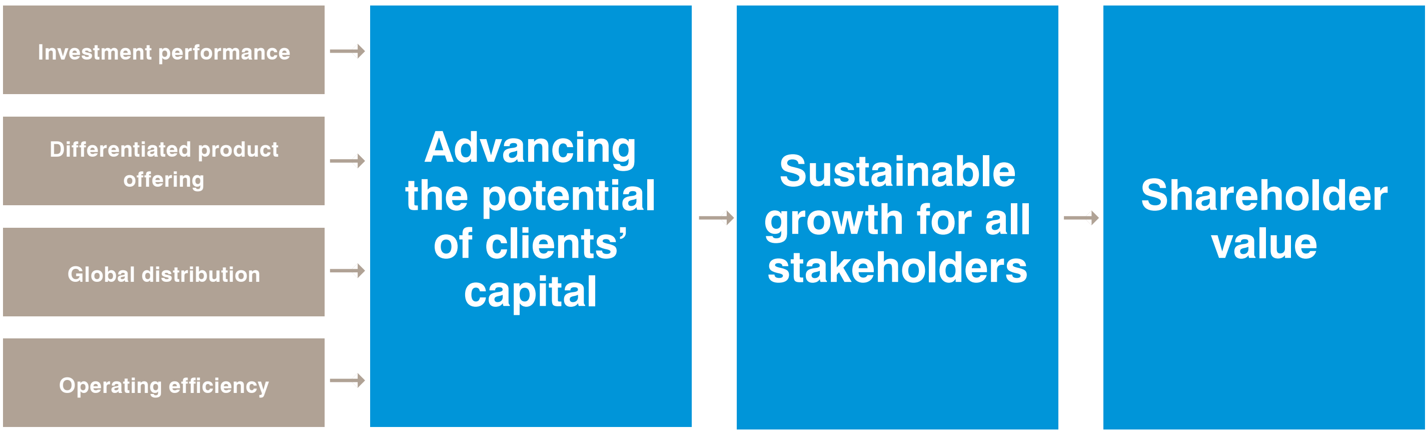
We develop innovative, differentiated and scalable products relevant to investors worldwide. These hard-to-commoditise products span diversified liquid and illiquid asset classes. We focus on core markets and tailor our fund development by geography, client segment and distribution expertise. We continually manage our product shelf by adding capabilities with growth potential and consolidating products where appropriate.

We distribute our products globally and have offices in 12 countries to generate new asset flows. We are client-focused and support institutional, intermediary and private clients with relationship managers, product specialists, marketing teams and client-servicing professionals. We match our distribution strength to core geographies, products and growth opportunities. We invest in the strong and credible GAM brand, recognised worldwide as a standard for investment excellence, innovation and insight.

We continually seek efficiencies through tight cost control and appropriate investment in our operating platform. We have a highly-aligned and stable business model able to support growth with limited incremental resources. Over a business cycle we target an operating margin of 35–40% based upon platform leverage, cost discipline and operating efficiencies. We see substantial benefits in continued efforts to simplify, consolidate and streamline our administrative processes, servicing and IT functions.

Over the business cycle of five to eight years, we target annualised growth in diluted underlying earnings per share in excess of 10%. We maintain a policy of sustainable and predictable capital returns to shareholders, with dividends and share buy-backs in line with earnings growth and availability of excess capital.

Our business model



Our initiatives and priorities

Investment performance

GAM's model is designed to bring out the best of truly active asset management. A top priority in our high-performance culture is continuous investment and development of top talent (see 'Our people' section of this report on pages 43–45). We improved investment processes, risk management systems, portfolio monitoring and support functions to assist investment managers as they focus on realising the full potential of their portfolios. We have been successful in bringing individual investment teams closer together and encouraging them to exchange, debate and challenge opinions, investment ideas and macroeconomic views, informally and at regular meetings.

In certain situations, we have addressed issues affecting performance. For example, we took a series of actions to bolster our unconstrained/absolute return bond strategy, which suffered a period of performance weakness in the second half of 2014 and 2015. Following a review, we expanded our use of trend-capturing models, which diversify our fundamentally driven approach and have proven particularly successful during risk-off phases in the market. We also introduced exposure to the area of commercial trade finance to diversify returns. All these measures helped to turn around performance in 2016, with various funds within the strategy ranking in the first to second quartiles in Morningstar peer comparison[4] for the year (see 'Spotlight on the absolute return bond strategy' on page 26).

Further improving investment performance is a top priority for us in 2017 and beyond.

Differentiated product offering

We made good progress toward broadening our innovative product range in 2016. We hired Roberto Bottoli, a well-recognised specialist in his area, to launch a merger arbitrage fund and also launched two trade finance investment solutions, adding to our private market offering. To further develop scalable equity strategies, in August 2016 we acquired the investment management business of Taube Hodson Stonex (THS), a UK-based global equity investment firm known for its successful thematic bottom-up and benchmark-agnostic approach.

In October 2016, we launched GAM Systematic following the acquisition of Cantab Capital Partners. Cantab is renowned for its rigorous scientific research and multi-strategy approach to systematic investment, with its state-of-the-art infrastructure and proprietary technology allowing the team to run a suite of models across more than 150 macro markets and a universe of over 2,500 equities. With this step we have expanded and diversified our active investment capabilities into the systematic space – a segment with growing investor demand, where returns show a low correlation to traditional asset classes (see 'Spotlight on systematic investing' on page 23). We have already launched two new funds from the GAM Systematic platform.

In addition to establishing GAM Systematic as a leading provider of quantitative investments, our product development priorities for 2017 include broadening our offering across the credit spectrum, private market strategies and equity capabilities.

Global distribution

As of 1 January 2017 distribution, marketing and product development are led by Tim Rainsford, previously Global Co-Head of Sales and Marketing at Man Group. His expertise in selling and marketing sophisticated investment solutions, including quantitative strategies, and his proven track record in business development across different geographies and client segments will be invaluable in achieving our organic

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Advancing the potential of capital with active investing

The remarkable levels of assets leaving the active asset management sector in favour of ETFs in recent years have been the subject of many headlines predicting the end of active investing. Pricing has been an instrumental factor driving this development. However, a purely passive approach is based on the strong form of market efficiency, where opportunities to generate excess risk-adjusted returns are essentially impossible. It is based on the belief that a market-capitalisation weighted index cannot be regularly bested. But market efficiency, particularly this strong form, requires active management to ensure that any inefficiency is bid away. Pure passive investing can therefore be seen as leveraging the work of active managers whose efforts are required to maintain market efficiency, and ignores evidence that markets are not strongly efficient. In addition, by purchasing shares based solely on market capitalisation, passive strategies bid up the prices of the largest companies that command the largest fraction of the index. This can misallocate capital, overlooking changes in underlying profitability, which are otherwise spotted by active managers. For us at GAM, it is clear that the passive approach on its own is neither good for markets nor for individual investors, and truly active differentiated investing will be key for generating returns in portfolios of the future.

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[4] The peer group comparisons referred to in this section are based on 'industry-standard' Morningstar Direct Sector Classification. The share class preferences in Morningstar have been set to capture the oldest retail accumulation share class for each and every fund in a given peer group.

growth ambitions. Tim has already made a number of important hires to strengthen our sales organisation.

We are upgrading our distribution capabilities to ensure we are aligned for growth in each of our core markets. Our largest local presence and client base, as well as the strongest and broadest recognition, is in the UK and continental Europe. These regions will remain key to the future success and growth of GAM. We are planning to launch a number of our existing strategies in the form of UK Open Ended Investment Companies (OEICs) in response to demand from financial intermediaries and advisers.

We will invest in core Asian markets to better leverage our local office capabilities in Hong Kong and Japan and our growing presence in Australia. In China – a difficult market to enter and one that is likely to remain dominated by local firms – we continue to look for a mutually beneficial relationship with local distributors to give us further growth potential. We are also continuing to develop key distribution capabilities in the US, Latin America and the Middle East.

Over the past two years we have taken steps to strengthen and simplify our brand architecture, including redesigning and investing in our master brand – GAM. The feedback from clients since the rebranding has been extremely positive as we continue to build a distinct profile that is more effective and recognised. We achieved the final step to reduce brand complexity through an agreement with Julius Baer to terminate our licence to use the Julius Baer trademarks (see 'Termination of Julius Baer licence agreement' on page 21). The funds currently bearing the trademarks will be rebranded in 2017 as we continue to invest in the GAM brand through targeted marketing initiatives, centred around differentiated regional strategies to support our global product offering.

Operating efficiency

We achieved cost savings well in excess of plan in 2016, reducing fixed staff costs and general expenses (excluding the impact from acquisitions of THS and Cantab) by about CHF 16 million from 2015, compared with CHF 9 million in planned savings as communicated with our half-year results. In the second half of 2015, we began implementing a new operating model to drive efficiencies and reduce our cost base. As part of our new operating model, we are outsourcing administrative activities to State Street, which provides fund accounting and middle office services for our products. We are also developing a comprehensive single data management platform to simplify internal processing and systems and to enable more sophisticated reporting and management information tools, ultimately leading to greater future efficiencies (see 'Spotlight on efficiency' on page 28).

Furthermore, we are simplifying our product range to concentrate on the most promising and scalable strategies. In 2016, we merged or closed 25 funds in addition to 41 funds in the previous year, with a de minimis loss of assets under management. We will continue this process in 2017, ensuring our offering remains relevant and lean across different product cycles, and will be guided by a strong emphasis on innovation and rigorous strategic thought. We will aim to ensure that our product range is effectively aligned to our distribution capabilities across different client segments and core markets to meet our clients' needs.

We take a disciplined and prudent approach when seeking to fill in gaps in investment expertise and distribution coverage. This means evaluating multiple opportunities, which may include hiring expertise or teams, entering into partnerships or acquiring businesses. We will not consider any opportunity that dilutes the quality of our brand or business. In respect of acquisitions, these must meet three key criteria: expand our investment or distribution capabilities, bring a team with a world-class track record and a good cultural fit into our organisation and, foremost, add value to our shareholders by being earnings accretive after the first 12 months of ownership and offer a path to attractive growth.

Milestones in our history

1983: GAM founded by Gilbert de Botton

1999: GAM acquired by UBS

2005: GAM acquired by Julius Baer

2009: Acquisition of Augustus Asset Managers Ltd

2009: Separation from Julius Baer to form an independent, publicly listed, pure-play asset management group

2012: Acquisition of Arkos Capital SA

2014: Acquisition of Singleterry Mansley Asset Management

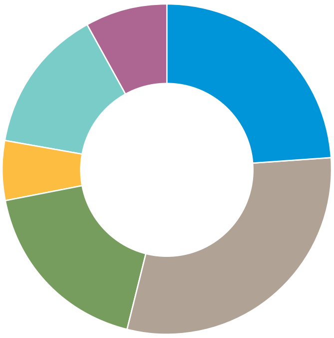
2015: Acquisition of the real estate debt business of Renshaw Bay

2016: Acquisition of Taube Hodson Stonex

2016: Acquisition of Cantab Capital Partners and launch of GAM Systematic

BUSINESS AND RESULTS OVERVIEW

Investment management assets by capability



- 24% Absolute return
- 30% Fixed income
- 18% Equity
- 6% Systematic
- 14% Multi asset
- 8% Alternatives

Investment management snapshot

- Investment strategies, mandates and funds managed by in-house professionals and selected third-party specialists
- Distributed under the GAM brand, with Julius Baer trademarks being phased out in 2017

92%

of our net management fees and commissions are generated here

195

in-house investment professionals in Zurich, London, Cambridge, Hong Kong, New York, Milan and Lugano

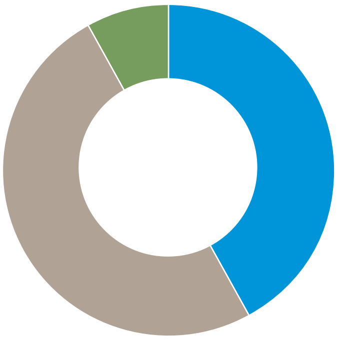
81

relationship managers serving our global client base, supported by 96 employees in marketing, sales support and product specialist roles

68%

of assets in funds outperformed their benchmark over five years

Investment management assets by client segment



- 42% Intermediaries
- 50% Institutional clients
- 8% Private clients

Private labelling snapshot

- Tailored third-party fund solutions for banks, insurers, independent asset managers and institutional investors
- Leverages the infrastructure of our investment management activities

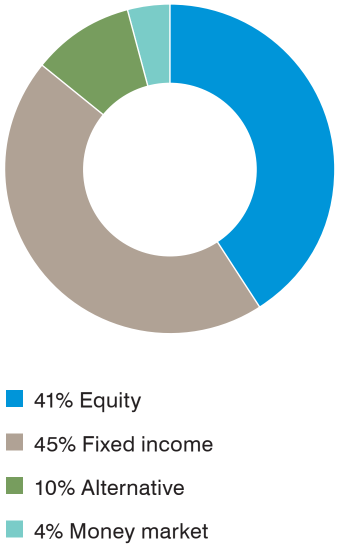
8%
of our net management fees and commissions are generated here

13
client directors, supported by experts from legal & compliance, risk management, marketing and operations

4
fund domiciles on offer: Switzerland, Luxembourg, Ireland and Italy

200+
private label funds launched since 1992

Private labelling assets by asset class



OUR BUSINESSES

Investment management

Investment capabilities

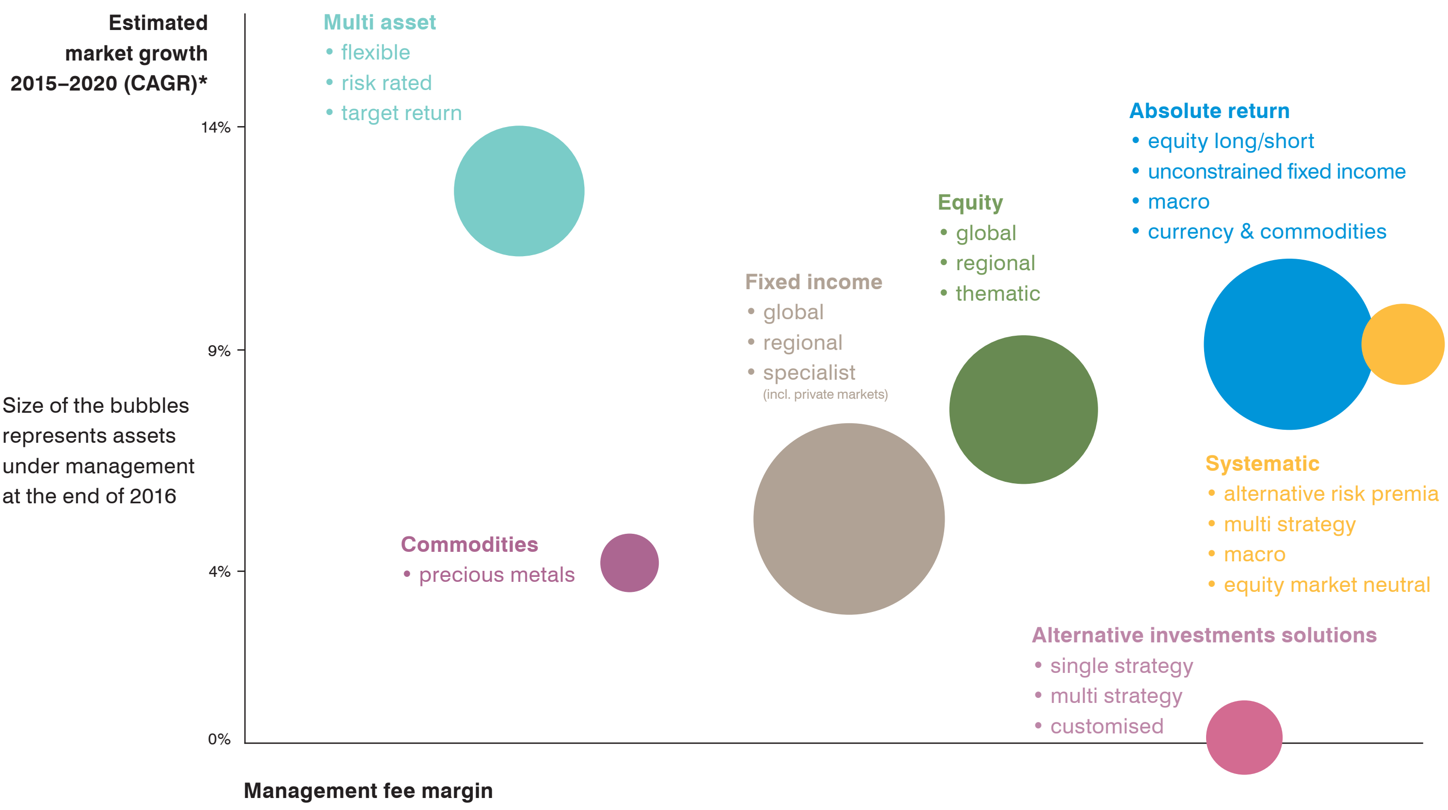
Our investment management capabilities provide clients with differentiated directional and absolute return strategies in liquid and illiquid asset classes across discretionary, systematic and specialist solutions. Our capabilities are focused on strategies with high growth prospects given industry trends and client needs. Such strategies also attract higher margins relative to passive and more traditional benchmark-oriented products.

We have 195 in-house investment professionals based in Zurich, London, Cambridge, Hong Kong, New York, Milan and Lugano. Following the termination of the Julius Baer licence agreement, all our funds will in the future use only the GAM brand. Having pioneered the open architecture approach by working with external managers in the early 1980s, we still work with some third-party investment specialists in limited and selected areas. About 11% of our assets under management are managed externally.

With no 'house view', our investment management teams are free to make decisions according to their convictions, individual philosophies and styles. Our discretionary investment management teams seek to generate superior returns through high-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. Within GAM Systematic, the teams follow a disciplined scientific approach. In particular, Cantab's investment philosophy and process, based on rigorous scientific research to create robust quantitative strategies that identify and harvest numerous sources of returns, has remained unchanged.

The breadth of our product range allows us to provide relevant products across market cycles and client

GAM capabilities



*Source: The Boston Consulting Group, Global Asset Management 2016, July 2016.

Investment management assets (CHF bn)

Capability	Opening AuM 1 Jan 2016	Net flows 2016	Acquisitions 2016	Market/FX 2016	Transfer [1]	Closing AuM 31 Dec 2016
Absolute return	23.1	(5.7)	-	(0.7)	(0.4)	16.3
Fixed income	18.6	1.1	-	0.7	0.4	20.8
Equity	13.4	(3.3)	2.2	0.2	-	12.5
Systematic	-	(0.2)	4.0	(0.2)	0.2	3.8
Multi asset	11.9	(2.4)	-	0.1	-	9.6
Alternatives	5.3	(0.2)	-	0.3	(0.2)	5.2
Total	**72.3**	**(10.7)**	**6.2**	**0.4**	**-**	**68.2**

[1] This represents a reclassification of one mandate from absolute return to fixed income and of one fund from alternatives to systematic.

segments. Our product development capabilities encompass a variety of structures – onshore and offshore funds, segregated mandates and customised solutions. Most of them are offered in the regulated form of Undertakings for Collective Investment in Transferrable Securities (UCITS). In the category of alternative UCITS strategies – a market that has grown to about 1,900 funds and more than EUR 390 billion in assets, we are the leading provider by number of products and the number seven by assets[5]. Within the alternative UCITS market, clients are particularly looking to add allocations to systematic strategies, with quantitative equity market neutral products being the most sought after, according to a recent industry survey.[6]

About a quarter of CHF 68.2 billion assets in our investment management business are invested in absolute return strategies. Fixed income products make up about 30%, while equities contribute 18%. Investment solutions across multi asset and alternatives capabilities make up 22% of our assets, and our newest capability – systematic – brings 6%.

[5] Morningstar Direct, as at 31 December 2016.

[6] Deutsche Bank 2016 Alternative UCITS Survey, October 2016.

Our **absolute return** range covers strategies across fixed income, macro/managed futures, equity long/short, currencies and commodities. All the strategies share one common aim: to deliver positive, long-term absolute returns with controlled volatility and low correlation to traditional asset classes. One of the latest additions is the merger arbitrage fund launched in July 2016, which has already surpassed CHF 200 million in assets under management. The GAM Star (Lux) Merger Arbitrage fund, managed by Roberto Bottoli who has more than a decade of experience in running such strategies, takes advantage of market price inefficiencies arising from announcements of corporate transactions.

The **fixed income** range covers the breadth of fixed income instruments from developed to emerging market debt and differentiated active investment styles. The broadening of our specialised fixed income range over recent years positions us to capture investor demand for substitutes to traditional bond allocations, such as products focused on catastrophe bonds, mortgage and asset-backed

Termination of Julius Baer licence agreement

An agreement with Julius Baer, entered into at the date of our separation, granted us an exclusive, worldwide licence to use the Julius Baer name to brand certain funds we manage and distribute in exchange for a revenue-based licence fee. In 2013, we initiated the transition to an integrated Group structure and in 2015, we simplified our brand architecture by discontinuing the use of the Swiss & Global Asset Management name (used for the former Julius Baer Asset Management business that has been part of GAM since 2009). Since June 2015, all JB funds have been marketed together with the GAM brand, which has been redesigned and strengthened. As the final step toward simplifying our brand architecture, we reached an agreement with Julius Baer to terminate our licence. As part of the agreement, Julius Baer will make a one-time CHF 4.15 million payment to GAM and waive about CHF 9.6 million in licence fees otherwise payable by GAM for the period from the beginning of the fourth quarter 2015 to the end of 2016. These amounts are reflected in our 2016 financial results, benefitting net other income under IFRS and net management fees and commissions, respectively. A transition period has been agreed to allow for the orderly rebranding of funds in 2017, during which no licence fees will be payable. We do not expect client flows to be materially affected by the rebranding.

securities. Our offering was further broadened with the acquisition of the real estate debt business of Renshaw Bay in 2015 and the launch of two trade finance investment solutions in 2016, adding private market capabilities to our existing strategies.

Our **equity** strategies are highly active funds with a regional or thematic focus. The majority of our strategies have an 'active share'[7] of more than 70%, with very few products targeting more traditional benchmark-oriented client segments. Each investment team works with its own internal research, consistent with its distinct approach, while benefitting from the collaborative and collegial culture that allows teams to share insights, views and information. As a result, we are able to provide a broad range of investment styles, including value, growth and GARP (growth at a reasonable price). We focus on the development of new specialised and scalable equity strategies, run with high conviction and high tracking error, to expand our range and capture new pools of client assets.

Within our new **systematic** capability, we launched two new UCITS funds – GAM Systematic Diversified Macro and GAM Systematic Global Equity Market Neutral – shortly after the acquisition of Cantab closed in October 2016 (see 'Spotlight on systematic investing' on page 23). GAM Systematic also includes Cantab's original two programmes, Quantitative and Core Macro, as well as our alternative risk premia strategy. We will continue to expand our systematic product offering and aim to substantially increase assets over time through new and existing strategies.

The low yield environment, which is likely to persist in the coming years, has increased demand for objective-oriented, holistic multi asset strategies that cater to the individual risk profiles of private investors, their advisers and institutions. GAM Investment Solutions (GIS), which combines teams across multi

Investment strategies added since 2008

	2008/2009	2010/2011	2012	2013	2014	2015	2016
Absolute return	**Unconstrained FI** **Global equity l/s** **Global rates** **Discretionary FX**	**Macro/mgd futures** **EM rates** **EUR equity l/s**	Commodities **Non-directional equity (EUR, EM,** financials**)** **Convertible bonds**		Tech equity l/s	US equity l/s	**Merger arbitrage**
Fixed income	**Local EM** **Inflation-linked**	**Credit opportunities** **Total return** **EM inflation-linked** **Cat bonds**	EM corporate	**EM investment grade**	EM opportunities **MBS**	**Real estate debt**	**Trade finance**
Equity	**Luxury** **Healthcare** Energy	**EU large cap** Swiss sustainable **Technology** **Global** **Emerging markets**	Emerging markets Europe value	China Swiss opportunities		India	**Global equities**
Systematic			**Alternative risk premia**				**Quantitative multi strategy** **Macro** Equity market neutral
Multi asset	**Swiss institutional funds**		**Risk rated strategies**				Target return
Alternatives	**Physical gold**	**Physical silver** **Physical palladium** **Physical platinum**					

Source: GAM as at 20 January 2017.

New strategies launched for in-house or external fund managers as well as products added through an acquisition. Excludes fund repositionings, new share classes, segregated accounts or customisations of existing strategies.

Strategies >USD 100m in **bold**

[7] 'Active share' is a measure of the percentage of stock holdings in a portfolio that differs from the benchmark index.

asset, alternatives and private clients and charities, is targeting exactly this opportunity. GIS, led by Larry Hatheway since late 2015, is focused on delivering solutions consistent with client needs and preferences, spanning the range from unitised funds to bespoke portfolio offerings.

Our **multi asset teams** provide an active, top-down allocation tailored to the specific investment needs of their clients. Our investment philosophy and approach seek to add value through active decision making at three levels: long-term strategic asset allocation, short-term tactical asset allocation and instrument selection. We offer both an extensive range of multi asset funds as well as bespoke solutions for our larger clients.

Our **alternatives** capability is comprised of alternative investments solutions and commodities. Our alternative investments solutions team is one of the most experienced and knowledgeable in the industry. Our 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.

In commodities, our innovative physical metals funds include gold, platinum, silver and palladium. We also offer highly active strategies that invest in commodity futures, with rotating exposures across agriculture, energy and metals.

Total assets under management in investment management include all assets that generate a management fee for the Group. As at 31 December 2016, CHF 3.1 billion of assets were double-counted compared with CHF 4.5 billion a year earlier. 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 fee.

Spotlight on systematic investing

Unlike discretionary investing, which relies on the analysis, conviction, consistency and decision making of the fund manager, systematic funds utilise written-down, or codified, rules and computer models to implement their trades, risk management and investment decisions. Increased computing power and the associated developments in statistical analysis, financial mathematics and scientific research have spurred the development of systematic investing in recent decades.

Successful systematic strategies generally offer well risk-managed investments that avoid, or even profit from, human behavioural biases. Systematic investments can offer valuable diversification for investors as the systematic rules typically go beyond simply considering fundamental data points and, as such, these models can profit regardless of market direction and regardless of whether the markets are rewarding fundamentals or not. In the current environment of persistently low yields, surveys point to a growing trend of investors allocating part of their portfolios to quantitative investment solutions as cost-effective, active diversifiers. Systematic offerings can have the advantage of being highly scalable, and hence allow the investment manager to be competitive on fees, helping to win client inflows, particularly in markets where returns are compressed.

Cutting-edge technology, intellectual capital and robust risk management are essential barriers to entry in the systematic space. These are all qualities GAM has acquired with Cantab Capital Partners, now forming the cornerstone of GAM Systematic. We continue to offer our successful alternative risk premia product, with that investment team now also forming part of GAM Systematic. Since closing the transaction in October 2016, we have already created two new UCITS funds based on Cantab's proven methodology. GAM Systematic offers a range of products including alternative risk premia, diversified macro, market neutral equities and a multi-strategy hedge fund.

The first fund, GAM Systematic Global Equity Market Neutral, trades liquid equities using Cantab's established equity-focused models. These models have delivered a successful track record as part of Cantab's original multi-strategy Quantitative Fund which launched in 2007. The equity UCITS fund uses Cantab's rigorously tested proprietary trading models and gives investors access to a diversified portfolio with low correlation to global equity markets. The fund aims to deliver attractive risk-adjusted returns with annualised volatility of 6-8%. The second fund, GAM Systematic Diversified Macro, is a multi-strategy, multi asset product based on Cantab's Core Macro Fund, which launched in 2013 in Cayman format. The macro UCITS fund seeks to generate returns uncorrelated to traditional asset classes through exposure to about 100 global markets across all the major liquid asset classes including currencies, fixed income, commodities and equity indices. The fund aims to function as a cost-effective diversifier to an investor's portfolio over a market cycle and is expected to run at an annualised volatility of about 10%.

Investment management assets (CHF bn)

Client segment	Opening AuM 1 Jan 2016	Net flows 2016	Acquisitions 2016	Market/FX 2016	Closing AuM 31 Dec 2016
Intermediaries	31.4	(5.5)	2.8	(0.3)	28.4
Institutional clients	33.7	(3.7)	3.4	0.6	34.0
Private clients	7.2	(1.5)	-	0.1	5.8
Total	**72.3**	**(10.7)**	**6.2**	**0.4**	**68.2**

Spotlight on emerging markets

Emerging market (EM) assets enjoyed an impressive rally in 2016, with the recovery supported by a far-advanced adjustment in the balance of payments and rising commodity prices. This rebound was abruptly interrupted by the victory of Donald Trump in the US presidential elections in November, which raised the possibility of increased barriers to trade. However, despite the more negative sentiment and uncertainty, the fundamentals for EM assets look better than they did 12 months ago when global growth was weak. While policy changes in the US might prove tough for specific EM manufacturers, it is by no means clear that they will be bad for emerging markets in aggregate. The US has little incentive to impose tariff barriers on commodity imports, while the much-promised implementation of fiscal stimulus, with a strong infrastructure spending component, is likely to boost the demand for commodities. This would be a positive development for EM growth. Furthermore, a tightening of US monetary policy in response to stronger domestic growth should be accompanied by a decline in risk aversion. This could actually cause capital flows to emerging markets to increase as investors seek to capture the yield premium.

We have built a broad and diverse range of products to cover EM assets. It includes our CHF 5 billion flagship local currency bond strategy – the JB Local Emerging Bond Fund launched in 2000, as well as complementary products focusing on hard-currency EM debt, EM rates and EM equities.

Our clients

We build strong long-term relationships with clients spanning different geographies, channels and segments where our differentiated strategies meet their changing needs and expectations. Our goals are fully aligned with our clients' as we aim to deliver efficient access to investment opportunities as well as foresight and professional expertise.

Institutional clients, who contribute 50% of investment management assets, show a resilient demand for active and alternative strategies across market and performance cycles. Our dedicated institutional client service teams around the world convey the investment propositions and customised solutions we offer to investors such as family offices, public and corporate pensions, sovereign wealth funds, endowments, foundations and local authorities. Apart from our strong long-term performance track record and an in-depth understanding of their needs, institutional clients also value our advanced risk management capabilities, designed to address the stringent requirements they face from their stakeholders, such as beneficiaries and supervisory bodies.

We maintain a strong network of distribution partners, including financial intermediaries and advisers, whose clients contribute 42% to investment management assets. These investors are typically more sensitive to investment trends and broader financial market developments than institutional clients, which can result in concentrated inflows into a limited number of strongly performing products and accelerated outflows during extended market downturns. Therefore, we offer a broad range of differentiated products across liquid asset classes and investment styles in order to ensure a successful rotation of products through market cycles.

Private clients contribute 8% to investment management assets. Our private client and charities business remains an important part of the Group's strategy as we focus on growth opportunities. Private clients value GAM's high standards of service, comprehensive investment expertise across many asset classes and bespoke solutions based on individual requirements.

Markets, flows and investment performance

The start to 2016 saw highly turbulent financial markets. Stocks and oil prices dropped in the first six weeks of the year on concerns over the outlook for global growth amid disappointing economic data and policy uncertainty in China.

However, as expectations for interest rate hikes by the US Federal Reserve declined, risk assets rebounded, supported by further easing measures from the European Central Bank, the Bank of Japan and the Chinese authorities. Modest gains in emerging markets at the beginning of the year accelerated in March, as a weaker US dollar bolstered commodity prices and under-owned risk assets (see 'Spotlight on emerging markets' on page 24).

Investment performance

	Investment performance[1]	
Capability	**3 years**	**5 years**
Absolute return	●	●
Fixed income	●	●
Equity	●	●
Systematic	●	●[2]
Alternatives[3]	●	●
Total	●	●

■ 0–25% ■ 25–50% ■ 50–75% ■ 75–100%

[1] % of AuM in funds outperforming their benchmark over relevant period (as at 31 December 2016).

[2] Reflects performance of a single fund, which outperformed benchmark in most years but not in 2013 during the equity market rally.

[3] Reflects performance of products in alternative investments solutions.

Following the recovery of risk assets since mid-February, consolidation ensued in early June. The UK's vote to leave the European Union on 23 June 2016 resulted in a sharp, but short-lived, sell-off in stocks around the world while bonds and gold prices rallied.

The third quarter was characterised by subdued returns in major asset classes with episodes of higher volatility in equities, bonds and selected currencies. The improved economic backdrop resulted in a bottoming of long-term interest rates around mid-year, followed by a perceptible rise in yields through year end. Reinforcing the move was the Federal Reserve's decision to raise rates for a second time in this cycle at the end of the year.

Equities, meanwhile, continued to push higher in the fourth quarter, which was dominated by the US presidential election victory for Donald Trump, on expectations for fiscal stimulus and reflation of the world's largest economy. Rising bond yields underpinned considerable rotation within equity markets, as investors shunned quality and defensive stocks in the second half of 2016 in favour of more cyclical and value-orientated companies. Oil prices were boosted by a global agreement among the biggest producers to cut output.

For alternative investments, the unfolding of new trends in markets did not produce the much hoped for improvement in broad performance. Most hedge funds generally made only modest progress in 2016, while macro investors tended to lag.

Market developments in 2016 boosted our assets under management by CHF 1.0 billion, while currency movements had a negative impact on our assets, reducing them by CHF 0.6 billion.

Uncertainty and frequent bouts of volatility resulted in risk aversion among clients. This particularly affected our flows through financial intermediaries, resulting in a net outflow of CHF 5.5 billion in 2016. Institutional clients withdrew a net CHF 3.7 billion, while net outflows from private clients of CHF 1.5 billion continued to largely reflect redemptions from our previous captive channels (UBS and Julius Baer). Overall, net outflows in investment management totalled CHF 10.7 billion.

Over the five-year period to 31 December 2016, 68% of our assets under management in funds outperformed their respective benchmark, while investment performance over the three-year period reflected difficult market conditions for a number of strategies. Over this time period, 60% of our assets under management in funds outperformed their respective benchmark. This reflects mainly the challenges faced by the CHF 9.8 billion unconstrained/ absolute return bond strategy (see 'Spotlight on the absolute return bond strategy' on page 26). Excluding funds in this strategy, 66% of our assets under management in funds outperformed their respective benchmark over the three years through December 2016.

Outflows from the unconstrained/ absolute return bond strategy slowed markedly in the second half of this year as performance improved. The JB Absolute Return Europe fund, which takes long and short positions in equities and equity-related securities of European companies, and the GAM Star Global

Rates fund saw redemptions amid weak performance in 2016. On the other hand, we attracted good inflows into the new GAM Star (Lux) – Merger Arbitrage fund and some institutional mandates. Overall investors withdrew net CHF 5.7 billion from our absolute return strategies in 2016.

