ANNUAL 2017 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.

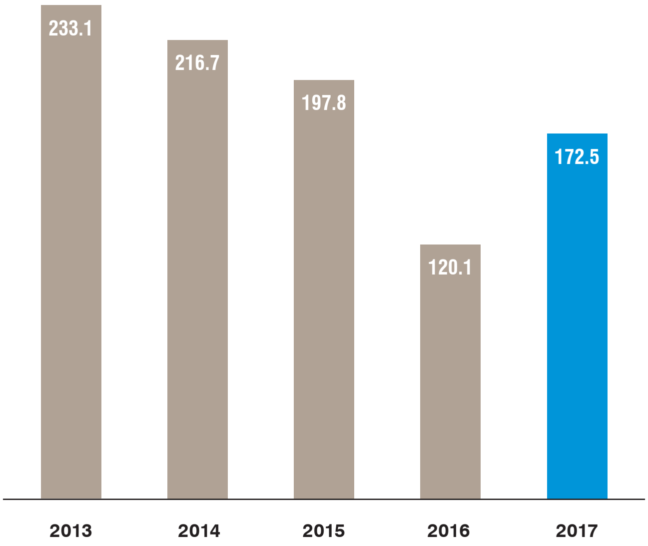
GAM Investments

CONTENTS

KEY FIGURES

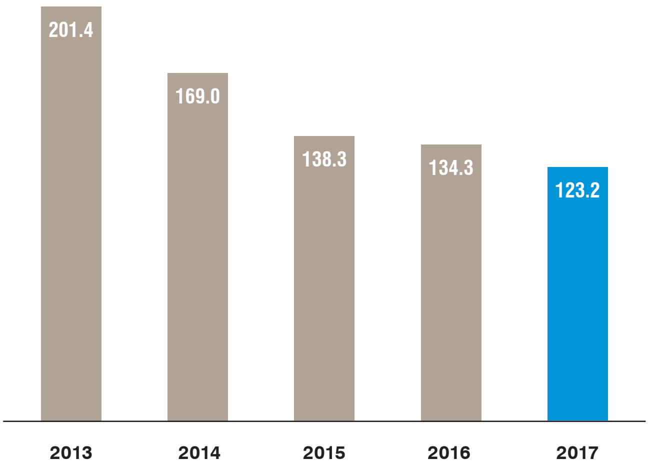
Underlying profit before taxes (CHF m)

CHF 172.5 m



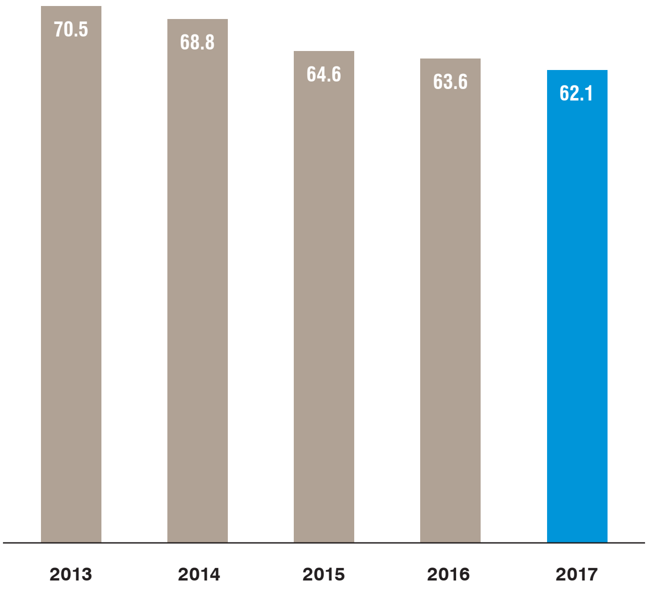
IFRS net profit (CHF m)

CHF 123.2 m



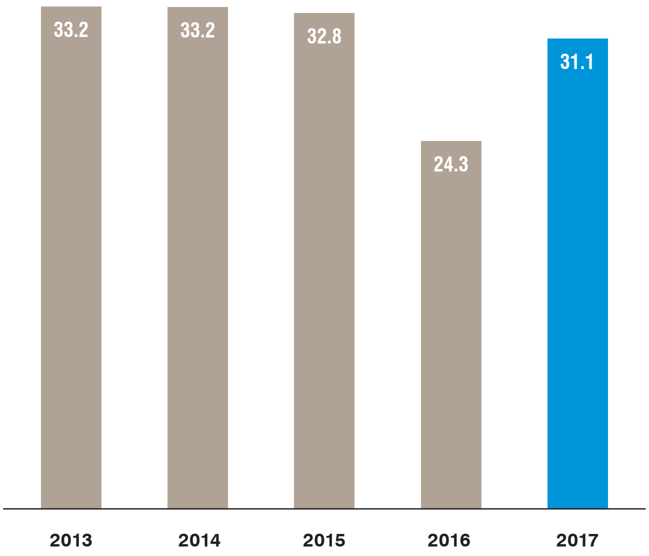
Management fee margin – investment management (bps)

62.1 bps



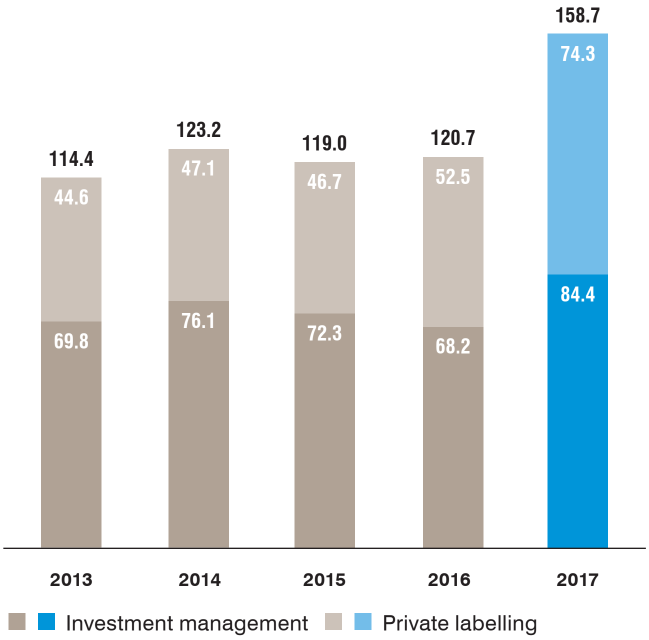
Operating margin (%)

31.1 %



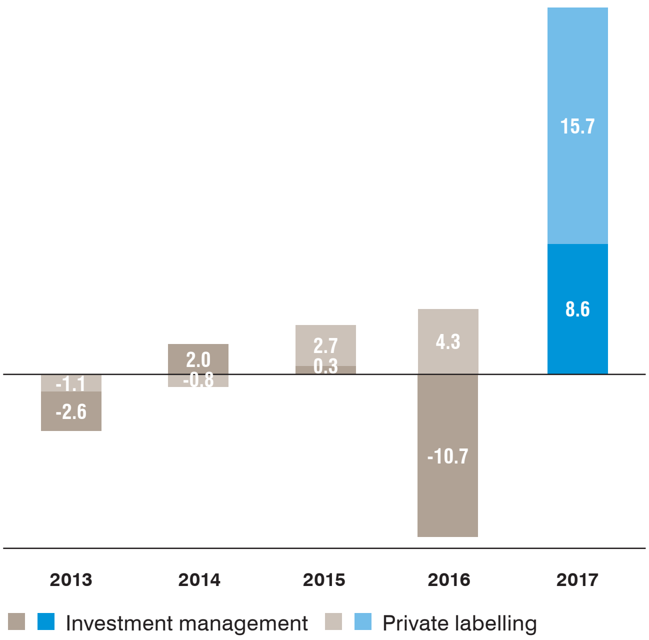
Assets under management (CHF bn)

CHF 158.7 bn



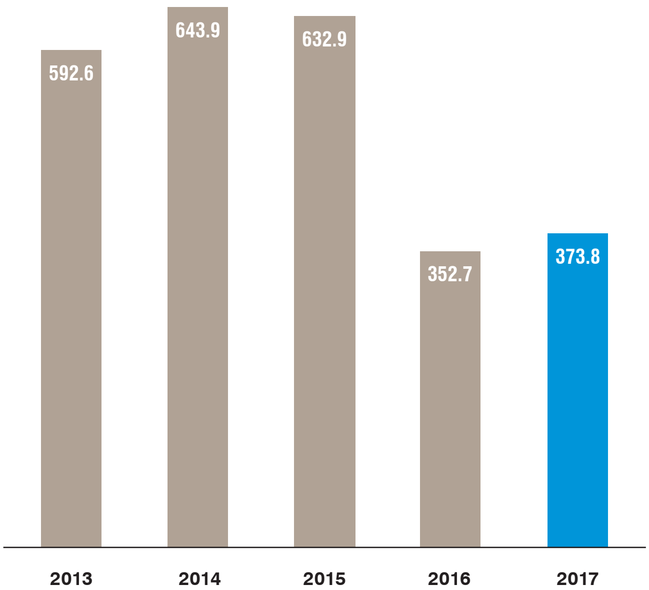
Net flows (CHF bn)

CHF 24.3 bn



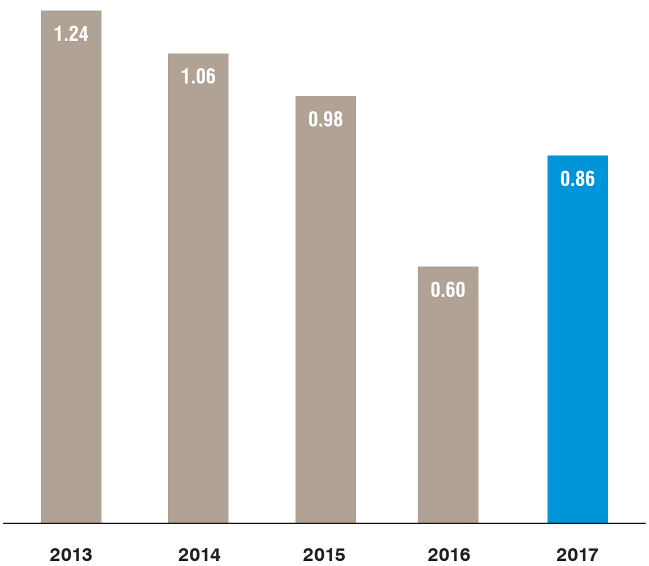
Net cash (CHF m)

CHF 373.8 m



Diluted underlying EPS (CHF)

CHF 0.86



OUR BOARD OF DIRECTORS






Left page, from top left to bottom right

Hugh Scott-Barrett: chairman of the Board of Directors and chairman of the governance and nomination committee

Nancy Mistretta: chairman of the compensation committee and member of the governance and nomination committee

Diego du Monceau: member of the audit committee

Ezra S. Field: member of the governance and nomination committee

David Jacob: member of the audit committee and the compensation committee

Benjamin Meuli: chairman of the audit committee and member of the compensation committee

Right page, 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

Dirk Spiegel: group general counsel

Martin Jufer: region head continental Europe

Tim Rainsford: group head of sales and distribution

Elmar Zumbuehl: group chief risk officer

OUR GROUP MANAGEMENT BOARD








CHAIRMAN CEO LETTER

Dear Shareholder

We started transforming and repositioning GAM for growth three years ago. Today we are pleased to report on the good progress we made in 2017 and on the substantial improvement in our financial performance.

The market environment, which has been challenging for active asset managers for a number of years, improved in 2017, benefitting some providers of differentiated investment strategies. The beginning of monetary policy normalisation by central banks around the world is increasing dispersion of returns in the markets, creating a more fertile environment for high performing active managers.

Over the past three years, we have undertaken a top-to-bottom revamp of our business to create an investment management firm designed to gain market share in the new industry environment. We have refined our product range to ensure we have truly differentiated and scalable investment strategies, suited for the changing market conditions, and we have taken a myriad of steps to bolster our investment performance. It is gratifying to see that our well positioned, diversified, and performing products are now enabling the Group's accelerating growth.

We have strengthened our distribution team and implemented a new sales strategy under the leadership of Tim Rainsford, who joined us in January 2017. This has translated into a more active, targeted engagement with our clients and generated attractive net inflows. Some of the changes on the distribution side included the creation of a new team to cover global consultants, new sales leadership in the UK, Japan and in Asia Pacific, new sales quant expertise in the US, a new head of institutional sales for the Middle East, and the addition of new sales offices in Vienna and Paris.

We attracted net inflows in investment management of CHF 8.6 billion in 2017, the highest level since the independent listing of our company in 2009. A large part of these flows went into our specialist fixed income range, which we have been proactively developing over the past years. Clients also favoured our European and emerging markets equity funds, alternative risk premia and merger arbitrage products, while the unconstrained/absolute return bond strategy had net inflows for the first time since 2013. Overall, 10 investment strategies delivered net inflows of more than CHF 300 million, highlighting the growing diversification of our business.

Our investment performance over a three-year period improved substantially in 2017, with 77% of our strategies outperforming their benchmarks. Specialist fixed income, systematic and various equity strategies all contributed to this positive and important development. The focus on delivering superior investment performance continues to be a key strategic priority, alongside thoughtful product diversification and refinement, strengthening our distribution globally and optimising our operating model to improve efficiency.

In 2017 we took a number of important steps to strengthen our investment capabilities. We created a new role of head of investments, tasked with improving links between investment teams (without compromising their decision-making autonomy) as well as the connectivity with distribution and support functions. Increased collaboration and debate will lead to better risk-adjusted outcomes for our clients, as well as a more productive environment for innovative thinking and product development.

In October 2017 we launched the GAM UK Equity Income fund to capture significant demand from the UK intermediary market. We also launched three existing strategies in the form of Open Ended Investment Companies in the UK earlier in the year for this client segment.

GAM Systematic launched its fifth strategy, Discovery, off Cantab's platform in October 2017. This Cayman-domiciled product offers access to about 200 less liquid markets, and diversification relative to other assets as well as to more traditional managed-futures strategies. Additionally, we launched an Australian-domiciled Alternative Risk Premia fund for the Australian superannuation sector and have plans to expand our offering further for this market.

We also repositioned our offering in the higher-return spectrum of our unconstrained/absolute return bond range of funds and launched the GAM Star Absolute Return Macro fund. This fund, which trades in fixed income, currency and equity markets, blends discretionary investing with quantitative model-driven strategies and employs leverage to target annualised returns of 8–10% above Libor.

We have a strong organic pipeline of fund launches underway, including an equity fund focused on Europe, Australasia and the Far East (EAFE), an insurance-linked securities product, a global income fund and a global equity systematic strategy. These strategies will all be managed by existing GAM investment teams, leveraging our platform. At the same time, we continue to simplify our product range to concentrate on the most promising and scalable strategies, and we merged or closed 16 funds in 2017 in addition to 66 funds in the previous two years, with a de minimis loss of assets under management.

We achieved the final step to reduce our brand complexity through an agreement with Julius Baer to terminate our licence to use the Julius Baer trademarks. The funds formerly bearing the trademarks were successfully rebranded in early July 2017, with clients informed that their portfolio managers, strategies and investment processes remained unchanged. No loss of business was experienced following these rebranding activities.

We are progressing well with our multi-year change programme to optimise GAM's efficiency, creating a robust, scalable operating platform aligned with our growth ambitions. Key achievements in 2017 included ensuring GAM was ready for the new Markets in Financial Instruments Directive (MiFID II), implementing the governance framework around our change programme, selecting partners and beginning the outsourcing of IT infrastructure and services, starting implementation of the data architecture solution and the signing of a new lease to consolidate our London offices. Cost discipline remains a key priority, and we reduced our annual fixed personnel costs and general expenses by approximately CHF 12 million in 2017 (excluding the impact from 2016 acquisitions) compared with 2016, ahead of our CHF 10 million target.

Lastly, our private labelling capability is growing rapidly and is a highly complementary services business positioned alongside our core investment management business. We are the largest independent, non-bank provider of such capabilities in Europe, and are beginning to reach a scale where future growth will provide attractive operating leverage. We believe it is a differentiated competitive advantage for a publicly listed active asset management firm to have such a high-growth services business.

2017 results

Group assets under management rose to **CHF 158.7 billion** as at 31 December 2017 from CHF 120.7 billion a year earlier. In investment management, the net inflows of CHF 8.6 billion were augmented by CHF 7.6 billion of net gains from investment returns and foreign exchange movements. Private labelling assets rose by CHF 21.8 billion to CHF 74.3 billion. Net inflows added CHF 15.7 billion, while market and foreign exchange movements resulted in net gains of CHF 6.1 billion.

Net fee and commission income increased 16% to CHF 547.7 million, due to higher management and performance fees. Net management fees and commissions rose 7% in 2017 to CHF 503.6 million. This was driven by higher average assets under management, only partly offset by the slight reduction in the management fee margins as a result of fluctuations in the asset mix between products and client segments and the lower margin on new assets in private labelling compared with the existing portfolio. Performance fees increased to CHF 44.1 million from CHF 3.0 million, with GAM Systematic strategies as well as the unconstrained/ absolute return bond and other specialist fixed income strategies contributing the majority of these fees. Importantly, even as our performance fees recover, growth in other strategies will reduce the relative proportion of overall earnings driven by performance fees.

We have managed costs tightly, and total expenses increased only 5% in 2017 compared with the previous year, mainly as a result of the full-year impact of costs associated with the acquisition of Cantab Capital Partners in the fourth quarter of 2016. Personnel expenses increased 7% to CHF 264.6 million, largely as a result of Cantab, and improved investment performance with higher associated contractual bonuses. General expenses rose 3% to CHF 106.1 million, with the increase mainly reflecting a full year of administration expenses paid for the outsourced fund back and middle office services.

Our underlying pre-tax profit of CHF 172.5 million was 44% higher than in 2016 and our operating margin improved to 31.1% from 24.3%, moving closer to our target range of 35–40%. The compensation ratio, which tracks our ability to manage our largest expense category (personnel expenses) in line with net fee and commission income, declined to 48.3% from 52.0%. This is within the target range of our new compensation framework of 45–50% and demonstrates the Group's operating leverage.

Diluted underlying earnings per share rose to CHF 0.86 from CHF 0.60. 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 26 April 2018.

Under IFRS, our net profit was CHF 123.2 million, 8% lower than in 2016. The IFRS figure includes two items that are not reflected in the underlying results: non-recurring items that resulted in a net loss of CHF 17.2 million and acquisition-related items that resulted in a net gain of CHF 3.3 million (all net of taxes). The former include reorganisation charges related to the multi-year change programme and an impairment of investment management and client contracts related to the acquisition of THS. In 2016, the non-recurring items resulted in a net gain of CHF 30.0 million, primarily due to a one-time tax credit. Acquisition-related items include a net reduction in our estimate of the deferred consideration liabilities for the acquisitions of Arkos (now GAM Lugano), Singleterry Mansley Asset Management, Cantab and THS, partly offset by the amortisation of investment management and client contracts from businesses we acquired and finance charges on the deferred consideration liabilities. In 2016, the acquisition-related items resulted in a net gain of CHF 10.1 million as a reduction in deferred consideration liabilities more than offset amortisation and other charges.

Summary and outlook

We are pleased with the financial results achieved in 2017, but recognise there is still a lot to do. We are committed to continuing the disciplined execution of our strategy, aimed at delivering superior investment returns, a differentiated product range, global distribution strength, operating efficiency and sound risk management.

In consultation with shareholders, the Board of Directors conducted a comprehensive review of the Group's compensation policies and structures in 2017 and implemented changes to ensure greater alignment of remuneration with the long-term performance of our business and shareholder interests, while focusing on transparency and sound risk management. The Board of Directors believes that these changes will support the entrepreneurial business environment within GAM and help drive further progress on delivering the turnaround we embarked on in 2015.

The steps we have taken over the past three years are showing tangible results, and the outlook gives us confidence in the long-term performance of the business. We are progressing well to position GAM for sustainable growth and increased market share, with an efficient and scalable platform.

Further improvements in operating efficiency are crucial to unlocking GAM's full potential. Over the coming years, revenue growth will be the key driver for improving profitability and returns for our shareholders. Therefore, alongside our continuous efforts to make GAM as efficient as it can be, we are planning to invest in a measured manner into the development of investment and distribution talent and improving our technology, infrastructure, risk and compliance resources.

The Group has made good progress on rebuilding capital buffers in 2017, and we are committed to increasing shareholder returns in line with our sustainable, progressive and predictable dividend payments policy.

The markets have become more volatile and challenging for investors in 2018. A further de-rating of equities, higher bond yields and widening credit spreads may all be factors throughout this year. Still, barring a prolonged risk-off environment, we continue to see opportunities for high performing active asset managers to capture growing investor demand for strategies that offer true diversification versus traditional asset classes and broad market trends. Our portfolio of well performing specialist fixed income, differentiated high active-share equity and market-leading systematic products positions us well in this regard.

We remain 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.

With best regards,

Hugh Scott-Barrett	Alexander S. Friedman
Chairman	Group chief executive officer

Zurich, 1 March 2018

THE BUSINESS REVIEW

ADVANCING THE POTENTIAL OF OUR CLIENTS' CAPITAL

Business cycle (5 to 8 years)

RESOURCES

PEOPLE

CAPITAL

BRAND

PLATFORM

Global distribution

- Introduced a new sales strategy
- Upgraded distribution capabilities in core markets with new leadership
- Created a team focused on global consultants
- Opened sales offices in Vienna and Paris
- Rebranded all former Julius Baer funds to GAM

Differentiated product offering

- Launched GAM UK Equity Income fund with newly hired experienced manager
- Launched GAM Star Absolute Return Macro to address demand for higher return products
- Launched fifth systematic strategy, GAM Systematic Discovery, trading exotic markets
- Streamlining product shelf: closed or merged 82 funds since 2014

Our targets

Annualised growth in diluted EPS > 10%

Operating margin = 35–40%

Strategic priorities

- Investment performance
- Differentiated product offering
- Global distribution
- Operating efficiency

Investment performance

- Created head of investments role to improve links between investment teams and with distribution and support teams
- Reorganised equities capability around five clusters of expertise
- Introduced new centralised, MiFID II compliant research-sharing repository
- Continuous work to improve risk and control frameworks
- Three-year performance improved substantially in 2017

Operating efficiency

- Set up governance framework around change programme
- Implemented necessary regulatory changes (including MiFID II)
- Started implementation of single data architecture solution
- Selected partners for the outsourcing of IT infrastructure and services
- Signed new lease to consolidate London offices
- Delivered 2017 cost savings ahead of target

Upcoming initiatives

- Continue to deliver strong investment performance
- Expand in the 'new actives' product segments
- Continue implementation of the new sales strategy
- Drive cost savings and implement change programme
- Invest appropriately in talent, infrastructure, risk and compliance resources

OUR STRATEGY

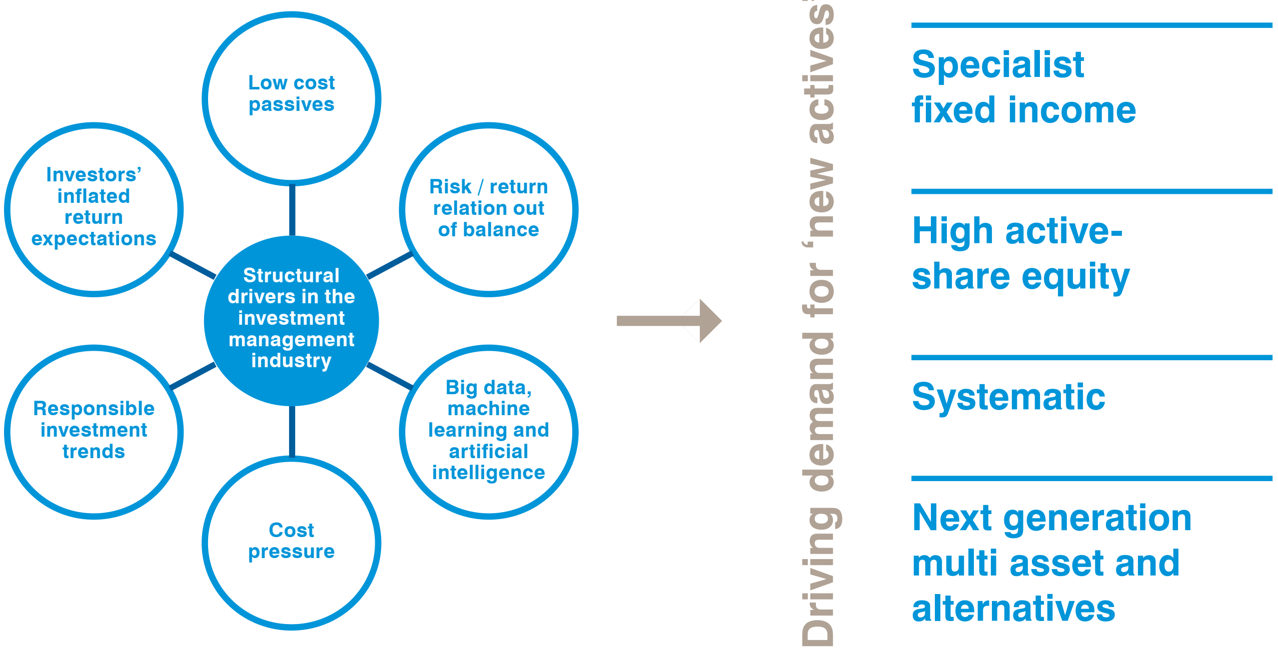
Our industry – challenges and opportunities

The overall active asset management industry continues to face a challenging environment. While professionally managed assets worldwide increased 7% in 2016 to USD 69.1 trillion, industry revenues declined due to pressure on fees, and costs are expected to continue to rise as firms spend more on upgrading their infrastructure and ensuring regulatory compliance.

Despite these challenges, there is significant opportunity for active managers to innovate, differentiating themselves to capture market share in specialist 'new active' products that are growing in demand. Industry data shows that while outflows from traditional active funds into passives continue, alternatives, solutions and active specialist products are attracting inflows. While fees are declining in most areas, innovative products investing in private debt, specialist fixed income and multi asset have been able to buck the trend of margin pressure and command higher fees over the past few years.[1]

Investors, who are increasingly looking for specific outcomes rather than style-focused funds, are using passive investments alongside active and alternative products that deliver true alpha to boost performance. Passive instruments and alternatives, such as real assets, private equity and private debt, are forecast to grow the fastest over the coming years, more than doubling assets under management by 2025 from 2016.[2] However, despite the growth in passive assets, the share of industry revenue they produce is forecast to barely increase over the coming years, while alternatives, solutions and specialist products are

The 'new actives'



[1] The Boston Consulting Group, Global Asset Management 2017 – The Innovator's Advantage, July 2017.

[2] PwC, Asset & Wealth Management Revolution: Embracing Exponential Change, October 2017.

expected to persist in generating strong fees, contributing 75% of the industry's total revenues by 2021, up from 72% in 2016.[3]

Assets in quantitative mutual funds and hedge funds have grown at a compound annual growth rate of 19% and 12% respectively since 2010 – a trend that is expected to continue as investors look for diversification away from traditional assets in today's yield-starved environment.[4]

Barring a prolonged risk-off environment, normalising monetary policy together with greater dispersion in markets should offer a fertile ground for the best active discretionary and quantitative managers to outperform. We believe investors will continue to look for differentiated, benchmark-agnostic active funds, alternative, specialist and systematic strategies to meet their investment goals.

Our product range is aligned to benefit from these market dynamics, while the strategic initiatives we have undertaken since 2015 position GAM well to navigate the long-term industry challenges and capture future business opportunities.

Time to get active

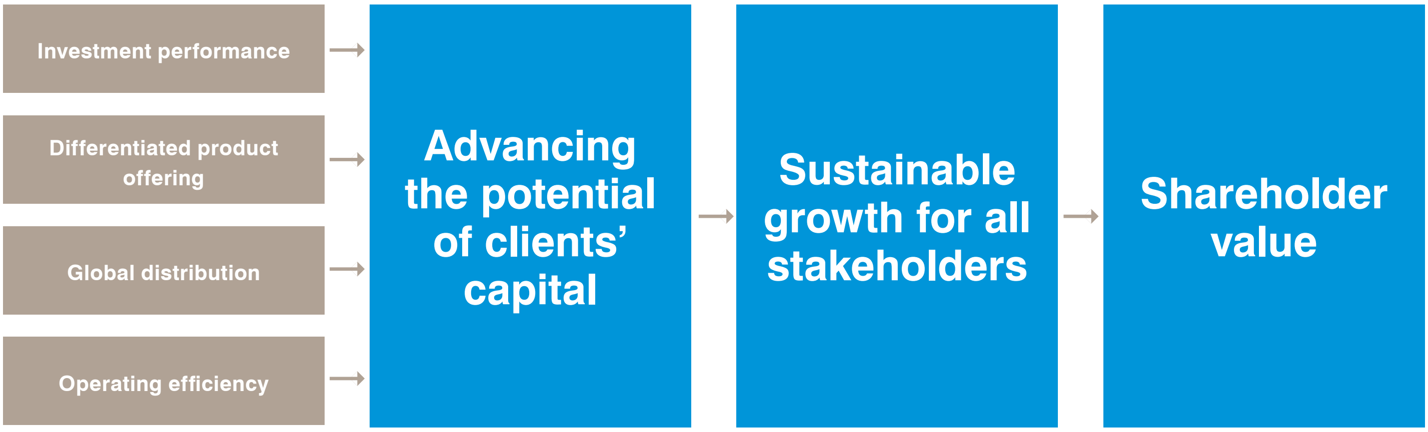
We have been living in a period of extraordinary bull markets for bonds and stocks since the early 1980s (short-term corrections notwithstanding). Many thought that the global financial crisis would mark the start of a bear market environment. However, central banks around the world then became net buyers of just about everything in the global markets. Quantitative easing and zero interest rates became the norm for a whole generation of investors and created a rising tide for capital markets, naturally favouring the passive approach. However, as this period of unprecedented central bank intervention finally begins to draw to a close, active management is returning to the fore.

The quintessential 60/40 portfolio of global equities and a bond index fund that has served investors well since the financial crisis, can hardly be considered "balanced" in this changing market environment. We expect future markets to be characterised by lower returns and higher volatility. Furthermore, the rising dispersion within markets and asset classes is rendering the positive stock / bond price correlation a thing of the past. As a result, investors need to have a serious look at asset allocation, portfolio construction and active strategies that offer true diversification versus traditional asset classes. At GAM, we focus on delivering precisely such strategies, spanning specialist fixed income, high active-share equities, systematic, multi asset and alternative investments.

[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).

[4] Morgan Stanley, Quant Investing – Bridging the Divide, October 2017.

Our business model



Our mission

Our job is to help clients achieve their investment goals by putting their capital to work effectively. We share insights, act with integrity and execute with purpose to make the right investment decisions for our clients. We consider our mission to advance the potential of capital.

Our strategy

We are an independent global asset management firm built by investors, for investors. With a 35-year heritage, we invest our clients' capital using active strategies across discretionary, systematic and specialist solutions.

Our strategic priorities are superior investment returns, a differentiated and commercially compelling product offering, global distribution strength, operating efficiency and sound risk management. We execute on these priorities with a high-performance talent 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 and a disciplined approach to investing. GAM has no 'house view' to constrain investment decisions, and we encourage collaboration and knowledge sharing among our managers to enhance outcomes for our clients. Success is measured 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. Our product shelf is continually managed by adding capabilities with growth potential and consolidating products where appropriate.

We distribute our products globally and have offices in 13 countries to service our growing client base. Our company is client-focused in all areas, and we support institutional, intermediary and private clients with relationship managers, product specialists, marketing and client-servicing professionals. We match our distribution strength to core geographies, products and growth opportunities and prudently invest in our strong and credible GAM brand, widely recognised for investment excellence, innovation and insight.

We continually seek efficiencies through tight cost control and appropriate investment in our operating platform and risk controls. We see substantial benefits in continued efforts to simplify, consolidate and streamline our administrative processes, servicing and IT support. Together, the steps we have taken are leading to a highly-aligned and stable business model able to support growth with limited incremental resources.

In addition to our investment management business, we continue to expand our private labelling business, which is highly complementary and provides attractive operating leverage.

Over a business cycle of five to eight years, we target an operating margin of 35–40% based upon platform leverage, cost discipline and operating efficiencies, and annualised growth in diluted underlying earnings per share in excess of 10%.

We maintain a policy of sustainable, progressive and predictable capital returns to shareholders, firstly through dividends in line with earnings growth and then through share buy-backs from excess capital.

Update on strategic priorities

Investment performance

GAM's model is designed to bring out the best of truly active asset managers. A priority in our high-performance culture is continuous investment and development of top talent (see 'Our people' section on pages 45–48). In 2017 we created the new role of head of investments to improve links between investment teams (without compromising their decision-making autonomy) as well as the connectivity with distribution and support functions.

Our equity teams have been reorganised around five clusters of expertise to facilitate the exchange of insights: European, global, pan-Asian, specialist and absolute return equities. We also introduced a new centralised, MiFID II compliant research-sharing repository for the entire investment business.

Increased collaboration and debate will lead to better risk-adjusted outcomes for our clients as well as a more productive environment for innovative thinking and product development. We are continually improving the overall risk and control framework by increasing front office oversight infrastructure and implementing new risk tools consistently across teams.

Differentiated product offering

During 2017, we further expanded our product offering, driven by client needs and geographic preferences. We hired Adrian Gosden, a highly regarded UK equity investor, and in October 2017 launched the GAM UK Equity Income fund to capture significant demand from the UK intermediary market. This followed the launch earlier in the year of three existing strategies in the form of Open Ended Investment Companies (OEICs) in the UK to address the needs of this client segment.

GAM Systematic launched its fifth strategy, GAM Systematic Discovery, in October 2017. This Cayman-domiciled product, managed by the Cantab team, offers investors access to about 200 unusual and less liquid markets and diversification relative to other assets as well as to more traditional managed futures strategies. Additionally, we launched an Australian-domiciled fund for GAM Systematic Alternative Risk Premia for the Australian superannuation sector and have plans to expand our offering further for this market.

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 Cantab Capital Partners and launch of GAM Systematic

2017: All funds under GAM brand following termination of our trademark licence agreement with Julius Baer

We also repositioned our offering in the higher-return spectrum of our unconstrained/absolute return bond range of funds and launched the GAM Star Absolute Return Macro fund. The fund, which trades in fixed income, currency and equity markets, blends discretionary investing with quantitative model-driven strategies and employs leverage to target annualised returns of 8–10% above Libor.

We have a strong organic pipeline of fund launches, including an equity fund focused on Europe, Australasia and the Far East (EAFE), an insurance-linked securities product, a global income fund and a global equity systematic strategy. These strategies will all be managed by existing GAM investment teams, with proven track records. At the same time, we continue to simplify our product range to concentrate on the most promising and scalable strategies, and we merged or closed 16 funds in 2017 in addition to 66 funds in the previous two years, with a de minimis loss of assets under management.

Global distribution

In January 2017, Tim Rainsford joined GAM as our group head of sales and distribution. Since then, we have made significant progress in upgrading our distribution capabilities in each of our core markets. This includes the creation of a new team to cover global consultants, new sales leadership in the UK, Japan and in Asia Pacific, a new head of institutional sales for the Middle East and new quant sales expertise in the US. We also expanded our distribution presence in continental Europe to gain better traction in core client segments and opened offices in Vienna and Paris. In addition, we hired a new global head of marketing.

Our new sales and distribution strategy focuses on product lifecycle, building out regional client bases and leveraging our global institutional and consultant relationships while fostering a one-team mentality. Incentives for the sales teams have been streamlined across the regions and better aligned with the Group's priorities of diversifying and growing revenues and profitability.

These changes have started to translate into a more active, targeted engagement with clients and helped to deliver healthy, more diversified inflows, with 10 strategies attracting net inflows of more than CHF 300 million each in 2017.