In fixed income, net inflows totalled CHF 1.1 billion in 2016. Our GAM Star Credit Opportunities fund, which predominantly invests in investment grade debt or high quality issuers, the JB Local Emerging Bond Fund, which invests in debt of emerging countries denominated or pegged to the respective local currency, as well as our new trade finance offering attracted solid inflows. Specialised products, such as GAM Star Cat Bond and GAM Star MBS Total Return funds, also continued to attract inflows.

Our equity strategies suffered redemptions amid record outflows for the asset class across the industry in 2016. Net outflows hit some of our biggest funds, the JB Japan and GAM Star China Equity, driven by client sentiment to these markets. On the other hand, GAM UK Diversified, JB Emerging Equity Fund and GAM Star Continental European fund attracted net inflows. Net outflows from equity strategies totalled CHF 3.3 billion in 2016.

In systematic strategies, Cantab's Core Macro and Quantitative Fund programmes saw small redemptions in the fourth quarter.

Multi asset strategies experienced net outflows of CHF 2.4 billion for the year. Net inflows into risk rated solutions for financial advisers were overshadowed by redemptions in private client advisory and mandates stemming from our previous affiliation with UBS and Julius Baer as well as some low-margin institutional mandates.

Total net outflows from our alternative capabilities amounted to CHF 0.2 billion as net inflows into the JB Physical Gold Fund were negated by redemptions in our traditional fund of hedge funds.

Spotlight on the absolute return bond strategy

Launched in April 2004, our absolute return bond strategy was among the first unconstrained fixed income strategies available and one of the few that successfully weathered the turbulences of the 2008 financial crisis. The strategy invests in a broad range of fixed income securities in both the developed and emerging world, as well as in certain derivatives, applying directional and relative value trades. It uses diversified sources of return, such as rates, investment grade and high-yield credit, convertible bonds, foreign exchange and mortgage-backed securities. Investors appreciate the 12-year track record and the stability of the team, which since inception has remained largely unchanged under the leadership of Tim Haywood, and has continued to follow a consistent investment process throughout the years.

Assets in the strategy peaked at about CHF 16 billion in 2013, driven by client inflows and strong investment performance since inception. However, the rally in government bonds in the second half of 2014 went against the team's fundamental analysis and created difficulties in performance. Weakness in the emerging world also proved to be a drag on performance in the latter stages of 2015, although this was recovered in 2016 with GAM products featuring at or near the top of our various peer groups* over the calendar year.

We expanded our use of trend-capturing models, which diversify our fundamentally driven approach and have proven particularly successful during risk-off phases in the market. We also introduced exposure to the area of commercial trade finance, investing in insured payables of a select group of multinationals offering steady positive returns above Libor rates. All these measures helped to deliver 2016 performance rankings in the first to second quartiles in Morningstar peer comparison[8] for the various funds within the strategy.

For 2017, the team expects to see multiple occurrences of low-level increases in consumer price data, contributing to a modest uptick rather than a persistent long-term inflationary environment, combined with increased scrutiny of ultra-accommodative monetary policies. A differentiated approach across developed and emerging market bonds, currencies and credit will be key to protecting capital. With its experience and rigorous investment processes, our fixed income team is well positioned to navigate the challenges ahead.

* Based on GAM data and analysis.

[8] The peer group comparisons referred to in this section are based on 'industry-standard' Morningstar Direct Sector Classification. The share class preferences in Morningstar have been set to capture the oldest retail accumulation share class for each and every fund in a given peer group.

Private labelling

Private label funds are tailored products set up for banks, insurers, independent asset managers and institutional investors, where we provide structuring, legal set-up, fund administration and management company services. These services allow our clients to focus fully on asset management and fund distribution. We launched our first private label fund in 1992 and, since then, have designed and launched over 200 funds domiciled in different locations for third parties, making our private labelling business the largest non-bank fund solution provider in Europe.

Private labelling accounts for about 8% of our total net management fees and commissions. While these services have comparatively low fee margins, they provide effective operating leverage on the infrastructure we have in place to run our own investment management activities.

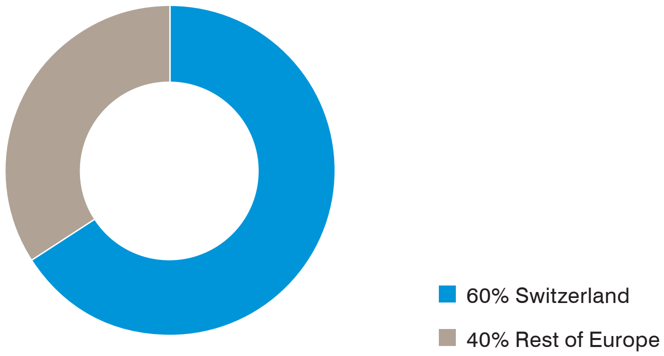
Clients can choose from a modular service offering. With our management company module we can take over responsibilities for risk management, compliance and fund governance for newly created or already existing funds of our clients. The fund engineering module provides legal and operational engineering of our clients' investment ideas into fund structures and provides accompanying project and lifecycle management. Our distribution and marketing services support our clients' efforts by providing access to our global distribution network, international registration and documentation such as fund factsheets. Finally, our private label partners benefit from our strategic business relationships with world-class service providers in the area of fund administration and custody.

Given our high-quality service offering and the considerable effort involved in setting up tailored solutions, client assets in this business are typically stable once acquired. Net flows into private labelling reflect flows from our existing clients as well as new relationships.

In 2016, we were not only able to grow assets with existing clients primarily in Switzerland and Italy (with funds domiciled in Switzerland and Luxembourg) but also managed to win new clients in Austria, Switzerland, the UK and the US. As a result of cross-selling efforts with our institutional and fund distribution team in Italy, we were also able to win a new exclusive partnership with a large provider of asset management services to Italian regional banks.

Assets under management were CHF 52.5 billion as at 31 December 2016, up from CHF 46.7 billion a year earlier. Net inflows amounted to CHF 4.3 billion, while market and foreign exchange movements led to a combined CHF 1.5 billion increase in assets.

Private labelling assets by fund domicile



FINANCIAL REVIEW

How we report results

Our key performance indicators (KPIs) and business metrics reflect our internal approach to analysing our results. They guide us in managing the Group, making investment decisions and helping us gauge how successful we have been in the implementation of our strategy. The same KPIs and business metrics are disclosed externally and form the basis for the review of our financial results.

Our results are reported in accordance with International Financial Reporting Standards (IFRS), but as in previous years our internal analysis and external disclosure of our financial performance focuses on underlying profitability. The adjustments we make from IFRS to an underlying profit before taxes are always related to specific non-recurring events or items related to acquisition activities that are neither indicative of the underlying performance of our business nor of its future growth potential. Where applicable, our KPIs are disclosed and discussed on the same adjusted basis.

Our Group KPIs:

Diluted underlying earnings per share (EPS) is calculated as the underlying net profit or loss attributable to ordinary equity holders, divided by the weighted average number of ordinary shares outstanding and adjusted for the potential dilution impact from any outstanding share or option plans. While the latter impact is currently insignificant, it is important that the use of equity-linked instruments and share-based awards in our compensation structure is reflected (please refer to the 'Compensation report' section of this Annual Report on pages 72–93). Our financial target of annualised EPS growth in excess of 10% over a business cycle, which we define as five to eight years, applies to diluted underlying EPS.

Operating margin is calculated as net fee and commission income less expenses, divided by net fee and commission income. It excludes the impact of 'net other income' – such as gains and losses from foreign exchange movements, seed capital investments and hedging, or net interest income and expenses – and therefore gives a good representation of the operating performance in our business. Over a business cycle we strive to achieve an operating margin of 35–40% (see 'Spotlight on efficiency' on page 28).

Compensation ratio is calculated as total personnel expenses divided by net fee and commission income. It tracks our ability to manage our largest expense category – personnel expenses – in line with net fee and commission income, the source of revenues that drives most of the compensation at GAM.

Underlying profit before taxes and the **underlying effective tax rate** give emphasis to our pre-tax profitability and transparency on the bottom-line impact of the underlying effective tax rate, which is driven by a number of factors that are not immediately tied to our business performance.

Net cash is defined as cash and cash equivalents minus interest bearing liabilities.

Tangible equity is defined as equity excluding non-controlling interests, goodwill and other intangible assets.

Business metrics for investment management and private labelling:

Net fee and commission income is defined as fee and commission income minus distribution, fee and commission expenses. It includes performance fees, but not net other income.

Management fee margin is calculated as net management fees and commissions divided by average assets under management. For investment management, we additionally report a total fee margin that includes performance fees (ie net fee and commission income divided by average assets under management).

Spotlight on efficiency

Greater efficiency, pricing discipline and tangible value creation for our clients are key components of success in light of industry-wide fee compression. This is why in recent years we have been focusing on making our business as lean and efficient as possible. As a result of the new integrated operating model we are implementing, we will have reduced our cost base in 2017 by more than CHF 20 million compared with 2014. We see continued future benefits from improvements in our global platform over the coming years, with particular focus on a single data management platform. We are also aligning our Group along functional reporting lines rather than around individual entities and optimising our office space in our two main locations – Zurich and London. As communicated together with our half-year 2016 results, we are exiting one of two office locations in Zurich and one of four in London as well as looking to further optimise office space in the latter before our current lease agreements expire in 2019. Alignment of remuneration structures to business objectives also allows us to keep costs in check when the market environment is challenging, as it was in 2016. Our total expenses have come down 12% in 2016 compared with 2014, despite three acquisitions in the period. Excluding the impact from the acquisitions of THS and Cantab, we reduced fixed staff costs and general expenses by about CHF 16 million in 2016 from the previous year, well in excess of the CHF 9 million in expected savings we communicated with our half-year results. Further efficiency improvements and cost control continue to be a top priority for us in 2017 and beyond.

Assets under management in investment management are broken down by capability, client segment and currency. In private labelling, assets are disclosed by fund domicile.

Net flows represent the net asset additions or redemptions by clients. For our investment management business, we additionally disclose and discuss the net flows by individual capability and client segment. These developments are discussed in the 'Our Businesses' section on pages 18–27.

Assets under management and net flows

Group assets under management as at 31 December 2016 amounted to CHF 120.7 billion, compared with CHF 119.0 billion a year earlier.

Investment management assets declined by CHF 4.1 billion to CHF 68.2 billion. Net outflows of CHF 10.7 billion were only partly offset by the addition of CHF 6.2 billion of assets through the acquisitions of THS and Cantab and CHF 0.4 billion in net gains from market and foreign exchange movements. Private labelling assets were CHF 52.5 billion, CHF 5.8 billion higher than at the end of 2015. Net inflows added CHF 4.3 billion, while market and foreign exchange movements resulted in net gains of CHF 1.5 billion.

Income drivers and developments

Management fee margins

The management fee margin earned on investment management assets during 2016 was 63.6 basis points, compared with 64.6 basis points in 2015. The mix of net flows across products and client segments, in particular outflows from higher-margin absolute return products, contributed to the decline, which was partly offset by the termination of the Julius Baer licence agreement resulting in a reduction in commission expenses (see 'Termination of Julius Bear licence agreement' on page 21).

In private labelling, the management fee margin was 7.4 basis points, compared with 8.4 basis points in 2015, with the reduction primarily reflecting the sale of the higher-margin Cayman business at the end of 2015 and the margin on new assets being lower than for those redeemed.

Management fees

Net management fees and commissions in 2016 totalled CHF 470.5 million, down 9% from the previous year, driven by lower average assets under management and the 1.0 basis point reduction in the management fee margins as explained above.

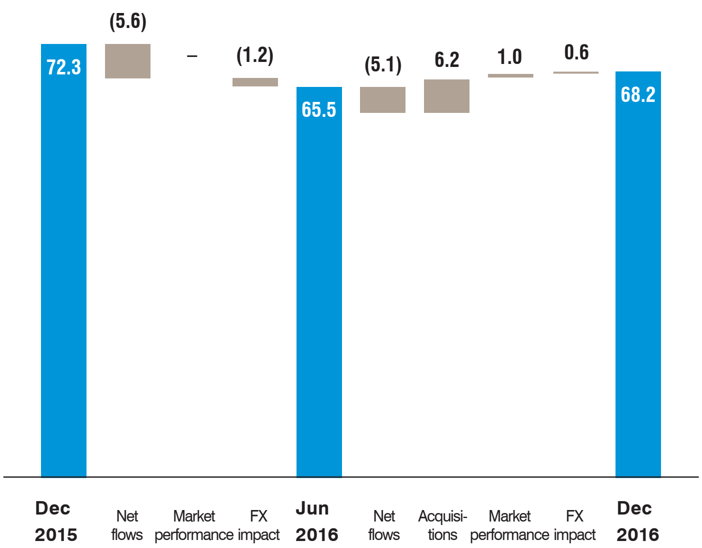
Performance fees

Performance fees fell to CHF 3.0 million from CHF 82.8 million as all significant contributors to performance fees struggled to exceed their high-water marks during 2016.

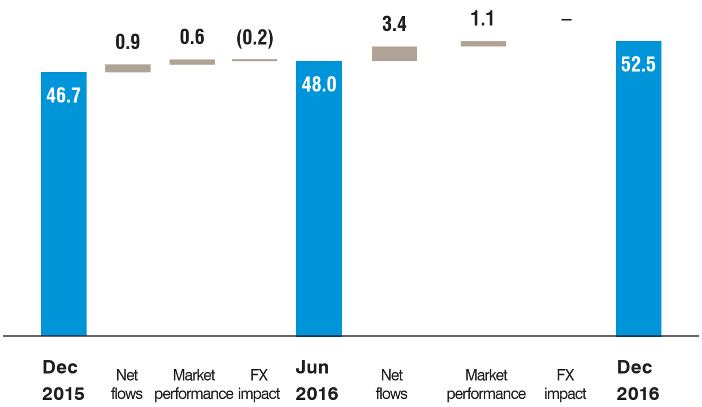
Net other income

Under the category 'net other income,' where we include the net interest income and expenses, the impact of foreign exchange movements, gains and losses on seed capital investments and hedging as well as fund-related fees and service charges, we reported an increase of CHF 4.4 million to CHF 5.1 million in 2016 after recording net gains from foreign exchange movements versus losses in the previous year.

Investment management AuM movements (CHF bn)



Private labelling AuM movements (CHF bn)



Expense drivers and developments

Personnel expenses
Personnel expenses in 2016 decreased 15% to CHF 246.2 million. Variable compensation was 28% lower compared with 2015, despite the acquisitions of THS and Cantab, as both discretionary and contractual bonuses were reduced. Fixed personnel costs were 6% lower, driven by a decrease in staff levels by 9% from 1,074 at 31 December 2015 to 979 as at 31 December 2016 (including the addition of 64 full-time equivalents through the acquisitions of THS and Cantab).

Compensation ratio
Our compensation ratio rose to 52.0% from 48.3% as the decrease in total personnel expenses only partly offset the 21% decline in net fee and commission income.

General expenses
General expenses for 2016 amounted to CHF 102.9 million and were 2% lower than in the previous year. The figures in 2016 for the first time included administration expenses, amounting to CHF 6.1 million and reflecting fees paid to State Street for the outsourced fund and middle office services. Excluding these costs, general expenses decreased 8%, driven by lower IT and occupancy costs as well as a decrease in other general expenses.

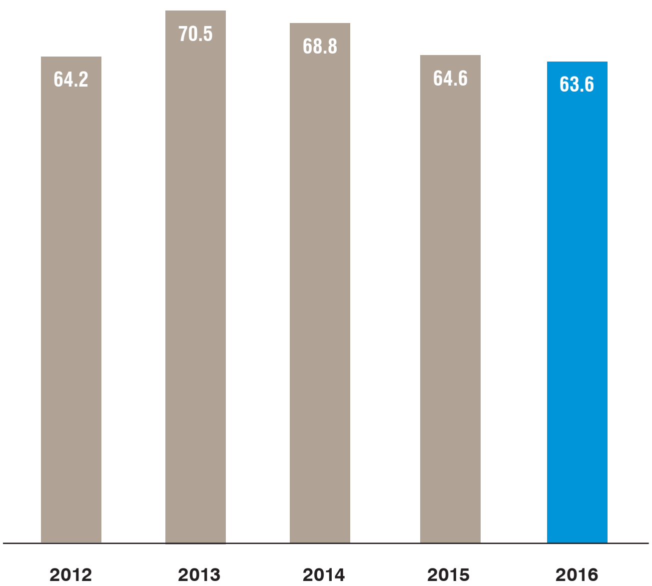
Operating margin
The operating margin for 2016 was 24.3% compared with 32.8% in 2015. The decrease in expenses only partly offset the decline in net fee and commission income.

Underlying profitability and earnings per share

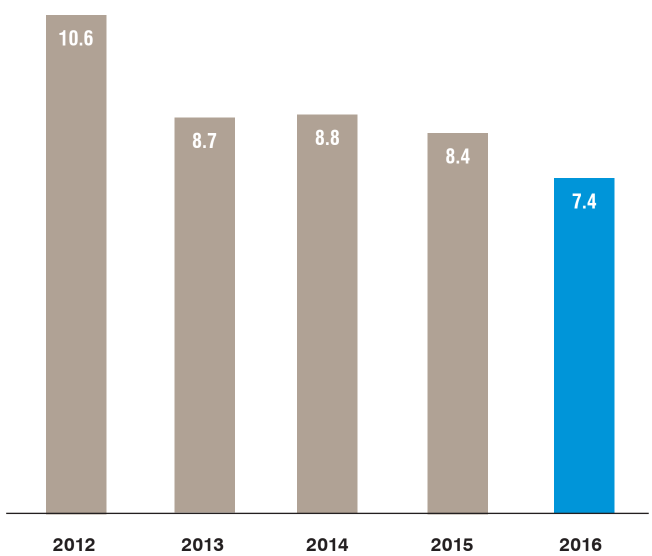
Underlying profit before taxes
The underlying pre-tax profit of CHF 120.1 million in 2016 was 39% lower than in 2015. While costs were managed tightly and variable compensation reduced, the decrease in net fee and commission income could not be entirely offset.

Effective tax rate
The underlying tax expense for 2016 was CHF 25.9 million, representing an underlying effective tax rate of 21.5%. The increase from the underlying effective tax rate of 19.9% reported for 2015 mainly reflects a change in the geographical split of our earnings and share-based payment expenses being non-tax-deductible in certain jurisdictions.

Management fee margin – investment management (bps)



Management fee margin – private labelling (bps)



Earnings per share

Diluted underlying earnings per share for 2016 were CHF 0.60. This represents a decrease from CHF 0.98 in 2015 as the reduction in the number of shares outstanding from our share buy-back activity could only partly offset the decline in underlying net profit.

IFRS net profit

Our net profit according to IFRS in 2016 was CHF 134.3 million, all attributable to the shareholders of GAM Holding AG and compared with CHF 138.3 million in the previous year.

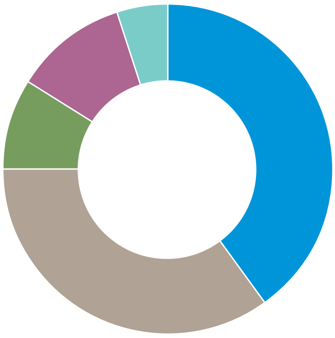
Non-recurring and acquisition-related items excluded from underlying profits

The following items, all net of taxes, reflected in our results according to IFRS, are excluded from our underlying profits:

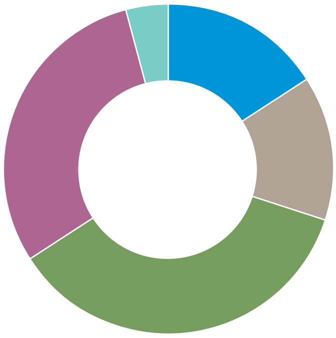
Non-recurring items, resulting in a net gain of CHF 30.0 million (all items net of taxes). These include the recognition of CHF 27.8 million in deferred tax assets related to the merger of certain Swiss legal entities, a credit of CHF 6.5 million related to adjustments to the Swiss pension plan and a gain of CHF 4.0 million resulting from a one-time payment element of the compensation received from Julius Baer for the termination of the licence fee agreement. Reorganisation costs of CHF 3.9 million were recognised on top of the CHF 9.5 million in 2015 as the Group continues to reduce complexity and find further cost efficiencies. Deal and integration costs in relation to the acquisitions of THS and Cantab of CHF 3.8 million were recognised in 2016 compared with CHF 1.2 million in 2015 in respect of the Renshaw Bay acquisition. The Group has revalued the deferred contingent consideration receivable related to the sale of our Cayman fund administration business in 2015, which resulted in a charge of CHF 0.6 million.

Acquisition-related items, resulting in a net gain of CHF 10.1 million (all items net of taxes). These include adjustments to the deferred consideration liabilities related to the acquisitions of Arkos (now GAM Lugano), Singleterry Mansley Asset Management and Renshaw Bay. These liabilities represent the part of the purchase price which was deferred over multiple years and linked to the future profitability of these businesses. The gain from the reduction in these liabilities was partly offset by the amortisation of investment management and client contracts from businesses we acquired in 2016 and prior years and finance charges on the deferred consideration liabilities.

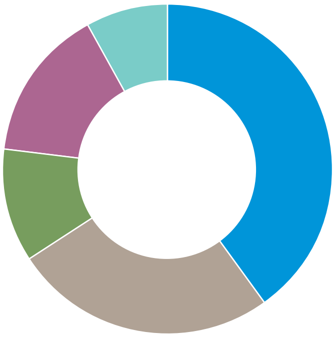
Group income[1]



Group expenses[2]



Investment management AuM



[1] Percentage splits are estimated based upon the currency exposure of the underlying AuM on which the revenues are earned.

[2] Percentage splits are estimated based upon the transactional currency, except for contractual bonuses which follow the same basis as revenue.

Group income statement

	2016 CHF m	2015 CHF m	Change in %
Net management fees and commissions	470.5	517.8	(9)
Net performance fees	3.0	82.8	(96)
Net fee and commission income	**473.5**	**600.6**	**(21)**
Net other income	5.1	0.7	629
Income	**478.6**	**601.3**	**(20)**
Personnel expenses	246.2	290.0	(15)
Fixed personnel expenses	155.7	165.1	(6)
Variable personnel expenses	90.5	124.9	(28)
General expenses	102.9	104.9	(2)
Occupancy expenses	25.7	28.6	(10)
IT expenses	16.2	18.3	(11)
Communication and marketing expenses	29.2	29.4	(1)
Professional services, other fees and charges	13.6	14.4	(6)
Administration expenses	6.1	-	-
Other general expenses	12.1	14.2	(15)
Depreciation and amortisation	9.4	8.6	9
Expenses	**358.5**	**403.5**	**(11)**
Underlying profit before taxes	**120.1**	**197.8**	**(39)**
Underlying income tax expense	25.9	39.4	(34)
Underlying net profit	**94.2**	**158.4**	**(41)**
Acquisition-related items	8.6	(13.4)	-
Non-recurring items	2.9	(8.5)	-
Tax on acquisition-related items	1.5	(0.5)	-
Tax on non-recurring items	(0.7)	2.3	-
Non-recurring tax item	27.8	-	-
IFRS net profit	**134.3**	**138.3**	**(3)**

Liquidity and capital management

Net cash and tangible equity

Total assets at 31 December 2016 were CHF 2,378.5 million, compared with CHF 2,296.9 million a year earlier. This includes goodwill and other intangible assets of CHF 1,736.6 million, which were up CHF 347.2 million, mainly due to goodwill and investment management and client contracts being recognised following the acquisitions of THS and Cantab.

Cash and cash equivalents at the end of 2016 amounted to CHF 352.7 million, down from CHF 632.9 million a year earlier, mainly reflecting the net cash payments for the THS and Cantab acquisitions (CHF 204.1 million), the revaluation of non-CHF cash balances (CHF 19.2 million, mainly sterling related), deferred consideration payments (CHF 18.0 million) and net seed investments (CHF 15.8 million). Cash and cash equivalents were also impacted by the net effect of cash flows generated from our operating activities and the dividend payment for the 2015 financial year (CHF 102.4 million).

Tangible equity at the end of 2016 was CHF 107.4 million, compared with CHF 487.0 million a year earlier. The main contributors to the decline were the goodwill and investment management and client contracts acquired with THS and Cantab (CHF 356.3 million), the dividend payment covering the 2015 financial year (CHF 102.4 million), the remeasurement of pension liabilities driven by interest rate decreases in the UK (CHF 48.0 million) and the revaluation of non-CHF tangible equity (CHF 13.7 million, mainly sterling related). These developments were partly offset by the IFRS net profit generated in 2016 (CHF 134.3 million).

Liabilities

As in previous years, we have no financial debt. However, during 2015 we entered into a three-year revolving credit facility with two banks for a total of CHF 100.0 million and at the end of 2016 agreed to extend that facility until 31 December 2019, with two options to further extend it until 2020 or 2021. The credit facility, which is subject to customary financial covenants, provides the Group with further flexibility over its cash and capital resources.

Total liabilities at 31 December 2016 were CHF 534.5 million, CHF 114.0 million higher than a year earlier. This reflects mainly the recognition of deferred consideration liabilities and deferred tax liabilities related to the acquisitions of THS and Cantab and higher net pension liabilities, largely driven by interest rate decreases in the UK.

Treasury shares

IFRS requires a company that holds its own shares for trading and non-trading purposes to record those shares as treasury shares and deduct them from shareholders' equity. As at 31 December 2016, our holding of own shares of 2.8 million was equivalent to 1.7% of shares in issue. 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 share-based compensation plans. This position remained largely unchanged from 31 December 2015. The remaining 0.6 million shares were purchased as part of our current share buy-back programme and are earmarked for cancellation following our Annual General Meeting on 27 April 2017.

Current share buy-back programme 2014-2017

The current share buy-back programme for the purpose of capital reduction, which started on 28 April 2014, expires on 28 April 2017. The share buy-backs are executed over a second trading line at the SIX Swiss Exchange, where GAM acts as sole buyer, and are funded from the Group's cash resources. In the course of 2016, the 612,200 shares bought back under this programme were purchased at an average share price of CHF 14.19, representing a total value of CHF 8.7 million. Following the agreement to acquire Cantab, on 29 June 2016 we announced the decision to suspend the programme. The Board of Directors intends to put in place a new share buy-back programme when the current programme expires. The new programme will allow the Group to return excess capital to shareholders once capital buffers are rebuilt and in the absence of other opportunities for investment.

Dividend for the 2016 financial year

At the upcoming Annual General Meeting on 27 April 2017, the Board of Directors will propose an unchanged dividend of CHF 0.65 per share, representing an estimated total distribution of about CHF 102 million (based on the number of shares outstanding as at 31 December 2016). The proposal underscores our commitment to maintaining a sustainable, progressive and predictable dividend that will increase broadly in line with earnings growth through the business cycle. The Board of Directors intends to pay this dividend from our capital contribution reserves, making it exempt from Swiss withholding tax of 35% and income tax free for private investors resident in Switzerland.

RISK MANAGEMENT

Effective risk 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 industry best practice. The Group regards the effective management of its risk 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 at different levels within the organisation.

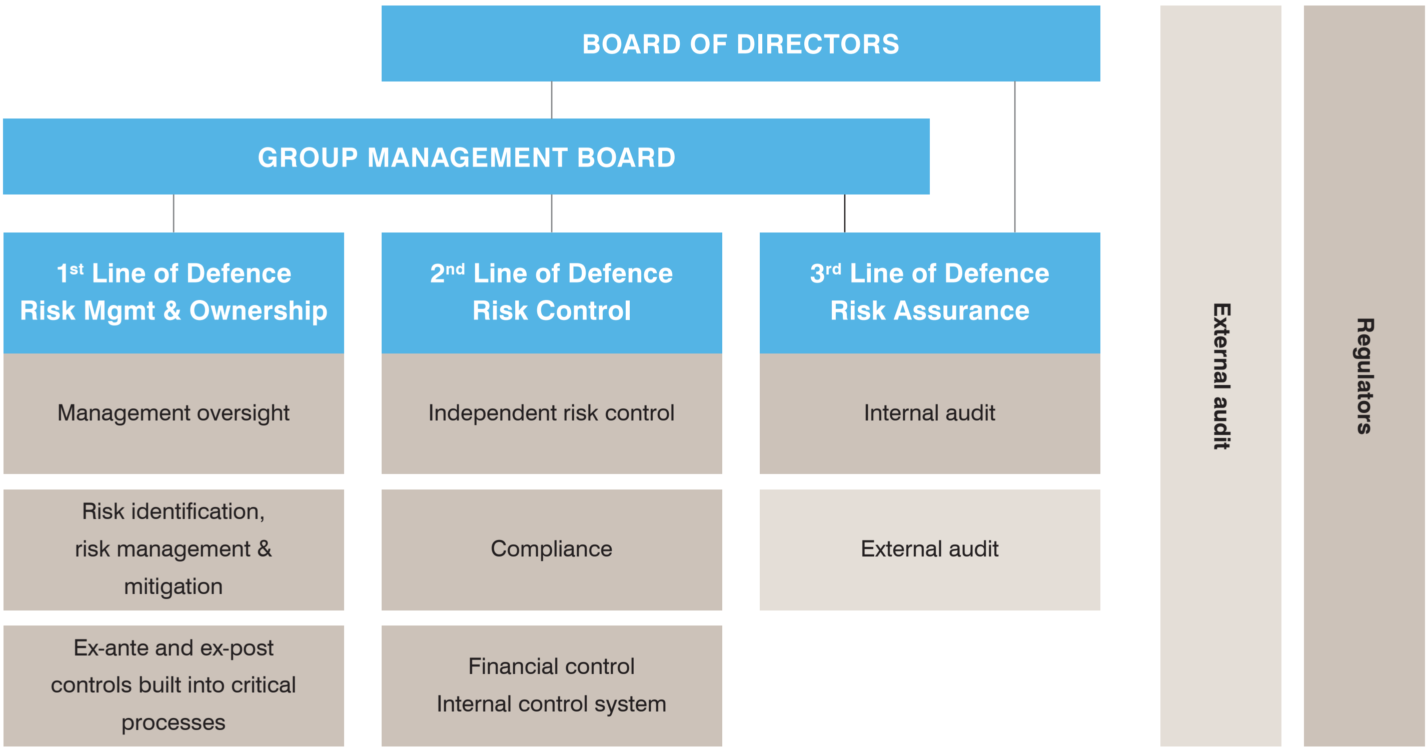
Risk management framework and process

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 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 three lines of defence model



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 Group's risk management framework, as determined by the Board of Directors, for managing the risks of the Company and for monitoring the risk exposure and risk management and control processes of the operating entities. In particular, it reviews the regular risk reports and the annual risk landscape report.

In 2016, the Group Head of Risk & Governance, as from 1 February 2017 the newly created role of Group Chief Risk Officer being a member of the Group Management Board, independently assesses and reports to the Group Management Board and the Audit Committee of the Board of Directors on all types of risks other than legal, regulatory, compliance and tax risks, and on the appropriateness and effectiveness of governance, risk management and control processes and specifically whether they are commensurate with accepted risks. The Group General Counsel manages and reports to the Group Management Board and the Audit Committee of the Board of Directors on legal, regulatory and compliance risks, including any material litigation, as well as regulatory investigations, and ensures the Group meets relevant regulatory and professional standards in the conduct of its business. The Group Chief Financial Officer is, among other things, also responsible for treasury and capital management, including the management and control of the Group's operating entities' liquidity risk and compliance with applicable regulatory capital requirements, and for the management and control of the Group's tax affairs, including the related reporting to the Group Management Board and the Audit Committee of the Board of Directors.

Day-to-day independent and objective assessment and monitoring of risk in the Group's operating entities is provided by respective control functions which typically report to the Group Chief Risk Officer, the Group General Counsel, or the Group Chief Financial Officer.

In order to be able to respond quickly in a crisis situation, the Group Management Board has established a Group Crisis Management Committee; an ad hoc committee that assists the Group Management Board in the management of a crisis. It includes senior executives from all critical domains of the Group's business and can be invoked at short notice. The purpose of this committee is to facilitate a swift, well-coordinated and informed response to a crisis with all required information and know-how at hand.

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

Annually, we define an updated 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 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 report is discussed and approved by the Group Management Board, the Audit Committee of the Board of Directors and the Board of Directors, and is used for strategic planning purposes and for our risk-based internal audit planning.

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

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 business. 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, either industry-wide or specific to our Group, which could adversely affect investment performance and have a negative effect on our net inflows, 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 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 changes 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 people. Market illiquidity and/or valuation issues could also negatively affect our ability to manage client in and outflows, or to meet client redemption requests in a timely manner. Our diversified business, in particular our absolute return capabilities, serves as a risk mitigant in relation to asset classes' market illiquidity and/or valuation issues.

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 inflows and higher outflows. 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.

"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."

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 are 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 outflows and lower future inflows, 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 incentivised to perform within the parameters of their mandates. We also operate robust investment processes, 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 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, who are often advised by consultants; retail investors, who are 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 the Group's assets under management. 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 impact the results of the Group. We may engage, from time to time, in foreign exchange hedging transactions in an effort to mitigate the negative impact of exchange rate movements on our results. Refer also to the currency risk description included in note 23 of the consolidated financial statements.

> "Day-to-day independent and objective assessment and monitoring of risk is provided by respective control functions."

Soundness of financial institutions
Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The 2008 financial crisis highlighted the degree of 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 on behalf of our clients routinely execute transactions with counterparties in the financial services 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. However, we and the fund products and client accounts that we manage 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.

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 the evolving interpretation of applicable laws and regulations affecting such areas of our business can 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
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 effective corporate tax rate or adversely affect our investment funds compared to 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 results in our income statement and equally how we recognise assets and liabilities in our balance sheet (see notes 3.2 to 3.3 of the consolidated financial statements). 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 across the Group. We are also in continuous dialogue with our external auditors that 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 can give rise to pension fund deficits 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 20 of the consolidated financial statements).

Operational risk
Operational risks comprise the risks of losses resulting from inadequate or failed internal processes or procedures, people and systems or from external events. They also include legal, regulatory, compliance and tax risks resulting from failure to comply with relevant laws and regulations as well as contractual obligations.

Examples of potential operational risks in the Group's business activities include 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 programmes to combat money laundering and/or terrorist financing. As a Group active in the global financial marketplace, we also face the potential risk of violating existing or new sanction programmes. The risk of violating sanctions increases as a business expands across borders. Our effective compliance guidance and monitoring is therefore critical.

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.

"Risk management is not the responsibility of one single individual or department, but is the duty of all employees within the Group."

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 operational services, such as fund administration, accounting, custody, transfer agency, portfolio management, risk analytics and market data services. The failure or inability of the Group to diversify its sources for key services or the failure of any key vendor to fulfil their obligations could lead to operational and regulatory issues for the Group and some 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 forms part of our resilience arrangements.

The Group has been implementing a new operating model increasing the focus of its operations and IT functions on core parts of the value chain: the support of portfolio management and client servicing activities. Conversely, more commoditised functions such as fund accounting and fund administration have been outsourced to specialised providers. In addition, across the Group, remaining duplications in processes, structures and systems have been progressively reduced to further improve our efficiency. To implement these initiatives and mitigate change-driven operational risks associated with their implementation, dedicated project teams have been established with the aim to seamlessly transition services and ensure undisrupted daily activities.

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 controls 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.

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 as more likely to result from one of the risks described previously in this section 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, analysts and market commentators to address rumours and misrepresentations of its position to further mitigate the risk of damage to its reputation.

Financial risk

For the description of the Group's financial risk refer to note 23 of the consolidated financial statements.

Effectiveness of controls and risk management

Although we have adopted comprehensive risk management and control processes 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 potential 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.

CORPORATE RESPONSIBILITY

Corporate responsibility for us is not about a set of rules, it is about each individual at GAM adhering to the highest ethical standards and demonstrating probity in everything we do, at work and in our local communities.

As asset managers, our ethos is aligned with those we invest and work for. We work diligently and with integrity to provide our clients with efficient access to investment opportunities and insights to help achieve their aspirations. For example, by putting their capital to work, we help pension funds in mastering the challenges of an ageing society, charities in maximising their impact and individual savers in moulding their future.

Our commitment as responsible investors

At GAM, we offer a unique environment for investment managers, granting them a great degree of freedom and independence in their work while fostering and developing talents, thus making sure they are well equipped to excel in the high-performance environment we operate in. We believe this is the best way to generate attractive returns for our clients in the long term. At the same time, we provide an institutional framework that supports the fund managers and their teams in all aspects of their jobs, and in particular risk management.

In accordance with our fiduciary duty to our clients, each investment team is required to explore all aspects that could potentially impact investment performance. This includes the consideration of environmental, social and governance (ESG) criteria and the adherence to active ownership practices. At GAM, we acknowledge that ESG factors can potentially have a material impact on investment risk and investment opportunities and therefore on long-term investment returns.

By becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) in 2015, we formalised our commitment to considering ESG issues in our investment decision-making processes. Across the Group, we provide our in-house investment teams with the infrastructure, research resources, proxy voting services and engagement support to enable our teams to perform to their potential.

> “Having a formal framework reinforces our investment process: the ESG data enhances both the qualitative and structured valuation screening elements of our approach.”
>
> **Tim Love, Investment Director, emerging market equities**

More about corporate responsibility at GAM
More information on our commitments and engagements can be found on our website:

Sustainable investing guidelines: www.gam.com/sustainable-investing-guidelines

Code of conduct: www.gam.com/code-of-conduct

Community engagements: www.gam.com/corporate-responsibility

After defining our sustainable investing guidelines in 2015, we have started to design the architecture of our responsible investment framework. Having made good progress in 2016, the foundations are now solidly in place. The overarching aim for the framework was to be flexible, robust and scalable over time, while also preserving the culture of independent thinking and diversity that distinguishes GAM's investment management teams.

For the integration of ESG considerations into the investment decision-making processes, we have focused in the first phase on in-house managed strategies across the Group investing in equities and corporate debt. For these strategies, ESG issues are reviewed and evaluated as potential risk factors to investment performance. As disclosed in our half-year report 2016, we appointed Sustainalytics, a leading independent ESG research firm, as our first group-wide ESG data provider for our investment teams. On a quarterly basis, we actively identify the companies with the worst ESG ratings in their peer group. If any of these companies' securities are held in our investment strategies, the manager reviews the investment rationale, considering if those ESG issues, as flagged, represent a material risk to their investment case. True to the GAM spirit of fostering independent thinking, our managers retain their investment discretion to act according to their conviction: to hold and monitor, to divest or to engage. The next step will focus on aligning our active ownership policies and processes across the Group. We believe this approach is part of our duty to act in the best interests of our clients. One outcome will be that we regularly report on our voting activities.

Responsible business practices

Responsible business behaviour is driven by our commitment to planning for the long term. As a company, all our activities are designed to meet our commitments to our main stakeholders: our clients, employees, shareholders and regulators. Most importantly, we expect all of our employees to place the interests of the Group, our clients and shareholders above personal interests.

"As a bottom-up stock picker, I view ESG risks as an integral component of the overall picture when evaluating each company."

Michael Lai, Investment Director, Chinese equities

Internal policies and procedures formalise the basis for how we conduct business. However, they do not address every situation that may arise in our day-to-day activities. To maintain our standards, we firmly believe that the best way to encourage and guide responsible behaviour is to continuously cultivate the right environment for it to flourish and to strengthen our employees' individual sense of responsibility.

Laws, rules and regulations
We observe applicable laws, rules and regulations of the countries in which we operate and comply with our own internal policies and standards. We always seek to interpret and apply them in the best interests of our clients, employees and shareholders.

Conflicts of interest
We are alert to potential conflicts of interest. We seek to identify and avoid them or, where this is not possible, to manage them fairly and openly.

Client relationships
We treat all our clients fairly and with integrity, acting as good stewards of their interests. Earning our clients' trust through a strong direct relationship, or by building sustainable and constructive partnerships with distributors and intermediaries, is our overriding objective.

Professionalism
We actively seek to attain a level of professional competence appropriate to our responsibilities to promote the development of others and continue to update our knowledge and skills. We only accept engagements in our areas of competency.

Diversity and equal opportunity
We provide equal employment and advancement opportunities for all individuals regardless of race, ethnicity, gender, sexuality, religion or professional background. We treat each other fairly and respectfully, support each other and collaborate in order to achieve the Group's objectives. Independent thinking, different opinions and alternative perspectives are encouraged, valued and respected.

The full set of principles and practices we expect every employee in our Group to follow are set out in our Code of Conduct.

Environment

We are committed to decreasing our environmental impact, while offering the highest standards of customer service. We recognise that our brand and reputation are interlinked with the Earth's ability to achieve ecological balance. Therefore we defined six main objectives, which all business units across the Group adhere to. These objectives include the following:

- Complying with regulatory energy and emissions savings targets, and decreasing the use of non-renewable energy resources where commercially viable. This will be achieved by endeavouring to make sure that all buildings operate at optimal efficiency, that energy efficiency and the energy source are key considerations when procuring new plants and equipment, and that all of our maintenance contractors incorporate the use of energy efficient measures in planned maintenance programmes. Where possible, we also commission energy surveys of our buildings and carefully examine all projects that lead to savings over a three-year period or less.
- Monitoring and looking for ways to reduce water consumption.
- Looking for ways to reduce waste across all of our locations and maximise the recycling of office waste.
- Looking for ways to reduce emissions from transport.
- Developing our staff, supply chain, and other stakeholders to support and help us to achieve our environmental goals.
- Working within our community to help support environmental initiatives through both volunteer days and corporate gift giving.

Supporting our communities

We encourage our staff to play an active role in the communities they live and work in, for instance by supporting participation in local volunteering activities. We also invest in good causes that are aligned with our own culture and values and help children and students maximise their talents. Each year GAM allocates a global budget to match staff donations to international charities for specific causes.

Spotlight on our engagement for children in need in NYC

One of the most devastating consequences of homelessness is the impact it can have on a child's education. Frequent school transfers and the stigma associated with living in a shelter add up to great hardship for the children. For example, many of these children have no, or very few, school supplies. This is where "Operation Backpack" steps in, an initiative by the US human services organisation Volunteers of America. At the beginning of every school year, the organisation distributes several thousands of new backpacks filled with grade-specific classroom supplies to children who live in domestic violence or homeless shelters in New York City (NYC), making them feel and look more like their classmates. GAM's US team has taken part in "Operation Backpack" since 2008. In 2016, focusing on fifth to eighth grade students and with contributions from the London office, we were able to collect, sort and donate 105 backpacks.

Our 36 employees in NYC are devoted to supporting the disadvantaged children in their city. For eight years, we have also been working with HELP USA, a national non-profit organisation that strives to empower people in need to become and remain self-reliant. For each holiday season, the GAM team hosts an annual "toy drive", collecting new, unwrapped toys as well as cash for children living in NYC's homeless shelters. The generous cash donations allowed them to buy even more gifts to distribute to the children in need.

OUR PEOPLE

GAM's corporate culture

Our belief in doing 'the right thing' sets the standard for the way we engage with each other, our clients and stakeholders. We believe in the importance of maintaining an open culture and honest communication and actively fostering a culture that avoids bureaucracy and encourages a flexible, accessible and hands-on working style across the Group. GAM's culture is one of high-performance, designed to bring out the best of every single employee working toward the overall goal of the Group, which is to unlock and advance the potential of capital by making the right decisions to achieve our clients' aspirations. A key priority in this high-performance culture is the continuous investment in and development of our top talents. Providing a stimulating and attractive place to work – one where talent is recognised, nurtured and developed – is essential to achieving this goal. We believe that when employees feel confident and empowered, they reward us with the best of their professional excellence, entrepreneurial flair and team spirit. Their efforts and their achievements are recognised in their advancement within the Group as well as in their remuneration.

Remuneration policy

Amid a very challenging environment for the asset management industry, in 2016 we carefully reviewed and controlled our cost base while ensuring we remain a successful business that is well positioned to benefit from growth in the future. This includes ensuring remuneration remains competitive and rewards employees appropriately for their contribution.

Our employees are paid a base salary that reflects their seniority, experience, skills and market conditions. Variable compensation is awarded annually and is driven by performance, reflecting individual, business and Group accomplishments. All employees, except for those who participate in a formula-based incentive plan, are considered for a discretionary bonus.

In September 2016, we introduced GAM's first share ownership plan for all employees of the Group. The objective of the programme is to create a stronger alignment between the interests of our staff and those of our shareholders. Around 50% of our employees chose to participate, making it an encouraging success. In December 2016, our programme was named "best international share plan" by ProShare, an organisation in the UK that promotes, protects and enhances employee share ownership. Their award recognised the quality of our plan, including the global design, the benefit to the employees, the communication and the overall enrolment statistics. We plan to continue to enhance the alignment of employee remuneration with shareholder interests and the Group's overall targets.

For further details on our remuneration policy and the employee share ownership plan, please refer to the 'Compensation report' section on pages 72-93 of this annual report.

> "All our achievements so far, and the many more that are to come, would not have been possible without our employees. Being an attractive home for motivated, talented and responsible people remains an important priority for GAM."
>
> **Alexander S. Friedman**

Headcount by region (in FTEs)

as at 31 December 2016

	2016	2015
Switzerland	299	335
UK	431	382
Rest of Europe	170	262
Rest of the world	79	95
Total headcount	979	1,074

Managing performance

Effective performance management is the foundation for the success of individual employees, their teams and the company as a whole. Our Group-wide performance management framework provides regular opportunities for dialogue between managers and their direct reports. It includes the setting of mutually agreed development and performance objectives. It also allows us to assess to what extent and how these objectives have been achieved, linking performance with behaviour and compensation. This evaluation is performed at least once a year and begins with each employee providing a self-assessment, which their line managers, and potentially other relevant reviewers in the company, can use as a starting point for a 360-degree review. The final assessment is formally recorded and discussed between line managers and their direct reports. Our human resources teams oversee the process, ensuring participation across the company, and provide training on objective setting and management skills throughout the year.

Employee engagement

Our employees' drive, skills and insights are essential in creating value for our clients and shareholders. Ensuring they understand and are actively involved in the evolution of the company is a pre-requisite of their engagement.

Employees are informed about strategic business decisions and initiatives openly and transparently. We hold regular 'town hall' meetings, where senior management shares updates, views and insights and engages in active conversations with employees.

Stimulating and inclusive workplace

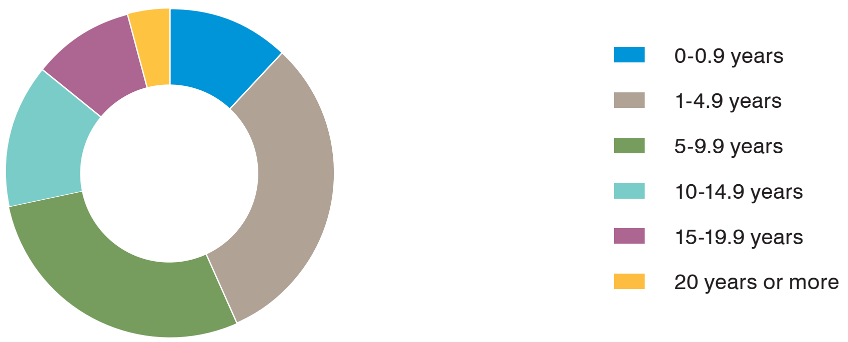
GAM's culture is grounded in mutual respect and non-discrimination irrespective of age, disability, gender, race, religion, sexual orientation or educational background. We want our employees to feel encouraged to attain a level of professional competence appropriate for their responsibilities, to promote 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. The development of our employees remains a cornerstone for employee engagement and sustainable business success.

Supporting our employees' wellbeing

We strive to provide our employees with a work environment that protects their health and safety and supports their wellbeing. We offer all our employees a comprehensive suite of additional benefits that are competitive in their respective local markets.

In addition, we support informal get-togethers, which in our larger offices are organised by a local, company-sponsored social committee. Through these events, our employees have the chance to get to know each other outside a business environment, which in turn helps to strengthen collaboration.

Years of service



Diversity of ages

Dealing with change

With the implementation of our new operating model announced in August 2015, we decided to outsource our fund accounting and middle office processes to an external provider, State Street. This decision impacted approximately 15% of the roles within our Group. GAM has been mitigating the consequences for the impacted individuals as much as possible. Affected employees have been compensated with appropriate redundancy packages, comprising their notice period and one month's salary per year of service, capped at 12 months, along with support in the search for new employment.

Managing change also involves the integration of new businesses. In 2016, we acquired two asset managers based in the United Kingdom. In August we acquired Taube Hodson Stonex (THS), a global equity investment firm with 9 employees, followed by the acquisition in October 2016 of Cantab Capital Partners (Cantab), an industry-leading multi-strategy systematic manager with 55 employees based in Cambridge. Both businesses were integrated into our existing structure at the closing of the acquisitions, making them an inherent part of GAM and allowing our distribution teams to market their products in a seamless fashion.

Snapshot 2016

Split male/female

64% 36%

28% of our line managers are female

Average age

41 YEARS

Relationship managers (headcounts)

81 relationship managers
6.8 years average tenure
96 employees providing support in marketing, sales support and product specialist roles

Average length of service

7.7 YEARS

Hours of training per employee

13 HOURS per year

Private labelling (headcounts)

13 client directors
9.4 years average tenure
15 total staff

Investment professionals (headcounts)

195 investment professionals
14.5 years average years of investment experience (ranging 1–50)
8.5 years average tenure
20.5% women

CORPORATE GOVERNANCE

Background

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

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 Code of Obligations. 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.

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 72, and Article 11 of the Articles of Incorporation which can be found at www.gam.com/aoi2016.

The following information corresponds to the situation as at 31 December 2016 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 28 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.

GAM Holding AG

Board of Directors
Johannes A. de Gier – Chairman
Diego du Monceau
Hugh Scott-Barrett
Benjamin Meuli[1]
Nancy Mistretta[1]
Ezra S. Field[1]

Group Management Board
Alexander S. Friedman – Group Chief Executive Officer
Richard McNamara – Group Chief Financial Officer
Scott Sullivan – Group General Counsel and Region Head Asia Pacific[2]
Craig Wallis – Group Head of Distribution and Operations[2]
Martin Jufer – Region Head Continental Europe
Tim Dana – Group Head of Corporate Development[3]
Larry Hatheway – Group Head of Investment Solutions and Group Chief Economist[3]

Core activities	Investment management	Private labelling
Product brands	GAM, Julius Bär Funds	
Operating legal entities	GAM subsidiaries	

[1] New member of the Board of Directors since 27 April 2016.

[2] With effect from 1 January 2017, Scott Sullivan decided to step down from his role as Group General Counsel and member of the Group Management Board. Craig Wallis, who decided to step down as member of the Group Management Board on 1 January 2017, will subsequently, in early 2017, leave the Group.

[3] New member of the Group Management Board since 1 May 2016. In October 2016, Larissa Alghisi Rubner decided to step down as a member of the Group Management Board, and will subsequently, in April 2017, leave the Group.

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 2016.[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%**
Kiltearn Partners LLP[4]	5.05%	-	**5.05%**
T. Rowe Price Associates Inc.[5]	5.01%	-	**5.01%**
FIL Limited[6]	4.62%	-	**4.62%**
Norges Bank (The Central Bank of Norway)[7]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[8]	3.02%	-	**3.02%**
Old Mutual Plc[9]	3.01%	-	**3.01%**
GAM Holding AG[10]	1.75% [11]	-	**1.75%**

[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] 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] Kiltearn Partners LLP, Edinburgh, UK (as at 6 April 2016).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).

[6] FIL Limited, Hamilton, Bermuda (as at 31 March 2016).

[7] Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 14 November 2016).

[8] UBS Fund Management (Switzerland) AG, Basel, Switzerland (as at 12 July 2016).

[9] Old Mutual Plc, London, UK (as at 2 February 2016).

[10] GAM Holding AG, Zurich, Switzerland, (as at 31 December 2016).

[11] As at 31 December 2016, GAM Holding AG also had a sale position of GAM Holding AG shares of 7.44% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to note 26 of the consolidated financial statements.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2016 can be found under the following link by inserting ‘GAM Holding AG’ as the company name:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.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 2015.[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]	15.01%	-	**15.01%**
FIL Limited[4]	5.08%	-	**5.08%**
T. Rowe Price Associates Inc.[5]	5.01%	-	**5.01%**
GAM Holding AG[6]	3.22% [7]	-	**3.22%**
BlackRock Inc.[8]	3.01% [9]	0.05%	**3.06%**
Kiltearn Partners LLP[10]	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] 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] FIL Limited, Hamilton, Bermuda (as at 11 March 2015).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).

[6] GAM Holding AG, Zurich, Switzerland (as at 31 December 2015).

[7] As at 31 December 2015, GAM Holding AG also had a sale position of GAM Holding AG shares of 4.2% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to note 26 of the consolidated financial statements.

[8] BlackRock Inc., New York, USA (as at 17 March 2015).

[9] BlackRock Inc. also reported on 17 March 2015 a sale position of GAM Holding AG shares of 0.34% of shares in issue.

[10] Kiltearn Partners LLP, Edinburgh, UK (as at 1 September 2014).

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 2016, the ordinary share capital amounted to CHF 8,014,736.55.

The ordinary share capital, which is fully paid, consists of 160,294,731 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).

Furthermore, the Company held, as at 31 December 2016, authorised capital amounted to CHF 816,973.00 and conditional capital amounted to CHF 500,000.00.

2.2 Authorised capital

The Board of Directors is authorised to increase the Company's share capital at any time until 27 April 2018, by a maximum amount of CHF 816,973.00 by issuing a maximum of 16,339,460 fully paid registered shares with a par value of CHF 0.05 each. Increases in partial amounts are permissible.

The subscription and acquisition of the new shares as well as any subsequent transfer of the shares is subject to the restrictions pursuant to articles 4.3 to 4.5 of the Articles of Incorporation, which can be found at www.gam.com/aoi2016.

The Board of Directors determines the issue price, the type of contribution, the date of issue, the conditions for the exercise of the pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or not been duly exercised). The Board of Directors is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. It may permit pre-emptive rights that have not been exercised to expire, or it may place such rights or shares as to which pre-emptive rights have been granted, but not exercised, at market conditions or may use them otherwise in the interest of the Company.

The Board of Directors is further authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 8,169,730 registered shares and allocate such rights to third parties:

a) if the issue price of the new shares is determined by reference to the market price; or
b) for the acquisition of companies, part(s) of companies or participations, for the acquisition of products, intellectual property or licenses or for investment projects, or for the financing or refinancing of any of such transactions through a placement of shares; or
c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new shares on domestic or foreign stock exchanges.

2.3 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/aoi2016. For further details, see also section 2.7 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.

2.4 Changes of capital

The description of the changes of capital in the last three years is disclosed in note 21 of the Consolidated Financial Statements.

2.5 Shares and participation certificates

	2016 [1]	2015
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 each (all entitled to dividends)	160,294,731	163,394,731

[1] By resolution of the Annual General Meeting on 27 April 2016, 3,100,000 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.

2.6 Bonus certificates

There are no bonus certificates.

2.7 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 them. However, the shareholders 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 they have acquired the shares in their own name and for their 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 or registered office, and shareholding of all persons for whose account they hold at least 0.5% of the share capital. Fiduciaries/nominees that are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which have a common management, or are otherwise affiliated, shall be deemed one fiduciary/nominee as regards the application of these entry limitations. As at 31 December 2016, 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.

2.8 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 26 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 and the Governance and Nomination Committee
Johannes A. de Gier has been a member of the Board of Directors of GAM Holding AG since 2009 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) and was a member of the Compensation Committee from April 2015 to April 2016. At his re-election in 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.

Diego du Monceau, Chairman of the Compensation Committee
Diego du Monceau has been a member of the Board of Directors of GAM Holding AG since 2010. He has also served as a member of the Audit Committee (since 2010) and of the Compensation Committee (since 2013), the latter being under his chair (since 2014) and was a member of the Governance and Nomination Committee until 2013. Diego du Monceau is an independent board member of a number of retailing and financial companies in Europe. 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.

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. He has also served as Chairman of the Audit Committee (since 2009) and was a member of the Compensation Committee until 2013. Since 2008, he has been Chief Executive Officer of Capital & Regional plc, a specialist property company based in London. In June 2017, Hugh Scott-Barrett will step down as Chief Executive Officer of Capital & Regional plc and become its non-executive Chairman. 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.

Benjamin Meuli, Member of the Board of Directors
Benjamin Meuli has been a member of the Board of Directors of GAM Holding AG since April 2016. He has also served as a member of the Audit Committee and the Compensation Committee (since April 2016). Benjamin Meuli was the Chief Investment Officer at XL Group, a position he held from 2015 until December 2016. Between 2009 and 2015, he was Chief Financial Officer and member of both the Group Executive Committee and the Board of Directors of Catlin Group Ltd. Benjamin Meuli was the Chief Investment Officer and a member of the Executive Board at Swiss Re between 2004 and 2008. Prior to joining Swiss Re, he was a Managing Director at Morgan Stanley with responsibility for coverage of large multinational insurance groups. He started his career at JPMorgan, where he spent 20 years in a variety of roles, mostly in investment banking. Benjamin Meuli holds an MA in politics, philosophy and economics from Worcester College, Oxford, and an MSc in agricultural economics from Oxford University. He was born in 1956 and is a Swiss and UK citizen.

Nancy Mistretta, Member of the Board of Directors

Nancy Mistretta has been a member of the Board of Directors of GAM Holding AG since April 2016. She has also served as a member of the Compensation Committee and the Governance and Nomination Committee (since April 2016). Nancy Mistretta is a former partner of Russell Reynolds Associates, an executive search firm, where she worked from 2005 until 2009. Prior to joining Russell Reynolds, Nancy Mistretta was with JPMorgan Chase and its heritage institutions for 29 years and served as a Managing Director in Investment Banking from 1991 to 2005. Nancy Mistretta is a director of Scotts Miracle-Gro, where she currently chairs the Audit Committee and is a member of the Finance Committee. She is also a director of the North American Holding Company of HSBC, where she serves on the Nomination and Governance Committee, the Audit Committee and the Risk Committee. Nancy Mistretta holds a BA in psychology from the Smith College. She was born in 1954 and is a US citizen.

Ezra S. Field, Member of the Board of Directors

Ezra S. Field has been a member of the Board of Directors of GAM Holding AG since April 2016. He has also served as a member of the Governance and Nomination Committee (since April 2016). Ezra S. Field is a Senior Managing Director & Chief Investment Officer of Roark Capital Group, an Atlanta-based private equity firm. Prior to joining Roark Capital in 2007, Ezra S. Field was a Managing Director at New York-based ACI Capital, where he played a lead role in all aspects of the firm's investing activities from 2001 to 2007. Ezra S. Field was previously also an Adjunct Professor at Pace Law School, where he taught Mergers & Acquisitions. Before joining ACI Capital, Ezra S. Field was an entrepreneur and venture capitalist. From 1998 to 1999, he served as a law clerk to the Hon. Ralph K. Winter, and then Chief Judge of the United States Court of Appeals for the Second Circuit. Ezra S. Field holds a BA (Honors) from Wesleyan University, an MBA from Columbia Business School and a JD from Columbia Law School. He was born in 1969 and is a US citizen.

Changes in the Board of Directors

At the Annual General Meeting held on 27 April 2016, all members of the Board of Directors who ran for re-election were re-elected for a one-year term of office. Daniel Daeniker, who became a member of the Board of Directors in 2010, decided not to stand for re-election and left the Board of Directors of GAM Holding AG with the completion of the Annual General Meeting on 27 April 2016.

The Board of Directors proposed at the Annual General Meeting held on 27 April 2016 three new candidates for election as members of the Board of Directors. Benjamin Meuli, Nancy Mistretta and Ezra S. Field were elected as new members of the Board of Directors for a one-year term of office.

3.2 Activities and functions of Board Members outside the Group

In applying the Corporate Governance Directive of the SIX Swiss Exchange and as set forth in Article 13 of the Articles of Incorporation, which can be found at www.gam.com/aoi2016, we disclose mandates and interest ties of the members of the Board of Directors outside the Group:

Johannes A. de Gier
None

Diego du Monceau
Member of the Board of Directors and Chairman of the Audit Committee and the Risk 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)
Chairman of the European Organisation for Research and Treatment of Cancer (EORTC), Cancer Research Fund, Belgium (non-listed entity)

Hugh Scott-Barrett
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, The Mall (Luton) Limited, Capital & Regional Earnings Limited, Capital & Regional Holdings Limited, and Capital & Regional Income Limited
Member of the Board of Directors of Goodwood Estate Company Limited, England (non-listed entity)
Member of the Board of Directors of Dinton Associates Limited, England (non-listed entity)

Benjamin Meuli
Chief Investment Officer of XL Group, Bermuda (until December 2016) (listed entity)
Non-Executive Director of Hampden + Co., Scotland (non-listed entity)
Chairman of the Conseil d'Administration of SAS Ampelidae (since January 2017) (non-listed entity)

Nancy Mistretta
Member of the Board of Directors, Chairperson of the Audit Committee and member of the Finance Committee of the Board of Directors of Scotts Miracle-Gro, USA (listed entity)
Member of the Board of Directors, Nomination and Governance Committee, Audit Committee and Risk Committee of the Board of Directors of HSBC North American Holding Inc., USA (non-listed entity)

Ezra S. Field
Managing Director of Roark Capital Group, USA (non-listed entity), and member of the Board of the following non-listed entities, all controlled by Roark Capital Group: Pet Retail Brands LTD, Atkins Nutritionals Inc., Massage Envy Franchising LLC, Miller's Ale House Inc., Naf Naf Grill LLC, CKE Restaurants Inc., and Driven Brands Inc.
Member of the Board of Directors of Business Executives for National Security, USA (a non-profit public corporation) (non-listed entity)
Member of the Board of Directors of the Baltimore Leadership School for Young Women Support Foundation, USA (a non-profit foundation) (non-listed entity)
Member of the Board of Directors of the Global Kids Inc., USA (a non-profit benefit corporation) (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 Swiss company law, the Company's Articles of Incorporation and Organisational Rules as well the Board of Directors' Charter.

According to 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 the compensation report of the Company, and to prepare the General Meeting and implement 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 two Committees and additionally, the Articles of Incorporation of GAM Holding AG provide for the establishment of a Compensation Committee (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) approving any compensation plan within the Company which is linked to the shares of the Company;
e) succession planning relating to, and the appointment of, members of the Group Management Board, including the Group Chief Executive Officer; and
f) the appointment of the Head of Internal Audit.

The Board of Directors consists of six members, all of whom are non-executive members. The members and the Chairman of the Board of Directors and the members of the Compensation Committee are individually 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 including by e-mail, 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 eight meetings.

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

January to December 2016

	Feb	Feb	Apr	May	Aug	Sep	Oct	Dec
Johannes A. de Gier	✓	✓	✓	✓	✓	✓	E	✓
Benjamin Meuli	n/a	n/a	n/a	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓
Nancy Mistretta	n/a	n/a	n/a	✓	✓	✓	✓	✓
Ezra S. Field	n/a	n/a	n/a	✓	✓	✓	✓	✓

E = Excused

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

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

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

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

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. During the year under review the Audit Committee held five meetings, as well as two joint meetings with the Compensation Committee. All members of the Audit Committee participated at all the meetings. Additionally, the Audit Committee spent time outside these meetings with external auditors and advisers in order to ensure being ahead of latest regulatory and accounting developments. The Head of Internal Audit and representatives of the external auditors, as well as the Group Chief Financial Officer, the Group General Counsel and the Group Head of Risk & Governance, participate at every regular quarterly meeting. The Audit Committee may seek independent advice as deemed necessary. 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 Benjamin Meuli.

Changes in the Audit Committee
Subsequent to the Annual General Meeting held on 27 April 2016, the Board of Directors re-constituted itself resulting in the following change in the Audit Committee's composition: Benjamin Meuli joined the Audit Committee after Tanja Weiher left the Group on 14 January 2016.

Compensation Committee

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

The Compensation Committee supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines and in preparing the proposals to the Annual General Meeting of shareholders of GAM Holding AG regarding the compensation of the Board of Directors and the Group Management Board. Its primary responsibilities comprise the following:

a) reviewing and proposing for approval to the Board of Directors any change to the Group Compensation Policy;
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) preparing the compensation report and the proposals of the Board of Directors to the Annual General Meeting regarding the maximum aggregate amounts of compensation of the Board of Directors and the Group Management Board;
d) 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;
e) preparing and providing to the Board of Directors compensation proposals relating to the members of the Board of Directors (other than its Chairman);
f) 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;
g) reviewing and approving any non-standard contracts of employment and termination agreements for members of the Board of Directors and the Group Management Board;
h) overseeing and advising the Board of Directors with respect to the compensation reporting to shareholders; and
i) evaluating the performance of the Group Chief Executive Officer, including reviewing the performance evaluation conducted by the Group Chief Executive Officer of members of the Group Management Board, 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. During the year under review the Compensation Committee held seven meetings, as well as two joint meetings with the Audit Committee. All members of the Compensation Committee participated at all the meetings. The Group Head of Human Resources regularly participates at the Committee's 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: Diego du Monceau (Chairman), Nancy Mistretta and Benjamin Meuli.

Changes in the Compensation Committee

With Daniel Daeniker's decision not to stand for re-election at the Annual General Meeting on 27 April 2016, and since Johannes A. de Gier has only served a one-year term as a member of the Compensation Committee, Nancy Mistretta and Benjamin Meuli were newly elected for a one-year term of office as members of the Compensation Committee at the Annual General Meeting on 27 April 2016.

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 selections 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 and any changes to the membership of the Group Management Board and making recommendations to the Board of Directors regarding such appointments;
g) overseeing the number of board mandates outside the Group held by members of the Board of Directors and Group Management Board;
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 processes and systems to foster the Group's human capital (e.g. identifying key talents, education, development, performance review and orderly succession planning of senior executives).

The Governance and Nomination Committee consists of three non-executive members. The Governance and Nomination Committee convenes as often as necessary, at least once in each half-year, for about two hours on average. During the year under review the Governance and Nomination Committee held four meetings. 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), Nancy Mistretta and Ezra S. Field.

Changes in the Governance and Nomination Committee

Subsequent to the Annual General Meeting held on 27 April 2016, the Board of Directors re-constituted itself resulting in the following changes in the Governance and Nomination Committee's composition: Nancy Mistretta and Ezra S. Field joined the Governance and Nomination Committee after Daniel Daeniker's decision not to stand for re-election at the Annual General Meeting on 27 April 2016, and Tanja Weiher's decision to leave the Group on 14 January 2016.

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 ultimate responsibility for all of the day-to-day activities of the Group, including such activities which have been assigned or delegated by the Group Management Board. 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.

3.6 Information and control instruments regarding 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 removal of, and its Compensation Committee for the performance evaluation/review and compensation of, the 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 the Group Chief Executive Officer and became Chairman of the Group Management Board of GAM Holding AG in 2014. Prior to joining the Group, Alexander S. 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 S. Friedman was 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 S. 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.

Richard McNamara, Group Chief Financial Officer

Richard McNamara was appointed Group Chief Financial Officer and became a member of GAM Holding AG's Group Management Board in 2015. Prior to joining the Group, Richard McNamara was Managing Director, Finance, at Henderson Group, a role he had held since 2013. He joined Henderson in 2009 as Head of Group Finance, focusing on the finance's and financial operations of the Group, including its M&A activity. In 2013, he took on the new responsibility for Finance and Treasury, Tax, Investor Relations, Facilities and Procurement. Prior to his roles at Henderson Group, Richard McNamara held senior finance roles at Western Asset Management, Legg Mason and Citigroup Asset Management. Richard McNamara is a Chartered Accountant and holds a BA (Hons) in finance and accounting from Brighton University. He started his career at PricewaterhouseCoopers where he was a Senior Manager in the Investment Management industry group. Richard McNamara was born in 1968 and is a British citizen.

Scott Sullivan, Group General Counsel and Region Head Asia Pacific

Scott Sullivan was appointed Group General Counsel and became a member of GAM Holding AG's Group Management Board (then called Executive Board) in 2009, following the separation of the Company from the Julius Baer Group. In addition, during 2015 he assumed responsibility for the Risk and Governance and the Human Resource functions of the Group and was appointed Region Head Asia Pacific. 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 (when he joined GAM), Scott Sullivan worked for Deutsche Bank in London where he was responsible for the legal function within 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 Operations

Craig Wallis became a member of GAM Holding AG's Group Management Board in 2013, with responsibility for the Group's Distribution and Operations functions. Prior to that, he was Group Head of Distribution and Marketing and before that, he was Global Head of Institutional and Fund Distribution of 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. He was born in 1962 and is a British citizen.

Martin Jufer, Region Head Continental Europe

Martin Jufer became a member of GAM Holding AG's Group Management Board in 2013. Since 2015, he has been Region Head Continental Europe. From 2013 to 2015, Martin Jufer was responsible for the Operations function of the Group's Continental Europe business. 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.