Our largest local presence and client base, as well as the strongest brand recognition, is in continental Europe and the UK. These regions will remain key to our future success and provide a proven testing ground for the scalable products of tomorrow. Additionally, we are gaining increasing inflows in Asia Pacific – especially in Australia – where we see significant potential to introduce products that have resonated in other markets. We are working to expand the client base for GAM Systematic in North America, Japan and the Middle East, where we continue to develop key distribution capabilities and institutional relationships. We have a strong reputation with institutions in selected Latin American markets, such as Chile, and will expand and deepen relationships in other countries in the region with a reconfigured sales team.

In early 2017 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. The funds formerly bearing the trademarks were successfully rebranded, and our clients informed that their portfolio managers, strategies and investment processes remained unchanged. No loss of business was experienced following these rebranding activities.

Operating efficiency

We are progressing well with our multi-year change programme to optimise GAM's efficiency, creating a robust, scalable operating platform aligned with our growth ambitions. This extensive programme involves multiple projects, including the implementation of a single data architecture, a move to cloud-based IT infrastructure, outsourcing of various IT services, simplification of our systems, processes and reporting, outsourcing of back and middle office activities, creation of centres of excellence, real estate footprint simplification and legal entity rationalisation.

We hired Clare Forster as global head of change to drive transformation projects across the business with coordination through our operational change committee. We have devoted a substantial part of the change programme to ensure compliance with regulatory changes and risk reduction, as well as improving efficiency.

Key achievements in 2017 include ensuring GAM was ready for the new Markets in Financial Instruments Directive (MiFID II), setting up the governance framework around the change programme, selecting partners for the outsourcing of IT infrastructure and services, beginning implementation of the data architecture solution and the signing of a new lease to consolidate our London offices.

This extensive multi-year change programme will significantly upgrade GAM's operating platform to ensure it is robust and scalable to support the future growth of the firm and produce important operating and cost efficiencies.

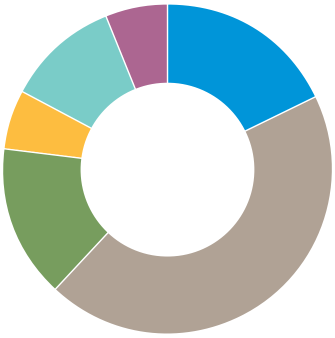
Cost discipline remains a key priority as we realise efficiencies in a controlled and appropriately sequenced manner, while meeting clients' needs and regulatory obligations. We reduced our annual fixed personnel costs and general expenses by approximately CHF 12 million in 2017 (net of investments) compared with 2016, ahead of our CHF 10 million target. We expect to realise annual cost savings in excess of CHF 30 million by the end of 2019 compared with 2016.[5]

As we continue to drive cost savings, we are cognisant of the need to also invest in our business to capture future growth opportunities. Over the coming years, revenue growth supported by an efficient platform will be the key driver of improving profitability and returns for our shareholders. Therefore, alongside our continuous efforts to make GAM as efficient as it can be, we are planning to invest in a measured manner in the development of investment and distribution talent across the business and in improving our technology infrastructure, risk and compliance resources.

[5] These cost-saving targets exclude the impact from 2016 acquisitions.

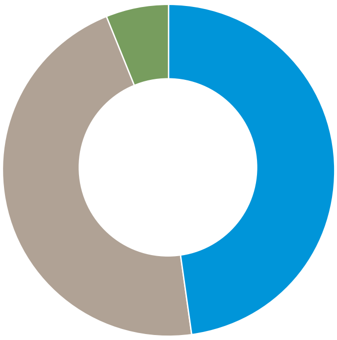
BUSINESS AND RESULTS OVERVIEW

Investment management assets by capability



- 18% Absolute return
- 44% Fixed income
- 15% Equity
- 6% Systematic
- 11% Multi asset
- 6% Alternatives

Investment management assets by client segment



- 48% Intermediaries
- 46% Institutional clients
- 6% Private clients

Investment management snapshot

Investment strategies, mandates and funds managed by in-house professionals and selected third-party specialists

92%

of our Group net management fees and commissions are generated in investment management

188

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

74

relationship managers serving our global client base, supported by 93 employees in marketing, sales support and product specialist roles

77%

of assets in funds outperformed their benchmark over three years

Private labelling snapshot

Tailored third-party fund solutions for banks, insurers, independent asset managers and institutional investors

8%

of our Group net management fees and commissions are generated in private labelling

11

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

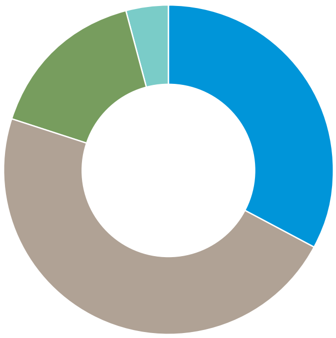
4

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

200+

private label funds launched since 1992

Private labelling assets by asset class



- 33% Equity
- 47% Fixed income
- 16% Alternative
- 4% Money market

Private labelling assets by fund domicile

- 45% Switzerland
- 55% Rest of Europe

OUR BUSINESSES

Investment management

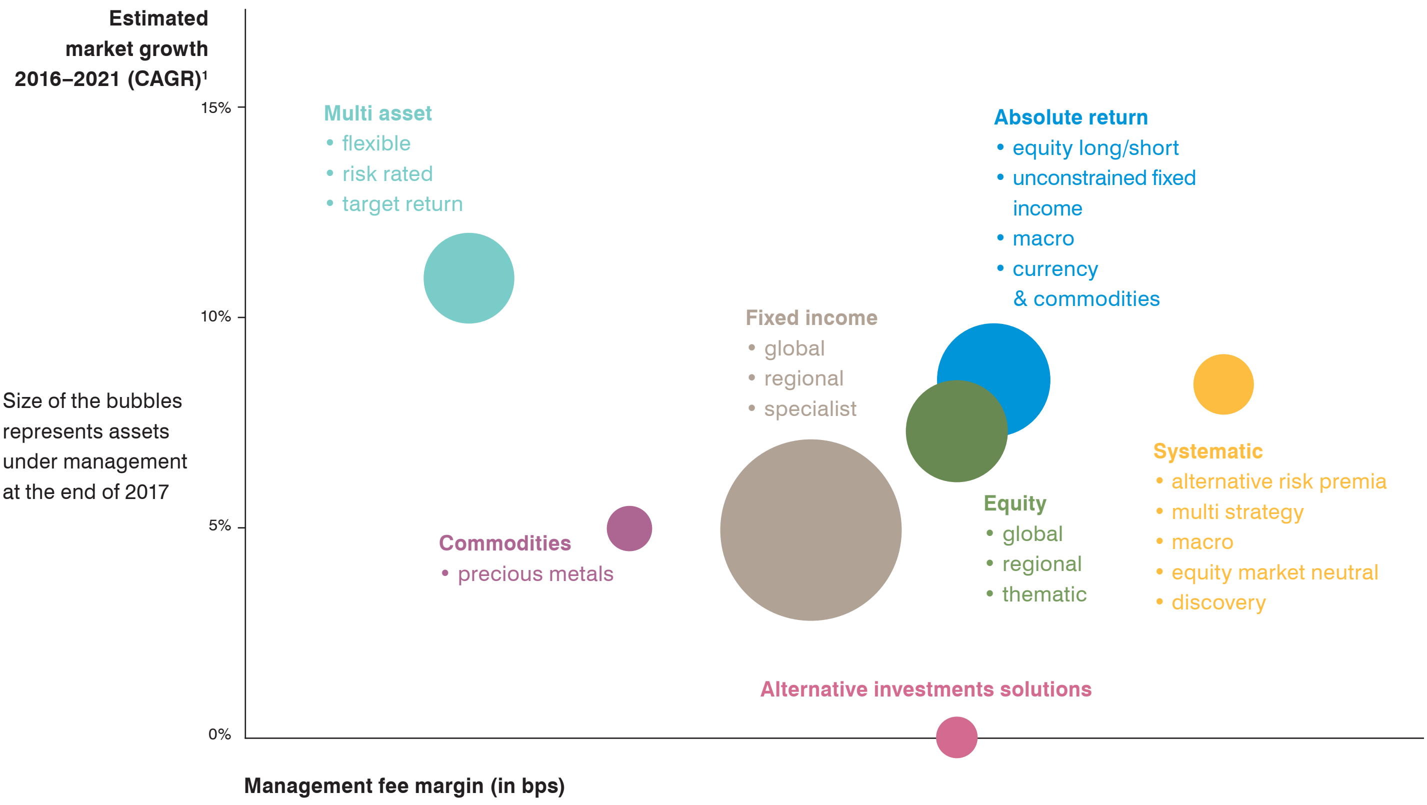
Investment capabilities

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 product shelf is focused on scalable 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 188 in-house investment professionals based in our investment centres in Zurich, London, Cambridge, Hong Kong, New York, Milan and Lugano. All our funds are now under the GAM brand, following the termination of the Julius Baer trademark licence agreement in 2017. Having pioneered the open architecture approach by working with external managers in the early 1980s, we still work with a few distinguished third-party investment specialists in selected areas.

GAM does not have a 'house view', and our investment management teams are free to make investment decisions according to their individual philosophies and styles. Our discretionary investment management teams seek to generate superior returns through high-conviction investing. 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 Cantab and alternative risk premia teams follow disciplined scientific approaches. In particular, Cantab's investment philosophy and process – based on rigorous, world-class scientific research to create robust quantitative strategies that identify and harvest numerous sources of returns – has remained unchanged since our acquisition of the business in 2016.

GAM capabilities



[1] The Boston Consulting Group, Global Asset Management 2017 – The Innovator's Advantage, July 2017; GAM

Investment management assets and management fee margins (CHF bn)

Capability	Opening AuM 1 Jan 2017	Net flows 2017	Market/FX 2017	Closing AuM 31 Dec 2017	Management fee margin 2017 (bps)
Absolute return	16.3	(1.6)	0.9	15.6	77
Fixed income	20.8	13.9	2.4	37.1	58
Equity	12.5	(2.2)	2.3	12.6	73
Systematic	3.8	0.1	0.8	4.7	100
Multi asset	9.6	(1.0)	0.9	9.5	23
Alternatives	5.2	(0.6)	0.3	4.9	55
Total	**68.2**	**8.6**	**7.6**	**84.4**	**62.1**

The breadth of our product range allows us to provide relevant products across market cycles and client segments. Our product development capabilities encompass a variety of structures – onshore and offshore funds, segregated mandates and customised solutions. Most products are offered in the regulated form of Undertakings for Collective Investment in Transferrable Securities (UCITS).

Approximately 18% of the CHF 84.4 billion investment management assets as at 31 December 2017 are invested in absolute return strategies. Fixed income products make up 44% following strong inflows and performance in 2017, while equities contribute 15%. Investment solutions across multi asset and alternatives capabilities make up 17% of our assets, and our newest capability – systematic – is at 6% and growing.

Our **absolute return** range covers strategies across fixed income, macro/managed futures, equity long/short, currencies and commodities. All the strategies share a common aim: to deliver positive, long-term absolute returns with controlled volatility and low correlation to traditional asset classes. The largest strategy in this capability is our unconstrained/absolute return bond range of funds, which offer products across the risk-return spectrum. Global macro, long-short equity and event-driven products are also important parts of our absolute return offering.

Our **fixed income** range covers the breadth of specialist fixed income investing in a wide range of instruments and is quite differentiated from traditional core fixed income styles. This positions us well to capture investor demand for substitutes to traditional bond allocations as investors search for yield in today's low-yield environment. Products focused on credit, emerging market debt, catastrophe bonds and mortgage-backed securities make up the core of our range. We are also building out our real estate debt offering and trade finance investment solutions – both of which are on good growth trajectories – to extend our range in private market capabilities.

Our **equity** strategies are high active-share funds with a regional or thematic focus. The majority of our strategies have an 'active share'[6] 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). Our long-standing strategies in European, Japanese and Chinese equities are complemented by growing, highly scalable strategies in areas such as emerging markets and UK equity income.

Within our **systematic** capability, we are focused on developing and managing systematic products and solutions across liquid alternatives and long-only asset classes, including equities, debt and multi asset solutions. Our investment philosophy and process is based on rigorous scientific research to identify and harvest numerous sources of returns. The capability is underpinned by world-class infrastructure and proprietary technology run by a team of scientists led by Dr Ewan Kirk, a leader in the field of quantitative investing. Our systematic product offering encompasses quantitative multi-strategy, core macro, equity market neutral, and alternative risk premia products with varying volatility levels depending on clients' investment objectives, as well as a strategy trading less liquid markets. Our risk premia strategy, led by industry pioneer Dr Lars Jaeger, is rapidly gaining market share.

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

Today's low-yield environment, which is likely to persist for the foreseeable future, 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), led by Larry Hatheway, which combines teams across multi asset, alternatives and private clients and charities, targets exactly this opportunity.

GIS is focused on delivering solutions consistent with client needs and preferences, spanning the range from unitised funds to bespoke portfolio offerings.

Spotlight on GAM Systematic

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.

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.

GAM Systematic utilises state-of-the-art infrastructure and proprietary technology we acquired through our purchase of Cantab Capital Partners in 2016. Our alternative risk premia team and the Cantab research team work independently but both follow disciplined and rigorous scientific approaches. Following the launch of GAM Systematic Discovery in October 2017, we now offer five systematic investment strategies with a range of volatility targets and liquidity terms. GAM Systematic will add products and solutions to this offering over time.

CCP Quantitative Fund – a sophisticated multi-strategy hedge fund offering with a competitive 10+ year track record. The fund's diversification across asset classes and investment strategies led to strong outperformance in 2017 when many less diversified trend-following peers struggled. The fund's main share class with a 20% volatility target rose 31% in 2017, achieving its third-highest annual return since launch. Share classes with 10% volatility targets are also offered.

GAM Systematic Core Macro (and CCP Core Macro) – a systematic global macro approach, diversified across value/carry and momentum models across all liquid asset classes and approximately 100 markets. The strategy offers low correlation to traditional assets over the cycle and achieved significant outperformance to the SG Trend Index in 2017 thanks to its diversified multi-strategy approach. The strategy delivers 10–12% annual volatility over time and is offered in UCITS form and as a Cayman-domiciled fund with a competitive five-year track record.

GAM Systematic Global Equity Market Neutral – trades single equities selected from a universe of over 12,000 stocks globally. The strategy uses both fundamental and price-behavioural models including quality, momentum, value, defensive and sentiment. The models are combined together in a market neutral portfolio with 6–8% annualised volatility over time. The fund in UCITS form has a one-year track record and longer trading history for the models, which have delivered a successful track record as part of the CCP Quantitative Fund since 2014.

GAM Systematic Discovery – offers investors access to about 200 unusual and less liquid markets, such as exotic futures, credit, alternative ETFs, interest rate swaps, spreads and options. This strategy has an 8–12% expected annual volatility and offers effective diversification from traditional CTA and systematic macro strategies thanks to its low direct exposure to large liquid futures contracts. The strategy is offered as a Cayman-domiciled product.

GAM Systematic Alternative Risk Premia – broadly diversified across asset classes and premia types. Portfolio risk is managed with a focus on capital preservation using GAM's expected drawdown analysis. The fund does not endeavour to perform tactical market timing but rather seeks to consistently extract alternative risk premia returns out of markets over time. The strategy has a five-year highly competitive track record with low correlation to traditional assets. The strategy is offered in a variety of currencies in UCITS form as well as in the form of an Australian Unit Trust.

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 physical metals funds include gold, platinum, silver and palladium. We also offer an active strategy that invests in commodity futures, with rotating exposures across agriculture, energy and metals.

Evolving specialist product range

	AuM (in CHF bn)	Core strategies[1]		Build and grow	Near-term pipeline
Absolute return	15.6	Unconstrained fixed income Global rates Euro equity long / short Merger arbitrage	CHF 11.1 bn CHF 1.7 bn CHF 1.5 bn CHF 0.6 bn	EM long / short Financials long / short Absolute return macro	Absolute return global equity
Fixed income	37.1	Credit opportunities EM Cat bonds MBS	CHF 12.2 bn CHF 10.5 bn CHF 2.9 bn CHF 1.8 bn	EM opportunities Real estate debt (UK) EM rates	Insurance-linked securities Global income Real estate debt (Europe)
Equity	12.6	Europe Japan China EM	CHF 2.6 bn CHF 2.6 bn CHF 1.0 bn CHF 0.8 bn	UK equity income China evolution Specialist equities	International equities (EAFE)
Systematic	4.7	Quantitative Core macro Alternative risk premia	CHF 1.6 bn CHF 1.5 bn CHF 1.5 bn	Core macro (UCITS) Global equity market neutral (UCITS) Discovery	Global equity long only Core macro (UCITS, lower volatility)
Multi asset	9.5	Institutional Private client Risk rated	CHF 4.7 bn CHF 2.0 bn CHF 1.5 bn	Target return	Flexible asset allocation
Alternatives	4.9	Fund of hedge funds Commodities	CHF 2.5 bn CHF 2.3 bn	Opportunistic credit	

[1] Core strategies represent the aggregate number of several funds and mandates following the same strategy.

Abbreviations: MBS = mortgage-backed securities; EM = emerging markets; EAFE = Europe, Australasia and the Far East; UCITS = Undertakings for Collective Investment in Transferable Securities.

Investment management assets (CHF bn)

Client segment	Opening AuM 1 Jan 2017	Net flows 2017	Market/FX 2017	Closing AuM 31 Dec 2017
Intermediaries	28.4	8.2	4.0	40.6
Institutional clients	34.0	1.3	3.2	38.5
Private clients	5.8	(0.9)	0.4	5.3
Total	**68.2**	**8.6**	**7.6**	**84.4**

Total assets under management in investment management include all assets that generate a management fee for the Group. As at 31 December 2017, CHF 2.6 billion of assets were double-counted compared with CHF 3.1 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.

Our clients

We are committed to strong long-term relationships with clients, spanning our different geographies, channels and segments. Our goals are fully aligned with our clients' as we provide efficient access to high performing investment opportunities supported by world-class infrastructure and risk management. In 2017 we announced the decision to absorb all research costs from January 2018, following the implementation of the new Markets in Financial Instruments Directive (MiFID II), further underlining our commitment to placing clients' interests first.