Tim Dana, Group Head of Corporate Development

Tim Dana joined GAM Holding AG as Group Head of Corporate Development in 2015, and was appointed to the Group Management Board in May 2016. Prior to joining the Group, he was Managing Director at Citigroup Global Markets, specialising in mergers and acquisitions for financial institutions, a role he had held since 2011. Between 1998 and 2011, Tim Dana worked for Lazard in New York where he held various senior positions including Managing Director in Financial Institutions M&A. Prior to his roles at Lazard, he worked for Salomon Smith Barney and its predecessors from 1993 to 1998. Tim Dana holds a BA from Princeton University. He was born in 1969 and is an American citizen.

Larry Hatheway, Group Head of Investment Solutions and Group Chief Economist

Larry Hatheway joined GAM Holding AG as Group Chief Economist in 2015, and was appointed to the Group Management Board in May 2016. Since September 2016, he has been Group Head of Investment Solutions and Group Chief Economist. Prior to joining the Group, he was Managing Director and Chief Economist at UBS Investment Bank. He was UBS's Global Head of Macro Strategy from 2008 to 2012 and Global Head of Asset Allocation from 2000 to 2012. Larry Hatheway was also UBS's Global Head of Fixed Income and Currency Strategy. Before joining UBS in 1992, he held roles at the Federal Reserve, Citibank and Manufacturers Hanover Trust. Larry Hatheway holds a PhD in economics from the University of Texas, an MA from the Johns Hopkins University, and a BA from Whitman College. He was born in 1958 and is an American and British citizen.

Changes in Senior Management

With effect from 1 May 2016, Tim Dana and Larry Hatheway became new members of the Group Management Board. Andrew Hanges stepped down from the Group Management Board on the same date and has since then focused on his work as a board member of various investment funds and regulated entities within the Group. In October 2016, Larissa Alghisi Rubner decided to step down as a member of the Group Management Board, and will subsequently, in April 2017, leave the Group. Craig Wallis, who has decided to step down as a member of the Group Management Board with effect from 1 January 2017, will subsequently, in early 2017, leave the Group. With effect from 1 January 2017, Scott Sullivan decided to step down from his role as Group General Counsel and member of the Group Management Board.

Tim Rainsford joined the Group in January 2017 and with effect from 1 February 2017, he became a new member of the Group Management Board and assumed the role of Group Head of Distribution. With effect from 1 February 2017, Dirk Spiegel and Elmar Zumbuehl became new members of the Group Management Board and assumed the roles of Group General Counsel and Group Chief Risk Officer, respectively.

4.2 Activities and functions of Board Members outside the Group

In applying the Corporate Governance Directive of the SIX Swiss Exchange and as set forth in Article 13 of the Articles of Incorporation, which can be found at www.gam.com/aoi2016, we disclose mandates and interest ties of the members of the Group Management Board 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)
Advisor of Maveron LLC, USA (non-listed entity)

Richard McNamara
None

Scott Sullivan
None

Craig Wallis
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 Swiss Fund Data AG, Switzerland (non-listed entity)
Member of the Board of Directors of AZEK - SFAA, Switzerland (non-listed entity)
Member of the Board of Trustees of Julius Baer Pension Fund, 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)

Tim Dana
None

Larry Hatheway
None

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 Representative at the General Meeting. The Independent Representative 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 Representative, the Board of Directors appoints the Independent Representative for the next General Meeting.

The Board of Directors offers shareholders the possibility to authorise and give their instructions to the Independent Representative 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 Representative.

The 2016 Annual General Meeting elected Mr Tobias Rohner, attorney-at-law, Bellerivestrasse 201 (as per January 2017 Holbeinstrasse 30), 8034 Zurich, Switzerland, as Independent Representative for a term of office until the end of the 2017 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/aoi2016), 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 Financial Market Infrastructure 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 2010. 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 1.7 million in the 2016 financial year (CHF 1.7 million in the 2015 financial year). For non-auditing services, the Group paid KPMG AG fees totalling CHF 0.13 million in the 2016 financial year (CHF 0.2 million in the 2015 financial year), whereof CHF 0.06 million for audit-related services (CHF 0.1 million in the 2015 financial year) and CHF 0.07 million for tax services (CHF 0.1 million in the 2015 financial year).

In addition, KPMG AG received CHF 2.4 million (whereof CHF 2.3 million fees for auditing services) in the 2016 financial year (CHF 2.6 million in the 2015 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 regarding 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 an annual budget approved by the Audit Committee to the Group Chief Financial Officer. 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. 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 submitted at least annually 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 the Head of Internal Audit. The Chairman of the Audit Committee determines the total compensation paid to the Head of Internal Audit in consultation with the Chairman of the Board of Directors and the members of the Audit Committee.

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

26 April 2017	Interim management statement
27 April 2017	Annual General Meeting, Zurich
3 August 2017	Release of half-year results
19 October 2017	Interim management statement

8.2 Contacts

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

www.gam.com

COMPENSATION REPORT

Dear Reader

As Chairman of the Compensation Committee ("the Committee") of the Board of Directors of GAM Holding AG (the Company), it is my pleasure to present on behalf of the Board of Directors, the 2016 Compensation Report.

The Committee welcomed two new members elected by the general meeting of shareholders in April 2016, Benjamin Meuli and Nancy Mistretta, who brought with them a depth of knowledge and experience in matters of human capital. I am delighted to have them on board. I would like to thank my former Committee colleagues, Johannes de Gier and Daniel Daeniker, for their valuable service to the Committee over many years.

Since 2015, the Company has embarked on a considerable organisational transformation to position itself for sustainable long-term growth as a strong, independent active asset manager. Over the past two years the Company has been focused on the diligent execution of its strategic initiatives; simplifying brand architecture; increasing external recognition; improving operating efficiency and adding new strategic product platforms. The fall in profits in 2016 required the Company to take additional measures to reduce expenditures, including employee compensation. In balancing the need to retain and motivate staff, particularly in a period of change, and the legitimate expectation of shareholders to see lower compensation levels in a year of weaker financial performance, the Company has reduced its overall variable compensation expenditure for 2016 by 28% compared to 2015.

The reduction in annual variable compensation levels meant that it was crucial for the Company to ensure that the incentives for staff, particularly its senior management, were appropriately aligned with the Company's objective to provide sustainable value and long-term growth for shareholders. Taking into account feedback received from our shareholders and external advisors that the level of long-term incentive compensation at the Company was lower than our peer group, and as foreshadowed in the Company's 2015 Annual Report, in October 2016 the Company introduced a Long-Term Incentive Plan (LTIP). The LTIP is linked to stringent, multi-year, performance targets and has extended vesting periods. In formulating the features of the LTIP we consulted with an independent advisory firm to ensure they are consistent with best market practice and applicable regulatory requirements. The Committee is convinced that launching the LTIP in October 2016 was the right step for the Company as it forms an important new component in our overall compensation architecture.

To further strengthen the alignment between the Company's staff and its shareholders, in September 2016 we launched an employee share ownership plan available to all employees below the level of the Group Management Board. The plan created significant interest and approximately 50% of eligible employees enrolled in it. I am delighted to inform you that in December 2016 the plan received the ProShare award for best international share plan.

As we very much value the dialogue between the Company, its Board of Directors and our shareholders, we will again ask shareholders for a consultative vote on our Compensation Report this year.

The Board of Directors and I thank the shareholders for their continued support.

Yours sincerely,

Diego du Monceau
Chairman of the Compensation Committee

1. COMPENSATION PRINCIPLES

The Group's compensation framework is designed to attract, retain and motivate the talent the Group needs to succeed in its strategic goals as well as to create a tangible link between performance and pay. Through a mix of fixed and variable components, the framework aims to promote long-term, sustainable performance by encouraging employees to focus on delivering outstanding results through appropriate and controlled risk taking.

The principles of our compensation framework are:

Clarity and simplicity	Compensation programmes are straightforward, clearly structured and transparent.
Pay for performance	Compensation is linked to the Group's overall performance, as well as to the individual's professional skills, expertise and contribution.
Alignment with shareholders' interests	The long-term interests of management and shareholders are aligned through the use of equity-linked instruments and share-based deferrals as a component of variable compensation.
Incentivise sound risk management	A well-balanced mix of fixed and variable compensation is combined with design features, including deferrals, as well as malus and clawback provisions, to encourage sustainable performance and sound risk management.

2. COMPENSATION AUTHORITIES – OVERVIEW

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

2.1 Compensation responsibilities

	Group CEO	Compensation Committee	Board of Directors	Annual General Meeting
Definition of the Group Compensation Policy and any share-based compensation schemes	Proposal	Proposal	Approval	
Maximum aggregate amount of annual fixed compensation for members of the Board of Directors		Proposal	Approval	Binding Vote
Maximum aggregate amount of annual fixed compensation for members of the Group Management Board		Proposal	Approval	Binding Vote
Maximum aggregate amount of annual variable compensation for members of the Group Management Board		Proposal	Approval	Binding Vote
Annual total compensation for Chairman of the Board of Directors		Decision		
Annual total compensation for members of the Board of Directors (other than the Chairman)		Proposal	Approval	
Annual total compensation for Group CEO		Decision		
Annual total compensation for each member of the Group Management Board (other than the Group CEO)	Proposal	Approval		
Compensation Report		Proposal	Approval	Consultative vote

2.2 Board of Directors

The Board of Directors has established and implemented a Group Compensation Policy which reflects the Group's overall approach to compensation. The Group Compensation Policy is designed to support the strategic development and profitability of the Group as well as to reflect applicable regulatory requirements and good market practice. The Group Compensation Policy contains standards for the determination of compensation for all our employees, including the Group Management Board members. With the support of the Group Head of Human Resources, the Compensation Committee, as well as risk and compliance functions, the Board of Directors regularly reviews the Group Compensation Policy in order to address any applicable regulatory developments and the objectives of the Group.

2.3 Compensation Committee

The Compensation Committee is delegated with the role of supporting the Board of Directors in setting compensation guidelines, establishing share-based compensation plans and approving compensation levels and specific awards subject to any caps or other limitations imposed by the general meeting of shareholders of the Company pursuant to the Swiss Ordinance against Excessive Compensation.

The members of the Compensation Committee consist of three non-executive members of the Board of Directors. The Compensation Committee at the start of 2016 comprised Diego du Monceau (Chairman), Daniel Daeniker and Johannes A. de Gier. At the 2016 AGM, Daniel Daeniker decided not to stand for re-election to the Board of Directors and Johannes A. de Gier stepped down as a member of the Compensation Committee. The Compensation Committee welcomed Nancy Mistretta and Benjamin Meuli as members of the Compensation Committee with effect from 28 April 2016.

The Compensation Committee regularly reports to the Board of Directors on the status of its activities, the development of the compensation architecture within the Group and on the operational implementation of the Group Compensation Policy. The Compensation Committee oversees each stage of the compensation process at four regular scheduled meetings throughout the year and may hold ad-hoc meetings as required. The topics discussed at these regular meetings are noted below.

The Committee met seven times during 2016. Four of these were scheduled ordinary meetings with three ad-hoc meetings. Meetings held during the second half of 2016 (four in total) included a focus on the development of the LTIP and the employee share ownership plan, each of which has added to our compensation framework.

Ordinary meetings	Standing agenda items
January	Approval of total expenditure across the Group for variable compensation
	Determination of compensation to be paid to Group CEO
	Approval of compensation to be paid to each member of the Group Management Board (other than Group CEO)
	Review of individual compensation payments for senior executives outside the Group Management Board
February	Determination of Board of Directors' total aggregate fixed compensation proposal to be submitted to the AGM for a binding vote
	Determination of compensation to be paid to the Chairman of the Board of Directors (assuming approval of total aggregate fixed compensation proposed to AGM)
	Determination of Group Management Board's total aggregate fixed and aggregate variable compensation proposals, to be submitted to the AGM for a binding vote
	Final review and approval of the Compensation Report
September	Annual review of the Group Compensation Policy and share-based compensation plans
December	Initial review and provision of guidance for Group-wide compensation proposals

2.4 Group Chief Executive Officer

The Group CEO, supported by the Group Head of Human Resources, submits proposals to the Compensation Committee for their approval. The proposals include, among other things, the total discretionary bonus pool for all employees across the Group and variable compensation to be paid for the other members of the Group Management Board (within the limits previously approved by the shareholders).

Before proposing levels of variable compensation for the other members of the Group Management Board, the Group CEO evaluates their individual performance and contribution against criteria determined by the Group CEO and approved by the Compensation Committee.

For all other employees, the Group CEO supported by the Group Head of Human Resources, as well as risk and compliance functions, develops guidelines based on the Group's business results and development during the relevant period. Then, sub-pools of the approved total discretionary bonus pool are allocated to the various business functions and teams. Subsequently manager proposals for the awards of annual discretionary bonuses are reviewed by the Group CEO in order to ensure distribution has been fair and aligned with individual contribution and performance. Approval of the Group CEO is required for any individual employee with total compensation exceeding CHF 500,000.

2.5 Shareholder involvement

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies (the "Ordinance"), the Company's Articles of Incorporation include the following provisions on compensation:

- **Elections to the Compensation Committee of the Board of Directors:** The members of the Compensation Committee shall be individually elected by the shareholder's meeting, each for a term of office lasting until the end of the next AGM. At the 2016 AGM, the shareholders elected Diego du Monceau (Chairman), Nancy Mistretta and Benjamin Meuli as members of the Compensation Committee of the Board of Directors.

- **Approval of the compensation of the Board of Directors:** The shareholder's meeting shall approve a maximum aggregate amount of compensation of the Board of Directors for the period until the next AGM. At the 2016 AGM the shareholders approved the amount of CHF 3,000,000 for the period AGM 2016 to AGM 2017.

- **Approval of the fixed compensation of the Group Management Board:** The shareholder's meeting shall approve a maximum aggregate amount of fixed compensation for the Group Management Board for the then current financial year. At the 2016 AGM the shareholders approved the amount of CHF 8,000,000 for the 2016 financial year.

- **Approval of the variable compensation of the Group Management Board:** The shareholder's meeting shall approve a maximum aggregate amount of variable compensation for the Group Management Board for the then current financial year. At the 2016 AGM the shareholders approved the amount of CHF 15,000,000 for the 2016 financial year.

The Board of Directors remains of the view that obtaining prospective approval of maximum compensation levels and separating the approval of fixed and variable executive compensation would achieve the appropriate balance between certainty for the Company and its executives and shareholder accountability.

Accordingly, at the 2017 AGM the shareholders will be asked to approve maximum fixed and variable levels of compensation on this basis. In addition to these binding votes on the maximum compensation levels, the shareholders will again be offered a consultative vote on the compensation report.

In the payment of compensation to the Board of Directors and to the Group Management Board for 2016, the Compensation Committee fully complied with the levels approved by shareholders.

Approved and paid compensation for the Board of Directors

	Awarded	Paid	Awarded	Paid
(in CHF)	2016	2016	2015	2015
Aggregate compensation (including shares)	3,000,000	2,516,683	2,500,000	2,437,091

Approved and paid compensation for the Group Management Board

	Awarded	Paid	Awarded	Paid
(in CHF)	2016	2016	2015	2015
Fixed compensation	8,000,000	6,853,203	8,000,000	7,065,701
Variable compensation[1]	15,000,000	11,195,394	13,000,000	9,792,856

[1] This amount includes the full fair value of the LTIP granted in October 2016.

3. EMPLOYEE COMPENSATION OVERVIEW AND COMPONENTS

The Group's total compensation approach comprises fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market conditions, together with fixed allowances for certain employees in Switzerland consistent with customary local practice. Variable compensation is awarded annually and is dependent on Group, business area, and individual performance. The percentage mix between fixed and variable compensation varies according to the employee's seniority and function. Variable compensation for 2016 was awarded in the form of unrestricted cash and share-based awards.

	Elements	Eligibility	Purpose	Instruments and performance assesement
Fixed compensation	**Base salary**	All employees	Fixed annual income	Cash
Fixed compensation	**Benefits**	All employees	To promote employees' wellbeing in and out of the workplace and to assist with their financial security	Cash or benefits in kind
Variable cash compensation	**Discretionary bonus**	All employees	Incentivise and reward individual contribution to the Group's overall success and encourage compliance with Group's risk profile	Upfront cash (except for GMB) Granted amount based on Group's financial performance and employees' performance against pre-defined objectives
Variable cash compensation	**Formula bonus**	Limited number of employees within asset management and sales and distribution	Directly link compensation with individual and team performance	Upfront cash
Variable equity compensation	**Restricted share award**	Group Management Board	Risk-adjusted alignment with shareholder interests	For GMB, one third of the discretionary bonus granted in restricted shares Linear over three years
Variable equity compensation	**Long-Term Incentive Plan**	Group Management Board and selected senior employees	To strengthen alignment of the Group's compensation structure with the objective of providing sustainable value and growth for our shareholders	Stand-alone performance based equity award that combines: i. a relative TSR metric which assesses performance compared to the Company's peers with; ii. a metric based upon absolute share price development Vesting schedule: 25% after 2.5 years 25% after 3.5 years 50% after 4.5 years
Variable equity compensation	**Discretionary Equity Scheme**	Selected employees	Reward and retain exceptionally strong performers, attract new hires and comply with certain regulations	Restricted shares vesting linearly over three (and in some cases five) years
Variable equity compensation	**Employee Share Ownership Plan**	All employees (except GMB)	Encourage share ownership and strengthen alignment	Plan providing one matching share for every GAM share purchased

3.1 Base salary

All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors. Base salaries are regularly reviewed in an effort to ensure that our salaries remain competitive.

3.2 Benefits

Benefits are provided to promote employee wellbeing both in and out of the workplace and to assist with their financial security. Employee benefits vary depending on local market conditions and practice.

3.3 Variable cash compensation

3.3.1 Discretionary bonus

All employees, except for certain employees that participate in a formula-based incentive plan, are considered for a discretionary bonus. The discretionary bonus pool is approved by the Compensation Committee and principally depends on the Group's financial performance over the previous financial year, with individual payments reflecting an employee's performance against defined objectives. The discretionary pool includes the amount for distribution to members of the Group Management Board, subject to the aggregate maximum cap approved at the Group's previous AGM. The overall pool for discretionary bonuses is based upon the Group's operating performance, its financial strength, its prospects for future profitability, and the competitive landscape. Given the nature of the Group's business, the Compensation Committee continues to deem the Group's underlying pre-tax profit (as disclosed in the Annual Report) along with the delivery against the Group's strategy as the most suitable basis for determining the size of the overall discretionary bonus pool. Underlying pre-tax profit reflects the Group's ability to maintain its profitability, raise and retain client assets, effectively manage its cost base and therefore, provide attractive shareholder returns. The Group has defined underlying pre-tax profit to exclude items which are non-recurring in nature or are acquisition-related, thereby providing an appropriate measurement of the Group's underlying financial performance.

On an individual level, outstanding contributors will always receive higher awards, while underperformance will result in reduced bonuses or lead to no bonus being paid. In setting individual bonus awards, 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, such as Compliance, Risk, Audit and Finance, 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.

For members of the Group Management Board, two thirds of the discretionary bonus is paid in the form of immediate cash and one third is paid in restricted shares (as described further in section 3.4.1). For all other employees, the discretionary bonus is typically paid in cash at grant.

3.3.2 Formula bonus

In certain of our core markets and for certain product types it is common for investment management firms to determine part or all of any bonus to be paid to an investment manager or a member of its sales and distribution team based upon an agreed formula.

- Investment management
  Our investment management formula bonuses are defined on a team basis. The achievements of an investment team determine its available bonus pool, which is then allocated amongst the team members, based on individual contribution, as determined by the team head in consultation with the Group CEO.

  The investment management formula bonuses are calculated based upon the actual applicable management fee income and performance fee income, if any, generated and actually received.

- Sales and distribution
  In select markets we incentivise teams responsible for distribution activities with formula bonus arrangements. The formula bonus may form a part of these teams' total variable compensation and is typically based on sales volumes. Recipients of formula bonuses within the sales and distribution team are also eligible to receive a discretionary bonus award permitting qualitative assessment to reward responsible business conduct and meeting the needs of clients.

3.4 Variable equity compensation

3.4.1 Restricted share award

The compensation structure for the Group Management Board is harmonised to ensure compensation for the CEO and the other members of the Group Management Board is appropriate and aligned. Accordingly, and in order to ensure long-term alignment with shareholders' interests, the Compensation Committee determined that approximately one third of the discretionary bonus award of the Group Management Board should be paid in the form of restricted shares.

The amount of the discretionary bonus award is performance based and calculated according to the criteria set out in section 4.2.1. The shares granted to recipients under this scheme will vest annually in three equal tranches, subject to the recipients continuing to be employed with the Group, and will become freely transferable three years after the grant date. Should the participant's employment be terminated for cause, all vested and unvested shares will lapse immediately without compensation.

In addition, the restricted share awards are subject to the malus and clawback provisions outlined in section 4.3, allowing the Company to reduce, cancel or clawback the awards, vested or unvested, in circumstances where an employee's behaviour has caused, wholly or in part, a material loss to the Company.

3.4.2 Long-term incentive plan

In connection with a review of our compensation architecture and based on input received from our shareholders and external advisors, we introduced an LTIP in October 2016. Grants under the LTIP were awarded to selected senior employees and Group Management Board members to ensure their compensation structure is more fully aligned with the Group's objective of providing sustainable value and long-term growth for our shareholders. The total amount to be granted was approved by the Compensation Committee in October 2016 and the size of the grant awarded to each individual was based on factors which included, but were not limited to, seniority, contribution to the Group's future performance, defined total pay mix and level of responsibility.

The LTIP has a hybrid structure, combining absolute and relative performance metrics. Half of the LTIP award was granted in the form of performance units linked to the Company's relative total shareholder return as compared against a peer group approved by independent external advisors. The other half of the LTIP award is in the form of stock options, issued at a material premium to the Company's share price at grant (a 30% premium in the case of members of our Group Management Board). Each component may expire worthless depending upon the Company's share price performance, and so the awards are fully at risk.

Subject to the recipients continuing to be employed with the Group, the awards made under LTIP will vest as follows: 25% will vest approximately 2.5 years after grant, 25% will vest approximately 3.5 years after grant and 50% will vest approximately 4.5 years after grant. Furthermore, the stock options have an exercise period of six months after their vesting date. Should the participant's employment be terminated for cause, all unvested awards will lapse immediately without compensation.

The performance units will be automatically settled via the delivery of shares. The number of performance units to be settled in shares depends on the performance relative to peers as follows:

	Relative TSR performance	Number of relative TSR units vesting
Maximum	≥ 75th percentile	100%
Minimum	50th percentile	50%
	< 50th percentile	0%

The conversion of performance units to shares varies linearly from the 50^{th} to the 75^{th} percentile. Conversion will be capped at one share for each performance unit irrespective of relative performance above the 75^{th} percentile.

The peer group against which the Company's total shareholder return will be measured was carefully selected to appropriately reflect the business of the Group by geography and product offering. It comprises 18 traditional and alternative listed managers, nine from Europe and nine from the US, and was confirmed by two external investment banks, as appropriate for the intended purpose.

In addition, the LTIP award contains malus and clawback provisions outlined in section 4.3, allowing the Company to reduce, cancel or clawback the awards, vested or unvested, in circumstances where an employee's behaviour has caused, wholly or in part, a material loss to the Company.

3.4.3 Discretionary equity scheme

The Discretionary equity scheme provides a mechanism for the Group to make awards of equity-linked instruments to select employees. Awards under this scheme may be made on an individual basis to reward and 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 requires a deferred component in their variable compensation.

Share-based awards made under this scheme are variable, typically have at least a three-year vesting period, and may include performance or other conditions. 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 wilful actions or inappropriate values or behaviour.

There were no individual awards granted to the Group Management Board under the discretionary equity scheme during 2016.

3.4.4 Employee share ownership plan

In April of this year the Board of Directors approved the launch of GAM's first Employee Share Ownership Plan (ESOP) providing employees, apart from members of the Group Management Board, with an opportunity to receive one matching share for every GAM share purchased provided that the employee remains employed by the Group on the vesting date of 1 March 2018. The ESOP provides a platform for all employees to have an equal opportunity to further align themselves with the Group's strategy regardless of location or seniority. Approximately 50% of eligible employees enrolled in the plan. In December 2016 the plan received the ProShare award for best international share plan.

4. COMPENSATION OF THE GROUP MANAGEMENT BOARD

The annual maximum aggregate fixed compensation and annual maximum aggregate variable compensation of the Group Management Board is prospectively approved annually at the AGM pursuant to the Company's Articles of Incorporation (Article 11) which can be found at www.gam.com/aoi2015.

4.1 Base salary

Base salary levels are determined by the skills, qualifications and relevant experience of the individual fulfilling the role, the responsibilities required by the role along with external market factors.

4.2 Variable compensation

Subject to the shareholder approved maximum aggregate amount, individual compensation payable to the Group Management Board members is approved by the Compensation Committee. In the case of the Group Management Board members other than the Group CEO, this determination is based upon the recommendation of the Group CEO. The amount of variable compensation awards was fully within the cap on variable compensation approved by shareholders at the 2016 AGM.

4.2.1 Determination of the discretionary bonus

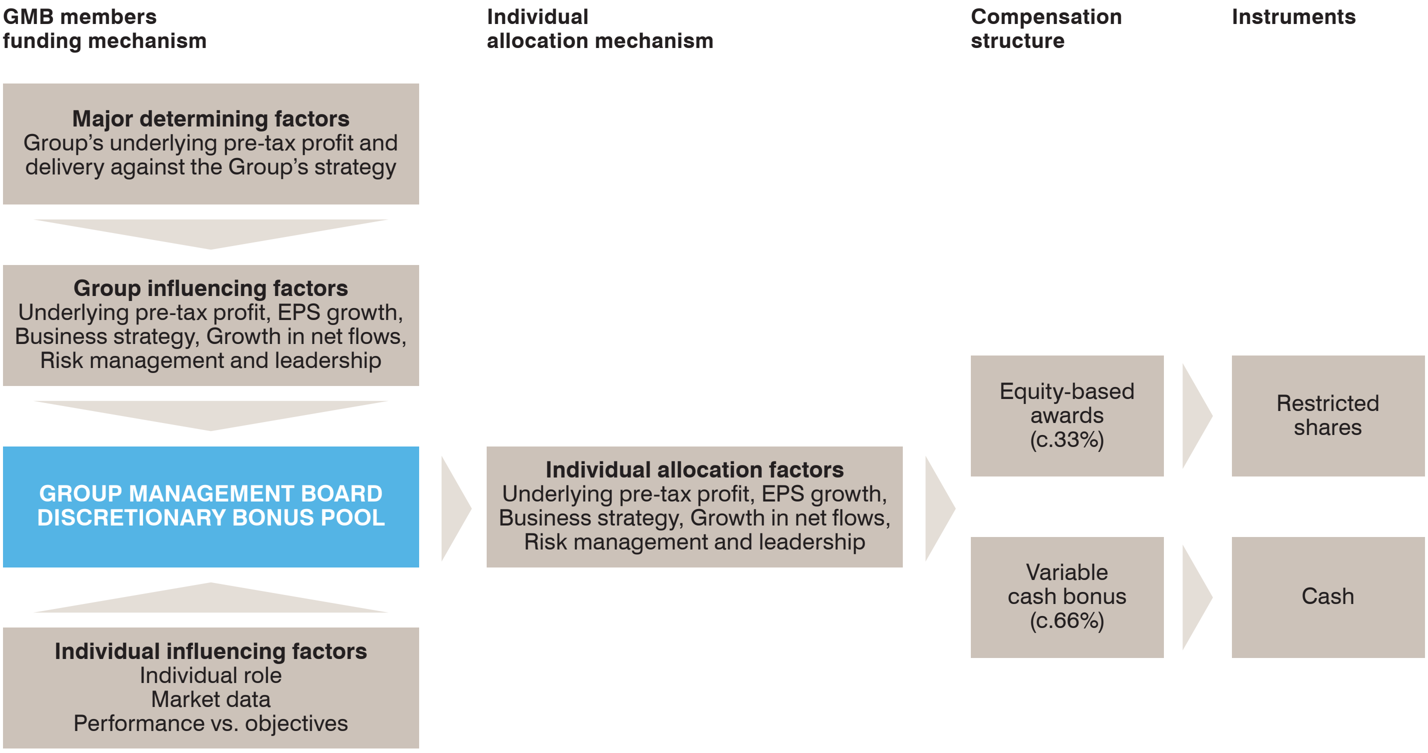
In determining the annual variable compensation for the Group Management Board, the Compensation Committee undertook an assessment of the overall performance in 2016 of the Group and of each individual by reference to a number of financial and non-financial factors, each as appropriate to the individual's role and responsibilities. For the financial year 2016, the Compensation Committee determined that the most appropriate factors to assess the Group Management Board's performance as a group and individually, comprised underlying pre-tax profitability; earnings per share development; delivery against strategic goals, which included cost efficiency and strategic business expansion; sound risk management; leadership and talent management and the discharge of corporate governance responsibilities.

Approximately two thirds of the total annual discretionary variable cash compensation was paid to members of the Group Management Board in cash, with approximately one third paid in restricted shares under the Group Management Board restricted share scheme. This split recognises that the total sum available for the Group Management Board's annual variable compensation is already performance linked by reference to the Group's underlying pre-tax profit and delivery against the Group's strategy, whilst at the same time provides on-going alignment with shareholders' interests and also builds in an element of management retention.

For further details and discussion on the variable compensation for the Group Management Board please see section 6.1.3.

The top-down and bottom-up process for determining the funding of the annual variable compensation for the Group Management Board as a whole, together with the allocation to individual Group Management Board members is further described in the diagram overleaf.

Discretionary bonus funding mechanism



4.2.2 Group Management Board restricted share scheme
Following the Group's compensation policy, one third of the discretionary bonus received by members of the Group Management Board was granted as restricted share awards (see section 3.4.1).

4.2.3 Long-term incentive plan
Awards were made to five members of the Group Management Board under the LTIP for a total fair value amount of CHF 3,892,521 (excluding social security). The characteristics of the LTIP are further detailed in section 3.4.2.

4.3 Malus and clawback

4.3.1 Malus provisions
All deferred compensation awards of Group Management Board members are made into equity-linked instruments and subject to provisions that enable the Group to reduce or cancel the awards, whether vested (but not yet settled) or unvested, of members whose individual behaviour has caused, wholly or in part, a material loss to the Group as a result of reckless, negligent or wilful actions or inappropriate behaviour.

4.3.2 Clawback provisions
All deferred compensation awards to Group Management Board members are made into equity-linked instruments and subject to provisions that enable the Group to claim back variable compensation, even after vesting and distribution, if a member has caused, wholly or in part, a material loss to the Group as a result of reckless, negligent or wilful actions or through inappropriate behaviour.

4.4 Employment contracts and severance terms

All employment contract terms for members of the Group Management Board comply with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies. They do not include severance payments or supplementary contributions to pension plans, also known as 'golden parachutes'. All such employment contracts contain a notice period of six months.

4.5 Previously utilised equity schemes

Scheme name	Award type	Duration	Vesting schedules	Performance-based vesting	Forfeiture / clawback	Fully at risk	Capped
Group CEO VRS Scheme	Conditional share award	5 years	5-year linear vesting	Y	Y	Y	Y
2014 GMB VRS Scheme	Conditional share award	3 years	3-year linear vesting	Y	Y	Y	Y
2013 Deferred Compensation Scheme[1]	Options	3 years	3-year cliff vesting	N	Y	Y	N

[1] Under this Scheme awards were also made to non-Group Management Board members.

For further details of the above schemes please refer to note 26 of the 2016 consolidated financial statements and page 81, section 4.4 of the 2015 Annual Report which can be found at www.gam.com/annualreport2015.com.

5. COMPENSATION OF THE BOARD OF DIRECTORS

5.1 Principles and compensation structure

All members of the Board of Directors are non-executive directors and do not have employment contracts. Members of the Board of Directors are elected for a one-year term of office by the Company's shareholders.

The compensation of the members of the Board of Directors, including its Chairman, consists of an annual fixed fee in cash, fee amounts paid in cash for serving as a member or as Chairman on the Committees of the Board of Directors, and share-based payments. Each of these elements of compensation is 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 members of the Group Management Board or to other Group employees. The members of the Board of Directors also do not receive any stock options. A portion of the fixed compensation for each Board member is paid in the form of GAM Holding AG shares.

Overview annual compensation for the Board of Directors AGM 2016 to AGM 2017 (in CHF)

	Chairman of the Board	Ordinary members of the Board
Cash compensation		
Basic fee	600,000	100,000
Fixed cash committee fee	According to individual activity (see 5.4)	
Equity compensation		
Restricted shares (fair value at grant)[1]	499,993	99,994

[1] Will vest on the day before AGM 2017.

5.2 Chairman of the Board of Directors

For the 2016 financial year, Johannes A. de Gier received a total compensation of CHF 1,325,039 (including CHF 158,610 employer's social security contributions) for his services as Chairman of the Board of Directors and Chairman of the Governance and Nomination Committee. Under the share plan for members of the Board of Directors as described in section 5.5, the Chairman of the Board of Directors received in 2016 an amount of CHF 499,993 in the form of restricted GAM Holding AG shares, which will vest on the day before the Company's 2017 AGM.

The Chairman of the Board of Directors also chaired the Governance and Nomination Committee and received fees relating to this involvement according to section 5.4.

Under our compensation framework, the Chairman of the Board of Directors does not receive any variable compensation. The Chairman is also not eligible to participate in any performance-based compensation schemes. 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 Other members of the Board of Directors

The base fee for ordinary members of the Board of Directors was left unchanged in 2016 at CHF 100,000.

Furthermore, under the share plan for members of the Board of Directors as described in section 5.5, each member of the Board of Directors other than the Chairman received in 2016 an amount of CHF 99,994 in the form of restricted GAM Holding AG shares, which will vest on the day before the Company's 2017 AGM.

The other members of the Board of Directors do not receive any variable compensation.

5.4 Committee fees

The Committee fees for a one-year term of office, which are paid in cash, are designed to reflect the workload in serving on the Board of Directors' various Committees. The Committee fees are as follows:

Committee fee (in CHF)	Chair	Other members
Audit Committee	70,000	20,000
Governance and Nomination Committee	30,000	10,000
Compensation Committee	60,000	10,000

5.5 Share plan for the members of the Board of Directors

Members of the Board of Directors receive a fixed amount of GAM Holding AG shares as part of their compensation. GAM Holding AG shares awarded under the plan vest the day before the AGM at the conclusion of a Board member's one-year term of office.

The awards are not designed or intended as variable compensation. These annual awards provide an alignment with shareholders as they ensure that the Board member has exposure to GAM Holding AG's share price performance during a Board member's one-year term of office.

Under this plan, the members of the Board of Directors, including its Chairman, were awarded on 28 April 2016 the right to receive an aggregate total of 79,362 GAM Holding AG shares (at a fair value of CHF 12.60 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 27 April 2016, or an aggregate fair value of CHF 999,961). The Chairman of the Board of Directors received 39,682 shares. These shares will vest and be delivered on the day before the Company's 2017 AGM, provided the member is in office, proposed or decides not to stand for re-election.

6. COMPENSATION DISCLOSURE

6.1 Group Management Board compensation for 2016

6.1.1 The total fixed and discretionary variable compensation to the members of the Group Management Board in respect of 2016 and 2015

	Group CEO		Total Group Management Board (including the CEO)	
(in CHF)	2016	2015	2016	2015
Base salary	2,000,000	2,000,000	5,943,340	6,171,734
Pension fund contributions	307,881	250,000	442,212	457,868
Social security contributions	45,409	49,677	372,945	400,286
Other benefits	35,149	16,477	94,706	35,813
Total fixed compensation	2,388,439	**2,316,154**	6,853,203	**7,065,701**
Cash payments[1]	1,766,667	1,766,667	4,861,766	5,257,660
Restricted shares[1]	883,334	883,333	1,766,701	3,781,176[2]
Pension fund contributions	-	-	33,000	69,023
Social security contributions	38,425	38,425	382,987	684,997
Total discretionary variable compensation	2,688,426	**2,688,425**	7,044,454	**9,792,856**

[1] Variable discretionary compensation is paid in cash and restricted shares which vest in three years.

[2] Includes replacement award made to a member of the Group Management Board under the Discretionary Equity Scheme in 2015.

6.1.2 The total long-term incentive plan compensation to the members of the Group Management Board in respect of 2016 and 2015

	Group CEO		Total Group Management Board (including the CEO)	
(in CHF)	2016	2015	2016	2015
Long-term incentive award (LTIP)				
- Stock options	531,101	-	1,961,667	-
- Performance units	522,759	-	1,930,854	-
Social security	15,281	-	258,418	-
Total LTIP compensation[1, 2, 3]	1,069,140	-	4,150,940	-

[1] The total variable compensation paid to the Group Management Board in 2016 including the LTIP award is CHF 11,195,394. For further details of the LTIP please refer to section 3.4.2.

[2] The total fixed and variable compensation paid, including the LTIP award granted to the Group CEO in 2016, is CHF 6,146,005. The total fixed and variable compensation paid to the Group CEO in 2015 was CHF 5,004,579. The difference reflects the fact that no LTIP award was granted in 2015.

[3] The total fixed and variable compensation paid, including the LTIP award granted to the Group Management Board in 2016, is CHF 18,048,597. The total fixed and variable compensation paid to the Group Management Board in 2015 is CHF 16,858,557. No LTIP award was granted in 2015.

6.1.3 Compensation to the members of the Group Management Board

The Compensation Committee recognised that the Group, led by the Group Management Board, progressed on its path of considerable business transformation as it implements the Group's strategy against a backdrop of a challenging market and industry environment.

In reviewing the Group Management Board's variable compensation, the Compensation Committee examined the achievements during 2016 as outlined in this Annual Report. These included simplifying the brand architecture and strengthening the GAM master brand, implementing the new operating model which is instrumental in exceeding our target savings and creating the basis for future efficiencies, as well as continuing the optimisation of the product offering. In addition, the Group Management Board successfully led and completed two acquisitions: the investment management business of Taube Hodson Stonex (THS) and the acquisition of Cantab Capital Partners (Cantab). The latter allowed the Group to diversify its active investment capabilities into the systematic space – a segment at the forefront of investor demand – to complement its successful discretionary offering.

The Compensation Committee further acknowledged that members of the Group Management Board will continue to play a fundamental role in the implementation of the Group's strategic initiatives to position GAM for long-term growth. In setting their variable compensation, the Compensation Committee balanced the overall performance of the Group with the imperative need to retain top talent and to appropriately align their incentives with shareholder interests.

Total variable discretionary compensation for 2016 for the Group Management Board declined 28% to CHF 7,044,454 while the total fixed compensation was largely unchanged at CHF 6,853,203. To better align compensation of the Group Management Board members with shareholder interests, they also received awards under the long-term incentive plan. Further details on the LTIP are provided in section 3.4.2.

6.1.4 Highest paid Group Management Board member

The highest paid member of the Group Management Board in 2016 was the Group CEO Alexander Friedman. In determining the compensation for Mr Friedman, the Compensation Committee took into account the financial performance of the Company, the delivery on strategic initiatives, Mr. Friedman's performance against qualitative measures and external benchmark data.

The Compensation Committee acknowledged the strong qualitative performance that Mr Friedman demonstrated in leading the Company through a challenging transformation in a year with volatile and uncertain market conditions. Since joining the Company in 2014, Mr Friedman has been focused on the disciplined execution of strategic initiatives that will position the Group for a successful and sustainable future in the long term. In 2016, under Mr Friedman's leadership the Company significantly improved operational efficiencies, continued to simplify and reposition the Company's brand and product offerings, as well as broadened its innovative product range into systematic and private market space.

The Compensation Committee also considered Mr Friedman's focus and success in attracting and managing top talent within the Company to achieve strategic objectives. Mr Friedman oversaw the successful acquisitions of THS and Cantab – both bringing strong investment talent to the Group, while delivering on other strategic priorities.

Beyond the results, the Compensation Committee also recognised that Mr Friedman has built a strong management team that is focused on capitalising on opportunities presented by the current shifts in the asset management industry, while maintaining efficient and rigorous risk and compliance controls. Reflecting on Mr Friedman's stewardship in executing the Group's strategy in a challenging market environment, as well as external benchmark data, the Compensation Committee decided to keep Mr Friedman's base salary and the discretionary variable compensation unchanged from the prior year. During 2016, Mr Friedman was granted an LTIP award of CHF 1,053,860, to bring his total compensation for the year to CHF 6,146,005, which includes CHF 99,115 of employer's social security contributions other than pension fund contributions. Please see section 3.4.2 for further details on the LTIP.

6.1.5 Compensation to former members of the Group Management Board

In 2016, no compensation was paid to former members of the Group Management Board who stepped down prior to 1 January 2016.

6.1.6 Loans to members of the Group Management Board

In 2016, no loans were granted to the current or former members of the Group Management Board. No such loans were outstanding at year-end 2016.

6.1.7 Compensation and loans to closely linked parties

In 2016, 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 2016 to closely linked parties of current or former members of the Group Management Board.

6.2 The Board of Directors' compensation for 2016

6.2.1 The total compensation to the Board of Directors in respect of 2016 and 2015

(in CHF)		Fixed cash fee	Committee fee	Share-based payments	Social security	Other benefits	Total compensation
Johannes A. de Gier	2016	600,000	33,332	499,993	158,610	33,104	**1,325,039**
	2015	600,000	36,667	499,991	160,613	41,192	**1,338,463**
Daniel Daeniker[1]	2016	33,333	10,000	-	2,896	-	**46,229**
	2015	100,000	30,000	99,981	15,460	-	**245,441**
Diego du Monceau	2016	100,000	80,000	99,994	-	-	**279,993**
	2015	100,000	67,500	99,981	-	-	**267,481**
Hugh Scott-Barrett	2016	100,000	70,000	99,994	36,941	-	**306,935**
	2015	100,000	70,000	99,981	35,460	-	**305,441**
Tanja Weiher[2]	2016	3,763	1,129	-	276	-	**5,168**
	2015	100,000	30,000	99,981	15,460	-	**245,441**
Dieter Enkelmann[3]	2016	-	-	-	-	-	**-**
	2015	25,000	7,500	-	2,324	-	**34,824**
Benjamin Meuli[4]	2016	66,667	20,000	99,994	13,338	-	**199,998**
	2015	-	-	-	-	-	**-**
Nancy Mistretta[4]	2016	66,667	13,333	99,994	-	-	**179,994**
	2015	-	-	-	-	-	**-**
Ezra Field[4]	2016	66,667	6,667	99,994	-	-	**173,327**
	2015	-	-	-	-	-	**-**
Total	2016	**1,037,096**	**234,461**	**999,961**	**212,061**	**33,104**	**2,516,683**
	2015	**1,025,000**	**241,667**	**899,915**	**229,317**	**41,192**	**2,437,091**

[1] Daniel Daeniker decided not to stand for re-election as member for the Board of Directors of GAM Holding AG at the 2016 AGM.
[2] Tanja Weiher stepped down from her role on the Board of Directors of GAM Holding AG on 14 January 2016. Her share award was forfeited.
[3] Dieter Enkelmann decided not to stand for re-election as member for the Board of Directors of GAM Holding AG at the 2015 AGM.
[4] Benjamin Meuli, Nancy Mistretta and Ezra Field were elected to the Board of Directors at the 2016 AGM.

6.2.2 Compensation to former members of the Board of Directors
In 2016, no compensation was paid to former members of the Board of Directors who stepped down prior to 1 January 2016.

6.2.3 Loans to members of the Board of Directors
In 2016, no loans were granted to the current or former members of the Board of Directors. No such loans were outstanding at year-end 2016.

6.2.4 Compensation and loans to closely related parties
In 2016, no compensation was paid to closely related parties of current or former members of the Board of Directors. No loans were granted in, or were outstanding at the end of 2016 to closely linked parties of current or former members of the Board of Directors.

7. SHARE AND OPTION HOLDINGS

7.1 Group Management Board

		Shares vested	Options vested	Total
Alexander S. Friedman	31.12.2016	51,000 [1]	-	51,000
	31.12.2015	-	-	-
Craig Wallis	31.12.2016	-	-	-
	31.12.2015	-	-	-
Martin Jufer	31.12.2016	-	-	-
	31.12.2015	-	-	-
Scott Sullivan	31.12.2016	-	-	-
	31.12.2015	-	-	-
Richard McNamara	31.12.2016	15,192	-	15,192
	31.12.2015	-	-	-
Larry Hatheway	31.12.2016	-	-	-
	31.12.2015	-	-	-
Tim Dana	31.12.2016	2,925	-	2,925
	31.12.2015	-	-	-

[1] These shares were purchased by Alexander S. Friedman on the open market during August 2016.

7.2 Board of Directors

		Shares vested	Options vested	Total
Johannes A. de Gier, Chairman	31.12.2016	49,986	-	49,986
	31.12.2015	37,046	-	37,046
Diego du Monceau	31.12.2016	13,631	-	13,631
	31.12.2015	10,103	-	10,103
Hugh Scott-Barrett	31.12.2016	8,493	-	8,493
	31.12.2015	7,000	-	7,000
Benjamin Meuli[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-
Nancy Mistretta[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-
Ezra Field[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-

[1] Benjamin Meuli, Nancy Mistretta and Ezra Field were elected to the Board of Directors at the 2016 AGM.

8. COMPENSATION OUTLOOK FOR 2017 – INFORMATION FOR THE 2017 AGM VOTE

8.1 Compensation of the Board of Directors

Pursuant to the Company's Articles of Incorporation, the AGM approves on an annual basis the compensation of the Board of Directors in advance as a maximum aggregate amount for the period until the next AGM. This total amount is comprised of a fixed base cash fee for serving as a member or the Chairman of the Board of Directors, fees paid in cash for serving as a member or as Chairman on committees of the Board of Directors, restricted share-based payments, and the Company's social security contributions relating to all such payments.

For the one-year term of office as of the 2017 AGM to the 2018 AGM, the Compensation Committee will propose the fixed base cash fee for the members of the Board of Directors, other than its Chairman, to remain unchanged. The Compensation Committee will recommend a reduction in the fixed base cash fee of the Chairman of the Board of Directors. Additionally, the Compensation Committee will recommend certain changes to the fees payable to members of the Board of Directors serving on its various committees, which will also result in a further reduction in the overall cash compensation of the Board of Directors.

As in past years, the Compensation Committee will grant the members of the Board of Directors – once, and assuming they are, elected at the 2017 AGM – an aggregate amount of approximately CHF 750,000 worth of restricted shares in GAM Holding AG. These shares, which promote alignment between the Board of Directors and the Company's shareholders, will vest on the day prior to the 2018 AGM, provided the recipient is still a member of the Board of Directors at that date.

As a result of these proposals, the Compensation Committee anticipates that the aggregate total compensation for the Board of Directors for the period starting at the 2017 AGM and ending on the 2018 AGM will not exceed CHF 2.25 million (including employer's social security contributions), a reduction of 25% from the previous year.

8.2 Compensation of the Group Management Board

The Compensation Committee does not anticipate making an increase to the fixed base salaries of members of the Group Management Board in 2017. Accordingly, the aggregate maximum amount of fixed compensation to be paid to the current Group Management Board members in 2017 is not expected to exceed CHF 8 million (including employer's social security contributions).

The Compensation Committee continues to deem the Group's underlying pre-tax profit (as disclosed in the Annual Report) along with the delivery against the Group's strategy as the most suitable basis for the determination of the aggregate variable compensation actually awarded to the Group Management Board. However, as in 2016, the Compensation Committee is offering shareholders certainty around the maximum total variable compensation that may be awarded to the current Group Management Board for the 2017 financial year.

The Group Management Board was strengthened with the inclusion of the Group Chief Risk Officer, Elmar Zumbuehl, as at 1 February 2017. Also new to the Group Management Board, Dirk Spiegel, Group General Counsel and Tim Rainsford, Group Head of Distribution, joined as at 1 February 2017. The Compensation Committee is requesting a slight increase in the maximum total amount of variable compensation to be approved for the 2017 financial year to reflect the hire of Tim Rainsford as the new Group Head of Distribution as at 1 January 2017. Mr Rainsford is leading the Group's distribution, marketing and product development activities and has extensive experience in marketing sophisticated investment solutions and business development across different geographies. Mr Rainsford will play a key role in the Group Management Board's efforts to reposition the Company and deliver on its long-term growth objectives. On joining the Group Mr Rainsford was granted awards in 2017 to partially compensate him for deferred compensation earned at his previous employer, which he forfeited as a consequence of joining the Group. In accordance with the Group's compensation practice, the replacement awards will be deferred into shares of the Group and will vest on a multi-year schedule, subject to continued employment with the Group and customary malus and clawback provisions.

In accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Companies, the full cost of Mr Rainsford's 2017 deferred compensation awards must be included into the maximum aggregate variable compensation for the Group Management Board for the year, irrespective of the vesting schedule of such awards. In addition, to allow for potential exchange rate volatility between the currencies in which members of the Group Management Board are remunerated and the Group's Swiss franc reporting currency, the Compensation Committee will be requesting approval at the Annual General Meeting for a maximum amount of CHF 16 million payable to the Group Management Board by way of variable compensation (including employer's social security contributions) for the 2017 financial year. No increase in the variable compensation amount for the Group Management Board would otherwise have been necessary.

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of GAM Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in section 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

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

KPMG AG

Philipp Rickert
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, 1 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

CONSOLIDATED FINANCIAL STATEMENTS

(see the following page for a detailed list)

CONSOLIDATED INCOME STATEMENT

	Note	2016 CHF m	2015 [1] CHF m represented	Change in %
Net management fees and commissions	4	470.5	517.8	(9)
Net performance fees	4	3.0	82.8	(96)
Net fee and commission income	4	**473.5**	**600.6**	**(21)**
Net other income/(expenses)	5	18.3	(1.8)	-
Income		**491.8**	**598.8**	**(18)**
Personnel expenses	6	235.2	303.2	(22)
General expenses	7	106.4	107.6	(1)
Depreciation and amortisation		18.6	9.5	96
Impairment losses	8	-	2.6	(100)
Expenses		**360.2**	**422.9**	**(15)**
Profit before taxes		**131.6**	**175.9**	**(25)**
Income tax (credit)/expense	9.1	(2.7)	37.6	-
Net profit attributable to the shareholders of the Company		**134.3**	**138.3**	**(3)**
Earnings per share				
Basic earnings per share (CHF)	11	0.85	0.87	(2)
Diluted earnings per share (CHF)	11	0.85	0.86	(1)

[1] The presentation of the line item ‘net management fees and commissions’ has been represented. For further information see note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2016 CHF m	2015 [1] CHF m represented	Change in %
Net profit attributable to the shareholders of the Company		**134.3**	**138.3**	**(3)**
Remeasurements of pension liabilities	20	(59.2)	(5.2)	-
Income tax (charges)/credits relating to remeasurements of pension liabilities		11.2	(0.1)	-
Items that will not be reclassified subsequently to the income statement, net of taxes		**(48.0)**	**(5.3)**	**-**
Net (losses)/gains on financial assets available-for-sale		(0.7)	-	-
Income tax credits/(charges) relating to net gains and losses on financial assets available-for-sale		-	-	-
Net realised losses/(gains) on financial assets available-for-sale reclassified to the income statement		2.1	(0.5)	-
Income tax (credits)/charges relating to net realised gains and losses on financial assets available-for-sale reclassified to the income statement		-	-	-
Translation differences		(15.6)	(10.6)	-
Net realised losses/(gains) on translation differences reclassified to the income statement	5	-	0.8	-
Items that may be reclassified subsequently to the income statement, net of taxes		**(14.2)**	**(10.3)**	**-**
Other comprehensive income, net of taxes		**(62.2)**	**(15.6)**	**-**
Total comprehensive income attributable to the shareholders of the Company		**72.1**	**122.7**	**(41)**

[1] The presentation has been enhanced to include the related income tax effects for each line item. For further information see note 2.

CONSOLIDATED BALANCE SHEET

	Note	31.12.2016 CHF m	31.12.2015 [1] CHF m represented	Change in %
Cash and cash equivalents	12	352.7	632.9	(44)
Trade and other receivables		33.1	27.5	20
Accrued income and prepaid expenses	13	99.4	135.0	(26)
Financial investments	14.1	75.3	49.3	53
Assets held for sale	15	11.3	18.8	(40)
Current assets		**571.8**	**863.5**	**(34)**
Financial investments and other financial assets	14.1	2.8	3.8	(26)
Deferred tax assets	16.1	56.3	26.1	116
Property and equipment	17	11.0	14.1	(22)
Goodwill and other intangible assets	17	1,736.6	1,389.4	25
Non-current assets		**1,806.7**	**1,433.4**	**26**
Assets		**2,378.5**	**2,296.9**	**4**
Trade and other payables		18.8	21.9	(14)
Other financial liabilities	14.2	9.7	19.4	(50)
Accrued expenses and deferred income	18	203.8	224.9	(9)
Current tax liabilities		9.2	16.1	(43)
Provisions	19	11.2	13.5	(17)
Liabilities held for sale	15	2.0	1.4	43
Current liabilities		**254.7**	**297.2**	**(14)**
Financial liabilities	14.2	114.4	38.8	195
Provisions	19	2.4	3.1	(23)
Pension liabilities	20	120.1	80.4	49
Deferred tax liabilities	16.2	42.9	1.0	-
Non-current liabilities		**279.8**	**123.3**	**127**
Liabilities		**534.5**	**420.5**	**27**
Share capital	21	8.0	8.2	(2)
Capital reserves		1,097.2	1,199.6	(9)
Retained earnings		889.6	847.0	5
Revaluation reserve		0.9	(0.5)	-
Foreign currency translation reserve		(106.9)	(91.3)	17
Treasury shares	21	(44.8)	(86.6)	(48)
Equity attributable to the shareholders of the Company		**1,844.0**	**1,876.4**	**(2)**
Liabilities and equity		**2,378.5**	**2,296.9**	**4**

[1] Comparative figures within current liabilities have been reclassified. For further information see note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital CHF m	Capital reserves CHF m	Retained earnings CHF m
Balance at 1 January 2015		**8.3**	**1,323.0**	**744.3**
Net profit attributable to the shareholders of the Company		-	-	138.3
Other comprehensive income, net of taxes[1]		-	-	(5.3)
Total comprehensive income		**-**	**-**	**133.0**
Capital reduction	21	(0.1)	(19.0)	(32.2)
Dividends paid	21	-	(104.4)	-
Acquisition of non-controlling interests		-	-	0.4
Share-based payment expenses, net of taxes	9.3/26	-	-	7.4
Acquisitions of own shares and derivatives on own shares	21	-	-	-
Disposals of own shares and derivatives on own shares	21	-	-	(5.9)
Total transactions with shareholders of the Company		**(0.1)**	**(123.4)**	**(30.3)**
Balance at 31 December 2015		**8.2**	**1,199.6**	**847.0**
Net profit attributable to the shareholders of the Company		-	-	134.3
Other comprehensive income, net of taxes[1]		-	-	(48.0)
Total comprehensive income		**-**	**-**	**86.3**
Capital reduction	21	(0.2)	-	(50.2)
Dividends paid	21	-	(102.4)	-
Share-based payment expenses, net of taxes	9.3/26	-	-	7.9
Acquisitions of own shares and derivatives on own shares	21	-	-	-
Disposals of own shares and derivatives on own shares	21	-	-	(1.4)
Total transactions with shareholders of the Company		**(0.2)**	**(102.4)**	**(43.7)**
Balance at 31 December 2016		**8.0**	**1,097.2**	**889.6**

[1] The presentation of the line item 'other comprehensive income, net of taxes' has been summarised. Details are shown in the consolidated statement of comprehensive income.

Revaluation 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
	(81.5)	(81.9)	1,912.2	3.7	1,915.9
	-	-	138.3	-	138.3
	(9.8)	-	(15.6)	-	(15.6)
(0.5)	(9.8)	-	122.7	-	122.7
	-	51.3	-	-	-
	-	-	(104.4)	(3.3)	(107.7)
	-	-	0.4	(0.4)	-
	-	-	7.4	-	7.4
	-	(61.9)	(61.9)	-	(61.9)
	-	5.9	-	-	-
	-	(4.7)	(158.5)	(3.7)	(162.2)
(0.5)	(91.3)	(86.6)	1,876.4	-	1,876.4
	-	-	134.3	-	134.3
	(15.6)	-	(62.2)	-	(62.2)
	(15.6)	-	72.1	-	72.1
	-	50.4	-	-	-
	-	-	(102.4)	-	(102.4)
	-	-	7.9	-	7.9
	-	(10.0)	(10.0)	-	(10.0)
	-	1.4	-	-	-
	-	41.8	(104.5)	-	(104.5)
	(106.9)	(44.8)	1,844.0	-	1,844.0

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2016 CHF m	2015 CHF m represented [1]
Net profit		**134.3**	**138.3**
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit:			
- Impairment losses	8	-	2.6
- Depreciation and amortisation		18.6	9.5
- Share-based payment expenses	26	8.7	7.7
- Other non-cash items		2.5	9.8
Net changes in:			
- Financial investments and other financial assets		(17.8)	65.3
- Trade and other receivables (excluding tax receivable)		(3.5)	6.6
- Accrued income and prepaid expenses (excluding accrued interest)		29.4	(5.8)
- Trade and other payables		(14.2)	5.6
- Accrued expenses and deferred income (excluding accrued interest)		(13.5)	(12.2)
- Other liabilities		(40.9)	(13.6)
Net interest (income)/expenses		3.3	1.2
Interest received		0.6	0.8
Interest paid		(1.9)	(2.0)
Income tax (credit)/expense	9	(2.7)	37.6
Income taxes paid		(26.8)	(49.8)
Cash flow from operating activities		**76.1**	**201.6**
Acquisition of business (net of cash)		(205.2)	(13.2)
Disposal of subsidiaries (net of cash)		0.1	4.7
Purchase of property, equipment and intangible assets		(8.9)	(9.0)
Disposal of property, equipment and intangible assets		0.1	-
Cash flow from investing activities		**(213.9)**	**(17.5)**
Purchase of treasury shares	21	(10.0)	(61.9)
Dividends paid to shareholders of the Company	21	(102.4)	(104.4)
Dividends paid to non-controlling interests		-	(3.3)
Deferred payment for the acquisition of non-controlling interests		(10.8)	(6.4)
Cash flow from financing activities		**(123.2)**	**(176.0)**
Effects of exchange rate changes on cash and cash equivalents		(19.2)	(19.1)
Net decrease in cash and cash equivalents		**(280.2)**	**(11.0)**
Cash and cash equivalents at the beginning of the year		632.9	643.9
Cash and cash equivalents at the end of the year	12	**352.7**	**632.9**

[1] Comparative figures have been reclassified. For further information see note 2.

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 2016 comprise those of the Company and all its subsidiaries (together referred to as the Group) including structured entities under the Group's 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 assets available-for-sale (for details see note 3.2.6).

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

Changes in presentation

Certain representations or reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation. These had no impact on net profit or total equity.

Representation of consolidated income statement

The presentation of the line item 'net management fees and commissions' in the consolidated income statement has been summarised to be in line with the Group's internal reporting with details now being included in note 4.

Representation of consolidated statement of comprehensive income and statement of changes in equity

The presentation of the consolidated statement of comprehensive income has been enhanced to include the related income tax effects for each line item within comprehensive income. The presentation of the line item 'other comprehensive income, net of taxes' in the statement of changes in equity has been summarised. Details are shown in the consolidated statement of comprehensive income.

Representation of consolidated statement of cash flows

The presentation of current liabilities in 2015 (CHF 4.4 million moved from 'trade and other payables' to 'other liabilities', for details see paragraph below) and changes in pension liabilities in 2015 (CHF 17.4 million moved from 'other non-cash items' to 'other liabilities') have been represented.

Representation within current liabilities

The presentation of financial liabilities at fair value through profit or loss within current liabilities in the balance sheet, and consequently in the statement of cash flows, has been reclassified. In order to present the current portion of financial liabilities at fair value through profit or loss in a way that is consistent with the non-current portion, which is presented in the line item 'financial liabilities', the short-term portion has been reclassified from the line item 'trade and other payables' to 'other financial liabilities'. Accordingly, the short-term portion as at 31 December 2015 amounting to CHF 18.3 million is now presented within the line item 'other financial liabilities'.

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 assets/liabilities. Actual results in future periods could differ from such estimates. Estimates and assumptions are mainly used in the following areas of the consolidated financial statements and are disclosed in the corresponding notes:

- determining fair values of financial instruments (notes 3.2.6 and 14.5)
- determining whether the Group controls another entity (notes 3.2.1, 15, 28 and 29)
- accrual of performance fees (notes 3.2.3 and 4)
- measurement and timing of provisions (notes 3.2.10 and 19)
- measurement of defined benefit pension plan obligations (notes 3.2.15 and 20)
- utilisation of tax losses and measurement of deferred tax assets (notes 3.2.14, 9 and 16.1)
- determining the fair value of share-based payments (notes 3.2.16 and 26)
- determining the fair value of consideration transferred (including contingent consideration) and the fair value of the assets acquired and liabilities assumed (notes 3.2.9, 14.5 and 30)
- measurement of the recoverable amount of goodwill and other intangible assets (notes 3.2.9 and 17)

3.2. Accounting policies

All Group companies apply uniform accounting policies, which remained consistent with the previous year, except as outlined below.

Changes in accounting policies

The Group applied various amendments to existing standards for the first time in 2016. The adoption of these accounting pronouncements had no significant impact on the consolidated financial statements of the Group.

3.2.1. Subsidiaries

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.

3.2.2. Foreign currency translation

The Group companies prepare their financial statements in their respective functional currency. Assets and liabilities of the Group companies that have a non-Swiss franc functional currency 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 the foreign currency translation reserve in other comprehensive income.

In the individual financial statements of the Group companies, income and expenses denominated in currencies different to their respective functional currency 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 fair value and are recognised in other comprehensive income.

3.2.3. Income recognition

Income from investment and advisory 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 provided.

In most instances, 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. The classification of its financial instruments is determined at initial recognition.

All 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 the revaluation reserve until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in the revaluation reserve 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 'net other income/(expenses)'.

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 'net other income/(expenses)'.

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 include 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 ten 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. 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.

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.

Investment management and client contracts: This comprises long-term investment management and client contracts from business combinations. Investment management and client contracts are amortised over their estimated useful life up to a maximum period of ten 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 (along with goodwill) 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 embodying economic benefits and the amount of which can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation as of the balance sheet date, taking into account the risks and uncertainties related to the obligation.

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganisation are recognised if a constructive obligation is incurred and a detailed and formal restructuring plan exists. In addition, the implementation must have begun or the announcement of the main features to the employees affected must have taken place before the balance sheet date. Restructuring provisions include only necessary direct expenditures caused by restructuring, not costs associated with the ongoing business activities.

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 settled net in cash or settled net 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 'net other income/(expenses)'.

3.2.13. Non-current assets or disposal groups (assets and liabilities) held for sale

Non-current assets or disposal groups (i.e. a group of assets and liabilities associated with those assets) 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 are expected to 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, relate to the same tax authority, an enforceable right to offset exists and they are intended to be settled net or realised simultaneously. The same treatment 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 overseas jurisdictions.

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

Defined benefit pension plans
Defined benefit pension plan obligations are measured according to the projected unit credit method. The relevant calculations are carried out by independent qualified actuaries. The pension plan expenses are actuarially determined as the net pension cost (being service cost and net interest on the net defined benefit liability) minus the employee contributions and are recognised in the income statement in personnel expenses.

Remeasurements of the net defined benefit liability, 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
Defined contribution pension plan 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. If the employees are not entitled to dividends, the fair value at grant date of these equity instruments is determined by the relevant share price reduced by the present value of dividends expected before the shares are delivered.

Share-based payment plans that are settled in own equity instruments (shares or options) result in an offsetting credit 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. New standards and interpretations not yet adopted

Certain new standards, revisions and interpretations of existing standards have been 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, IFRS 15 and IFRS 16 standards.

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. 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.

Debt instruments that (a) are held within a business model the objective of which is to collect the contractual cash flows and (b) have contractual cash flows that are solely payments of principal and interest may be measured at amortised cost. If debt instruments measured at amortised cost are derecognised prior to maturity, the gains and losses have to be presented separately in the income statement, with an analysis of those gains and losses and the reasons for the sale. Debt instruments which (a) are held to collect contractual cash flows and sell financial assets and (b) meet the solely payment of principal and interest test are measured at fair value through other comprehensive income. If debt instruments are held for trading purposes, they are measured at fair value with gains and losses recognised in profit or loss. The entity may opt to apply the fair value option and measure all debt instruments at fair value through profit or loss.

Equity instruments are to be measured at fair value, with the recognition of gains and losses in the income statement, with the exception of equity instruments designated as at fair value through other comprehensive income. Only if an equity instrument is not held for trading, an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income (equity), without any subsequent reclassification to the income statement (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 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, and therefore losses are likely to be 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 the income statement from these investments. Hedge ineffectiveness is recognised in OCI.

IFRS 9 is required to be applied 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 of IFRS 9 on its consolidated financial statements. Currently, no material impact is expected.

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 depicts 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.

IFRS 15 is required to be applied for annual periods beginning on or after 1 January 2018. 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 reliefs. Early application is permitted for entities already applying IFRS. The Group is currently in the process of evaluating the potential effect of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases
IFRS 16 was published in January 2016. The new standard replaces the current IAS 17 Leases, SIC-15, SIC-27 and IFRIC 4. The new standard includes the following changes to lease accounting:

Recognition of all leases, other than short-term leases, is required on the balance sheet in the form of a right-of-use and a matching liability. As a result, a lessee would be required to recognise fixed assets and financial liabilities with corresponding amounts of amortisation and interest as currently required for finance leases. Also rental payments for e.g. property need in most cases to be capitalised as fixed assets.

Further decisions taken:
- An exception exists for short-term leases (i.e. leases of 12 months or less) and an explicit recognition and measurement exemption for leases of ‘small assets’.
- ‘Grandfathering’ of the definition of a lease on transition will be permitted, but not required.
- A lessee is required to provide qualitative disclosures in addition to the quantitative disclosures only if they are necessary to satisfy the lessee disclosure objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

IFRS 16 is required to be applied for annual periods beginning on or after 1 January 2019. An entity will be able to choose to either apply the standard on a fully retrospective basis or apply a retrospective approach with the benefit of certain transition reliefs. Early application of IFRS 16 is permitted if IFRS 15 is also applied at or before the date of early application. The Group is currently in the process of evaluating the potential effect of IFRS 16 on its consolidated financial statements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. Net fee and commission income

	2016 CHF m	2015 CHF m	Change in %
Investment management, advisory and other fees	902.9	985.2	(8)
Distribution, fee and commission expenses	(432.4)	(467.4)	(7)
Net management fees and commissions	**470.5**	**517.8**	**(9)**
Performance fees	7.7	90.5	(91)
Performance fees paid to external investment managers	(4.7)	(7.7)	(39)
Net performance fees	**3.0**	**82.8**	**(96)**
Net fee and commission income	**473.5**	**600.6**	**(21)**

5. Net other income/(expenses)

	Note	2016 CHF m	2015 CHF m	Change in %
Foreign exchange gains/(losses)		0.4	(0.2)	-
Interest income		0.5	0.8	(38)
Interest expenses		(3.8)	(2.0)	90
Net gains/(losses) on financial assets available-for-sale		(2.1)	0.5	-
Net gains/(losses) on financial assets at fair value through profit or loss		(1.1)	(3.7)	-
Gain/(loss) on sale of Cayman business	10	(0.6)	4.5	-
Adjustments to deferred consideration liabilities	10	14.9	(6.8)	-
Settlement on termination of Julius Baer licence agreement	10	4.2	-	-
Other		5.9	5.1	16
Net other income/(expenses)		**18.3**	**(1.8)**	**-**

The line item ‘interest expenses’ includes negative interest on cash and cash equivalents of CHF 1.7 million (2015: CHF 1.4 million) and finance charges on discounted liabilities of CHF 2.1 million (2015: CHF 0.2 million) relating to the deferred consideration elements of acquisitions made. For further information see note 10.

As a result of the agreement with Julius Baer to terminate the licence agreement on the use of the Julius Baer trademarks for the Group’s investment funds, a one-off settlement of CHF 4.2 million was recognised in 2016.

In 2015, the CHF 4.5 million gain on the sale of the Cayman business included CHF 0.8 million losses on translation differences reclassified to the income statement.

6. Personnel expenses

	Note	2016 CHF m	2015 CHF m	Change in %
Salaries and bonuses		189.6	248.7	(24)
Social security expenses		16.6	21.7	(24)
Defined benefit pension plan expenses	20.2	3.7	7.2	(49)
Defined contribution pension plan expenses	20.1	8.4	9.3	(10)
Share-based payment expenses	9.3/26	8.7	7.7	13
Other personnel expenses		8.2	8.6	(5)
Personnel expenses		**235.2**	**303.2**	**(22)**

As a result of changes made to the Swiss defined benefit pension plan in 2016, a gain of CHF 8.1 million before taxes was recognised in the income statement in the line item ‘defined benefit pension plan expenses’. For further information see note 20.

In 2016, the respective line items included CHF 3.9 million (2015: CHF 12.1 million) in salaries and bonuses as well as 0.2 million (2015: CHF 0.7 million) in social security expenses in respect of the restructuring. For further information regarding restructuring see note 19.