Institutional clients, who represent 46% of our investment management assets, continue to demand differentiated active 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 risk management capabilities, designed to address the stringent requirements they face from their stakeholders, including beneficiaries and supervisory bodies.

We maintain a strong network of distribution partners, including financial intermediaries and advisers, whose clients represent 48% of our 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 represent 6% of investment management assets. Our private client and charities business remains an important part of the Group's strategy and we are focused on growth opportunities in these segments. 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

Global stock markets rose in the first quarter of 2017 amid improving economic data and expectations for fiscal stimulus and reflation of the US economy. Emerging market equities posted strong gains, benefitting from an upswing in global growth and a weaker US dollar. In fixed income markets, corporate credit outperformed government bonds as the US Federal Reserve continued to raise interest rates and the European Central Bank signalled less accommodative future monetary policy.

Strong corporate earnings and positive economic data continued to support global equity markets in the second quarter of 2017, with emerging markets outperforming developed markets. Government bonds rallied from March to June before suffering another setback at the end of the second quarter on expectations for tightening monetary conditions.

Against a positive economic backdrop, central banks have continued to indicate that they want to gradually reduce the

Investment performance[1]

Capability	3 years 2017	3 years 2016	5 years 2017	5 years 2016
Absolute return	76%	43%	66%	92%
Fixed income	82%	74%	51%	73%
Equity	67%	54%	68%	40%
Systematic	100%	100%	40%	0%
Alternatives[2]	0%	47%	0%	47%
Total	**77%**	**60%**	**56%**	**68%**

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

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

level of monetary stimulus. The US Federal Reserve announced in the third quarter that it will start to reduce its balance sheet and increased interest rates in December. The Bank of England also decided to raise rates in November, the first time since 2007.

Global equities continued to post solid gains in the second half of the year, supported by positive earnings releases. Volatility remained low despite geopolitical tensions with North Korea and political uncertainty in the US. The risk-on sentiment also continued to drive outperformance of corporate credit and emerging market debt compared with developed markets government bonds.

This supportive market environment and strong investment performance of our strategies boosted our assets under management by CHF 6.6 billion in 2017, while foreign exchange movements had a CHF 1.0 billion positive impact.

Over the three-year period to 31 December 2017, 77% of our assets under management in funds outperformed their respective benchmark, up from 60% that outperformed over three years to 31 December 2016. Over the five-year period to 31 December 2017, 56% of our assets under management in funds outperformed their respective benchmark, compared with 68% that outperformed over five years to 31 December 2016. This reduction is caused by two of our largest funds falling slightly behind benchmark on the five-year measure, but maintaining strong one-year and three-year performance.

Over 70% of GAM's assets under management tracked by Morningstar[7] outperformed their respective peer groups over three and five years.

Strong investment performance and our improved distribution capabilities also led to increasing inflows through financial intermediaries, with clients adding net CHF 8.2 billion in 2017. Institutional clients added net CHF 1.3 billion in the period, while net outflows from private clients of CHF 0.9 billion largely reflect redemptions from our previous captive channels (UBS and Julius Baer).

Overall, net inflows in investment management totalled CHF 8.6 billion, with CHF 1.9 billion in the first half and 6.7 billion in the second half of the year, after we recorded net outflows of CHF 10.7 billion in 2016. Our specialist fixed income product offering was a key driver of 2017 inflows as investors continued to search for yield.

In fixed income, net inflows totalled CHF 13.9 billion in 2017. Our GAM Star Credit Opportunities strategy, which predominantly invests in debt of investment grade or high quality issuers, the GAM Local Emerging Bond fund, which invests in debt of emerging countries denominated or pegged to the respective local currency, the GAM Star MBS Total Return fund, as well as our trade finance offering all attracted strong inflows.

In the absolute return category, the unconstrained/absolute return bond strategy attracted positive inflows for the first time since 2013. The GAM Star (Lux) – Merger Arbitrage fund, which celebrated its one-year anniversary in July 2017, continued to attract investor demand. However, the GAM Absolute Return Europe Equity fund, which takes long and short positions in equities and equity-related securities of European companies, and the GAM

[7] The peer group comparison is 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.

Star Global Rates fund saw redemptions following a period of weaker performance. Overall, investors withdrew net CHF 1.6 billion from our absolute return strategies.

In equity, net outflows of CHF 2.2 billion reflected redemptions from global equity mandates mainly in the first half of the year and a number of regional strategies, while the GAM Star Continental European Equity and GAM Emerging Markets Equity funds attracted solid net inflows.

In systematic strategies, solid net inflows into our alternative risk premia strategy were offset by some clients rebalancing away from systematic products, resulting in net inflows of CHF 0.1 billion. The strong performance that our systematic strategies delivered in 2017 should bode well for future flows.

Multi asset strategies experienced net outflows of CHF 1.0 billion for the period, reflecting redemptions from private clients from our previous affiliation with UBS and Julius Baer as well as some institutional mandates.

Net outflows of CHF 0.6 billion in alternatives reflected redemptions in our fund of hedge funds business.

Spotlight on the credit opportunities strategy

Our credit opportunities strategy, launched in 2011 and encompassing a range of funds in different currencies, is under the stewardship of Atlanticomnium S.A., who have been an investment adviser to GAM funds since 1985. The team's strategy is to invest predominantly in debt of investment grade issuers and find the best combination of yield, value and capital preservation. The managers use rigorous credit analysis to invest in companies with a low probability of default, and hence are willing to invest lower down a company's capital structure to unearth overlooked and undervalued bonds in order to obtain the higher yields. Each fund offers a yield-to-maturity that is well in excess of their respective benchmark indices.

The team specialises in the financial sector and in specialist segments of the credit issuance market, such as undated, floating rate and fixed-to-floating debt instruments. New regulatory requirements for banks have made them safer than before the financial crisis, and the pressure to deleverage has resulted in companies buying back debt at a premium to market price, offering significant capital gain potential. So the team likes to invest in old legacy debt that is likely to be repurchased.

Each of the funds within the strategy generated strong returns during 2017. This solid year builds on an excellent track record and, for example, the euro fund has achieved annualised returns since launch of more than double that of its benchmark.[1] Looking ahead to 2018, the team is preparing for higher interest rates by focusing on securities with high current income, low duration and potential for capital gains. They believe that the normalisation of monetary policy is likely to be gradual and that a narrowing of interest rate spreads should help to insulate their portfolios from the impact of the expected interest rate rises.

[1] Based on GAM data and analysis.

Private labelling

Private label funds are tailored products set up for banks, insurers, independent asset managers and institutional investors, where we provide fund solutions focused on structuring, legal set-up, fund administration arrangements and ongoing 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.

Growth in our private labelling business has been underpinned by the increasing trend within the asset management industry to outsource fund solution services due to increased regulation and cost pressures. Demand for such services is particularly growing in large international fund centres, such as Luxembourg and Ireland, as asset managers seek to expand their product offering available for cross-border distribution. Additionally, asset managers of all sizes seek assistance with increased complexity of new products, such as illiquid alternative investment funds.

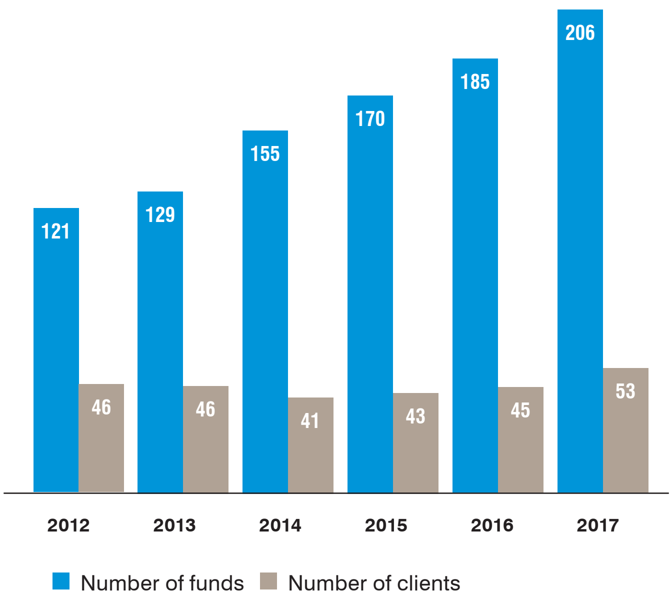
Private labelling accounts for about 8% of our total net management fees and commissions. While these services have comparatively low fee margins, they provide effective operating leverage on the infrastructure we have in place to run our own investment management activities and significantly higher persistency than traditional investment management assets. Importantly, private labelling is a growing services business, which provides a unique complement to our investment management business. Over time, we expect to continue to grow this business.

Clients can choose from a modular service offering. We can provide 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 as well as accompanying project and lifecycle management. We also support our clients' efforts by providing access to some global distribution networks, international registration and documentation, such as fund factsheets. Finally, our private label clients benefit from our strategic business relationships by getting access to world-class service providers in the area of fund administration and custody.

We believe our offering is attractive for clients in Europe, including the UK, in the US as well as in Asia. Given our high-quality service offering – including use of in-house tax experts and superior risk management capability – and the considerable effort involved in setting up tailored solutions, client assets in this business are typically stable once acquired. Net inflows into private labelling reflect flows from our existing clients as well as new relationships.

In 2017, net inflows amounted to CHF 15.7 billion. We added a number of new clients, and one large existing client contributed significantly to these inflows. Positive market performance and foreign exchange movements boosted our private labelling assets by CHF 4.1 billion and CHF 2.0 billion, respectively. Assets under management rose to CHF 74.3 billion as at 31 December 2017 from CHF 52.5 billion a year earlier.

Private labelling funds and clients



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. It is important that the use of equity-linked instruments and share-based awards in our compensation structure is reflected in this earnings measure (please refer to the 'Compensation report' section on pages 76–103). 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 the 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%.

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

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 efficient as it can be. As a result of the new integrated operating model we are implementing, we have reduced operating costs significantly since 2015. We see future benefits from the implementation of our multi-year change programme, with a robust, scalable platform aligned with our growth ambitions. This extensive programme involves multiple projects, including the implementation of single data architecture, a move to cloud-based IT infrastructure, outsourcing of various IT services, simplification of our systems, processes and reporting, outsourcing of back and middle office activities, creation of centres of excellence, real estate footprint simplification and legal entity rationalisation.

Further efficiency improvements and cost control continue to be a top priority for us. As we drive cost savings, we are cognisant of the need to also invest in our business to capture future growth opportunities. Over the coming years, revenue growth will be the key driver of improving profitability and returns for our shareholders. Therefore, alongside our continuous efforts to make GAM as efficient as it can be, we are planning to invest in a measured manner into the development of investment and distribution talent and improving our technology, infrastructure, risk and compliance resources.

performance fees (ie net fee and commission income divided by average assets under management).

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 20–29.

Assets under management and net flows

Group assets under management as at 31 December 2017 amounted to CHF 158.7 billion, compared with CHF 120.7 billion a year earlier.

Investment management assets increased by CHF 16.2 billion to CHF 84.4 billion through CHF 8.6 billion of net inflows and CHF 7.6 billion of net gains from market and foreign exchange movements. Private labelling assets were CHF 74.3 billion, CHF 21.8 billion higher than at the end of 2016. Net inflows added CHF 15.7 billion, while market and foreign exchange movements resulted in net gains of CHF 6.1 billion.

Income drivers and developments

Management fee margins

The management fee margin earned on investment management assets during 2017 was 62.1 basis points, compared with 63.6 basis points in 2016. The mix of net flows and market movements across products and client segments, in particular outflows from higher-margin absolute return products, and the re-pricing of our Global Rates strategy contributed to this slight decline. This was only partly offset by higher margin systematic strategies that were added through the acquisition of Cantab Capital Partners at the end of 2016.

In private labelling, the management fee margin was 6.3 basis points, compared with 7.4 basis points in 2016, with the reduction primarily reflecting a lower margin on new assets compared with the existing portfolio.

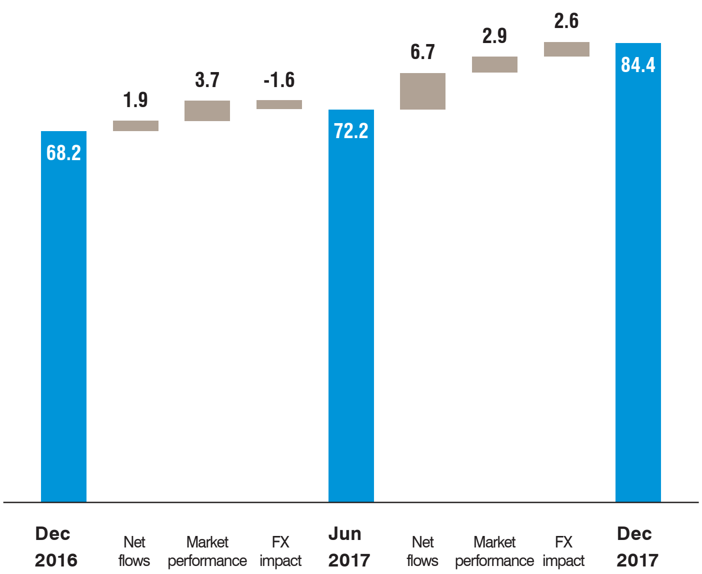
Management fees

Net management fees and commissions in 2017 totalled CHF 503.6 million, up 7% from the previous year, driven by higher average assets under management, only partly offset by the reduction in the management fee margins for investment management and private labelling as explained above.

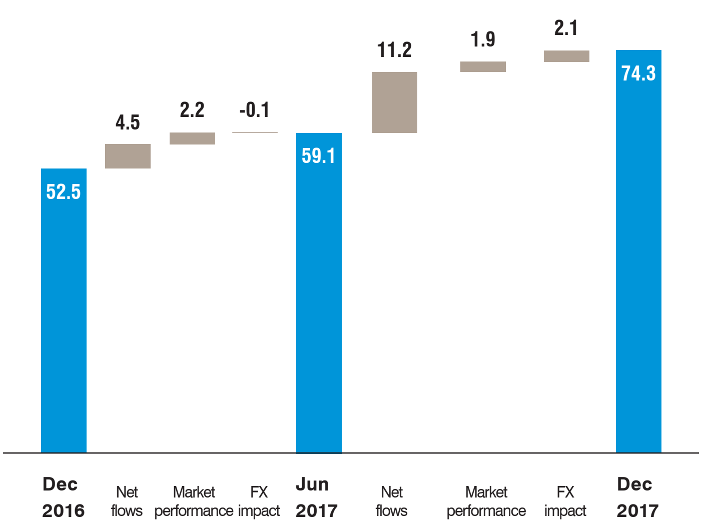
Performance fees

Performance fees increased to CHF 44.1 million from CHF 3.0 million, with GAM Systematic strategies as well as the unconstrained/absolute return bond and other specialist fixed income strategies contributing the majority of these fees.

Investment management AuM movements (CHF bn)



Private labelling AuM movements (CHF bn)



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 a decrease of CHF 2.9 million to CHF 2.2 million in 2017. This decrease was driven by net losses from foreign exchange movements versus net gains in the previous year, partly offset by net seed capital gains compared with net losses in 2016.

Expense drivers and developments

Personnel expenses
Personnel expenses in 2017 increased 7% to CHF 264.6 million. Variable compensation was 27% higher compared with 2016, mainly due to higher contractual bonuses driven by the increase in performance and management fees and the full-year impact of costs associated with the Cantab acquisition in the fourth quarter of 2016. This was partly offset by the accounting impact of broadening of bonus deferrals across the firm. Fixed personnel costs were 4% lower, driven by a further decrease in staff levels by 5% from 979 as at 31 December 2016 to 927 as at 31 December 2017.

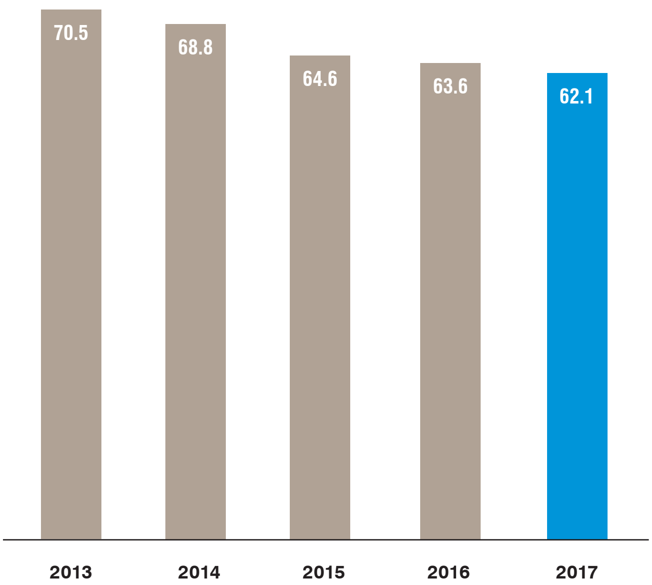
Compensation ratio
Our compensation ratio declined to 48.3% from 52.0%, and is within the target range of our new compensation framework of 45–50%. Demonstrating the Group's operating leverage, the increase in net fee and commission income was greater than the increase in total personnel expenses.

General expenses
General expenses for 2017 amounted to CHF 106.1 million, up 3% from the previous year. The figures in 2017 include a full year of administration expenses, amounting to CHF 8.8 million, mainly reflecting fees paid to State Street for the outsourced fund back and middle office services. Excluding these costs, general expenses only slightly increased by 1%, despite the full-year impact of costs associated with Cantab.