7. General expenses

	2016 CHF m	2015 CHF m	Change in %
Occupancy expenses	26.0	28.6	(9)
IT expenses	16.2	18.3	(11)
Communication and marketing expenses	29.2	30.6	(5)
Professional services, other fees and charges	16.8	15.9	6
Administration expenses	6.1	-	-
Other general expenses	12.1	14.2	(15)
General expenses	**106.4**	**107.6**	**(1)**

In 2015, the line item ‘professional services, other fees and charges’ included CHF 0.3 million in general expenses in respect of the restructuring. For further information regarding restructuring see note 19.

Administration expenses represent outsourcing fees paid to the external service provider for taking over back office and middle office functions. For further information see note 19.

8. Impairment losses

	2016 CHF m	2015 CHF m
Software	-	1.9
Property and equipment	-	0.7
Impairment losses	**-**	**2.6**

Software
As part of reorganising the Group’s operations in 2015, the Group took the decision to decommission certain software supporting the operations function, which resulted in an impairment loss on capitalised software. For further information regarding restructuring see note 19.

Property and equipment
In 2015, the Group took the decision to exit from one of its Zurich offices as part of reorganising the Group’s operations. As a result, certain leasehold improvements had to be impaired. For further information regarding restructuring see note 19.

9. Income tax (credit)/expense

9.1. Tax effects recognised in the income statement

	2016 CHF m	2015 CHF m
Income tax expense at the Swiss statutory tax rate of the parent company of 21% (2015: 21%)	27.8	37.2
Deferred tax asset relating to merger of Swiss legal entities	(27.8)	-
Impact of tax rates differing from Swiss statutory rate	(4.8)	(1.4)
Non-taxable and lower taxed income	(0.8)	-
Current year losses not recognised	0.5	0.2
Prior year adjustments	(0.5)	0.6
Non-deductible expenses	2.6	1.0
Other	0.3	-
Income tax (credit)/expense	**(2.7)**	**37.6**

In the second half of 2016, a deferred tax asset in the amount of CHF 27.8 million was recognised relating to tax loss carry-forwards resulting from the merger of Swiss legal entities. For further information see note 16.

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 7.6 million (2015: CHF 5.2 million). CHF 5.0 million (2015: CHF 4.7 million) of this amount will expire within ten years, whilst the remainder amounting to CHF 2.6 million (2015: CHF 0.5 million) has no expiry date.

	2016 CHF m	2015 CHF m
Current income tax expense	21.8	35.0
Deferred income tax expense	(24.5)	2.6
Income tax (credit)/expense	**(2.7)**	**37.6**

9.2. Tax effects recognised in other comprehensive income

For further information refer to the consolidated statement of comprehensive income.

9.3. Tax effects recognised directly in equity

Tax effects on share-based payments resulted in a debit to equity of CHF 0.8 million (2015: debit of CHF 0.3 million). With the share-based payment expenses of CHF 8.7 million (2015: CHF 7.7 million) and these tax effects, CHF 7.9 million (2015: CHF 7.4 million) is included in the respective line item within equity as shown in the consolidated statement of changes in equity.

10. Reconciliation between net profit (IFRS) and underlying net profit

			2016			2015
	IFRS CHF m	Reconciling items CHF m	Underlying CHF m	IFRS CHF m	Reconciling items CHF m	Underlying CHF m
Net management fees and commissions	470.5	-	470.5	517.8	-	517.8
Net performance fees	3.0	-	3.0	82.8	-	82.8
Net fee and commission income	**473.5**	**-**	**473.5**	**600.6**	**-**	**600.6**
Net other income/(expenses)	18.3	(13.2)	5.1	(1.8)	2.5	0.7
Income	**491.8**	**(13.2)**	**478.6**	**598.8**	**2.5**	**601.3**
Personnel expenses	235.2	11.0	246.2	303.2	(13.2)	290.0
General expenses	106.4	(3.5)	102.9	107.6	(2.7)	104.9
Depreciation and amortisation	18.6	(9.2)	9.4	9.5	(0.9)	8.6
Impairment losses	-	-	-	2.6	(2.6)	-
Expenses	**360.2**	**(1.7)**	**358.5**	**422.9**	**(19.4)**	**403.5**
Profit before taxes	**131.6**	**(11.5)**	**120.1**	**175.9**	**21.9**	**197.8**
Income tax (credit)/expense	(2.7)	28.6	25.9	37.6	1.8	39.4
Net profit	**134.3**	**(40.1)**	**94.2**	**138.3**	**20.1**	**158.4**
Earnings per share						
Basic earnings per share (CHF)	0.85		0.60	0.87		0.99
Diluted earnings per share (CHF)	0.85		0.60	0.86		0.98

Reconciling items

	Note	2016 Acquisition-related items CHF m	2016 Non-recurring items CHF m	2016 Total reconciling items CHF m	2015 Acquisition-related items CHF m	2015 Non-recurring items CHF m	2015 Total reconciling items CHF m
Adjustments to deferred consideration liabilities	5	(14.9)	-	(14.9)	6.8	-	6.8
Foreign exchange gains/(losses) on deferred consideration liabilities		3.2	-	3.2	-	-	-
Sale of Cayman business	5	-	0.6	0.6	-	(4.5)	(4.5)
Finance charges on discounted liabilities	5	2.1	-	2.1	0.2	-	0.2
Settlement on termination of Julius Baer licence agreement	5	-	(4.2)	(4.2)	-	-	-
Net other income/(expenses)		**(9.6)**	**(3.6)**	**(13.2)**	**7.0**	**(4.5)**	**2.5**
Adjustments to deferred consideration liabilities		8.0	-	8.0	(5.5)	-	(5.5)
Reorganisation charge	19	-	(4.1)	(4.1)	-	(7.4)	(7.4)
Pension plan amendment	6	-	8.1	8.1	-	-	-
Deal and integration costs		-	(1.0)	(1.0)	-	(0.3)	(0.3)
Personnel expenses		**8.0**	**3.0**	**11.0**	**(5.5)**	**(7.7)**	**(13.2)**
Reorganisation charge		-	(0.3)	(0.3)	-	(1.5)	(1.5)
Deal and integration costs		-	(3.2)	(3.2)	-	(1.2)	(1.2)
General expenses		**-**	**(3.5)**	**(3.5)**	**-**	**(2.7)**	**(2.7)**
Reorganisation charge		-	(0.2)	(0.2)	-	-	-
Amortisation of investment management and client contracts	17	(9.0)	-	(9.0)	(0.9)	-	(0.9)
Depreciation and amortisation		**(9.0)**	**(0.2)**	**(9.2)**	**(0.9)**	**-**	**(0.9)**
Reorganisation charge		-	-	-	-	(2.6)	(2.6)
Impairment losses	8	**-**	**-**	**-**	**-**	**(2.6)**	**(2.6)**
Total reconciling items before taxes		**(8.6)**	**(2.9)**	**(11.5)**	**13.4**	**8.5**	**21.9**
Deferred tax asset relating to merger of Swiss legal entities	16	-	27.8	27.8	-	-	-
Income tax charges/(credits)		1.5	(0.7)	0.8	(0.5)	2.3	1.8
Total reconciling items after taxes		**(10.1)**	**(30.0)**	**(40.1)**	**13.9**	**6.2**	**20.1**

The Group has defined principles for reporting non-IFRS profit information – including labelling, transparency, prominence and presentation, comparability, consistency and materiality – which are considered to be appropriate to meet the needs of users of financial information. The Group discloses underlying profit before and after taxes as alternative performance measures representing a measure of earnings adjusted to exclude items which are not viewed as part of the Group's underlying operating activities.

According to its policy, the Group distinguishes between two categories of excluded items, in adherence to the principles mentioned above, being acquisition-related items and non-recurring items.

Below items are stated before taxes.

Acquisition-related items

2016

Adjustments to deferred consideration liabilities

The Group acquired Arkos Capital SA (subsequently renamed and now known as 'GAM Lugano'), the Singleterry Mansley business, the Renshaw Bay real estate debt business and in 2016 the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners, all with a deferred consideration element. In 2016, the value of the deferred consideration liabilities, compared to that recognised at acquisition or in subsequent periods, was reduced by CHF 22.9 million. Thereof, CHF 14.9 million was recognised as income in the line item 'net other income/(expenses)' and CHF 8.0 million as a credit to the line item 'personnel expenses'. In addition, a net of hedging loss of CHF 3.2 million was recognised in the line item 'foreign exchange gains/(losses)'.

Finance charges on discounted liabilities

The CHF 2.1 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of Arkos Capital SA (now 'GAM Lugano'), the Singleterry Mansley business, the Renshaw Bay real estate business and the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners.

Amortisation of investment management and client contracts

The CHF 9.0 million amortisation of investment management and client contracts relates to the acquisitions of the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners in H2 2016, the Renshaw Bay real estate business in 2015 and the Singleterry Mansley business in 2014.

2015

Adjustments to deferred consideration liabilities

The Group acquired Arkos Capital SA (subsequently renamed and now known as 'GAM Lugano'), the Singleterry Mansley business and the Renshaw Bay real estate debt business, all with a deferred consideration element. In 2015, CHF 12.3 million was recognised as additional consideration payable compared to that recognised at acquisition or in subsequent periods.

Finance charges on discounted liabilities

The CHF 0.2 million finance charges on discounted liabilities relate to the deferred consideration elements of the acquisitions of Arkos Capital SA (now 'GAM Lugano'), the Singleterry Mansley business and the Renshaw Bay real estate business.

Amortisation of investment management and client contracts

The CHF 0.9 million amortisation of investment management and client contracts relates to the acquisitions of the Singleterry Mansley business in 2014 and the Renshaw Bay real estate business in 2015.

Non-recurring items

2016

Sale of Cayman business

In 2015, the Group sold the Cayman fund administration business to JTC Group Limited with a deferred consideration element. In 2016, the fair value estimate of deferred consideration was reduced by CHF 0.6 million compared to that recognised at the date of disposal.

Settlement on termination of Julius Baer licence agreement

As a result of the agreement with Julius Baer to terminate the licence agreement on the use of the Julius Baer trademarks for the Group's investment funds, a one-off settlement of CHF 4.2 million was recognised in 2016.

Pension plan amendment

As a result of changes introduced to the Swiss defined benefit pension plan, a one-off gain of CHF 8.1 million was recognised in the income statement. For further information see notes 6 and 20.

Reorganisation charge

The charge of CHF 4.6 million includes costs of CHF 4.1 million associated with the operational reorganisation resulting from the year-end revaluation of the restructuring provision (for further information see note 19) as well as CHF 0.5 million relating to the office facility exit in the UK (thereof CHF 0.2 million relating to the amortisation of property and equipment and CHF 0.3 million relating to occupancy expenses recognised in the line item 'general expenses').

Deal and integration costs

The Group signed agreements to acquire the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners. As part of these acquisitions, CHF 4.2 million of deal and integration costs was incurred in 2016. For further information regarding acquisitions see note 30.

Deferred tax asset relating to merger of Swiss legal entities

In the second half of 2016, a deferred tax asset in the amount of CHF 27.8 million relating to tax loss carry-forwards resulting from a merger of certain Swiss legal entities arose. For further information see note 16.

2015

Sale of Cayman business

In 2015, the Group's Cayman fund administration business was sold to JTC Group Limited. A gain on disposal of CHF 4.5 million (including losses on translation differences reclassified to the income statement of CHF 0.8 million) was recognised based on cash consideration received and a fair value estimate of deferred consideration.

Reorganisation charge

During 2015, the Group undertook to reorganise certain aspects of its business resulting in a charge of CHF 11.5 million. The charge includes costs associated with an operational reorganisation resulting in certain administrative functions being outsourced causing redundancies, software being impaired, pension liabilities being curtailed (see note 20.2 for further information), office facilities being exited, rebranding and certain other redundancies (for further information regarding impairment and restructuring see notes 8 and 19).

Deal and integration costs

In 2015, the Group acquired the Renshaw Bay real estate business for an initial cash consideration of CHF 11.0 million. As part of the acquisition, CHF 1.3 million of deal and integration costs was incurred (for further information regarding acquisitions see note 30). In addition, certain expenses relating to the sale of the Cayman business amounting to CHF 0.2 million were incurred and recognised.

11. Earnings per share and shares outstanding

11.1. Earnings per share

	2016	2015
Basic earnings per share		
Net profit attributable to the shareholders of the Company (CHF m)	134.3	138.3
Weighted average number of shares outstanding (millions)	157.7	159.9
Basic earnings per share (CHF)	**0.85**	**0.87**
Diluted earnings per share		
Net profit attributable to the shareholders of the Company for diluted EPS (CHF m)	134.3	138.3
Weighted average number of shares outstanding (millions)	157.7	159.9
Dilution effect (millions)	0.1	0.9
Weighted average number of shares outstanding for diluted EPS (millions)	157.8	160.8
Diluted earnings per share (CHF)	**0.85**	**0.86**

11.2. Shares outstanding

	Note	2016	2015
Shares issued at the beginning of the year		163,394,731	166,661,731
Cancelled during the year		(3,100,000)	(3,267,000)
Shares issued at the end of the year	21	**160,294,731**	**163,394,731**
Treasury shares – share buy-back programme	21	(612,200)	(3,100,000)
Treasury shares – share-based payment plans	21	(2,186,616)	(2,154,167)
Shares outstanding at the end of the year		**157,495,915**	**158,140,564**

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. Cash and cash equivalents

	31.12.2016 CHF m	31.12.2015 CHF m	Change in %
Cash at bank	311.8	499.2	(38)
Short-term deposits	40.9	133.7	(69)
Cash and cash equivalents	**352.7**	**632.9**	**(44)**

13. Accrued income and prepaid expenses

	31.12.2016 CHF m	31.12.2015 CHF m	Change in %
Accrued fee and commission income	85.3	124.3	(31)
Prepaid expenses	9.2	9.7	(5)
Accrued other income	4.9	1.0	390
Accrued income and prepaid expenses	**99.4**	**135.0**	**(26)**

14. Financial instruments

14.1. Financial investments and other financial assets

	Note	31.12.2016 CHF m	31.12.2015 CHF m	Change in %
Debt financial assets available-for-sale		-	0.3	(100)
Equity financial assets available-for-sale		24.1	25.8	(7)
Derivative financial instruments	14.3	1.3	0.9	44
Equity financial assets designated at fair value through profit or loss		50.6	23.2	118
Other financial assets		2.1	2.9	(28)
Financial investments and other financial assets		**78.1**	**53.1**	**47**
Current		75.3	49.3	53
Non-current		2.8	3.8	(26)
Financial investments and other financial assets		**78.1**	**53.1**	**47**

14.2. Other and non-current financial liabilities

	Note	31.12.2016 CHF m	31.12.2015 [1] CHF m represented	Change in %
Derivative financial instruments	14.3	0.5	1.1	(55)
Financial liabilities at fair value through profit or loss	14.5	120.5	53.7	124
Financial liabilities measured at amortised cost		3.1	3.4	(9)
Other and non-current financial liabilities		**124.1**	**58.2**	**113**
Current		9.7	19.4	(50)
Non-current		114.4	38.8	195
Other and non-current financial liabilities		**124.1**	**58.2**	**113**

[1] Comparative figures within current liabilities have been reclassified. For further information see note 2.

14.3. Derivative financial instruments

	Contract/ notional amount CHF m	Positive replacement value CHF m	2016 Negative replacement value CHF m
Foreign exchange derivative financial instruments	251.0	1.2	0.5
Other derivative financial instruments (index futures/swaps)	25.2	-	-
Derivative financial instruments held for trading	**276.2**	**1.2**	**0.5**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	14.1	0.1	-
Derivative financial instruments designated as hedging instruments	**14.1**	**0.1**	**-**
Derivative financial instruments	**290.3**	**1.3**	**0.5**

	Contract/ notional amount CHF m	Positive replacement value CHF m	2015 Negative replacement value CHF m
Foreign exchange derivative financial instruments	48.7	-	0.5
Other derivative financial instruments (index and commodity futures/swaps)	31.7	0.9	0.4
Derivative financial instruments held for trading	**80.4**	**0.9**	**0.9**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	17.8	-	0.2
Derivative financial instruments designated as hedging instruments	**17.8**	**-**	**0.2**
Derivative financial instruments	**98.2**	**0.9**	**1.1**

Losses of CHF 0.5 million (2015: losses of CHF 0.3 million) on derivative financial instruments designated as hedging instruments and gains of CHF 0.2 million (2015: gains of CHF 0.1 million) on the hedged items attributable to the hedged risk (foreign exchange exposure of equity financial assets available-for-sale) result in a hedge ineffectiveness of CHF 0.3 million (2015: CHF 0.2 million), which is recognised in the income statement in ‘net other income/(expenses)’.

14.4. Financial instruments by category

	31.12.2016 Carrying amount CHF m	31.12.2015 Carrying amount CHF m
Cash and cash equivalents	352.7	632.9
Trade and other receivables (excluding tax receivable)	28.8	23.4
Accrued income	90.2	125.3
Other financial assets	1.8	1.9
Financial assets measured at amortised cost	**473.5**	**783.5**
Financial assets available-for-sale	24.1	26.1
Derivative financial instruments held for trading	1.2	0.9
Derivative financial instruments designated as hedging instruments	0.1	-
Financial assets designated at fair value through profit or loss	50.9	24.2
Financial assets at fair value held for trading	11.3	11.3
Financial assets measured at fair value	**87.6**	**62.5**
Financial assets	**561.1**	**846.0**
Trade and other payables	18.8	21.9
Accrued expenses	203.8	224.9
Other financial liabilities	3.1	3.4
Financial liabilities measured at amortised cost	**225.7**	**250.2**
Derivative financial instruments held for trading	0.5	0.9
Derivative financial instruments designated as hedging instruments	-	0.2
Financial liabilities designated at fair value through profit or loss	122.5	55.1
Financial liabilities measured at fair value	**123.0**	**56.2**
Financial liabilities	**348.7**	**306.4**

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 and liabilities measured at fair value see note 14.5.

The categories ‘financial assets at fair value held for trading’ and ‘financial liabilities designated at fair value through profit or loss’ include the balance sheet line items ‘assets held for sale’ and ‘liabilities held for sale’ which contain the controlled funds’ direct investments in the amount of CHF 11.3 million (31 December 2015: CHF 18.8 million), representing investments into financial instruments (31 December 2015: CHF 11.3 million were invested into financial instruments and CHF 7.5 million into physical commodities). All physical commodities were measured at fair value through profit or loss and categorised within level 1 of the fair value hierarchy. See note 15 for more information.

14.5. 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, where 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 are 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 values are 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	31.12.2016 **Total** CHF m
Derivative financial instruments	-	1.3	-	**1.3**
Financial assets at fair value through profit or loss	40.5	21.3	0.4	**62.2**
Financial assets available-for-sale	12.3	0.9	10.9	**24.1**
Financial assets measured at fair value	**52.8**	**23.5**	**11.3**	**87.6**
Derivative financial instruments	-	0.5	-	**0.5**
Financial liabilities at fair value through profit or loss	-	2.0	120.5	**122.5**
Financial liabilities measured at fair value	**-**	**2.5**	**120.5**	**123.0**

	Level 1 CHF m	Level 2 CHF m	Level 3 CHF m	31.12.2015 **Total** CHF m
Derivative financial instruments	-	0.9	-	**0.9**
Financial assets at fair value through profit or loss	24.8	9.7	1.0	**35.5**
Financial assets available-for-sale	6.3	6.4	13.4	**26.1**
Financial assets measured at fair value	**31.1**	**17.0**	**14.4**	**62.5**
Derivative financial instruments	-	1.1	-	**1.1**
Financial liabilities at fair value through profit or loss	1.4	-	53.7	**55.1**
Financial liabilities measured at fair value	**1.4**	**1.1**	**53.7**	**56.2**

The categories ‘financial assets at fair value through profit or loss’ and ‘financial liabilities at fair value through profit or loss’ include the balance sheet line items ‘assets held for sale’ and ‘liabilities held for sale’ which contain the controlled funds’ direct investments. See notes 14.4 and 15 for more information.

Transfers into and transfers out of the fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer. On 31 December 2016, compared to prior year, financial assets in the amount of CHF 9.8 million were transferred from level 2 to level 1 due to more regularly occurring market transactions which now meet the definition of an active market.

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. If 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 represent mainly deferred consideration liabilities relating to the acquisitions made. These are measured based on their contractual terms and expected future business performance.

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

	Financial assets at fair value through profit or loss CHF m	Financial assets available-for-sale CHF m	**Total financial assets** CHF m	Financial liabilities at fair value through profit or loss CHF m
Balance at 1 January 2015	-	14.3	**14.3**	44.7
Acquisition of business	-	-	**-**	4.7
Disposals/settlements	-	(0.8)	**(0.8)**	(12.3)
Total gains/losses:				
- in profit or loss	1.1	-	**1.1**	16.7
- in other comprehensive income	-	(0.2)	**(0.2)**	-
Translation differences	-	-	**-**	(0.1)
Balance at 31 December 2015	**1.1**	**13.3**	**14.4**	**53.7**
Acquisition of business	-	-	**-**	99.4
Disposals/settlements	(0.1)	(1.0)	**(1.1)**	(18.0)
Total gains/losses:				
- in profit or loss	(0.6)	(2.5)	**(3.1)**	(14.5)
- in other comprehensive income	-	1.1	**1.1**	-
Translation differences	-	-	**-**	(0.1)
Balance at 31 December 2016	**0.4**	**10.9**	**11.3**	**120.5**

In 2016, net gains of CHF 11.4 million (2015: net losses of CHF 15.6 million) included in profit or loss relate to level 3 financial instruments held at the end of the reporting period. These gains and losses are included in the line items ‘net other income/(expenses)’ and ‘personnel expenses’. For further information on the financial liabilities see note 10 regarding adjustments to the deferred consideration liabilities.

Sensitivity of fair value measurements

As in the prior year, no reasonably possible change in the inputs used in determining the fair value of financial assets would cause a significant change in the fair value of these level 3 financial instruments.

However, level 3 financial liabilities, representing the deferred consideration liabilities from acquisitions made by the Group, are impacted by reasonable possible changes to the inputs used in determining their fair value, predominantly the deferred consideration liability from the acquisition of Cantab Capital Partners which is estimated to be CHF 96.2 million as at 31 December 2016.

Contingent consideration regarding the acquisition of Cantab Capital Partners

The deferred consideration is based on net management fee revenue from the strategies managed by the Cantab investment team for 2018, 2019 and 2020, payable after each period end. The deferred consideration liability represents the present value of expected payments, determined by considering the forecasted net management fee revenue, discounted using a risk-adjusted discount rate. The significant unobservable inputs are as follows:

- forecasted revenue from net management fees for 2017; and
- future growth rates (2018 to 2020: 18% to 22% annually)

The estimated fair value would increase (decrease) if:

- the forecasted revenue from net management fees for 2017 were higher (lower). An increase (decrease) of 5% would result in the estimated fair value being higher (lower) by CHF 5 million / (CHF 5 million);
- the future growth rates were higher (lower). An increase (decrease) of 1% would result in the estimated fair value being higher (lower) by CHF 1 million / (CHF 1 million).

15. Assets and liabilities held for sale

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 the Group's 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 2015, also direct investments in physical commodities were included). All physical commodities were measured at fair value through profit or loss and categorised within level 1 of the fair value hierarchy.

	31.12.2016 CHF m	31.12.2015 CHF m
Direct investments in financial instruments	11.3	11.3
Direct investments in physical commodities	-	7.5
Assets held for sale	**11.3**	**18.8**
Liabilities held for sale	**2.0**	**1.4**

16. Deferred tax assets and liabilities

16.1. Deferred tax assets

	2016 CHF m	2015 CHF m
Balance at the beginning of the year	26.1	32.4
Recognised in profit or loss	23.0	(2.5)
Recognised directly in equity	(0.7)	(1.2)
Recognised in other comprehensive income	9.9	(1.1)
Acquired in business combinations	0.2	-
Translation differences and other adjustments	(2.2)	(1.5)
Balance at the end of the year	**56.3**	**26.1**
Components of deferred tax assets		
Tax loss carry-forwards	28.7	2.3
Pension liability	22.8	14.2
Employee compensation and benefits	1.1	3.8
Share-based payments	0.3	1.9
Property and equipment	1.9	1.7
Other	1.5	2.2
Deferred tax assets at the end of the year	**56.3**	**26.1**

In June 2016, the Group simplified its operating legal entity structure in Switzerland by merging GAM (Schweiz) AG and GAM Investment Management Lugano SA into GAM Anlagefonds AG which subsequently has been renamed GAM Capital Management (Switzerland) AG. As a result, a deferred tax asset of CHF 27.8 million relating to tax loss carry-forwards was recognised in 2016. This deferred tax asset is expected to be fully recoverable through future taxable profits.

16.2. Deferred tax liabilities

	2016 CHF m	2015 CHF m
Balance at the beginning of the year	1.0	-
Recognised in profit or loss	(1.5)	0.1
Acquired in business combinations	43.4	1.0
Translation differences and other adjustments	-	(0.1)
Balance at the end of the year	**42.9**	**1.0**
Components of deferred tax liabilities		
Intangible assets	42.7	0.9
Property and equipment	0.2	0.1
Deferred tax liabilities at the end of the year	**42.9**	**1.0**

The deferred tax liabilities acquired in the business combinations relate to investment management and client contracts acquired from Renshaw Bay, Taube Hodson Stonex and Cantab Capital Partners. See note 30 for further information.

17. Property and equipment, goodwill and other intangible assets

	Property and equipment CHF m	Goodwill CHF m	Investment management and client contracts CHF m	Brand CHF m	Software CHF m	**Goodwill and other intangible assets** CHF m
Historical cost						
Balance at 1 January 2015	**73.0**	1,852.1	1,000.7	273.0	35.3	**3,161.1**
Additions	**3.3**	-	-	-	5.7	**5.7**
Acquisition of business	**-**	12.4	5.2	-	-	**17.6**
Disposals	**(3.7)**	-	-	-	(0.5)	**(0.5)**
Disposal of subsidiaries	**(0.4)**	-	-	-	-	**-**
Translation differences	**(2.1)**	-	-	-	(0.5)	**(0.5)**
Balance at 31 December 2015	**70.1**	**1,864.5**	**1,005.9**	**273.0**	**40.0**	**3,183.4**
Additions	**3.0**	-	-	-	5.9	**5.9**
Acquisition of business	**0.2**	114.0	242.3	-	-	**356.3**
Disposals	**(6.0)**	-	-	-	-	**-**
Translation differences	**(3.7)**	(1.2)	0.5	-	(2.7)	**(3.4)**
Balance at 31 December 2016	**63.6**	**1,977.3**	**1,248.7**	**273.0**	**43.2**	**3,542.2**
Accumulated depreciation, amortisation and impairment losses						
Balance at 1 January 2015	**55.0**	764.4	995.9	-	29.2	**1,789.5**
Additions	**5.9**	-	0.9	-	2.7	**3.6**
Disposals	**(3.7)**	-	-	-	(0.5)	**(0.5)**
Impairment losses	**0.7**	-	-	-	1.9	**1.9**
Disposal of subsidiaries	**(0.3)**	-	-	-	-	**-**
Translation differences	**(1.6)**	-	-	-	(0.5)	**(0.5)**
Balance at 31 December 2015	**56.0**	**764.4**	**996.8**	**-**	**32.8**	**1,794.0**
Additions	**5.7**	-	9.0	-	3.9	**12.9**
Disposals	**(6.0)**	-	-	-	-	**-**
Translation differences	**(3.1)**	-	0.1	-	(1.4)	**(1.3)**
Balance at 31 December 2016	**52.6**	**764.4**	**1,005.9**	**-**	**35.3**	**1,805.6**
Carrying amounts						
Historical cost	**70.1**	1,864.5	1,005.9	273.0	40.0	**3,183.4**
Accumulated depreciation, amortisation and impairment losses	**56.0**	764.4	996.8	-	32.8	**1,794.0**
Balance at 31 December 2015	**14.1**	**1,100.1**	**9.1**	**273.0**	**7.2**	**1,389.4**
Historical cost	**63.6**	1,977.3	1,248.7	273.0	43.2	**3,542.2**
Accumulated depreciation, amortisation and impairment losses	**52.6**	764.4	1,005.9	-	35.3	**1,805.6**
Balance at 31 December 2016	**11.0**	**1,212.9**	**242.8**	**273.0**	**7.9**	**1,736.6**

Disposals include 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 the Group operates. Significant management judgement is required with respect to the key assumptions used.

Goodwill and brand

The Group holds goodwill on the acquisition of GAM and its investment management activities. In 2016, additional goodwill was recognised when the investment management businesses of Taube Hodson Stonex (CHF 2.0 million) and Cantab Capital Partners (CHF 112.0 million) were acquired (see note 30). In 2015, additional goodwill of CHF 12.4 million was recognised when the Renshaw Bay real estate debt business was acquired (see note 30). The brand relates to the acquisition of GAM. As the brand is directly linked with the ongoing operations of GAM, the brand is considered to have an indefinite useful life.

The Group tests the brand name GAM together with the goodwill for impairment annually, as both relate to the same cash-generating unit, or whenever there are indications that the goodwill and the brand 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 unit (i.e. for the smallest identifiable group 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 five-year financial planning, taking into account the following key parameters and their individual components:
- assets under management
- management fee margin on assets under management
- income and expenses
- expected tax rate

Other key assumptions are the 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 its products vis-à-vis its respective competitors and its industry.

The resulting free cash flows are discounted to their present value, using a pre-tax discount rate of 9.4% (2015: 11.4%) based on the risk-free rate obtained from the yield on 30-year bonds issued by the governments in the relevant markets 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. The discount rates used in the above calculation represent the Group's specific risk-weighted rates. To calculate the recoverable amount of the goodwill, the Group applies a 1.5% (2015: 2.0%) terminal growth rate, which is in line with the expected long-term growth rate of the gross domestic products for markets relevant to the Group.

Based on the impairment test performed considering the assumptions above there was no impairment loss in 2016 (2015: none).

Changes in key assumptions

Deviations of actual results versus forecasted/planned key assumptions as well as future changes of any key assumptions based on a differing future assessment of the development of relevant markets and/or the businesses may occur from time to time. Such deviations may result from changes in products, client mix, profitability, types and intensity of personnel resources, general and company-specific personnel costs, new business initiatives and other internal 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 its recoverable amount or may even lead to a partial impairment of goodwill and the brand.

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

Investment management and client contracts

Investment management and client contracts acquired prior to 2014 are fully amortised. In 2015, investment management and client contracts were recognised with the acquisition of the Renshaw Bay real estate debt business (see note 30). In 2016, investment management and client contracts were recognised when the investment management businesses of Taube Hodson Stonex and Cantab Capital Partners were acquired (see note 30). Investment management and client contracts 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 investment management and client contracts are impaired, the Group uses a discounted cash flow model based on future cash flows attributable to identified investment management and client contracts to determine the recoverable amount.

In 2016, there was no indication that investment management and client contracts may be impaired and therefore, no estimate of the recoverable amount has been made.

Software

In 2015, as part of reorganising the Group's operations, the Group took the decision to decommission certain software supporting the operations function, which resulted in an impairment loss on capitalised software in the amount of CHF 1.9 million. For further information regarding reorganisation see note 19.

Impairment testing – property and equipment

In 2015, the Group took the decision to exit from one of its Zurich offices as part of reorganising the Group's operations. As a result, certain leasehold improvements in the amount of CHF 0.7 million had to be impaired. For further information regarding reorganisation see note 19.

18. Accrued expenses and deferred income

	31.12.2016 CHF m	31.12.2015 CHF m	Change in %
Accrued commission expenses	108.2	107.2	1
Other accrued expenses and deferred income	95.6	117.7	(19)
Accrued expenses and deferred income	**203.8**	**224.9**	**(9)**

19. Provisions

	Restructuring CHF m	Reinstatement of leasehold improvements CHF m	Other CHF m	2016 Total CHF m
Balance at the beginning of the year	12.5	4.0	0.1	**16.6**
Recognised during the year	4.5	0.2	1.0	**5.7**
Utilised during the year	(6.0)	(0.9)	(0.2)	**(7.1)**
Reversed during the year	(0.4)	(0.1)	(0.1)	**(0.6)**
Translation differences	(0.6)	(0.4)	-	**(1.0)**
Balance at the end of the year	**10.0**	**2.8**	**0.8**	**13.6**
Current	10.0	0.5	0.7	**11.2**
Non-current	-	2.3	0.1	**2.4**
Balance at the end of the year	**10.0**	**2.8**	**0.8**	**13.6**

Restructuring

To reduce internal complexity and increase efficiency, management decided to introduce a consistent operating model for the Group's investment management and private labelling activities which will enable the Group's operations function to focus on the core parts of the value chain: supporting the portfolio management and client servicing activities.

The implementation of the new operating model requires several restructuring actions, including the outsourcing of middle office and fund accounting activities to a specialised external service provider, the alignment of the different portfolio management systems used by the investment teams to manage and execute trades as well as the development and deployment of an integrated fund database for the entire product range, which will serve as a source for all client and regulatory reporting.

The restructuring measures started in the second half of 2015 and are anticipated to be completed by the end of 2017. As a result, the total number of employment roles are estimated to be significantly reduced across all locations. Regarding impairment of software and impairment of property and equipment in 2015, see note 8.

The restructuring provision was recognised in profit or loss in the following expense line items and is included in the non-recurring reorganisation charge, see note 10:

	2016 CHF m	2015 CHF m
Salaries and bonuses	3.9	12.1
Social security expenses	0.2	0.7
Personnel expenses	**4.1**	**12.8**
General expenses	**-**	**0.3**
Restructuring expenses	**4.1**	**13.1**

Reinstatement of leasehold improvements

The Group leases a number of buildings and provides for the reinstatement costs of these in line with the lease agreements. CHF 0.5 million of this provision is expected to be used in 2017, the remainder of this provision is anticipated to be utilised between 2018 and 2021.

20. Pension plans

20.1. Defined contribution pension plans

The Group maintains a number of defined contribution pension plans, primarily outside Switzerland. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 8.4 million during the 2016 financial year (2015: CHF 9.3 million).

20.2. 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, interest, disability and longevity risk.

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 relevant 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 2015 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 5.44% (31 December 2015: 6.1%), see further below for more information on the pension plan amendment). 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 106% as at 31 December 2016 (31 December 2015: 100%) 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 and the normal retirement age is 60. 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 2014 and was finalised during 2015. The next actuarial valuation will take place as at 31 March 2017. The trustees are responsible for the investment strategy of the assets held in the trust.

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

	2016 CHF m	2015 CHF m
1. Movement in pension plan obligations and plan assets		
Present value of funded obligations at the beginning of the year	427.6	444.0
Current service cost	12.7	12.9
Interest expense on benefit obligation	10.0	11.5
Gain on curtailment and plan amendments	(8.1)	(5.4)
Benefits paid	(17.2)	(17.0)
Actuarial (gains)/losses	82.4	(4.8)
Translation differences	(39.1)	(13.6)
Present value of funded obligations at the end of the year	**468.3**	**427.6**
Fair value of plan assets at the beginning of the year	347.2	347.8
Interest income on plan assets	8.1	9.1
Return on plan assets excluding interest income	23.2	(10.0)
Employer's contributions	14.1	24.6
Employees' contributions	3.6	3.6
Benefits paid	(17.2)	(17.0)
Administration expenses	(0.8)	(0.9)
Translation differences	(30.0)	(10.0)
Fair value of plan assets at the end of the year	**348.2**	**347.2**

	31.12.2016 CHF m	31.12.2015 CHF m
2. Balance sheet		
Fair value of plan assets	348.2	347.2
Present value of funded obligations	468.3	427.6
Pension liabilities	**(120.1)**	**(80.4)**
Deferred tax assets	22.8	14.2
Net amount recognised in the balance sheet	**(97.3)**	**(66.2)**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2016 **Total** CHF m
Balance sheet by geographical locations and components				
Fair value of plan assets	150.1	193.9	4.2	**348.2**
Present value of funded obligations	169.9	293.3	5.1	**468.3**
Pension liabilities	**(19.8)**	**(99.4)**	**(0.9)**	**(120.1)**
Deferred tax assets	3.9	18.3	0.6	**22.8**
Net amount recognised in the balance sheet	**(15.9)**	**(81.1)**	**(0.3)**	**(97.3)**
Active members/employees	154.7	21.3	1.0	**177.0**
Deferred members with vested benefits	-	226.9	4.1	**231.0**
Pensioners	15.2	45.1	-	**60.3**
Present value of funded obligations	**169.9**	**293.3**	**5.1**	**468.3**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2015 **Total** CHF m
Fair value of plan assets	147.2	196.0	4.0	**347.2**
Present value of funded obligations	175.3	247.7	4.6	**427.6**
Pension liabilities	**(28.1)**	**(51.7)**	**(0.6)**	**(80.4)**
Deferred tax assets	4.3	9.6	0.3	**14.2**
Net amount recognised in the balance sheet	**(23.8)**	**(42.1)**	**(0.3)**	**(66.2)**
Active members/employees	170.3	15.9	1.4	**187.6**
Deferred members with vested benefits	-	186.5	3.2	**189.7**
Pensioners	5.0	45.3	-	**50.3**
Present value of funded obligations	**175.3**	**247.7**	**4.6**	**427.6**

The weighted average duration of the defined benefit pension obligation as at 31 December 2016 is 23.3 years (2015: 21.1 years).

	2016 CHF m	2015 CHF m
3. Amounts recognised in the income statement		
Current service cost	(12.7)	(12.9)
Gain on curtailment and plan amendments	8.1	5.4
Interest expense on benefit obligation	(10.0)	(11.5)
Interest income on plan assets	8.1	9.1
Administration expenses	(0.8)	(0.9)
Net pension cost for the period	**(7.3)**	**(10.8)**
Employees' contributions	3.6	3.6
Expense recognised in the income statement	**(3.7)**	**(7.2)**

	2016 CHF m	2015 CHF m
4. Amounts recognised in other comprehensive income		
Actuarial gains/(losses) based on adjustment of demographic assumptions	5.3	2.6
Actuarial gains/(losses) based on adjustment of financial assumptions	(86.7)	1.0
Experience adjustments	(1.0)	1.2
Return on plan assets excluding interest income	23.2	(10.0)
Remeasurements recognised in other comprehensive income	**(59.2)**	**(5.2)**

	2016 CHF m	2015 CHF m
5. Movement in pension liabilities		
Pension liabilities at the beginning of the year	(80.4)	(96.2)
Expense recognised in the income statement	(3.7)	(7.2)
Remeasurements recognised in other comprehensive income	(59.2)	(5.2)
Employer's contributions	14.1	24.6
Translation differences	9.1	3.6
Pension liabilities at the end of the year	**(120.1)**	**(80.4)**
Actual return on plan assets	31.3	(0.9)

	Quoted in an active market CHF m	Unquoted CHF m	Total CHF m	31.12.2016 Plan asset allocation in %
6. Asset allocation				
Cash and cash equivalents	17.0	-	**17.0**	4.9
Debt instruments	85.8	-	**85.8**	24.7
Investment funds				
- Money market	1.5	-	**1.5**	0.4
- Equity	102.1	-	**102.1**	29.3
- Bonds	86.7	-	**86.7**	24.9
- Real estate	24.4	-	**24.4**	7.0
- Other	11.0	7.9	**18.9**	5.4
Other investments	11.8	-	**11.8**	3.4
Fair value of plan assets	**340.3**	**7.9**	**348.2**	**100.0**

	Quoted in an active market CHF m	Unquoted CHF m	Total CHF m	31.12.2015 Plan asset allocation in %
Cash and cash equivalents	5.3	-	**5.3**	1.5
Debt instruments	72.2	-	**72.2**	20.8
Investment funds				
- Money market	1.6	-	**1.6**	0.5
- Equity	114.0	-	**114.0**	32.8
- Bonds	100.9	-	**100.9**	29.1
- Real estate	22.6	-	**22.6**	6.5
- Other	4.4	10.7	**15.1**	4.3
Other investments	15.5	-	**15.5**	4.5
Fair value of plan assets	**336.5**	**10.7**	**347.2**	**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 investment profile is in line with the demographic structure of the plan members.

The expected employer contributions for the 2017 financial year are estimated at CHF 13.9 million.

Pension plan amendment

In 2016, the Swiss defined benefit pension plan introduced the following changes which are designed to ensure the long-term financial stability and sustainability of the scheme against the backdrop of rising life expectancy and the persistent low-yield environment:

- The conversion rate that converts old-age capital into life-long pension payments has been lowered
- In order to compensate for the reduced conversion rate, the joint annual savings contributions of both employer and employee have been increased

As a result of these changes, a gain of CHF 8.1 million before taxes was recognised in the income statement in the line item 'defined benefit pension plan expenses' (see note 6).

Curtailment to existing defined benefit pension plan

In 2015, a curtailment for the Swiss defined benefit pension plans was recognised resulting in a non-cash gain of CHF 5.4 million before taxes. The curtailment related to the reorganisation of the Group's operating model and the announced reduction in the total number of jobs as a significant reduction in the number of employees was covered by defined benefit pension plans in Switzerland.

Actuarial calculation of funded obligations

The latest actuarial calculation was carried out as at 31 December 2016. The actuarial assumptions are based on local economic conditions.

	Switzerland		UK	
	2016	2015	**2016**	2015
Discount rate	0.65%	0.90%	2.60%	3.80%
Interest credit rate	0.65%	0.90%	n/a	n/a
Future pension increases in deferment	n/a	n/a	1.95%	1.85%
Future pension increases	0.00%	0.00%	2.70-4.10%	2.65–4.10%

Sensitivity analysis

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

					31.12.2016
		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%	(6.2)	6.7	(18.4)	20.0
Interest credit rate	0.25%	1.9	(1.8)	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	6.2	(6.0)
Future pension increases	0.25%	4.0	n/a	10.4	(5.3)
Increase in life expectancy	1 year	2.6	n/a	11.7	n/a

					31.12.2015
		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%	(6.2)	6.7	(14.3)	15.5
Interest credit rate	0.25%	1.9	(1.8)	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	4.9	(4.7)
Future pension increases	0.25%	4.0	n/a	7.9	(4.0)

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

21. 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 2014	173,229,660	8.661
Capital reduction	(6,567,929)	(0.328)
Balance at 31 December 2014	**166,661,731**	**8.333**
Capital reduction	(3,267,000)	(0.163)
Balance at 31 December 2015	**163,394,731**	**8.170**
Capital reduction	(3,100,000)	(0.155)
Balance at 31 December 2016	**160,294,731**	**8.015**
of which treasury shares	2,798,816	

All registered shares are fully paid.

On 7 July 2016, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 27 April 2016 and cancelled 3,100,000 shares repurchased under its share buy-back programme during 2015. The share capital of the Company now amounts to CHF 8,014,737 (160,294,731 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

For shares outstanding see note 11.

Authorised capital

At the Annual General Meeting (AGM) held on 27 April 2016, the shareholders approved the creation of authorised capital equal to 10% of GAM Holding AG's current share capital (before the capital reduction approved at the AGM). The Board of Directors was given the authorisation to increase the share capital at any time until 27 April 2018 by issuing a maximum of 16,339,460 fully paid registered shares with a par value of CHF 0.05 each. Of these 16,339,460 registered shares, the Board is authorised to restrict or withdraw the pre-emptive rights of the existing shareholders with respect to a maximum of 8,169,730 registered shares and allocate such rights to third parties in certain cases, such as for acquisitions.

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 reported in the balance sheet and note 2.11 of the financial statements for the parent company.

Revaluation reserve

The revaluation 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 revaluation reserve is reclassified 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 reporting currency, Swiss francs.

Treasury shares

Treasury shares comprise the cost of shares of the Company acquired and held by the Group. The Group acquires treasury shares to meet the obligations to deliver shares for the different share-based payment plans and to achieve capital reductions. Both are achieved through the Group's current share buy-back programme.

	2016		2015	
	Shares	CHF m	Shares	CHF m
Balance at 1 January	5,254,167	86.6	5,443,444	81.9
Capital reduction	(3,100,000)	(50.4)	(3,267,000)	(51.3)
Acquisition of own shares	733,200	10.0	3,462,395	61.9
Disposals of own shares	(88,551)	(1.4)	(384,672)	(5.9)
Balance at 31 December	**2,798,816**	**44.8**	**5,254,167**	**86.6**

Treasury shares – share-based payment plans

These treasury shares are held to meet the obligations to deliver shares in respect of the Group's share-based payment plans. For further information regarding details to the share-based payments see note 26.

The number of shares held by the Company in relation to the Group's share-based payment plans as at 31 December 2016 amounted to 2.2 million, equating to 1.4% of shares in issue (31 December 2015: 2.2 million, equating to 1.3% 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 for a maximum period of three years and allows for the purchase of a maximum of 16.7 million shares. As at 31 December 2016, 5.8 million shares had been purchased (31 December 2015: 5.1 million) as part of the 2014–2017 share buy-back programme.

The number of shares held by the Company as part of its 2014–2017 share buy-back programme as at 31 December 2016 amounted to 0.6 million. A request to cancel these shares will be put to the Annual General Meeting to be held on 27 April 2017. The number of shares held by the Company as part of its 2014–2017 share buy-back programme as at 31 December 2015 amounted to 3.1 million. These shares were cancelled in 2016 as described above under the section 'Share capital'.

Distribution of dividends

In 2016, a dividend of CHF 102.4 million was paid for the financial year 2015 (dividend per share: CHF 0.65). In 2015, a dividend of CHF 104.4 million was paid for the financial year 2014 (dividend per share: CHF 0.65). For the financial year 2016, a dividend of CHF 0.65 per share has been proposed by the Board of Directors. For further information, see the proposed appropriation of available earnings and distribution payment in the financial statements for the parent company.

22. Capital management

The Group continues to actively and prudently manage its capital. In determining its capital targets the Group follows these basic principles:

- the Group maintains sufficient capital to ensure that its 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;
- the Group's capital should at all times provide it with a sufficiently robust buffer to absorb severe unexpected losses (or other calls on capital) in those remote instances when they could exceed the Group's 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 2016 amounted to CHF 107.4 million (31 December 2015: CHF 487.0 million);
- the Group and all of its legal entities will at all times maintain sufficient regulatory capital to meet their 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 by the Group Management Board and Board of Directors. 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, and Bermuda.

Regulatory capital requirements are 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 as at 31 December 2016 amounted to approximately CHF 91 million (31 December 2015: CHF 89 million). 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.

ADDITIONAL NOTES

23. Financial risk

Financial risk

For the purpose of this section, the Group is guided by IFRS 7 and accordingly reports its exposure to credit, market, liquidity and financing risks from the use of financial instruments.

As asset managers, our operating entities 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 the Group's clients and not by its operating entities and therefore do not form part of this financial risk section. They will nevertheless affect the growth of the Group's 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 notes 14.1 and 14.3) 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 exposure limits per counterparty. The Group's receivables and accrued income exposures, by the very nature of the Group's business, exhibit a very high credit quality and are well-diversified. As a result of the high quality of the Group's 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 recognised impairment losses.

Maximum exposure to credit risk

	31.12.2016 CHF m	31.12.2015 CHF m
Cash and cash equivalents	352.7	632.9
Trade and other receivables (excluding tax receivable)	28.8	23.4
Accrued income	90.2	125.3
Financial investments and other financial assets	3.4	4.1
Total	**475.1**	**785.7**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2015: 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 2016.

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

Ageing of financial assets with credit risk exposure

	31.12.2016 CHF m	31.12.2015 CHF m
Not past due	472.5	784.4
Past due less than 3 months	1.6	1.2
Past due 3–12 months	1.0	0.1
Total	**475.1**	**785.7**

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 funds.

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 British pounds and Swiss francs. 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 balance sheet exposure on foreign currency positions in relation to its functional currency. Net exposures result from net positions of assets and liabilities in the same foreign currency. In the case of such net exposure on foreign currency positions, hedging strategies may be used, from time to time, to ensure that there is no material adverse effect on the Group's cash flows and profits.

The following exchange rates were used for the major currencies:

	Year-end exchange rates		Average exchange rates for the year [1]	
	31.12.2016	31.12.2015	2016	2015
USD/CHF	1.0164	1.0010	0.9873	0.9645
EUR/CHF	1.0720	1.0874	1.0892	1.0640
GBP/CHF	1.2559	1.4754	1.3280	1.4708

[1] Average calculated with 12 month-end values (January to December).

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

	31.12.2016 CHF m	31.12.2015 CHF m
Variable rate instruments		
Financial assets	354.4	635.2
Financial liabilities	-	-
Net amount	**354.4**	**635.2**
Fixed rate instruments		
Financial assets	-	0.3
Financial liabilities	-	-
Net amount	**-**	**0.3**

The variable interest-bearing financial assets include cash and cash equivalents of CHF 352.7 million (31 December 2015: CHF 632.9 million) and rent deposits of CHF 1.7 million (31 December 2015: CHF 2.3 million), 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.

In 2015, the Group entered into a three-year revolving credit facility with two banks for a total of CHF 100 million and at the end of 2016 agreed to extend that facility until 31 December 2019, with two options to extend it until 2020 or 2021.

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	311.8	40.9	-	-	-	**352.7**
Trade and other receivables (excluding tax receivable)	2.6	22.7	3.5	-	-	**28.8**
Accrued income	-	75.1	15.1	-	-	**90.2**
Financial investments and other financial assets	-	-	0.1	2.0	-	**2.1**
Non-derivative financial assets at 31 December 2016	**314.4**	**138.7**	**18.7**	**2.0**	**-**	**473.8**
Derivatives – inflows	-	145.3	-	-	-	**145.3**
Derivatives – outflows	-	(144.0)	-	-	-	**(144.0)**
Derivative financial assets at 31 December 2016	**-**	**1.3**	**-**	**-**	**-**	**1.3**
Cash and cash equivalents	499.2	133.7	-	-	-	**632.9**
Trade and other receivables	1.3	21.1	1.0	-	-	**23.4**
Accrued income	-	123.2	2.1	-	-	**125.3**
Financial investments and other financial assets	-	-	0.2	2.4	0.6	**3.2**
Non-derivative financial assets at 31 December 2015	**500.5**	**278.0**	**3.3**	**2.4**	**0.6**	**784.8**
Derivatives – inflows	-	-	0.9	-	-	**0.9**
Derivatives – outflows	-	-	-	-	-	**-**
Derivative financial assets at 31 December 2015	**-**	**-**	**0.9**	**-**	**-**	**0.9**

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 represented [1]
Trade and other payables	3.5	13.4	1.9	-	-	**18.8**
Other financial liabilities	-	6.6	2.6	-	-	**9.2**
Accrued expenses	0.1	199.9	3.8	-	-	**203.8**
Non-current financial liabilities	-	-	-	113.9	0.5	**114.4**
Non-derivative financial liabilities at 31 December 2016	**3.6**	**219.9**	**8.3**	**113.9**	**0.5**	**346.2**
Derivatives – inflows	-	(119.8)	-	-	-	**(119.8)**
Derivatives – outflows	-	120.3	-	-	-	**120.3**
Derivative financial liabilities at 31 December 2016	**-**	**0.5**	**-**	**-**	**-**	**0.5**
Trade and other payables	0.6	21.2	0.1	-	-	**21.9**
Other financial liabilities	-	18.3	-	-	-	**18.3**
Accrued expenses	-	219.7	5.0	-	-	**224.7**
Non-current financial liabilities	-	-	-	37.4	1.4	**38.8**
Non-derivative financial liabilities at 31 December 2015	**0.6**	**259.2**	**5.1**	**37.4**	**1.4**	**303.7**
Derivatives – inflows	-	(66.5)	-	-	-	**(66.5)**
Derivatives – outflows	-	67.2	0.4	-	-	**67.6**
Derivative financial liabilities at 31 December 2015	**-**	**0.7**	**0.4**	**-**	**-**	**1.1**

[1] Comparative figures within current liabilities have been reclassified. For further information see note 2.

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	314.4	140.0	18.7	2.0	-	**475.1**
Financial liabilities	(3.6)	(220.4)	(8.3)	(113.9)	(0.5)	**(346.7)**
Net financial assets/(liabilities) at 31 December 2016	**310.8**	**(80.4)**	**10.4**	**(111.9)**	**(0.5)**	**128.4**
Financial assets	500.5	278.0	4.2	2.4	0.6	**785.7**
Financial liabilities	(0.6)	(259.9)	(5.5)	(37.4)	(1.4)	**(304.8)**
Net financial assets/(liabilities) at 31 December 2015	**499.9**	**18.1**	**(1.3)**	**(35.0)**	**(0.8)**	**480.9**

24. 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

	2016 Income CHF m	2015 Income CHF m	31.12.2016 Non-current assets CHF m	31.12.2015 Non-current assets CHF m
Switzerland	162.5	180.4	1,363.2	1,366.7
Rest of Europe	287.5	350.4	376.4	28.1
Americas	28.8	51.1	6.5	7.7
Rest of the world	13.0	16.9	1.5	1.0
Total	**491.8**	**598.8**	**1,747.6**	**1,403.5**

The geographical information for non-current assets is based on the location where the assets are held and represent property and equipment as well as intangible assets. The income is attributed based on the country of domicile of the Group entity providing the service.

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

25. Related party transactions

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

The key management personnel compensation recognised is as follows:

	2016 CHF m	2015 CHF m
Salaries and other short-term employee benefits	12.2	12.8
Share-based payment expenses	6.4	5.9
Post-employment benefits	0.5	0.5
Long-term employee benefits	1.5	2.7
Social security expenses	(0.4)	1.2
Key management personnel compensation	**20.2**	**23.1**

Social security expenses in 2016 were negative due to the share price decrease during the year. As a result, related accruals for social security expenses, which are generally based on the current fair value of the share-based payment awards, were released and credited to profit or loss.

Nancy Mistretta, Ezra S. Field and Benjamin Meuli were elected as new members of the Board of Directors at the Annual General Meeting (AGM) held on 27 April 2016. Tanja Weiher left the Board in January 2016 and Daniel Daeniker did not stand for re-election at the AGM.

Larry Hatheway and Tim Dana joined the Group Management Board on 1 May 2016. Andrew Hanges stepped down from the GMB on the same date. Larissa Alghisi Rubner was a member of the Group Management Board until 31 October 2016.

With effect from 1 July 2015, Larissa Alghisi Rubner, Group Head of Communications, became a member of the Group Management Board. Michele Porro, member of the Group Management Board until 30 June 2015, left the Company.

With effect from 1 October 2015, Richard McNamara joined the Group and became a member of the Group Management Board assuming the role of Group Chief Financial Officer. Prior to that date, Marco Suter acted as Group Chief Financial Officer and subsequently left the Group Management Board.

For information on compensation, loans and share and option holdings of the Board of Directors and the Group Management Board in accordance with the Swiss Code of Obligations please refer to the Group's 2016 Compensation Report.

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, previous member of the Board of Directors of GAM Holding AG, is one of more than 30 partners at Homburger AG. These mandates were not considered material either to Homburger AG or to GAM Holding AG. Furthermore, Mr Daeniker did 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 was therefore ensured.

26. Share-based payments

The plans described below reflect the situation as at 31 December 2016. The registered shares that the Company requires to settle obligations under the Group's share-based payment plans are purchased in the market. For further details on the plans please refer to the Group's 2016 Compensation Report.

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

	2016 CHF m	2015 CHF m
Share plans for the Group Management Board	0.9	0.9
Share plans for members of the Board of Directors	0.9	0.9
2016 Employee Share Ownership Plan (ESOP)	0.6	-
Other share plans	1.6	0.5
2016 Long-Term Incentive Plan	0.7	-
Variable Restricted Share (VRS) grant	0.3	0.1
Three-year Variable Restricted Share (VRS) Scheme for members of the Group Management Board	0.4	0.8
Five-year Variable Restricted Share (VRS) Scheme for the Group CEO	2.3	2.7
2013 Deferred Compensation Scheme	1.0	1.8
Share-based payment expenses	**8.7**	**7.7**

Share plans for the Group Management Board (GMB)

2016 Compensation

On 6 March 2017, the members of the Group Management Board (including the Group CEO) will be granted GAM Holding AG shares as a variable deferred element of their total compensation for 2016. These shares will vest in three equal tranches 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. The shares will be delivered three years after the grant date.

The number of shares granted at grant date will be determined by dividing the predetermined aggregate fair value by the fair value per share.

The aggregate fair value of these shares amounts to CHF 1.8 million and is recognised as an expense over the relevant vesting period starting 1 January 2016. CHF 0.6 million was recognised as an expense in 2016.

2015 Compensation

On each of the five business days from 1 March 2016 to 7 March 2016, the members of the Group Management Board (including the Group CEO) were granted 189,687 GAM Holding AG shares as a variable deferred element of their total compensation for 2015. These shares will vest in three equal tranches on the first three anniversaries of the last grant date (7 March 2016) 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. The shares will be delivered three years after the last grant date.

The number of shares granted at each grant date was determined by dividing the predetermined aggregate fair value per grant (one fifth of the total grant for each of the five grant dates) by the fair value per share based on each grant day's closing share price.

The aggregate fair value of these shares amounted to CHF 2.4 million and is recognised as an expense over the relevant vesting period starting 1 January 2015. In 2016, an expense of CHF 0.3 million was recognised (2015: CHF 0.8 million). 51,969 shares have forfeited from those members of the Group Management Board who stepped down in the course of 2016. For further details see note 25. As at 31 December 2016, 137,718 shares were outstanding.

2014 Compensation

On 20 January 2015, the Group CEO was granted 17,787 GAM Holding AG shares with a fair value of CHF 15.45 per share 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 was fully recognised as an expense in 2015 (CHF 0.2 million) and 2014 (CHF 0.1 million).

Share plans for members of the Board of Directors

On 28 April 2016, the members of the Board of Directors were granted the right to receive an aggregate total of 79,362 GAM Holding AG shares at a fair value of CHF 12.60 per share. These rights will vest and be delivered on the day before the Company's 2017 Annual General Meeting, subject to certain conditions being met. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.7 million was recognised.

On 1 May 2015, the members of the Board of Directors were granted the right to receive an aggregate total of 42,349 GAM Holding AG shares at a fair value of CHF 21.25 per share. After a forfeiture of 4,705 shares in January 2016, these rights vested and 37,644 shares were delivered on the day before the Company's 2016 Annual General Meeting. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.2 million was recognised (2015: CHF 0.6 million).

2016 Employee Share Ownership Plan (ESOP)

The Group introduced the ESOP for all permanent staff, excluding GMB members, to support the share ownership of the Group's employees. The ESOP gives employees the opportunity to acquire shares in GAM Holding AG, and for every share purchased, subject to certain terms and conditions, the Group will grant a conditional award to acquire a matching share free of payment on the vesting date of 1 March 2018.

On 3 October 2016, the plan participants were granted 351,109 GAM Holding AG shares. As at the date of grant, the aggregate fair value of these shares amounted to CHF 3.2 million and is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.6 million was recognised.

Other share plans

On 7 March 2016, one employee was granted 20,478 GAM Holding AG shares with a fair value of CHF 12.82 per share. The shares will vest and be delivered three years after the grant date, subject to the recipient continuing to be employed with the Group on the vesting date.

The aggregate fair value of this share plan amounted to CHF 0.3 million and is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.1 million was recognised.

Between 7 September 2015 and 5 October 2015 certain new employees were granted 211,495 GAM Holding AG shares with a fair value between CHF 13.27 and CHF 17.21 per share. The shares will vest in three to five equal, yearly tranches, on the following three to five anniversaries of the respective grant dates, subject to the recipients continuing to be employed with the Group on each vesting date.

The aggregate fair value of these share plans amounted to CHF 3.3 million and is recognised as an expense over the relevant vesting periods. In 2016, an expense of CHF 1.5 million was recognised (2015: CHF 0.5 million).

2016 Long-Term Incentive Plan (LTIP)

On 26 October 2016, members of the Group Management Board and selected senior employees received an LTIP award, subject to the recipient continuing to be employed with the Group on the vesting date. Each award is split and will vest in three tranches.

The award was split equally between two components:
- Performance units linked to the Company's relative total shareholder return (rTSR);
- Stock options issued at a premium to the share price at grant.

The performance units (or 'rTSR units') are converted to shares based on the performance of GAM relative to a peer group. The conversion of performance units to shares varies linearly from the 50th (50% of rTSR units vesting) to the 75th percentile (100% of rTSR units vesting). The number of performance units converted will be capped at one share for each unit irrespective of relative performance above the 75th percentile, while no performance units will vest if performance is below the 50th percentile.

The premium to the share price of one option is 20% in the case of non-GMB members and 30% in the case of GMB members, i.e. the options were granted out-of-the money.

Participants received an LTIP award in the form of 1,324,600 performance units and 6,720,391 options. The options have an exercise period of six months after their vesting date and for the performance units the exercise date is the same as the vesting date. As at the date of grant, the aggregate fair value of the performance units amounted to CHF 6.3 million and the aggregate fair value of the options amounted to CHF 6.4 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.7 million was recognised for the 2016 LTIP awards.

As at 31 December 2016, 6,771 performance units and 32,543 options have forfeited. The number of outstanding share-based awards at year-end is 1,317,829 performance units and 6,687,848 options.

Information on the LTIP award and the inputs used in the measurement of the fair values at grant date were as follows:

	Awards vesting on 15 March 2019	Awards vesting on 15 March 2020	Awards vesting on 15 March 2021
Fair value of rTSR units and assumptions			
Fair value of rTSR unit at grant date	4.89	4.79	4.69
Original contractual life (in months)	29	41	53
Share price at grant date	9.17	9.17	9.17
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2016			
Remaining contractual life (in months)	27	39	51
Number of rTSR units outstanding	329,463	329,463	658,903

	Options vesting on 15 March 2019	Options vesting on 15 March 2020	Options vesting on 15 March 2021
Fair value of ’20% premium’ options and assumptions			
Fair value of options at grant date	0.85	0.96	1.10
Original contractual life (in months)	35	47	59
Share price at grant date	9.17	9.17	9.17
Exercise price	11.00	11.00	11.00
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2016			
Remaining contractual life (in months)	33	45	57
Number of options outstanding	1,096,694	1,096,694	2,193,384

	Options vesting on 15 March 2019	Options vesting on 15 March 2020	Options vesting on 15 March 2021
Fair value of ’30% premium’ options and assumptions			
Fair value of options at grant date	0.70	0.81	0.95
Original contractual life (in months)	35	47	59
Share price at grant date	9.17	9.17	9.17
Exercise price	11.92	11.92	11.92
Expected volatility	33.00%	33.00%	34.00%
Expected dividend yield	5.00%	5.00%	5.00%
Risk-free interest rate	-0.65%	-0.60%	-0.53%
Additional information as at 31 December 2016			
Remaining contractual life (in months)	33	45	57
Number of options outstanding	575,269	575,269	1,150,538

Variable Restricted Share (VRS) grant

On 5 October 2015, one new employee received a one-time long-term incentive award in the form of 232,699 VRS units (options) which will vest in three equal tranches on the third, fourth and fifth anniversaries of the grant date subject to the employee continuing to be employed with the Group at each vesting 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 17.45), the employee 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 employee 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 settlement date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 1.3 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 0.3 million was recognised (2015: CHF 0.1 million). The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised or forfeited since the grant date. Thus, the number and weighted average exercise prices of VRS units under this scheme remained unchanged.

Information on the VRS units and the inputs used in the measurement of the fair value at grant date were as follows:

	VRS units granted on 5 October 2015
Fair value of VRS units and assumptions	
Fair value of VRS units at grant date	5.80
Share price at grant date	17.45
Exercise price (equals share price at grant date)	17.45
Expected volatility	30.40%
Expected dividend yield	5.00%
Risk-free interest rate	-0.74%
Additional information as at 31 December 2016	
Remaining contractual life (in months)	45

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 three equal tranches 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 settlement date.

As at the date of grant, the aggregate fair value of the VRS units amounted to CHF 2.0 million. The fair value at grant date is recognised as an expense over the relevant vesting period starting 1 January 2014. In 2016, an expense of CHF 0.4 million was recognised (2015: CHF 0.8 million). The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised or forfeited since the grant date. Thus, the number and weighted average exercise prices of VRS units under this scheme remained unchanged.

Information on the VRS units and the inputs used in the measurement of the fair value 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
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%
Additional information as at 31 December 2016	
Remaining contractual life (in months)	13

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 five equal tranches 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. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 2.3 million was recognised (2015: CHF 2.7 million). The VRS units were valued using a Monte-Carlo simulation approach. No VRS units were exercised or forfeited since the grant date. Thus, the number and weighted average exercise prices of VRS units under this scheme remained unchanged.

Information on the VRS units and 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
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%
Additional information as at 31 December 2016	
Remaining contractual life (in months)	33

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. 178,571 options were forfeited during 2015. The options (each option corresponding to one GAM Holding AG share with physical settlement) vested on 15 August 2016. As the share price of GAM Holding AG was below the exercise price of CHF 14.00 (closing price of the share on 24 June 2013) as at the vesting date all outstanding options expired worthless.

The fair value at grant date is recognised as an expense over the relevant vesting period. In 2016, an expense of CHF 1.0 million was recognised (2015: CHF 1.8 million).

27. Commitments

27.1 Future commitments under operating leases

	31.12.2016 CHF m	31.12.2015 CHF m
Maturity of up to 1 year	14.8	18.1
Maturity within 1–5 years	31.1	45.4
Maturity within 5–10 years	2.2	5.1
Future commitments under operating leases	**48.1**	**68.6**

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

The operating lease expense, included in general expenses, was CHF 16.9 million for 2016 (2015: CHF 18.8 million).

Future sublease payments of CHF 5.4 million are expected to be received within six years.

27.2 Contractual commitments for the acquisition of assets

As at 31 December 2016, there are no contractual commitments for the acquisition of assets. As at 31 December 2015, the Group had entered into a contract to purchase software licenses in the amount of CHF 5.0 million for software licenses, platform, enhancement and implementation costs.

27.3 Contingent liabilities

The Group has a contractual commitment, through the agreement to acquire Cantab (see note 30), to allocate 40% of future performance fees generated by Cantab Capital Partners to employees (in the first five years and capped at USD 50 million) and partners thereafter indefinitely. This future liability is not recognised due to the inherent uncertainty and the difficulty to measure performance fees with sufficient reliability. Such a liability is recognised when respective performance fees crystallise.

28. Consolidated entities

Listed company

	Place of listing	Capitalisation as at 31.12.2016 CHF m	Head office	Share capital CHF m
GAM Holding AG	SIX Swiss Exchange	1,891	Zurich	8.015

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

Unlisted subsidiaries

	Country of incorporation	Equity interest in %
GAM Group AG	Switzerland	100
GAM Capital Management (Switzerland) AG	Switzerland	100
(including a branch office in Lugano)		
GAM Ltd.	Bermuda	100
GAM (UK) Ltd.	UK	100
GAM Investment Managers Ltd.	UK	100
GAM International Management Ltd.	UK	100
GAM London Ltd.	UK	100
(including a branch office in Israel)		
GAM Sterling Management Ltd.	UK	100
GAM (Guernsey) GP Ltd.	Guernsey	100
Renshaw Bay GP1 Ltd.	Guernsey	100
RB REFS 1 Ltd.	UK	100
RB REFS 2 Ltd.	UK	100
Renshaw Bay GP4 LLP	UK	100
GAM Unit Trust Management Company Limited	UK	100
GAM Systematic Holding Limited	UK	100
Cantab Capital Partners LLP	UK	100
GAM Systematic Services Limited	UK	100
Cantab Capital (Cayman) Ltd.	Cayman	100
GAM Fund Management Ltd.	Ireland	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100
GAM Hong Kong Ltd.	Hong Kong	100
GAM Japan Ltd.	Japan	100
GAM USA Inc.	USA	100
GAM Services Inc.	USA	100
GAM US Holding Inc.	USA	100
GAM (Switzerland) Holding AG	Switzerland	100
GAM Investment Management (Switzerland) AG	Switzerland	100
GAM Services (Italia) S.r.l. (in liquidation)	Italy	100
GAM (Italia) SGR S.p.A.	Italy	100
GAM (Luxembourg) S.A.	Luxembourg	100
(including a branch office in Spain)		
GAM Trade Finance Partnership GP S.à.r.l.	Luxembourg	100
GAM (Deutschland) GmbH	Germany	100

Regarding consolidated structured entities see note 29. All voting rights equal the equity interest.

Changes to subsidiaries consolidated
Taube Hodson Stonex Partners Unit Trust Management Company Limited was acquired and re-named to GAM Unit Trust Management Company Limited.

Cantab Capital Partners LLP and Cantab Capital (Cayman) Ltd. were acquired. Newly incorporated companies are GAM Systematic Services Limited and GAM Systematic Holding Limited.

GAM (Schweiz) AG and GAM Investment Management Lugano SA were merged into GAM Anlagefonds AG which subsequently has been renamed GAM Capital Management (Switzerland) AG.

GAM London Ltd. established a branch office in Israel.

GAM Singapore Pte Ltd. was liquidated.

29. 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. 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 performance fees and 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' (for details see note 15).

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 14). The fair value of these investments represents the Group's maximum exposure to loss from its investments into such unconsolidated investment funds.