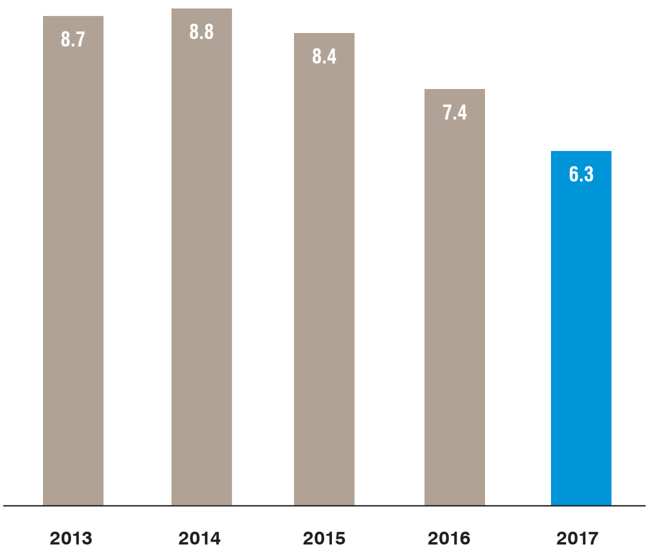
Depreciation and amortisation
Depreciation and amortisation decreased by 29% to CHF 6.7 million as the amortisation and depreciation period for a variety of software and leasehold improvements has ended.

Operating margin
The operating margin for 2017 was 31.1% compared with 24.3% in 2016. The increase in net fee and commission income was greater than the increase in expenses, demonstrating the Group's operating leverage.

Management fee margin – investment management (bps)



Management fee margin – private labelling (bps)



Underlying profitability and earnings per share

Underlying profit before taxes
The underlying pre-tax profit of CHF 172.5 million in 2017 was 44% higher than in 2016. The 16% increase in net fee and commission income was only offset by a 5% increase in expenses, which continued to be managed tightly.

Effective tax rate
The underlying tax expense for 2017 was CHF 35.4 million, representing an underlying effective tax rate of 20.5%. The decrease from the underlying effective tax rate of 21.5% in 2016 mainly reflects a change in the geographical split of our earnings and the tax rate reduction in the UK.

Earnings per share
Diluted underlying earnings per share for 2017 were CHF 0.86. This represents an increase from CHF 0.60 in 2016, resulting from the increase in underlying profit. This was partly offset by the slight increase in the weighted average number of shares outstanding for diluted EPS, driven by an increase in share-based compensation plans and the higher GAM share price, resulting in a higher level of awards expected to vest.

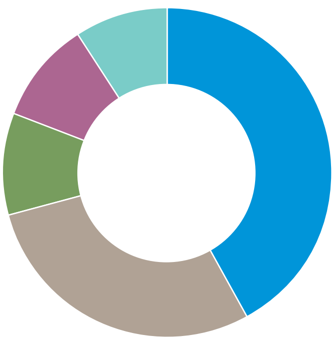
IFRS net profit
Our net profit according to IFRS in 2017 was CHF 123.2 million, all attributable to the shareholders of GAM Holding AG and compared with CHF 134.3 million in the previous year.

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 loss of CHF 17.2 million (all items net of taxes). These mainly include additional reorganisation charges relating to the multi-year change programme that the Group is currently undertaking and an impairment of investment management and client contracts related to the acquisition of THS. In 2016 the non-recurring items resulted in a net gain of CHF 30.0 million, primarily due to a one-time tax credit of CHF 27.8 million.

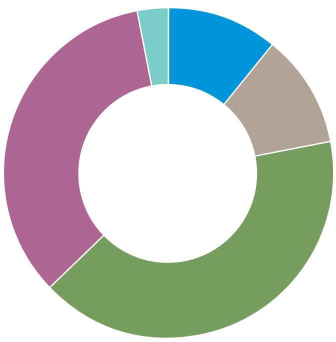
Acquisition-related items, resulting in a net gain of CHF 3.3 million (all items net of taxes). These include adjustments to the deferred consideration liabilities related to the acquisitions of Cantab, THS, Singleterry Mansley and Arkos (now GAM Lugano). These liabilities represent the part of the purchase price which was deferred over multiple years and linked to the future profitability of these businesses. The gain from the net 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. In 2016 the acquisition-related items resulted in a net gain of CHF 10.1 million as a reduction in deferred consideration liabilities more than offset amortisation and other charges.

Group income[1]



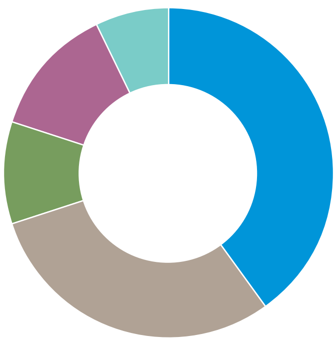
42% USD 10% GBP 9% Other
29% EUR 10% CHF

Group expenses[2]



11% USD 41% GBP 3% Other
11% EUR 34% CHF

Investment management AuM



40% USD 10% GBP 7% Other
30% EUR 13% CHF

[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

	2017 CHF m	2016 CHF m	Change in %
Net management fees and commissions	503.6	470.5	7
Net performance fees	44.1	3.0	-
Net fee and commission income	**547.7**	**473.5**	**16**
Net other income	2.2	5.1	(57)
Income	**549.9**	**478.6**	**15**
Personnel expenses	264.6	246.2	7
Fixed personnel expenses	150.1	155.7	(4)
Variable personnel expenses	114.5	90.5	27
General expenses	106.1	102.9	3
Occupancy expenses	22.2	25.7	(14)
IT expenses	18.2	16.2	12
Communication and marketing expenses	28.7	29.2	(2)
Professional services, other fees and charges	15.3	13.6	13
Administration expenses	8.8	6.1	44
Other general expenses	12.9	12.1	7
Depreciation and amortisation	6.7	9.4	(29)
Expenses	**377.4**	**358.5**	**5**
Underlying profit before taxes	**172.5**	**120.1**	**44**
Underlying income tax expense	35.4	25.9	37
Underlying net profit	**137.1**	**94.2**	**46**
Acquisition-related items	(3.1)	8.6	-
Non-recurring items	(21.2)	2.9	-
Tax on acquisition-related items	6.4	1.5	-
Tax on non-recurring items	4.0	(0.7)	-
Non-recurring tax item	-	27.8	-
IFRS net profit	**123.2**	**134.3**	**(8)**

Balance sheet and capital management

Assets and net cash

Total assets at 31 December 2017 were CHF 2,445.4 million, compared with CHF 2,378.5 million a year earlier. This includes goodwill and other intangible assets of CHF 1,716.5 million, which were down CHF 20.1 million, mainly due to the amortisation and impairment of investment management and client contracts.

Cash and cash equivalents at the end of 2017 amounted to CHF 373.8 million, up from CHF 352.7 million a year earlier, mainly driven by the underlying net profit of CHF 137.1 million which was partly offset by the dividend payment (CHF 102.2 million) and share repurchases (CHF 18.4 million) for share-based compensation plans.

Liabilities and tangible equity

Total liabilities as at 31 December 2017 were CHF 562.8 million, compared with CHF 534.5 million a year earlier. This reflects the increase in accrued distribution fees and staff bonuses, driven by the increase in management and performance fee income, respectively. This was partly offset by a reduction in pension liabilities driven by the return on plan assets and adjustments to demographic assumptions as well as a decrease in the deferred consideration liabilities driven by payments in 2017 and reductions in expected future payments.

Tangible equity at the end of 2017 was CHF 166.1 million, compared with CHF 107.4 million a year earlier. The main contributors to the increase were the IFRS net profit generated in 2017 (CHF 123.2 million) and the amortisation and impairment of investment management and client contracts (CHF 38.0 million), which were partly offset by the dividend payment covering the 2016 financial year (CHF 102.2 million).

As at 31 December 2017 the Group had no financial debt, as in previous years. However, we extended the credit facilities with two banks for CHF 50 million each, one running through the end of 2019 and the other through the end of 2020. Those credit facilities, which are subject to customary financial covenants, provide the Group with further flexibility over its cash and capital resources.

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 2017, our holding of own shares of 3.4 million was equivalent to 2.1% of shares in issue. All of these shares 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 increased by 1.2 million shares reflecting the impact of our new compensation framework to increase the proportion of share-based compensation as part of total remuneration. This was partly offset by the cancellation of 0.6 million shares, bought back in 2016 as part of our share buy-back programme 2014–2017. No shares were bought back under the current 2017–2020 share buy-back programme.

Current share buy-back programme 2017–2020

The current share buy-back programme with the purpose of capital reduction started on 28 April 2017, following the expiration of its predecessor programme. It allows for the repurchase of up to 16.0 million shares over a maximum period of three years. The share buy-backs would be executed over a second trading line at the SIX Swiss Exchange, where GAM Holding AG acts as sole buyer, and are funded from the Group's cash flows. No share buy-backs were made during 2017, as we continued to rebuild capital buffers following the acquisition of Cantab in 2016. 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.

Authorised capital

At the Annual General Meeting in 2016, shareholders approved the creation of authorised capital equal to 10% of GAM Holding AG's share capital in order to improve the Group's strategic flexibility. 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 acquisitions.

The Board of Directors plans to seek shareholder approval at the upcoming Annual General Meeting on 26 April 2018 to renew this authorisation for another two years.

Dividend for the 2017 financial year

At the upcoming Annual General Meeting on 26 April 2018, the Board of Directors will propose an unchanged dividend of CHF 0.65 per share, representing an estimated total distribution of approximately CHF 102 million (based on the number of shares outstanding as at 31 December 2017). 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.

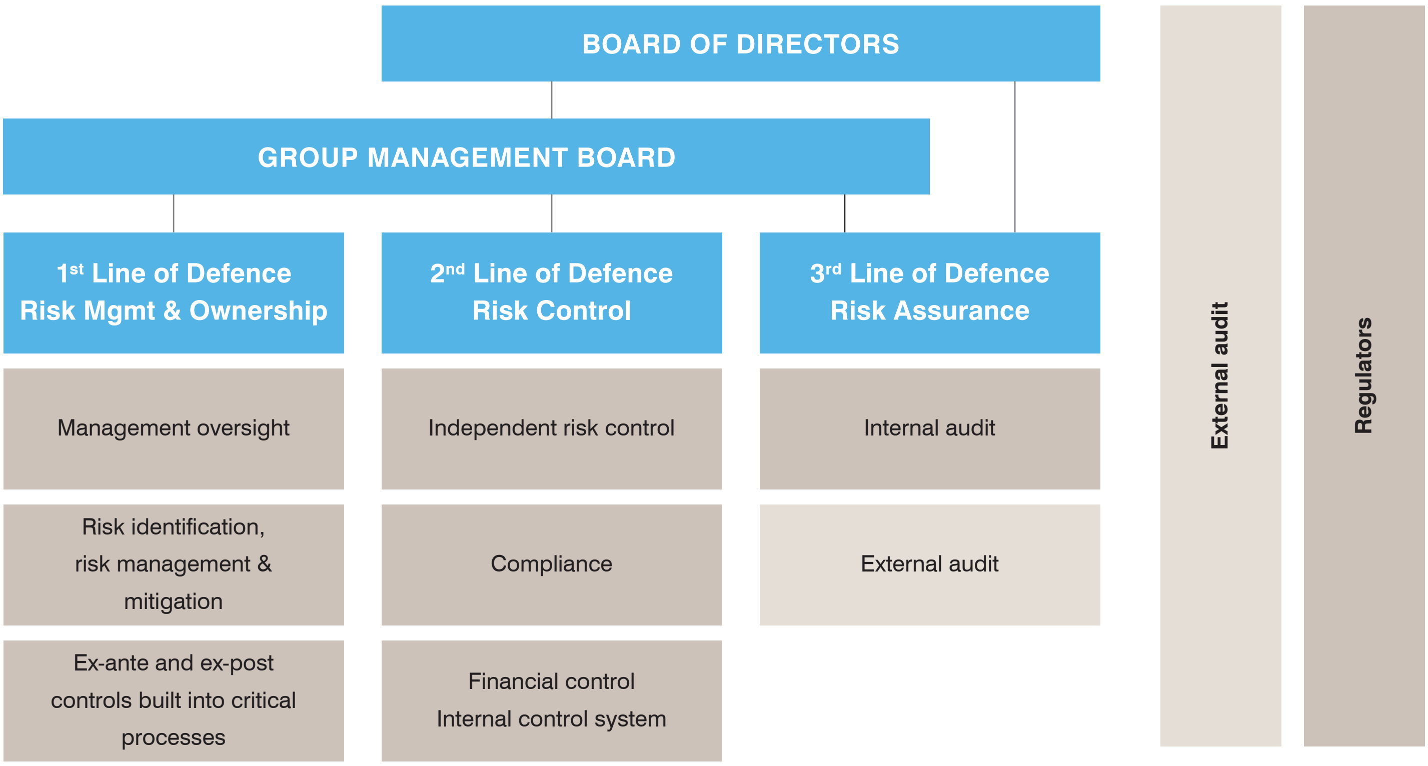
Risk management framework and process

The Group's approach to risk management and control is a structured process that identifies, measures, reports, mitigates and controls risks. 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 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 three lines of defence model



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.

The 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 changes. 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.

The risk landscape is updated based upon an 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/or higher outflows. In response, we have a targeted set of products, including such recently acquired, 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.

Revenues and 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, as described in the previous section. 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 four broad client groups: institutional investors, who are often advised by consultants; retail investors, who are typically intermediated through banks, brokers and independent advisers; private clients and charities; and professional money managers, who typically purchase GAM's fund management company services allowing them to focus solely on the management of private labeled structures. 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 and services 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 19 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.

Implications of the UK's vote to leave the EU

The vote of the UK to leave the European Union has created a lot of uncertainty. In 2017, the UK triggered the exit clause of the EU treaty (article 50) that set the deadline (March 2019) to reach an agreement with the EU. We expect the UK's implementation of the exit to be a process that will take several years. Access to the EU and UK markets for a fund product depends on the regulation of the investment manager and the distributor as well as of the fund product itself. Given that the majority of the fund products we manage have the EU as their legal domicile (Luxembourg or Ireland), we expect our daily operations to be affected in a limited way. We also have offices in several EU countries as well as in the UK and Switzerland, with staff in a diverse set of roles – from investment management to distribution and support – in most of the locations. Nevertheless, we are closely monitoring the negotiation between the UK and the EU in order to be prepared for potential fundamental changes in the regulatory or operating environment if they arise.

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 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 and discount rates (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 conduct, 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, underestimation of the implications to manage onboarded highly customised private label structures, 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, any other types of mis-conduct, 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 with which we are obliged to comply when 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, and the implementation of certain systems, as well as further integration of acquired entities, is underway to further improve our efficiency. To implement these initiatives and mitigate change-driven operational risks, including failure of, and resource constraints 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 19 of the consolidated financial statements.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility for us 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.

We seek excellence and sustainability in all that we do: we think about corporate social responsibility in the same way that we think about risk management. We are one of the world's leading active asset managers and we demand of ourselves the same high standards we demand of the businesses in which we invest on behalf of our clients. As such, we believe our ethos as a corporate is fully aligned with our clients, as we work diligently and with integrity to provide our clients with opportunities to advance their capital. We want to provide clients with solutions, whether they are pension funds being challenged by demographics, charities seeking to be as impactful as possible in their chosen area of specialisation, or savers seeking to grow assets. For every client, we want to find a sustainable solution to the challenges they face and as a corporate, do this as responsibly and efficiently as we can.

Responsible investing at GAM

Responsible investing is the area where we have most leverage to make an impact. Through our investments and active ownership, we can make a difference in the underlying companies we are invested in across the globe. This starts with the decision of our independent investment teams to which companies to allocate capital. While the individual investment teams are truly independent in their decision-making, the separate responsible investing team supports them with regard to proxy voting or by providing additional research and insights that ultimately help them make the best possible decisions.

2017 was an important year in the development of our responsible investment and stewardship activities. GAM's commitment to the UN Principles of Responsible Investment (UN PRI) was strengthened with the establishment of a responsible investment function, with a dedicated team supporting investment managers in the decision-making with regards to environmental, social and governance (ESG) factors.

The importance of ESG and voting activity

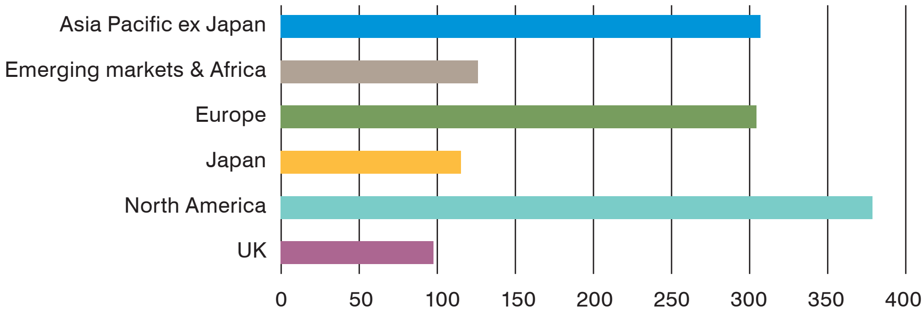
GAM's purpose is to advance the potential of our clients' capital – it is our fiduciary duty to actively consider all factors that impact their capital. Alongside the economic, financial and operational aspects which impact a company, we also incorporate significant environmental, social and governance factors. Elements such as the stability and health of economic and environmental systems as well as the evolving values and expectations of the societies which we are a part of provide important contextual pillars for us. We believe that long-term sustainable returns are dependent on stable, well-functioning and well governed social, environmental and economic systems.

As one of the world's leading independent, pure-play asset managers, specialising in active, high-conviction investing, stewardship and governance are important tools in our arsenal. We use our formal rights, including proxy voting, shareholder resolutions and engagement with management, to influence companies and ensure our clients' capital delivers the returns they expect in a responsible manner.

Active ownership is inherent in the investment style of the vast majority of our investment teams. Through regular meetings with members of the senior management teams of companies we are invested in, our investment managers frequently discuss topics such as corporate strategy, business planning and delivery of objectives, capital structure, mergers, acquisitions and disposals, and ESG matters. This is how they gather their in-depth knowledge about the companies and determine our vote at shareholder meetings and possible further engagement.