30. Acquisitions

30.1. Acquisition of Cantab Capital Partners

On 3 October 2016, the Group acquired the investment management business of Cantab Capital Partners (Cantab), a UK-based independent asset management firm. GAM acquired 100% of Cantab's investment management business, except for 40% of future performance fees, which are retained by Cantab's partners (see note 27.3). All of Cantab's employees together with the managed capital (CHF 4.0 billion of assets under management as at the acquisition date), the related legal entities and contracts as well as all existing client relationships in the form of investment management and client contracts were transferred to GAM.

The consideration consists of an upfront cash payment of USD 219.2 million at closing and deferred contingent payments based on net management fee revenue from the strategies managed by the Cantab team for 2018, 2019 and 2020, payable after each period end (for further details on the contingent consideration refer to note 14.5). The Group incurred acquisition-related costs of CHF 1.8 million on legal fees and due diligence costs. These costs have been included in the line item 'general expenses'.

Details of the consideration transferred are as follows:

	CHF m
Cash consideration	213.2
Contingent consideration	92.3
Fair value of consideration transferred	**305.5**
Fair value of net assets:	
- Cash	(12.7)
- Other tangible net liabilities acquired	9.3
- Investment management and client contracts acquired	(231.6)
- Deferred tax liabilities	41.5
Goodwill	**112.0**

The transaction resulted in goodwill of CHF 112.0 million, which represents expected synergies and growth opportunities from the combined asset management activities as well as the skills and technical know-how of Cantab's workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

For the three months ended 31 December 2016, Cantab contributed net fee and commission income of CHF 11.1 million and a loss after taxes of CHF 3.8 million to the Group's results. The loss reflects the amortisation of investment management and client contracts, adjustments to deferred consideration liabilities, finance charges on discounted liabilities and deal and integration costs (for further information see note 10). Excluding those items, the Cantab business contributed a net profit of CHF 4.8 million to the Group's underlying net profit.

If the acquisition had occurred on 1 January 2016, management estimates that consolidated net fee and commission income would have been CHF 509 million, and consolidated profit after taxes for the year would have been CHF 136 million.
In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016. Adjustments have been made to reflect additional amortisation and depreciation of assets and liabilities that have been assigned fair values different from their carryover basis in purchase accounting.

30.2. Acquisition of Taube Hodson Stonex

On 31 August 2016, GAM (UK) Limited and GAM International Management Limited (together GAM), both wholly owned subsidiaries of GAM Holding AG, acquired the investment management business of Taube Hodson Stonex (THS), a UK-based independent asset management firm. The acquisition is partly structured as an asset purchase and a share purchase. However, from an accounting point of view, the transaction meets the definition of a business combination under IFRS 3. Upon closing of the transaction, the investment management team of Taube Hodson Stonex's global equity strategies together with the managed capital (CHF 2.2 billion of assets under management as at the acquisition date), the related legal entity and contracts as well as all existing client relationships in the form of investment management and client contracts were transferred to GAM.

The fair value of the total consideration transferred consists of an upfront cash payment and deferred contingent payments which will be settled over a period of three years. The Group incurred acquisition-related costs of CHF 0.5 million on legal fees and due diligence costs. These costs have been included in the line item 'general expenses'.

Details of the consideration transferred are as follows:

	CHF m
Cash consideration	3.9
Contingent consideration	7.1
Fair value of consideration transferred	**11.0**
Fair value of net assets:	
- Tangible net assets acquired	(0.2)
- Investment management and client contracts acquired	(10.7)
- Deferred tax liabilities	1.9
Goodwill	**2.0**

30.3 Acquisition of Renshaw Bay's real estate debt business

On 2 October 2015, GAM (UK) Limited and GAM International Management Limited (together GAM), both wholly owned subsidiaries of GAM Holding AG, acquired the real estate debt business of Renshaw Bay, a London-based independent asset management firm. The acquisition was partly structured as an asset purchase and a share purchase. However, from an accounting point of view, the transaction meets the definition of a business combination under IFRS 3. The investment management team of Renshaw Bay's real estate debt strategies together with the managed capital (CHF 0.5 billion of assets under management in October 2015), the related legal entities and contracts as well as all existing client relationships in the form of investment management and client contracts were transferred to GAM.

The fair value of the total consideration transferred consists of an upfront cash payment and a contingent payment which will be settled over a period of five years. The Group incurred acquisition-related costs of CHF 1.1 million on legal fees and due diligence costs. These costs have been included in the line item 'general expenses'.

Details of the consideration transferred are as follows:

	CHF m
Cash consideration	11.0
Contingent consideration	4.7
Fair value of consideration transferred	**15.7**
Fair value of net assets:	
- Tangible net assets acquired	(0.1)
- Liabilities assumed	1.0
- Investment management and client contracts acquired	(5.2)
- Deferred tax liabilities	1.0
Goodwill	**12.4**

31. Events after the reporting period

The Board of Directors approved these consolidated financial statements on 1 March 2017. In addition, they must be approved by the Annual General Meeting on 27 April 2017.

KPMG

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion the consolidated financial statements (pages 97 to 159) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Recognition of net fee and commission income

Assessment of impairment of goodwill and brand

Acquisition of Cantab Capital Partners

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

KPMG

Recognition of net fee and commission income

Key Audit Matter

Net fee and commission income is an area of focus due to the size and importance of net revenues to GAM's results. The fact that fees are based on diverse fee arrangements on different terms leads to the risk that such fees may be incorrectly calculated and/or recognised in the wrong period. In addition, the involvement of external service providers is adding complexity to the underlying processes.

Management fees and commissions are generally calculated as a fixed percentage of Asset under Management, net of any rebates and distribution costs. Management fees vary across different funds and portfolios. Distribution costs and rebates also vary across different distribution partners, funds and portfolios.

Performance fees are inherently more complex as judgement can be required in the determination whether performance criteria have been met. Performance fees are only earned once the investment performance exceeds the pre-defined levels.

KPMG's response

Our audit procedures included detailed walkthroughs of GAM's in-house management and performance fee income, rebate and distribution cost related processes and testing design and implementation as well as effectiveness of key controls identified (including general IT controls).

We read independent third party reports where functions are outsourced to external services providers such as Administrators and Transfer Agents and determined that they were appropriate for our purposes. Where the reports did not cover the full financial year we obtained bridging letters from the Administrators and Transfer Agents to confirm that the relevant controls operated consistently over the remaining period and that no deficiencies had been identified.

On a sample basis we agreed fee rates, rebates and distribution charges to underlying contracts. We conducted analytical procedures on data on Assets under Management, fees and charges obtained from source systems of GAM, the Administrators and the Transfer Agents. On a sample basis, we independently recalculated management and performance fee income, rebates and distribution costs, performed cut-off testing and re-assessed whether performance criteria have been met.

For further information on the recognition of net fee and commission income refer to notes 3.2.3 and 4 to the consolidated financial statements on pages 104 and 112.

KPMG

Assessment of impairment of goodwill and brand

Key Audit Matter

As at 31 December 2016, total goodwill and brand amounted to CHF 1,485.9m (2015: CHF 1,373.1m), which equates to 62% (2015: 60%) of total assets. Of the total goodwill, CHF 112.0m relate to the acquisition of Cantab Capital Partners in 2016.

The recoverability of goodwill and brand is highly dependent on GAM's ability to generate positive cash flows in the future.

Goodwill and brand are assessed for impairment on an annual basis by estimating the current "value in use" of GAM's business and comparing this value with the carrying value. This estimation requires judgement about projected future cash-flows and the discount rate used. Current year's assessment by management showed that no impairment was required.

KPMG's response

Amongst other audit procedures, we tested the mathematical accuracy of the valuation and tested the key inputs to the model by:

- Comparing the cash flow forecasts to the latest budget and 5-year plan approved by the Board;
- Assessing the reasonableness of cash flow forecasts by back-testing historical forecasts to actual results and discussing the future outlook with management;
- Conducting sensitivity analysis taking into account the historical forecasting accuracy of the Group;
- Challenging growth rates by reference to economic and industry forecasts and historical results; and
- Challenging discount rates by comparing them to the cost of capital for the Group.

We compared the sum of projected discounted cash flows to the market capitalisation of the Group. We further recalculated the difference between the carrying value and GAM's valuation of goodwill and brand to test whether there was sufficient headroom.

We used our own valuation specialists to support our procedures.

For further information on the assessment of impairment of goodwill and brand refer to notes 3.2.9 and 17 to the consolidated financial statements on pages 107 and 128 to 130.

Acquisition of Cantab Capital Partners

Key Audit Matter

On 3 October 2016, GAM acquired the investment management business of Cantab Capital Partners (Cantab). The consideration consists of an upfront cash payment of CHF 213.2m at the closing date and further contingent considerations due in years 2018, 2019 and 2020 that are based on net management fee income from the assets managed by the Cantab team for those years. The net present value of the future payments amounts to CHF 92.3m resulting in a total consideration of CHF 305.5m.

The goodwill, which is the difference between the net assets acquired and the total consideration paid (including contingent consideration) amounts to CHF 112.0m as at 31 December 2016.

At the time of the acquisition, it was agreed that 40% of future performance fees will be retained by Cantab's partners. Due to the inherent uncertainty and the difficulty to forecast performance fees with sufficient reliability, GAM did not recognise any financial liability for such future performance fee payments as of 31 December 2016. Instead, these payments will be accounted for in the period when the respective performance fee income is recognised.

Accounting for the Cantab acquisition is an area of focus due to the inherent complexity associated with business combinations. In particular, there is judgement involved regarding future performance which impacts the valuation of the contingent consideration and the acquired Investment Management and Client Contracts.

KPMG's response

Our procedures included, amongst others, the testing of the mathematical accuracy of the valuation models used for the Investment Management and Client Contracts and the contingent consideration, as well as corroborating that the methodology used is in accordance with the Sale Agreement. We challenged the significant input factors and tested whether they are within an acceptable range by:

- Comparing forecasted performance rates with historical performance and forecasts for the relevant markets;
- Considering the client attrition rate with reference to the average life of a fund and the period over which revenue is expected to be generated;
- Comparing net inflows/outflows from investors in the contingent consideration model with historical figures; and
- Conducting sensitivity analysis on the basis of alternative assumptions.

We recalculated the goodwill recognised in this acquisition and agreed the key inputs to supporting documentation such as the Sale Agreement, the valuation models for contingent payments and Investment Management and Client Contracts and further information from Cantab.

We examined the Sale Agreement and related contractual agreements to corroborate whether the 40% of future performance fees that are retained by Cantab's partners are correctly classified, accounted for and presented in the consolidated financial statements.

We tested the presentation and disclosure of the transaction in the consolidated financial statements. We further examined the Sale Agreement and related contractual agreements to determine whether there are any additional terms that would impact accounting or disclosure.

For further information on the acquisition of Cantab Capital Partners refer to note 30.1 to the consolidated financial statements on page 157.

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1item 3 CO and the 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 Licensed Audit Expert Auditor in Charge	Patricia Bielmann Licensed Audit Expert

Zurich, 1 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2016 CHF m	2015 CHF m	Change in %
Income from investments		43.6	114.9	(62)
Finance income		2.1	1.3	62
Recharges to affiliated companies		20.4	17.7	15
Other income	2.2	4.2	0.1	-
Income		**70.3**	**134.0**	**(48)**
Personnel expenses		18.4	16.4	12
General expenses		6.5	5.8	12
Finance expenses	2.3	3.2	7.9	(59)
Expenses		**28.1**	**30.1**	**(7)**
Profit before taxes		**42.2**	**103.9**	**(59)**
Direct taxes		0.4	0.9	-
Net profit		**41.8**	**103.0**	**(59)**

BALANCE SHEET

	Note	31.12.2016 CHF m	31.12.2015 CHF m	Change in %
Cash and cash equivalents		42.8	174.2	(75)
Securities listed on a stock exchange		71.9	52.4	37
Trade and other receivables	2.4	6.5	9.8	(34)
Accrued income and prepaid expenses	2.5	52.1	115.9	(55)
Loans	2.6	27.3	-	-
Other financial assets		1.3	2.1	(38)
Current assets		**201.9**	**354.4**	**(43)**
Loans	2.6	87.0	-	-
Investments	2.7	1,684.2	1,684.2	0
Non-current assets		**1,771.2**	**1,684.2**	**5**
Assets		**1,973.1**	**2,038.6**	**(3)**
Loans	2.8	22.8	20.0	14
Accrued expenses	2.9	9.0	11.2	(20)
Other liabilities	2.10	15.1	11.6	30
Current liabilities		**46.9**	**42.8**	**10**
Share capital		8.0	8.2	(2)
Legal capital reserves				
Capital contribution reserve	2.11	1,097.2	1,199.6	(9)
Legal retained earnings				
General legal retained earnings		5.3	5.3	0
Voluntary retained earnings				
Net profit		41.8	103.0	(59)
Other voluntary reserve		809.1	761.5	6
Treasury shares				
Treasury shares from capital contribution reserve	2.12	(18.7)	(19.8)	6
Other treasury shares	2.12	(16.5)	(62.0)	73
Shareholders' equity		**1,926.2**	**1,995.8**	**(3)**
Liabilities and shareholders' equity		**1,973.1**	**2,038.6**	**(3)**

NOTES

1. Accounting principles

1.1 General aspects
GAM Holding AG, incorporated in Zurich, Switzerland, presents its financial statements according to the provisions of the Swiss Law on Accounting and Financial Reporting. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.1 Securities listed on a stock exchange
Securities with a short-term holding period are valued at their quoted market price as at the balance sheet date. A valuation adjustment reserve has not been recognised. Unrealised gains are recorded in finance income, unrealised losses are recorded in finance expenses.

1.2 Treasury shares
Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognised through the income statement as finance income or finance expense.

1.3 Share-based payments
If treasury shares are used to meet share delivery obligations under GAM Holding AG's various share-based payment plans, the difference between the carrying value and the fair value at delivery date is recognised in personnel expenses. Not all recipients of share-based payments are employed by GAM Holding AG. For those employees, GAM Holding AG charges the Group entity employing the respective employee the expenses according to IFRS 2 and recognises them as recharges to affiliated companies in the income statement.

1.4 Income from investments
Dividend income from subsidiaries is accrued for in GAM Holding AG in the same period as the corresponding income was earned at the relevant subsidiary and is recognised through the income statement as income from investments.

2. Information on balance sheet and income statement items

2.1 Definitions

The term 'Other Group companies' is used for all other entities within the GAM Group of which GAM Holding AG is not the direct shareholder.

2.2 Other income

	2016 CHF m	2015 CHF m	Change in %
Settlement on termination of Julius Baer licence agreement	4.2	-	-
Other	-	0.1	(100)
Other income	**4.2**	**0.1**	**-**

2.3 Finance expenses

	2016 CHF m	2015 CHF m	Change in %
Loss on financial investments	1.7	4.2	(60)
Foreign exchange losses	-	1.9	(100)
Interest expenses	0.8	0.9	(11)
Other finance expenses	0.7	0.9	(22)
Finance expenses	**3.2**	**7.9**	**(59)**

2.4 Trade and other receivables

	2016 CHF m	2015 CHF m	Change in %
Third parties	1.3	1.0	30
Direct subsidiaries	-	0.3	(100)
Other Group companies	5.2	8.5	(39)
Trade and other receivables	**6.5**	**9.8**	**(34)**

2.5 Accrued income and prepaid expenses

	2016 CHF m	2015 CHF m	Change in %
Third parties	5.7	0.8	613
Direct subsidiaries	43.4	114.8	(62)
Other Group companies	3.0	0.3	900
Accrued income and prepaid expenses	**52.1**	**115.9**	**(55)**

2.6 Loans

	2016 CHF m	2015 CHF m	Change in %
Direct subsidiaries < 1 year	27.3	-	-
Other Group companies > 1 year	87.0	-	-
Loans	**114.3**	**-**	**-**

2.7 Direct subsidiaries and other Group companies

	Country of incorporation	2016 Equity interest in %	2015 Equity interest in %
GAM Group AG	Switzerland	100	100
GAM (Schweiz) AG	Switzerland	-	100
GAM Capital Management (Switzerland) AG	Switzerland	100	100
(including branch office in Lugano)			
GAM Ltd.	Bermuda	100	100
GAM Investment Management Lugano SA	Switzerland	-	100
GAM (UK) Ltd.	UK	100	100
GAM Investment Managers Ltd.	UK	100	100
GAM International Management Ltd.	UK	100	100
GAM London Ltd.	UK	100	100
(including branch office in Israel)			
GAM Sterling Management Ltd.	UK	100	100
GAM (Guernsey) GP Ltd.	Guernsey	100	100
Renshaw Bay GP1 Ltd.	Guernsey	100	100
RB REFS 1 Ltd.	UK	100	100
RB REFS 2 Ltd.	UK	100	100
Renshaw Bay GP4 LLP	UK	100	100
GAM Unit Trust Management Company Limited	UK	100	-
GAM Systematic Holding Limited	UK	100	-
Cantab Capital Partners	UK	100	-
GAM Systematic Services Limited	UK	100	-
Cantab Capital (Cayman) Ltd.	Cayman	100	-
GAM Fund Management Ltd.	Ireland	100	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100	100
GAM Singapore Pte Ltd.	Singapore	-	100
GAM Hong Kong Ltd.	Hong Kong	100	100
GAM Japan Ltd.	Japan	100	100
GAM USA Inc.	USA	100	100
GAM Services Inc.	USA	100	100
GAM US Holding Inc.	USA	100	100
GAM (Switzerland) Holding AG	Switzerland	100	100
GAM Investment Management (Switzerland) AG	Switzerland	100	100
GAM Services (Italia) S.r.l. (in liquidation)	Italy	-	100
GAM (Italia) SGR S.p.A.	Italy	100	100
GAM (Luxembourg) S.A.	Luxembourg	100	100
(including branch office in Spain)			
GAM Trade Finance Partnership GP S.à.r.l.	Luxembourg	100	-
GAM (Deutschland) GmbH	Germany	100	100

Changes to Group companies

Taube Hodson Stonex Partners Unit Trust Management Company Limited was acquired and re-named to GAM Unit Trust Management Company Limited.

Cantab Capital Partners and Cantab Capital (Cayman) Ltd. were acquired. Newly incorporated companies are GAM Systematic Services Limited and GAM Systematic Holding Limited.

GAM (Schweiz) AG and GAM Investment Management Lugano SA were merged into GAM Anlagefonds AG which subsequently has been renamed GAM Capital Management (Switzerland) AG.

GAM London Ltd. established a branch office in Israel.

GAM Singapore Pte. Ltd. was liquidated.

All voting rights equal the equity interest.

2.8 Loans

	2016 CHF m	2015 CHF m	Change in %
Direct subsidiaries < 1 year	22.8	20.0	14
Loans	**22.8**	**20.0**	**14**

2.9 Accrued expenses

	2016 CHF m	2015 CHF m	Change in %
Third parties	7.9	10.0	(21)
Other Group companies	0.9	1.0	(10)
Auditors	0.2	0.2	0
Accrued expenses	**9.0**	**11.2**	**(20)**

2.10 Other liabilities

	2016 CHF m	2015 CHF m	Change in %
Third parties	14.4	11.6	24
Other Group companies	0.7	-	-
Other liabilities	**15.1**	**11.6**	**30**

2.11 Capital contribution reserve

	CHF m
Balance at 1 January 2015	**1,323.0**
Cancellation of 1,227,000 shares	(19.0)
Distribution to shareholders	(104.4)
Balance at 31 December 2015	**1,199.6**
Distribution to shareholders	(102.4)
Balance at 31 December 2016	**1,097.2**

Distributions from the capital contribution reserve are exempt from Swiss federal withholding tax of 35% and exempt from income tax for private investors resident in Switzerland.

2.12 Treasury shares

	Number of shares	Average price CHF	Highest price CHF	Lowest price CHF	Total value CHF m
Balance at 1 January 2015	**5,443,444**	**14.10**			**76.7**
Delivery of shares due to exercise of options	(384,672)	11.06			(4.2)
Purchase of treasury shares to cover share-based payments	362,395	17.62	18.25	16.88	6.4
Cancellation of shares approved at the Annual General Meeting on 30 April 2015	(3,267,000)	16.12			(52.6)
Share buy-back programme 2014-2017	3,100,000	17.91	21.67	14.81	55.5
Balance at 31 December 2015	**5,254,167**	**15.56**			**81.8**
Delivery of shares due to exercise of options	(88,551)	12.61			(1.1)
Purchase of treasury shares to cover share-based payments	121,000	11.11	11.93	9.94	1.3
Cancellation of shares approved at the Annual General Meeting on 27 April 2016	(3,100,000)	17.91			(55.5)
Share buy-back programme 2014-2017	612,200	14.19	16.31	12.76	8.7
Balance at 31 December 2016	**2,798,816**	**12.56**			**35.2**
Thereof treasury shares from capital contribution reserve	1,703,221	11.00			18.7
Thereof other treasury shares	1,095,595	14.98			16.5

Shares are cancelled at purchase cost. Therefore the valuation of treasury shares differs from the Group’s consolidated financial statements.

3. Other information

3.1 Contingent liabilities

	2016 CHF m	2015 CHF m
Guarantee obligations in favour of Group companies	9.8	11.5

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.

3.2 Authorised capital

	Registered shares (CHF 0.05 par)	
	Number	CHF m
Resolution of the Annual General Meeting on 27 April 2016	16,339,460	0.8

3.3 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

3.4 Personnel

	2016	2015
Average number of full-time equivalents	21.1	19.4

3.5 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 2016.[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%**
Kiltearn Partners LLP[4]	5.05%	-	**5.05%**
T. Rowe Price Associates Inc.[5]	5.01%	-	**5.01%**
FIL Limited[6]	4.62%	-	**4.62%**
Norges Bank (The Central Bank of Norway)[7]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[8]	3.02%	-	**3.02%**
Old Mutual Plc[9]	3.01%	-	**3.01%**
GAM Holding AG[10]	1.75% [11]	-	**1.75%**

[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] 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] Kiltearn Partners LLP, Edinburgh, UK (as at 6 April 2016).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).

[6] FIL Limited, Hamilton, Bermuda (as at 31 March 2016).

[7] Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 14 November 2016).

[8] UBS Fund Management (Switzerland) AG, Basel, Switzerland (as at 12 July 2016).

[9] Old Mutual Plc, London, UK (as at 2 February 2016).

[10] GAM Holding AG, Zurich, Switzerland, (as at 31 December 2016).

[11] As at 31 December 2016, GAM Holding AG also had a sale position of GAM Holding AG shares of 7.44% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to note 26 of the consolidated financial statements.

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 2015.[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]	15.01%	-	**15.01%**
FIL Limited[4]	5.08%	-	**5.08%**
T. Rowe Price Associates Inc.[5]	5.01%	-	**5.01%**
GAM Holding AG[6]	3.22% [7]	-	**3.22%**
BlackRock Inc.[8]	3.01% [9]	0.05%	**3.06%**
Kiltearn Partners LLP[10]	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] 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] FIL Limited, Hamilton, Bermuda (as at 11 March 2015).

[5] T. Rowe Price Associates Inc., Baltimore, USA (as at 6 February 2014).

[6] GAM Holding AG, Zurich, Switzerland (as at 31 December 2015).

[7] As at 31 December 2015, GAM Holding AG also had a sale position of GAM Holding AG shares of 4.2% of shares in issue related to grants made under its current equity participation programmes. For further details, please refer to note 26 of the consolidated financial statements.

[8] BlackRock Inc., New York, USA (as at 17 March 2015).

[9] BlackRock Inc. also reported on 17 March 2015 a sale position of GAM Holding AG shares of 0.34% of shares in issue.

[10] Kiltearn Partners LLP, Edinburgh, UK (as at 1 September 2014).

3.6 Share and option holdings of the members of the Board of Directors

		Shares vested	Options vested	Total
Johannes A. de Gier, Chairman	31.12.2016	49,986	-	49,986
	31.12.2015	37,046	-	37,046
Diego du Monceau	31.12.2016	13,631	-	13,631
	31.12.2015	10,103	-	10,103
Hugh Scott-Barrett	31.12.2016	8,493	-	8,493
	31.12.2015	7,000	-	7,000
Benjamin Meuli[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-
Nancy Mistretta[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-
Ezra Field[1]	31.12.2016	-	-	-
	31.12.2015	-	-	-

[1] Benjamin Meuli, Nancy Mistretta and Ezra Field were elected to the Board of Directors at the 2016 AGM.

3.7 Share and option holdings of the members of the Group Management Board

		Shares vested	Options vested	Total
Alexander S. Friedman	31.12.2016	51,000 [1]	-	51,000
	31.12.2015	-	-	-
Craig Wallis	31.12.2016	-	-	-
	31.12.2015	-	-	-
Martin Jufer	31.12.2016	-	-	-
	31.12.2015	-	-	-
Scott Sullivan	31.12.2016	-	-	-
	31.12.2015	-	-	-
Richard McNamara	31.12.2016	15,192	-	15,192
	31.12.2015	-	-	-
Larry Hatheway	31.12.2016	-	-	-
	31.12.2015	-	-	-
Tim Dana	31.12.2016	2,925	-	2,925
	31.12.2015	-	-	-

[1] These shares were purchased by Alexander S. Friedman on the open market during August 2016.

3.8 Share, performance unit and option grants to the members of the Board of Directors, members of the Group Management Board and to other staff members

		Shares quantity	Fair value CHF m	Performance units quantity	Fair value CHF m	Options quantity	Fair value CHF m
Granted to members of the	2016	79,362	1.0	-	-	-	-
Board of Directors	2015	42,349	0.9	-	-	-	-
Granted to members of the	2016	189,687	2.4	405,216	1.9	2,301,076	2.0
Group Management Board	2015	103,861	1.6	-	-	425,695	2.0
Granted to other members	2016	371,587	3.5	919,384	4.4	4,419,315	4.4
of the staff	2015	125,421	1.9	-	-	232,699	1.3

For further details on share-based payments, please refer to note 26 of the Group’s consolidated financial statements.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS AND DISTRIBUTION PAYMENT

	2016 CHF m	2015 CHF m
Available earnings for appropriation		
Balance brought forward	-	-
Net profit	41.8	103.0
Available earnings for appropriation	**41.8**	**103.0**
Allocation to other voluntary reserve	(41.8)	(103.0)
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve	**102.4** [1]	**102.8**

[1] The distribution to the shareholders of CHF 102.4 million corresponds to CHF 0.65 per registered share excluding the 2,798,816 treasury shares held by the Company as at 31 December 2016.

The Board of Directors proposes to the forthcoming Annual General Meeting the following appropriation of available 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 available earnings of CHF 41.8 million to other voluntary reserve.

If the Board of Directors' proposal for the appropriation of available earnings and distribution payment is approved, the distribution for the 2016 financial year will be paid as at 4 May 2017 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, 1 March 2017

Statutory Auditor's Report

To the General Meeting of GAM Holding AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GAM Holding AG, which comprise the balance sheet as at 31 December 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 168 to 180) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG

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 Licensed Audit Expert Auditor in Charge	Patricia Bielmann Licensed Audit Expert

Zurich, 1 March 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

FINANCIAL SUMMARY AND SHARE INFORMATION

FIVE-YEAR FINANCIAL SUMMARY

	2016 CHF m	2015 CHF m	2014 CHF m	2013 CHF m	2012 CHF m
Net management fees and commissions	470.5	517.8	542.9	554.1	496.8
Net performance fees	3.0	82.8	65.9	100.7	82.1
Net fee and commission income	**473.5**	**600.6**	**608.8**	**654.8**	**578.9**
Net other income	5.1	0.7	14.7	15.4	16.0
Income	**478.6**	**601.3**	**623.5**	**670.2**	**594.9**
Personnel expenses	246.2	290.0	293.2	321.3	285.6
Fixed personnel expenses	155.7	165.1	166.0	165.7	166.2
Variable personnel expenses	90.5	124.9	127.2	155.6	119.4
General expenses	102.9	104.9	105.8	108.7	106.9
Occupancy expenses	25.7	28.6	28.8	27.9	27.6
IT expenses	16.2	18.3	22.7	21.3	22.1
Communication and marketing expenses	29.2	29.4	28.2	28.3	28.3
Professional services, other fees and charges	13.6	14.4	15.2	19.2	17.1
Administration expenses	6.1	-	-	-	-
Other general expenses	12.1	14.2	10.9	12.0	11.8
Depreciation and amortisation	9.4	8.6	7.8	7.1	7.2
Expenses	**358.5**	**403.5**	**406.8**	**437.1**	**399.7**
Underlying profit before taxes	**120.1**	**197.8**	**216.7**	**233.1**	**195.2**
Underlying income tax expense	25.9	39.4	39.5	22.9	33.2
Underlying net profit	**94.2**	**158.4**	**177.2**	**210.2**	**162.0**
Acquisition-related items	8.6	(13.4)	(5.9)	(11.6)	(11.7)
Non-recurring items	2.9	(8.5)	(2.3)	2.6	(63.7)
Tax on acquisition-related items	1.5	(0.5)	-	-	-
Tax on non-recurring items	(0.7)	2.3	-	0.2	1.8
Non-recurring tax item	27.8	-	-	-	-
IFRS net profit	**134.3**	**138.3**	**169.0**	**201.4**	**88.4**
IFRS net profit attributable to:					
The shareholders of the Company	134.3	138.3	165.8	196.8	87.1
Non-controlling interests	-	-	3.2	4.6	1.3
Operating margin (%)[1]	24.3	32.8	33.2	33.2	31.0
Compensation ratio (%)[2]	52.0	48.3	48.2	49.1	49.3
Average personnel (FTEs)	1,023	1,093	1,082	1,091	1,091

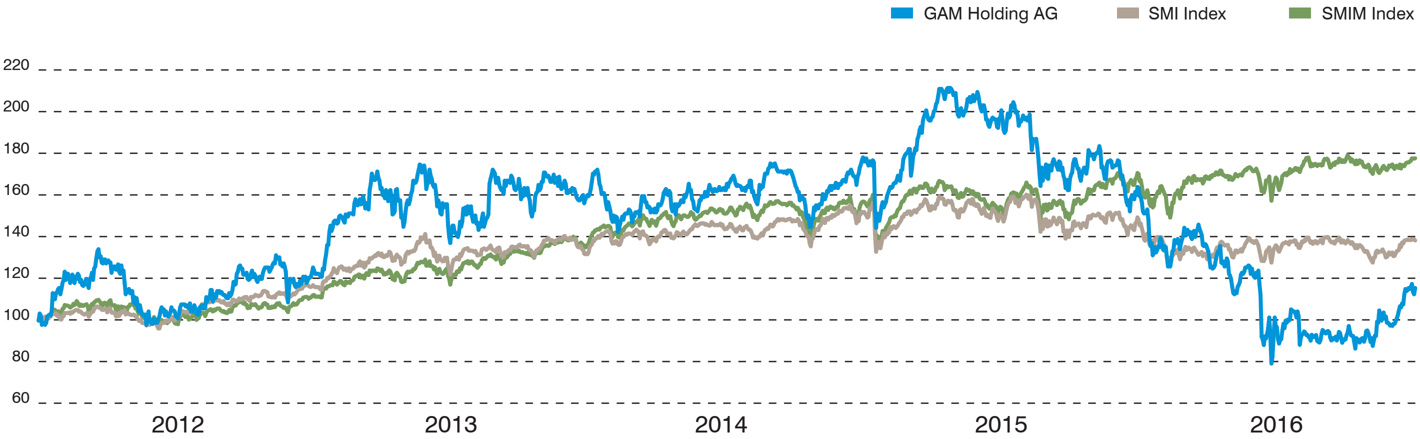
[1] (Net fee and commission income - expenses) / net fee and commission income.

[2] Personnel expenses / net fee and commission income.

	2016	2015	2014	2013	2012
Assets under management at the end of the year (CHF bn)	**120.7**	**119.0**	**123.2**	**114.4**	**116.2**
in investment management	68.2	72.3	76.1	69.8	72.6
in private labelling	52.5	46.7	47.1	44.6	43.6
Average assets under management (CHF bn)	**117.2**	**123.3**	**119.6**	**117.6**	**112.6**
in investment management	68.3	73.7	72.9	73.1	70.4
in private labelling	48.9	49.6	46.7	44.5	42.2
Net flows (CHF bn)	**(6.4)**	**3.0**	**1.2**	**(3.7)**	**1.7**
in investment management	(10.7)	0.3	2.0	(2.6)	(0.8)
in private labelling	4.3	2.7	(0.8)	(1.1)	2.5
Total fee margin in investment management (bps)	64.1	75.8	77.8	84.3	75.8
Management fee margin in investment management (bps)	63.6	64.6	68.8	70.5	64.2
Management fee margin in private labelling (bps)	7.4	8.4	8.8	8.7	10.6
Weighted average number of shares outstanding for basic EPS (m)	157.7	159.9	162.3	163.4	171.2
Basic underlying EPS (CHF)	0.60	0.99	1.07	1.26	0.94
Basic IFRS EPS (CHF)	0.85	0.87	1.02	1.20	0.51
Weighted average number of shares outstanding for diluted EPS (m)	157.8	160.8	163.4	166.0	171.2
Diluted underlying EPS (CHF)	0.60	0.98	1.06	1.24	0.94
Diluted IFRS EPS (CHF)	0.85	0.86	1.01	1.19	0.51
Dividend per share for the financial year (CHF)	0.65	0.65	0.65	0.65	0.50

SHARE INFORMATION

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)

Share information CHF

	2016	2015	Change in %
Closing price at the end of the year	11.80	16.70	(29)
Highest price	16.30	21.60	(25)
Lowest price	8.10	14.75	(45)
Market capitalisation at the end of the year (CHF m)[1]	1,891	2,729	(31)

Treasury shares

	31.12.2016	31.12.2015	Change in %
Shares issued	160,294,731	163,394,731	(2)
Treasury shares	(2,798,816)	(5,254,167)	(47)
Shares outstanding	157,495,915	158,140,564	0

[1] Based on shares issued.

‘Forward-looking statements’

This Annual Report contains statements that constitute ‘forward-looking statements’, including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company’s future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. The Company has tried to identify those forward-looking statements by using words such as ‘may’, ‘will’, ‘would’, ‘should’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘project’, ‘believe’, ‘predict’ and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company, which could affect the future accuracy of these forward-looking statements, include, but are not limited to, the effects of, and changes in, fiscal, monetary and tax policies; currency fluctuations; the effect of the current economic environment on the financial position or creditworthiness of the Company’s clients and counterparties; the Company’s ability to retain and attract the employees that are necessary to generate revenues and to manage its businesses effectively; possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements; changes in accounting standards or policies; limitations on the effectiveness of the Company’s internal risk management processes, including the occurrence of operational failures; political and social developments, including war, civil unrest or terrorist activity; the adverse resolution of litigation and other contingencies; and changes in the size, capabilities and effectiveness of the Company’s competitors. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company’s expectations.

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

www.gam.com