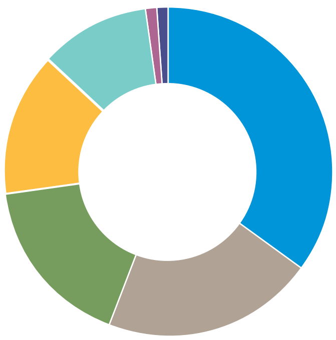
> "GAM aims to actively engage with the companies we are invested in. The establishment of a dedicated responsible investment team will drive these very important efforts."
>
> **Mark Harland, head of responsible investment**

Meetings voted by geography



Votes against management by resolution category

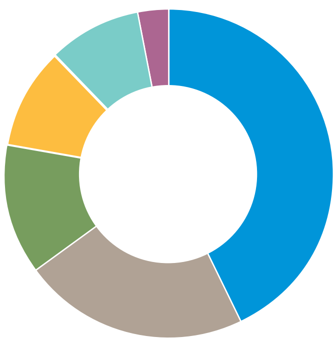
Within the 11% of votes against the proposals set forth by management, the following split shows what issues they related to.



- 35% Board related
- 21% Remuneration
- 17% Routine / business
- 14% Shareholder
- 11% Capital management
- 1% Anti takeover
- 1% Reorganisation and merger

Shareholder proposals supported by GAM

Within the 38% of shareholder proposals supported by GAM, the following split shows what issues these proposals related to.



- 43% Board related
- 22% Political contributions and lobbying
- 13% Environment
- 10% Governance miscellaneous
- 9% Remuneration
- 3% Social

Proxy voting analysis 2017

GAM voted at 1,325 company meetings across all markets.

11% of all votes were against management. Of those votes, 35% related to the board, 21% were linked to remuneration and 17% related to issues including auditors, articles of association and reports and accounts. These are aggregated under routine/business. In all these cases we initiated an active dialogue with the respective companies.

> “Investment performance for our clients is driven by the consistent application of the independent investment processes across our asset classes. Our holistic approach to active asset management means that investments are also assessed from an ESG perspective.”

Matthew Beesley, head of investments

In 2017, GAM supported 38% of all proposals made by shareholders of companies we are invested in. Of those proposals, 43% related to the board, 22% were linked to political contributions and lobbying and 13% related to environmental issues.

Group code of conduct

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 interpret and apply them in the best interests of our clients, employees and shareholders.

Fairness
We deal fairly, honestly and in good faith with clients, business partners, the public, our competitors, third-party service providers and each other.

Responsibility
We apply the highest of all ethical standards to all our activities and decisions. Within our sphere of influence – be it in our local communities or our business activities and relationships – we promote responsible business practices, respectful of the environment and human rights.

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.

Transparency and clarity
We make accurate, timely and clear disclosure in all our communications including those with our clients, regulatory authorities and the public.

Client relationships
We treat all our clients fairly and with integrity, acting as a good steward of their interests.

Confidentiality
We respect the rights and expectations of our clients and employees to have their personal information kept confidential and secure.

Integrity and diligence
We carry out our professional duties with integrity, without taking improper advantage of the assets and proprietary information which may be available or entrusted to us in our professional roles.

We treat these assets with care and take all reasonable steps to ensure their protection against loss, theft, damage or misuse.

Professionalism
We ensure a level of professional competence appropriate to our responsibilities, to promote the development of others and continue to update our knowledge and skills.

We accept only engagements for which we are competent, unless we have access to advice and assistance that enables us to carry out the work competently.

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 perspectives are valued and respected.

Health and safety
We are committed to protecting the health, safety and wellbeing of our employees.

Our people

GAM's corporate culture

We believe in the importance of maintaining an open culture and honest communication avoiding bureaucracy and encouraging 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. Our employees share a common set of values rooted in teamwork, integrity, entrepreneurial flair and professional excellence. Their efforts and their achievements are recognised in their advancement within the Group as well as in their remuneration.

Remuneration policy

The Group's compensation policies are based on four overarching principles: pay for performance, alignment of incentives with long-term shareholders' interests, transparency and the importance of sound risk management. We aim to provide competitive total compensation in order to attract and retain experienced and talented individuals. Compensation awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the company's shareholders. Annual bonus deferrals have been introduced for employees outside the Group Management Board (GMB) with effect from the 2017 performance year, and the proportion of annual bonus to be deferred will be up to one-third of any annual bonus over CHF 75,000. Deferred shares or units will be released in equal tranches over three years. Employees may receive long-term incentive plan (LTIP) awards that are structured on a consistent basis to those granted to GMB members.

For further details on our remuneration policy, please refer to the 'Compensation report' section on pages 76–103 of this annual report or visit: www.gam.com/compensation.

"Our employees are our greatest resource and the backbone of our company. We remain committed to building GAM as the best possible home for motivated, talented people who thrive on teamwork and respect diverse points of view."

Teresa Riggin, group head of human resources

Headcount by region (in FTEs)	2017	2016
Switzerland	279	299
UK	428	431
Rest of Europe	143	170
Rest of the world	77	79
Total headcount	927	979

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 and development

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 prerequisite of their engagement. 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.

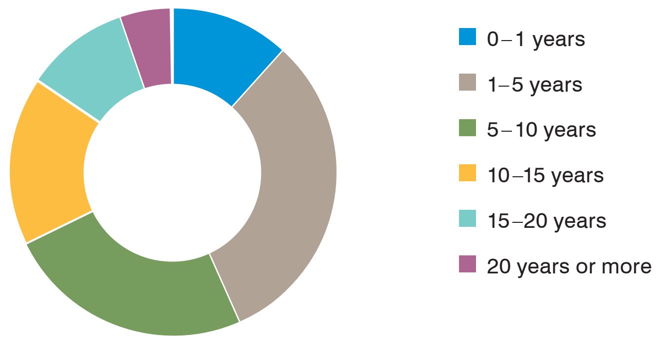
In 2017, GAM launched a group-wide learning management system (GAM Learn), which helps all employees enhance their knowledge base. GAM Learn provides a centralised repository for all learning and development needs and can be used to book internally-led courses or webinars, complete mandatory compliance refreshers, source external trainings, access user guides or catalogues of e-learning resources.

To ensure our employees are supported and provided with the appropriate knowledge for complex regulatory requirements, we provide mandatory and non-mandatory regulatory training workshops and lunch and learn sessions for all staff. Providing our people with the opportunity to develop themselves professionally and personally enables us to develop an engaged and knowledgeable workforce.

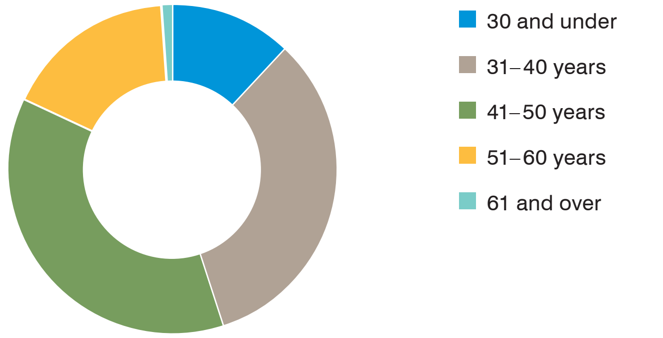
In addition to in-house training, we also support external education to help our employees gain qualifications relevant to their roles and that will advance their skills and careers. The development of our employees remains a cornerstone for employee engagement and sustainable business success.

On a corporate level, supported by GAM's flat structure and approachable senior leadership team, 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 staff.

Years of service



Diversity of ages



Supporting research and education

The Cantab Capital Institute for the Mathematics of Information sits with the University of Cambridge's renowned faculty of mathematics and aims to galvanise and accelerate progress in the mathematics of information. The institute draws on techniques from mathematical sciences to tackle the challenge of deciphering meaning in the reams of data which surround us. Bringing together some of the world's leading academics in various related disciplines, the institute will ultimately help ensure all available information is used when, for example, doctors make clinical diagnoses, financial institutions make sensible evaluations of risk, or planners build the cities of the future.

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.

In 2017, GAM joined the Investment20/20 trainee initiative in order to attract talent, who would not necessarily consider a career in investment management, and offer them the opportunity to join our industry. The programme supports our current apprenticeship programmes and is aimed at school and college leavers and graduates, with no minimum educational qualification requirement. Since launching in London in April 2017 we have provided opportunities to 13 individuals across many business areas, with further intakes due in 2018 and thereafter.

> "Through the Investment20/20 trainee position at GAM I gained a comprehensive overview of the investment management industry. It gave me the tools to excel in my career and showed me how valuable teamwork and people's foresight are to be successful."
>
> Rupert Tripp, Investment20/20 trainee

Snapshot 2017

Split male/female

66% 34%

26% of our line managers are female

Average age of employees

41 YEARS

Average experience of investment professionals

14.4 YEARS

Average length of service

7.8 YEARS

Average hours of training per employee

9 HOURS per year

Global presence

13 COUNTRIES

In Switzerland, GAM has offered apprenticeship opportunities to young talents for a number of years, giving them the chance to learn about all aspects of a profession in the financial industry.

In 2018 we will sign up to the Women in Finance Charter, an initiative by Her Majesty's Treasury committed to building a more balanced and fair financial services industry, as well as to the Diversity Project, a UK-focused initiative to accelerate progress towards an inclusive culture in the investment industry across all levels and spanning the whole range of professions.

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, depending on the location, we offer employees flu vaccinations and health screenings as well as dedicated employee assistance programmes for employees and their families. We are committed to supporting employees by providing them with a family-friendly and flexible working environment wherever possible, in order to assist with caring for and supporting family members and employees' personal lifestyles.

We support informal get-togethers, which in our larger offices are organised by local, company-sponsored social committees. Through these events, which can be social, educational, charitable, cultural or sporting events, our employees have the opportunity to get to know each other outside a business environment, which in turn helps to strengthen collaboration. Past events include a wide range of teambuilding events and activities.

Wellbeing was a key objective in the selection of our new London office, 8 Finsbury Circus. The office will provide an open and modern environment with natural light and space to enable open interaction with colleagues. We will provide employees with an increased number of cycle and shower facilities, informal breakout areas and collaboration hubs to promote and further encourage wellbeing within the work environment.

Supporting our communities

We encourage our staff to play an active role in the communities they live and work in, for instance by participating in local volunteering activities. We support organisations and causes that are aligned with our own culture and values, in particular those that focus on education and child welfare. In 2017, GAM matched donations submitted by its employees and supported the humanitarian response efforts of UNICEF across the hurricane-affected countries in the East Caribbean.

Supporting Children & the Arts in London

GAM is a proud sponsor of Children & the Arts, whose vision is for brighter, healthier, and happier children through the power of an inclusive and accessible arts sector. The charity works with arts venues across the UK to reach children in disadvantaged communities and hospices, who are missing out on creative and cultural experiences. The ambition of the project is to give those children who are at risk of being left behind a more fulfilled, creative and exciting education, while raising their confidence, educational attainment and aspiration.
www.childrenandarts.org.uk

Our engagement for children in need in New York City

"Operation Backpack" is an initiative by the US human services organisation Volunteers of America. At the beginning of every school year, the organisation distributes several thousand new backpacks filled with grade-specific classroom supplies to children who live in domestic violence or homeless shelters in the city, making them feel and look more like their classmates. In 2017, GAM's US team was able to collect, sort and donate 120 backpacks.
www.voa-gny.org/operation-backpack

Running for good causes in Zurich

In Zurich our employees joined over 700 runners and 25 companies for the 17th annual Run4kids charity event. The proceeds go to Fit4future, the largest health promotion programme for Swiss schools, as well as the Aid Association for the Promotion of Children with Rare Diseases and the junior staff department of TV Unterstrass. The run serves as a welcome opportunity to combine an employee team-building event with a chance to do something positive for a good cause.
www.fit-4-future.ch

Environment

GAM remains committed to measuring and reducing our environmental impact in all the locations we have offices in. During the latter stages of 2017, we started the process of capturing our key carbon emissions data from across our network of offices worldwide. Once this exercise is concluded in 2018, it will provide us with a base line for GAM's carbon usage, from which realistic and measurable carbon reduction goals can be set for subsequent reporting periods.

We concluded our property search for a new London office in the fourth quarter of 2017. During that search environmental factors were one of the key property selection criteria, resulting in the choice of 8 Finsbury Circus in the City of London. The property has received a BREEAM excellent rating (the world's leading sustainability assessment method), an accreditation that GAM will seek to enhance through its building fit-out in 2018. The move to 8 Finsbury Circus will provide a number of operational and environmental efficiencies that will be reported in subsequent reports.

In Zurich, GAM's second largest location where roughly a third of our staff is based, our offices are spread across four floors in Prime Tower. The tower was built in 2011 and offers a modern working environment that has received the LEED Gold label (Leadership in Energy and Environmental Design) as well as Minergie® (a Swiss quality label for low energy-consumption buildings) and greenproperty seals (the Credit Suisse seal of approval for sustainable real estate).

In parallel with the above initiatives, we will aim to reduce the Group's environmental impact by continuing our efforts to reduce energy consumption. For example, in our UK offices we have seen a reduction in our electricity consumption of more than 30% since 2008 through various efficiency initiatives undertaken in partnership with the Carbon Trust initiative.

GAM remains committed to the following six main objectives, which all business units across the Group globally adhere to:

- 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 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.
- Seeking ways to reduce emissions from transport, such as increased use of video conferencing.
- Developing our staff, supply chain, and other stakeholders to support and help us to achieve our environmental goals. We intend to hire a head of procurement in 2018 who will oversee all of GAM's procurement procedures and vendor selection processes.
- Working within our community to help support environmental initiatives through both volunteer days and corporate gift giving.

More about corporate social 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

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 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 76, and article 11 of the articles of incorporation which can be found at www.gam.com/aoi2017.

The following information corresponds to the situation as at 31 December 2017 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 24 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
Hugh Scott-Barrett – chairman
Benjamin Meuli
Nancy Mistretta
Diego du Monceau
Ezra S. Field
David Jacob[1]

Group Management Board
Alexander S. Friedman – group chief executive officer
Richard McNamara – group chief financial officer
Dirk Spiegel – group general counsel[2]
Tim Rainsford – group head of sales and distribution[2]
Elmar Zumbuehl – group chief risk officer[2]
Martin Jufer – region head continental europe
Tim Dana – group head of corporate development
Larry Hatheway – group head of investment solutions and group chief economist

Core activities	**Investment management**	**Private labelling**

[1] New member of the Board of Directors since 27 April 2017.
[2] New member of the Group Management Board since 1 February 2017.

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 2017.[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%**
Kiltearn Partners LLP[4]	5.05%	-	**5.05%**
T. Rowe Price Associates Inc.[5]	4.96%	-	**4.96%**
Credit Suisse Funds AG[6]	4.93%	-	**4.93%**
Wellington Management Group, LLP[7]	3.08%	-	**3.08%**
Norges Bank (The Central Bank of Norway)[8]	3.07%	-	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[10]	3.02%	-	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.10%[13]	-	**2.10%**

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 8 November 2017).

6 Credit Suisse Funds AG, Zurich, Switzerland (as at 4 August 2017).

7 Wellington Management Group, LLP, Boston, USA (as at 22 August 2017).

8 Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 8 August 2017).

9 Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).

10 UBS Fund Management (Switzerland) AG, Basel, Switzerland (as at 12 July 2016).

11 Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).

12 GAM Holding AG, Zurich, Switzerland (as at 31 December 2017).

13 As at 31 December 2017, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 9.44% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2017 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 2016.[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%**
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 (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 7.44% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

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 2017, the ordinary share capital amounted to CHF 7,984,126.55.

The ordinary share capital, which is fully paid, consists of 159,682,531 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, as at 31 December 2017, the Company held authorised capital amounting to CHF 816,973.00.

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/aoi2017.

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 Changes of capital

The description of the changes of capital in the last three years is disclosed in note 17 of the 'Consolidated financial statements'.

The Annual General Meeting, held on 27 April 2017, approved the proposal by the Board of Directors to cancel the conditional capital (Art. 3.4 of the articles of incorporation at that time).

At the upcoming Annual General Meeting, the Board of Directors will propose that its authority to issue registered shares from authorised capital as set forth in the articles of incorporation as well as to restrict or withdraw the pre-emptive rights of the existing shareholders and allocate such rights to third parties in certain cases, such as for acquisitions, be extended to 26 April 2020. Full details of the proposal will be published in the invitation to the upcoming Annual General Meeting.

2.4 Shares and participation certificates

	2017 [1]	2016
Number of shares as at 31 December		
Registered shares with par value of CHF 0.05 each (all entitled to dividends)	159,682,531	160,294,731

[1] By resolution of the Annual General Meeting on 27 April 2017, 612,200 GAM Holding AG registered shares held by the Company itself were cancelled in connection with a corresponding decrease of the share capital.

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

2.5 Bonus certificates

There are no bonus certificates.

2.6 Limitations on transferability and nominee registrations

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

The registered shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares (SIS registered share system) for booking purposes. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by 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 2017, there were no entries in the share register of fiduciaries/nominees with voting rights.

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

2.7 Convertible bonds and options

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in the 'Compensation report' and in note 22 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.

Hugh Scott-Barrett, chairman of the Board of Directors and the governance and nomination committee
Hugh Scott-Barrett has been a member of the Board of Directors of GAM Holding AG since 2009 and was appointed chairman of the Board of Directors in April 2017. He has chaired the governance and nomination committee since May 2017 and also served as chairman of the audit committee from 2009 until May 2017. He is currently non-executive chairman of Capital & Regional plc. He joined this London-based property asset management company in 2008 as chief executive and led the restructuring and repositioning of Capital & Regional as a specialist property REIT. In June 2017, Hugh stepped down as chief executive of Capital & Regional plc to become its non-executive chairman. Hugh 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 taking responsibility, inter alia, for financial institutions, operations and technology within the wholesale clients division, then acting as chief operating officer and finally as chief financial officer until 2007. Hugh was educated in Paris and Oxford where he graduated in modern history. He was born in 1958 and is a UK citizen.

Benjamin Meuli, chairman of the audit committee
Benjamin Meuli has been a member of the Board of Directors of GAM Holding AG since 2016. He has also served as a member of the compensation committee and the audit committee (since 2016), the latter being under his chair since May 2017. Benjamin was the chief investment officer at XL Group, a position he held from 2015 until his retirement in 2016. Between 2009 and 2015, he was chief financial officer and member of the group executive committee and the Board of Directors of Catlin Group Ltd., where he was also responsible for the company's investment portfolio. Benjamin 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 with a particular focus on asset and liability management. He started his career at JPMorgan, where he spent 20 years in a variety of roles, mostly in capital markets and investment banking. Benjamin 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, chairman of the compensation committee
Nancy Mistretta has been a member of the Board of Directors of GAM Holding AG since 2016. She has also served as a member of the governance and nomination committee (since 2016) and the compensation committee, the latter being under her chair since May 2017. Nancy 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 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 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 holds a BA in psychology from Smith College. She was born in 1954 and is a US citizen.

Diego du Monceau, member of the Board of Directors

Diego du Monceau has been a member of the Board of Directors of GAM Holding AG since 2010. He has also served as a member of the audit committee (since 2010). Diego is a member of the Board of Directors of ING (Belgium) and chairman of its audit and risk committees since 2000. He is on the Board of Directors of WE International, a private European retailing company, on the Supervisory Board of the K&H Bank in Hungary and on the Board of Directors of Foyer Finance in Luxembourg. He started his career in investment banking and corporate finance at White Weld, Merrill Lynch and Swiss Bank Corporation in New York and London. Between 1985 and 2002, Diego was successively managing director, chief executive officer and vice chairman of the Board of Directors of GIB Group and between 2010 and 2013, chairman of the Board of Directors of 3SI Group in France. He is chairman of the Council of Trustees of the EORTC Cancer Research Fund and is on the Board of Trustees of the Belgian American Education Foundation. Diego 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.

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 2016. He has also served as a member of the governance and nomination committee (since 2016). Ezra is a senior managing director and chief investment officer of Roark Capital Group, an Atlanta-based private equity firm. Prior to joining Roark Capital in 2007, Ezra 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 was previously an adjunct professor at Pace Law School, where he taught mergers & acquisitions. Before joining ACI Capital, Ezra 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 holds a BA (Hons) 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.

David Jacob, member of the Board of Directors

David Jacob has been a member of the Board of Directors of GAM Holding AG since April 2017. He has also served as member of the audit committee and the compensation committee (since May 2017). He was the chief executive officer of Rogge Global Partners Ltd, a position he held from 2014 until 2016. Between 2004 and 2013, David was with Henderson Global Investors where he held a variety of roles including member of the Board of Directors and chief investment officer. Prior to joining Henderson, David was head of fixed income, EMEA at UBS Global Asset Management between 2002 and 2004. Prior to UBS, he held a variety of roles at Merrill Lynch Investment Managers and JPMorgan Asset Management. He is a member of the investment committee of the National Trust Pension Fund and is the vice chairman of the investment committee of the Worshipful Company of Stationers and Newspaper Makers. David is a chartered financial analyst and holds a BSc in economics from Wharton School, University of Pennsylvania. He was born in 1964 and is a US and UK citizen.

Changes in the Board of Directors

At the Annual General Meeting held on 27 April 2017, all members of the Board of Directors who ran for re-election were re-elected for a one-year term of office.

The Board of Directors proposed at the Annual General Meeting held on 27 April 2017 one new candidate for election as member of the Board of Directors. David Jacob was elected as new member 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/aoi2017, we disclose mandates and interest ties of the members of the Board of Directors outside the Group:

Hugh Scott-Barrett
Non-executive chairman of the board of Capital & Regional plc., England (listed entity)
Non-executive director of RBR Group Ltd., England (non-listed entity)

Benjamin Meuli
Non-executive member of the Partnership Council at Clifford Chance, England (non-listed entity)
President du conseil de surveillance of SAS Ampelidae, France (non-listed entity)

Nancy Mistretta
Member of the Board of Directors, chairman 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)

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 Supervisory Board of K & H Bank Zrt., Hungary (non-listed entity)
Member of the Board of Directors of WE International B.V., Netherlands (non-listed entity)
Member of the Board of Directors of Foyer Finance S.A., Luxembourg (non-listed entity)
Chairman of the Council of Trustees of the EORTC, Cancer Research Fund, Belgium (non-profit organisation) (non-listed entity)
Member of the Council of Trustees of the Belgian American Educational Foundation, Belgium (non-profit organisation) (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)

David Jacob
Member of the investment committee of the National Trust Pension Fund, England (non-listed entity)
Vice chairman of the investment committee of the Worshipful Company of Stationers and Newspaper Makers, England (non-listed entity)
Member of the Development Board of the Isaac Newton Institute, England (non-listed entity)
Member of the Board of Directors of Carlisle Mansions West Ltd., England (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 email, 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, group general counsel and group chief risk officer 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 eleven meetings.

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

January to December 2017

	Feb	Mar	Mar	Apr	Apr	May	May	Aug	Sep	Oct	Dec
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Benjamin Meuli	✓	✓	✓	✓	✓	E	✓	✓	✓	✓	✓
Nancy Mistretta	✓	✓	✓	✓	✓	✓	✓	✓	✓	E	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ezra S. Field	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
David Jacob	n/a	n/a	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓

E = Excused

The committees of the Board of Directors

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

Audit committee

The audit committee operates in accordance with the audit committee charter and the organisational rules of the Company.

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

a) reviewing and approving the internal audit plan on an annual basis and ensuring its harmonisation with the audit plan of the external auditors;
b) directing and monitoring the activities of the internal audit function including the approval of its budget and staffing;
c) evaluating the performance of 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 chief risk officer, 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: Benjamin Meuli (chairman), Diego du Monceau and David Jacob.

Changes in the audit committee

Subsequent to the Annual General Meeting held on 27 April 2017, the Board of Directors re-constituted itself resulting in the following change in the audit committee's composition: David Jacob joined the audit committee after Hugh Scott-Barrett was elected as chairman of the Board of Directors.

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 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, any full-time members of the Board of Directors as well as of the Group Management Board, including its group chief executive officer (in the event the chairman of the Board of Directors or any full-time member of the Board of Directors is a member of the compensation committee, he/she shall abstain from participating in deliberations and from exercising his/her voting right with regard to the determination of his/her total compensation);
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 discretionary variable annual bonus with a total compensation in excess of CHF 1 million;
g) approving contracts of employment and any non-standard 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 chairman of the Board of Directors as well as the performance evaluation conducted by the chairman of the Board of Directors 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 five meetings, as well as two joint meetings with the audit committee. In addition, the compensation review working group (comprised of the compensation committee and the Group chairman) met bi-weekly from May through to the year-end. 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: Nancy Mistretta (chairman), Benjamin Meuli and David Jacob.

Changes in the compensation committee

At the Annual General Meeting held on 27 April 2017, two members of the compensation committee who ran for re-election were re-elected for a one-year term of office. Subsequent to the non-election of Diego du Monceau as a member of the compensation committee at the Annual General Meeting, the Board of Directors appointed David Jacob as a member of the compensation committee at its meeting on 24 May 2017 for a term of office until the Annual General Meeting on 26 April 2018.

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 for the Board of Directors and 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 (eg 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 five meetings. All members of the governance and nomination committee participated at all the meetings. The group general counsel participates at every regular quarterly meeting. 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: Hugh Scott-Barrett (chairman), Nancy Mistretta and Ezra S. Field.

Changes in the governance and nomination committee

Subsequent to the Annual General Meeting held on 27 April 2017, the Board of Directors re-constituted itself resulting in the following changes in the governance and nomination committee's composition: Hugh Scott-Barrett joined the governance and nomination committee after Johannes A. de Gier's decision not to stand for re-election at the Annual General Meeting on 27 April 2017.

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, group general counsel and group chief risk officer 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, group general counsel and group chief risk officer are regularly invited to participate at meetings of the full Board of Directors, and the group chief financial officer, group general counsel and group chief risk officer 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.

4. SENIOR MANAGEMENT

4.1 Members of the Group Management Board

Alexander S. Friedman, group chief executive officer
Alexander S. Friedman was appointed group chief executive officer and became chairman of the Group Management Board of GAM Holding AG in 2014. Prior to joining the Group, Alexander 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 was a senior advisor to Lazard, and a member of the supervisory board of private equity firm Actis. 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 holds a JD 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. In addition, in 2017 he took on the oversight of operations, IT and change capabilities of the Group. Prior to joining the Group, Richard 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 finance and financial operations, including M&A activity. In 2013, he took on the new responsibility for tax, investor relations, facilities and procurement. Prior to his roles at Henderson Group, Richard held senior finance roles at Western Asset Management, Legg Mason and Citigroup Asset Management. Richard 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 was born in 1968 and is a UK citizen.

Dirk Spiegel, group general counsel
Dirk Spiegel was appointed group general counsel and a member of the Group Management Board of GAM Holding AG in February 2017. Before that he was general counsel for continental Europe, heading the legal and compliance function in Zurich. Prior to joining GAM in 2013, he was general counsel and a member of the executive board at Schroder Investment Management (Switzerland) AG, working in various legal and compliance functions in several regions, including Switzerland, Hong Kong and Singapore. Between 2004 and 2009, Dirk was the general counsel and chief risk officer at UBS Global Asset Management – Fund Services, overseeing several regions. Prior to UBS, he worked for Vontobel Asset Management AG for five years, latterly as head of legal and compliance. Dirk holds a Master of Laws (banking and finance law) from the Queen Mary University of London and a BSc in business administration (finance) from the University of Applied Sciences, Zurich. He was born in 1972 and is a Swiss citizen.

Tim Rainsford, group head of sales and distribution
Tim Rainsford became a member of GAM Holding AG's Group Management Board in February 2017. Prior to joining GAM as the group head of sales and distribution in January 2017, he was global co-head of sales and marketing at Man Group and member of Man group's executive committee. Prior to this role, which he held since 2013, he was senior managing director and head of European sales at Man. Tim joined Man in 2003 in Australia, where he was responsible for key bank relationships and helped to build up the company's large retail distribution presence, taking over full responsibility for the market in 2005. In 2007, he became Man's managing director for Asia, leading the distribution efforts in Hong Kong, China, Korea, Taiwan, Singapore and all smaller Asean countries. Before working for Man, he held senior roles at JP Morgan in Japan and Korea. Tim holds a Master in Applied Finance from the Macquarie University in Sydney and a Bachelor of Business from the University of Technology in Sydney. He is a member of the Australian institute of chartered accountants. He was born in 1968 and is an Australian citizen.

Elmar Zumbuehl, group chief risk officer

Elmar Zumbuehl was appointed group chief risk officer and member of the Group Management Board of GAM Holding AG in February 2017. Before that he was group head of risk & governance and a permanent guest member of the Group Management Board. He joined GAM in March 2010 as senior legal counsel and risk manager. In 2011, Elmar also assumed the role of corporate secretary of GAM Holding AG. Prior to that, he worked at Julius Baer for 10 years in different roles, latterly from 2006 to 2010 as head legal risk controlling & governance. Elmar, who was admitted to the bar in Switzerland in 2000, is a graduate of the University of St. Gallen (HSG). He holds masters' degrees in business administration (lic. oec. HSG), specialising in finance and accounting, and law (lic. iur. HSG). Elmar was born in 1970 and is a Swiss 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 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 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 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 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 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 holds a BA from Princeton University. He was born in 1969 and is a US 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 2016. Since 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 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 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 a US and UK citizen.

Changes in senior management

With effect from 1 February 2017, Tim Rainsford, Dirk Spiegel and Elmar Zumbuehl became new members of the Group Management Board. Craig Wallis, who stepped down as a member of the Group Management Board with effect from 1 January 2017, has subsequently, in early 2017, left the Group. With effect from 1 January 2017, Scott Sullivan stepped down from his role as group general counsel and member of the Group Management Board. He will subsequently, in early 2018, leave the Group.

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/aoi2017, 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)
Member of the Council on Foreign Relations, USA (a non-profit organisation) (non-listed entity)

Richard McNamara
None

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

Tim Rainsford
None

Elmar Zumbuehl
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 2017 Annual General Meeting elected Tobias Rohner, attorney-at-law, Holbeinstrasse 30, 8034 Zurich, Switzerland, as independent representative for a term of office until the end of the 2018 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/aoi2017), 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 benefitting 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 served as the lead auditor from 3 February 2011 to 24 May 2017. As of 24 May 2017, Christoph Groebli assumed the role of lead auditor. 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. Other services include mainly services in connection with human resources-related matters.

The Group paid KPMG AG fees for auditing services totalling CHF 1.8 million in the 2017 financial year (CHF 1.7 million in the 2016 financial year). For non-auditing services, the Group paid KPMG AG fees totalling CHF 0.15 million in the 2017 financial year (CHF 0.13 million in the 2016 financial year), whereof CHF 0.09 million for audit-related services (CHF 0.06 million in the 2016 financial year) and CHF 0.06 million for tax services (CHF 0.07 million in the 2016 financial year).

In addition, KPMG AG received CHF 2.6 million (whereof CHF 2.5 million fees for auditing services) in the 2017 financial year (CHF 2.4 million in the 2016 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

19 April 2018	Interim management statement
26 April 2018	Annual General Meeting, Zurich
31 July 2018	Release of half-year results
23 October 2018	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 Shareholder

This is the first compensation report since I was appointed chairman of the compensation committee. In response to previous comments by shareholders, we have sought to make this year's report more transparent in relation to our compensation policies. I would welcome feedback from shareholders on the changes we have made to the report this year.

Comprehensive compensation review

At the 2017 Annual General Meeting (AGM), shareholders did not approve either the compensation report for 2016 or the proposed maximum variable compensation of the Group Management Board (GMB) for 2017. These votes indicated significant shareholder concern about certain aspects of our compensation practices and, in response, the incoming chairman of the Board of Directors announced that there would be a comprehensive review of GAM's compensation framework.

That review has been undertaken over the past six months led by me and supported by the other members of the compensation committee (Benjamin Meuli and David Jacob), and overseen by Hugh Scott-Barrett, the chairman of the Board of Directors. In the course of the review, we engaged extensively with a variety of shareholders to understand the principal sources of concern, and we want to thank them for their valuable feedback. We also consulted with shareholder advisory services and analysed relevant market practices.

As a result, we have developed a revised compensation framework for GAM which contains a balance of fixed compensation, annual bonus and long-term incentive plan (LTIP) awards to address shareholder concerns while appropriately incentivising employees. The revised compensation framework has been developed around four compensation principles: **pay for performance**, **alignment with shareholders' long-term interests**, **transparency** and the importance of **sound risk management**. In addition, we have established a compensation management committee this year to enhance our governance structure.

Compensation framework

Details of how we are implementing our new compensation framework are summarised in the 'At a glance' section of this report and explained in detail in the 'Compensation framework' section. I would like to highlight a few particular aspects:

- There will be a target range set for **total compensation** for the whole Group. There will also be a cap on all variable compensation for the Group Management Board linked to the Group's underlying profitability including individual caps for the group CEO and group CFO. These measures will balance employee compensation and shareholder return appropriately.
- There will be an increase to the amounts and an extension to the timeframe of **annual bonus** deferrals to enhance the alignment with shareholders' long term interests. Performance targets will be set for both the short and long-term incentives through a balanced scorecard of stretch financial and non-financial targets.
- There will also be **shareholding requirements** for each Group Management Board member and the members of the Board of Directors.
- From now on, there will be a **retrospective shareholder vote** on variable compensation for the Group Management Board to increase transparency. Furthermore, the criteria used for determining the quantum of Group Management Board variable compensation will be visible retrospectively for annual bonus awards, and prospectively when determining long-term incentive awards.

Compensation for 2017

In response to shareholder feedback, the compensation framework now in place includes two key ratios that underpin our principle of pay for performance.

- The first ratio targets total compensation within a range of 45–50% of underlying net fee and commission income. In 2017, the compensation ratio declined to 48.3% from 52.0% in 2016, and is firmly within the target range.

- The second ratio is the cap on total Group Management Board variable compensation, which is set at 5% of underlying profit before taxes (excluding Group Management Board variable compensation). This cap excludes social security costs, pension costs and one-time awards for Group Management Board members. For the 2017 performance year, the proposed total variable compensation for the Group Management Board amounts to 4.6% of the underlying profit before taxes (excluding Group Management Board variable compensation). Further details can be found in section 4.1.

Annual bonus
A balanced scorecard of financial and non-financial measures has been used to determine annual bonuses for the 2017 performance year for each of the Group Management Board members. Group financial metrics are an integral component of that scorecard. It has been a strong year for GAM, as outlined in the 'Business review' section. This is evidenced by the financial metrics used to determine the annual bonuses for the Group Management Board:

- Underlying profit before taxes was CHF 172.5 million for 2017, an increase of 44% from 2016
- Operating margin for 2017 was 31.1% compared with 24.3% in 2016
- The investment management business saw net inflows of CHF 8.6 billion
- Our investment performance on a three-year period improved substantially in 2017. Over the three-year period to 31 December 2017, 77% of our assets under management in funds outperformed their respective benchmark, up from 60% that outperformed over three years to 31 December 2016.

The balanced scorecard for the group CEO and group CFO, incorporating these financial measures and their individual non-financial measures, plus their proposed annual bonuses for the 2017 performance year is disclosed in section 4.5 of the compensation report. The total annual bonus proposed for the Group Management Board in relation to the 2017 performance year is detailed in section 4.1 of this report.

In order to strengthen the long-term alignment of the Group Management Board with our shareholders, 50% of the annual bonus will be deferred into GAM shares over a four-year timeframe compared with 2016, when one-third of the annual bonus was deferred over a three-year timeframe. As previously communicated, the group CEO, Alexander S. Friedman, has requested that any variable compensation awarded to him for the 2017 performance year be wholly in the form of deferred shares and be capped at no more than his fixed compensation.

Long-term incentive
Another element of our compensation framework that provides alignment between the Group Management Board and shareholders is regular LTIP awards. Proposed LTIP awards to be granted in 2018 will be performance shares with a three-year performance period and a two year holding period. The award will be subject to performance measures (underlying earnings per share, relative total shareholder return and investment performance) that are aligned with our Group's key performance indicators and strategy of delivering sustainable value and growth for our shareholders. Further details are in section 4.6 of this report.

As a result of enhanced bonus deferrals and the introduction of regular LTIP awards, the overall composition of variable compensation awards for the Group Management Board is weighted more heavily to deferred compensation than in prior years, emphasising our principle of alignment with shareholders' long-term interests.

Compensation management committee
Compensation decisions have taken into account input from the compensation management committee, established this year to enhance our governance structure. The compensation management committee provides advice and guidance to the compensation committee on the developing regulatory environment and the impact to the Group as well as conduct, risk and compliance matters to be considered by the compensation committee when approving incentive awards.

Recruitment
The compensation committee agreed to a recruitment award for the group head of sales and distribution, which replaced incentives forfeited when he left his previous employer and aligned him with his Group Management Board colleagues. Careful consideration was given by the committee to ensure that the award was commercially appropriate and no greater than was required to secure the group head of sales and distribution recruitment. Full details of this award are set out in section 4.7 of this report.

Compensation votes at the AGM

GAM has historically sought prospective shareholder approval for variable compensation awards to Group Management Board members. However, in view of the unsuccessful prospective vote at the 2017 AGM, a retrospective vote will be needed at the 2018 AGM to approve the value of Group Management Board variable compensation for 2017, which will include the aforementioned recruitment award to the group head of sales and distribution. As part of our commitment to enhance transparency, this retrospective approach is being proposed to shareholders as an ongoing change to our articles of incorporation at the 2018 AGM.

There will also be standard votes at the 2018 AGM to approve the Group Management Board and Board of Directors fixed compensation for 2018 and a consultative vote on this compensation report. Full details of all of these votes are in section 9 of this report.

We have received positive feedback from many of our shareholders during the recent consultation exercise and look forward to receiving your support at the forthcoming AGM. As ever, the compensation committee and I welcome any further comments or feedback from shareholders.

Nancy Mistretta
Chairman of the compensation committee

Zurich, 1 March 2018

1. COMPENSATION PRINCIPLES

This section of the report outlines the compensation principles that are applied across the Group.

The Group's compensation framework is designed to attract, retain and motivate the talent which the Group needs in order to achieve its strategic goals as well as to create a tangible link between performance and compensation. 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.

There are four key principles to our compensation framework:

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' long-term interests	→	**The long-term interests of employees and shareholders are aligned through the use of deferred compensation, share-based awards and share ownership guidelines.**
Transparency	→	**Retrospective shareholder approval will be requested for the Group Management Board variable compensation for 2017 and in future.**
Incentivise sound risk management	→	**A well-balanced mix of fixed and variable compensation is combined with deferrals as well as malus and clawback provisions to encourage sustainable performance and sound risk management.**

2. AT A GLANCE

This section of the report summarises the compensation framework following the Board's comprehensive review.

Summary of the compensation framework

Principle	Element	Rationale
Pay for performance	**Target compensation ratio:** a group-wide target compensation ratio of 45–50% of underlying net fee and commission income has been introduced.	• Provides a clear and appropriate metric by which to evaluate the balance of all-employee reward and returns to shareholders.
	Group Management Board (GMB) variable compensation cap: the total granted GMB variable compensation (comprising annual bonuses and long-term incentive plans) will be capped at 5% of underlying profit before taxes excluding GMB variable compensation. The cap will exclude social security, pension costs and one time awards for new members.	• Enforces a direct link between financial performance and variable compensation for the GMB.
	Balanced scorecard for annual bonuses: a balanced scorecard of stretch financial and non-financial measures has been formalised to determine GMB members' annual bonuses. For the group CEO and group CFO the scorecard will be comprised of 60% financial metrics (underlying profit before taxes, operating margin, net flows, investment performance); 20% strategic and business metrics; 20% personal objectives.	• Provides a clear structure to assess performance for the annual bonus. • Evidences the link between pay and performance.
	Individual caps: a cap has been introduced for the group CEO[1] and group CFO on annual discretionary bonus (250% and 200% of their respective salaries) and LTIP awards (face value of 200% of salary).	• Aligns GAM with market practice and shareholder expectations.
Alignment with shareholders' long-term interests	**Increased annual bonus deferral:** The proportion of GMB bonuses deferred into GAM shares will increase to 50% and the deferral period is extended to four years.[2] Bonus deferral will also be introduced for non-GMB employees.	• Aligns annual bonuses with long-term value creation.
	Revised LTIP framework: LTIP awards, in the form of performance shares, will be an integral part of the GMB compensation package. Vested awards will not be released until five years after grant. Performance measures will be annual underlying earnings per share (EPS) growth (50%); three-year relative total shareholder return (rTSR) performance (25%); three and five-year investment performance (25%).	• Further emphasises the longer term nature of the GMB compensation package.
	Introduction of shareholding guidelines: Formal shareholding guidelines will be introduced for all GMB and board members: • Group CEO and group CFO will be required to build up a holding of GAM shares worth 200% of their salary • Other GMB members will be required to build up a holding of GAM shares worth 100% of their salary • Board of Directors will be required to build up a holding of GAM shares worth 200% of their annual cash fee	• Provides greater alignment between GAM board members, GMB and other shareholders of GAM.
Transparency	**Retrospective vote:** GAM will request retrospective shareholder approval for GMB variable compensation.	• A retrospective vote provides shareholders greater transparency as to the amount of variable compensation requested for GMB awards relative to the year's performance.
	Increased disclosure: The annual compensation report will provide a transparent explanation of compensation decisions, in particular retrospective disclosure of targets for financial performance measures used in the determination of annual bonuses and prospective disclosure of targets for LTIP awards.	• Provides shareholders with increased visibility of the link between the performance in the year and GMB compensation.
Sound risk management	**Risk management:** a well balanced mix of fixed and variable compensation is combined with deferrals, which includes malus and clawback provisions.	• Continues to align compensation to support sustainable performance and sound risk management.

[1] There will also be a downward adjustment to the salary of the group CEO. The monetary value of his pension and benefits will remain unaltered.

[2] As announced in the Q1 interim management statement on 18 April 2017, the group CEO asked that any variable compensation awarded to him for the 2017 performance year be in the form of long-term deferred shares (ie no cash bonus) and be capped at no more than his fixed compensation.

3. COMPENSATION FRAMEWORK

This section of the report details the compensation framework for the Group.

The following table sets out the elements of compensation which Group Management Board (GMB) members are eligible to receive and how they will be structured during 2018.

Fixed compensation

Element	Structure	2018 implementation
Base salary To appropriately recognise responsibilities and attract and retain talent	Generally reviewed annually. The review takes into consideration a number of factors, including (but not limited to): • The individual's role, experience and performance • Business performance • Market data for comparable roles in appropriate comparators[1] • Compensation decisions elsewhere in the Group.	**Group CEO:** The group CEO's salary will be reduced by 25% to CHF 1,500,000 from AGM 2018. In recognition of this during 2018 the group CEO will receive a transitional share award of CHF 333,333 which will vest equally over a four-year period. From 2019 no further transitional awards will be paid. **Group CFO:** The group CFO's salary was reviewed in light of his broader responsibilities which now additionally encompass operations, information technology and change, and remains unchanged from 2017 at GBP 500,000. **Other GMB members:** salaries unchanged from 2017.
Pension/benefits To provide market competitive benefits	Benefits are role specific and take into account local market practice. Benefits currently include pension contributions, life assurance and private medical insurance. Benefits are intended to be competitive in each of the markets in which we operate.	**Group CEO:** the monetary value of the group CEO's pension and benefits will remain unaltered. **Other GMB members:** Pension contributions and benefits for GMB members are in line with local practices for other employees.

[1] As part of the development of this compensation framework, survey data was taken into consideration for each of the Group Management Board roles. The data was one of the inputs used to inform the compensation committee of compensation practices in peer companies and as a broad market sense-check of our proposals. It was not used as a specific benchmark.

Variable compensation

GMB variable compensation cap	Total GMB variable compensation (comprising annual bonuses and long-term incentive plans) will be capped at 5% of underlying profit before taxes, excluding GMB variable compensation. The cap will exclude social security, pension costs and one-time awards for new members.	
Element	**Structure**	**2018 implementation**
Annual bonus [2, 3, 4] To link reward to key business targets for the forthcoming year and to individual contribution Additional alignment with shareholders' interests through the operation of deferral	All GMB members' annual bonuses are based on performance assessed over one year using a balanced scorecard[3]. For financial metrics, 25% of maximum will be paid for achieving a threshold level of performance increasing to 50% for target performance and 100% for significant outperformance. Annual bonuses for the group CEO and group CFO are capped at a maximum of 250% of salary and 200% of salary respectively. 50% of GMB members' annual bonuses are paid in cash with 50% delivered in GAM shares vesting equally over a four-year period.	GMB annual bonuses in respect of 2018 will be determined by a balanced scorecard comprising financial, strategic and business and personal performance metrics. For the group CEO and group CFO these will be weighted 60% / 20% / 20% respectively. Financial metrics will be underlying profit before taxes, operating margin, net flows and three-year investment performance. Strategic and business metrics will be based on agreed budgets, KPIs and on the delivery against strategic priorities. The group CEO's annual bonus in respect of 2018 will be calculated based on his reduced salary of CHF 1,500,000.
Long-term [2, 3, 4] **incentive plan (LTIP)** To link reward to key business targets for the longer term with the objective of providing sustainable value and growth for our shareholders	Individual LTIP awards for the group CEO and group CFO are capped at shares with a maximum face value (at grant) of 200% of salary. For LTIP awards granted from 2018 onwards: • Vesting will be determined by corporate performance targets measured over a three-year period • Vested awards will be released five years after grant date • A maximum of 25% of the LTIP will vest for achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance.	LTIP awards in relation to 2017 performance will be granted after the 2018 AGM. Details of the proposed awards to be granted can be found in sections 4.1 and 4.6. Performance under the 2018 LTIP award for all members of the GMB will be assessed using the following performance conditions over the period from 1 January 2018 to 31 December 2020.

Performance metrics	Weighting	Threshold (25% of max)	Target (50% of max)	Maximum (100%)
Annual underlying EPS growth	50%	5%	10%	15%
Three-year [5] relative TSR performance	25%	50% (median)	straight line vesting	75% (upper quartile)
Three and five- [6] year investment performance	25%	50%	62.5%	75%

Share ownership guidelines

To align executive interests with those of shareholders	The group CEO and group CFO are expected to build up and maintain a holding in GAM shares worth at least 200% of salary. Other GMB members are expected to build up and maintain a holding worth at least 100% of salary.

[2] The compensation committee will retain an overriding discretion to ensure that there is appropriate alignment between business performance and incentive payouts.

[3] All variable compensation awards to GMB members are subject to provisions that enable the Group to reduce or cancel the awards, whether vested (but not yet settled) or unvested, or claim back variable compensation, even after vesting and distribution, of members whose individual behaviour has caused, wholly or in part, a material loss to the Group as a result of reckless, negligent or willful actions or inappropriate behaviour.

[4] When an individual ceases their employment with GAM their outstanding awards will lapse, except where the compensation committee deems the individual to be a 'good leaver'. In this case awards made under the deferred bonus plan will typically vest as per the original vesting schedule. For 'good leavers', awards made under the LTIP will remain subject to performance conditions, will typically be pro-rated by the proportion of the performance period in which the individual has been employed and subject to the original vesting schedule.

[5] TSR performance will be measured against the following comparator group: Alliance Bernstein L.P., Legg Mason Inc, Amundi SA Asset Management, Man Group plc, Ares Management L.P., Oaktree Capital Management L.P., Artisan Partners Asset Management plc, Och-Ziff Capital Management LLC, Ashmore Group plc, OM Asset Management plc, Eaton Vance Corp, Partners Group Holding AG, Invesco Ltd, Schroders plc, Janus Henderson Group plc, Standard Life Aberdeen plc, Jupiter Fund Management plc, Vontobel Holding AG.

[6] Investment performance is defined as the proportion of funds outperforming their benchmark as disclosed by GAM in its annual results.

3.1 Distribution of Group Management Board members' variable compensation

Our general policy is that Group Management Board variable compensation over the longer term should be appropriately balanced between cash, deferred equity and LTIP awards (based on face value) although the weightings may vary year to year. This ensures that Group Management Board members are aligned with a strategy of delivering long-term sustainable growth.

3.2 Key terms of Group Management Board members' employment contracts

All employment related agreements 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.

3.3 High level compensation principles for other employees

The compensation framework for employees other than the Group Management Board is designed according to the same four overarching principles, reflecting the values which run throughout the organisation.

Pay for performance

The Group aims to provide competitive total compensation in order to attract and retain experienced and talented individuals who will promote its values, better service the needs of its clients and contribute to the overall development and profitability of the Group. The introduction of a group-wide target compensation ratio of 45–50% of underlying net fee and commission income will ensure that reward will be appropriately divided between all employees and shareholders.

Alignment with shareholders' long-term interests

Compensation awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the Company's shareholders. Annual bonus deferrals have been introduced for non-Group Management Board employees in 2017 and the proportion of annual bonus to be deferred will be one-third of any annual bonus over CHF 75,000 in 2018. Deferred shares or fund units will be released in equal tranches over three years. From time to time employees may receive LTIP awards that are structured on a consistent basis to those granted to Group Management Board members. These measures help to ensure that employees will only be rewarded for the delivery of sustainable value and growth.

Transparency

The Group's overall approach to compensation is transparent to shareholders, compliant with applicable laws and regulations and consistent with published guidance and with local market practice. A robust annual appraisal process forms part of the compensation process so as to reward success, but minimise the possibility of payment for failure. 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. While some objectives may be standardised within certain functions, most are tailored to the individual employee's role and responsibilities.

Incentivise sound risk management

The Group regards effective risk management and control as fundamental to all its shareholders and clients and as being central to the successful achievement of its business objectives. Our compensation framework plays an important part in creating ownership throughout the Group for the risks assumed in day-to-day business and ensuring the independence of its control functions. 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. Conduct, risk and compliance matters are taken into account when approving all annual bonus payments.

4. GROUP MANAGEMENT BOARD COMPENSATION FINANCIAL YEAR 2017

This section of the report outlines the total fixed and variable compensation for members of the Group Management Board (GMB), comparing 2017 with 2016. It also provides details of the performance targets used to determine variable compensation awards for 2017.

4.1 The total fixed and variable compensation to the members of the Group Management Board in respect to financial years 2017 and 2016 (audited)

	Group CEO [1]		Group CFO [4]		Aggregate GMB (inclusive of CEO and CFO)	
(in CHF)	**2017**	2016	**2017**	2016	**2017**	2016
Base salary	2,000,000	2,000,000	637,484	670,000	5,417,093	5,943,340
Pension fund contributions	305,892	307,881	20,399	15,272	694,103	442,212
Social security contributions	45,261	45,409	88,256	91,582	336,915	372,945
Other benefits	34,723	35,149	4,791	4,411	112,587	94,706
Total fixed compensation	**2,385,876**	**2,388,439**	**750,930**	**781,265**	**6,560,698**	**6,853,203**
Annual bonus [2]						
Cash payments	-	1,766,667	584,987	590,981	3,078,713	4,861,766
Deferred bonus	1,700,000	883,334	584,987	295,490	4,778,713	1,766,701
Pension fund contributions	-	-	-	-	204,954	33,000
Social security contributions	24,650	38,425	161,456	122,333	635,262	382,987
LTIP [2, 3]						
Performance shares	231,745	522,759	69,730	402,123	588,030	1,930,854
Stock options	-	531,101	-	408,538	-	1,961,667
Social security contributions	3,360	15,281	9,623	111,871	33,226	258,418
Total discretionary variable compensation	**1,959,755**	**3,757,567**	**1,410,783**	**1,931,337**	**9,318,898** [5]	**11,195,393** [5]
Total compensation	**4,345,631**	**6,146,006**	**2,161,713**	**2,712,602**	**15,879,596**	**18,048,596**

[1] Highest paid member of the GMB: The highest paid member of the GMB (excluding fixed replacement and recruitment awards) in 2017 was the group CEO, Alexander S. Friedman, with a total compensation of CHF 4,345,631 including CHF 73,271 employer's social security contributions.

[2] More details relating to the 2017 annual bonus and LTIP figures are set out in sections 4.5 and 4.6.

[3] The 2017 LTIP figure relates to the award that will be granted, subject to shareholder approval, following the 2018 AGM. The 2016 LTIP figure relates to the awards granted in October 2016. LTIP awards have been valued on a fair value basis. More details relating to the 2017 LTIP figures are set out in section 4.6.

[4] The group CFO salary remains unchanged. The year on year difference is reflective of the exchange rate used when converting from GBP to CHF.

[5] The year on year difference reflects the application of the new compensation framework.

In accordance with the compensation framework, the Group Management Board total variable compensation (excluding pension, social security and one-time awards to new members) will not exceed 5% of underlying profit before taxes (excluding Group Management Board variable compensation proposed for that year). The 2017 underlying profit before taxes is CHF 172.5 million, while after adding back the CHF 9,318,898 Group Management Board proposed total variable compensation, as set out in the table above, the adjusted underlying profit before taxes for the purposes of the 5% cap calculation is CHF 181.8 million. The proposed Group Management Board total variable compensation, after excluding pension and social security costs, is CHF 8,445,456 representing 4.6% of the adjusted underlying profit before taxes for 2017.

In addition to the figures shown in the above table, in 2017 a fixed replacement award for CHF 956,226 plus CHF 131,959 of employer's social security costs was paid to the group head of sales and distribution in compensation for his 2016 bonus which he forfeited upon cessation of employment with his previous employer. This cash payment is classified as fixed compensation, as there were no performance conditions attached to it. Total fixed compensation paid to the GMB in aggregate in 2017, including the fixed replacement award paid to the group head of sales and distribution is CHF 7,648,882. Also, a variable compensation equity award with a fair value at grant of CHF 3,868,350 plus CHF 533,832 of employer's social security costs will be granted to the group head of sales and distribution in association with his recruitment. Full details of these awards are set out in section 4.7. Total variable compensation to be paid to the GMB in relation to 2017, inclusive of this recruitment award, is CHF 13,721,080 (subject to shareholder approval).

The total Group Management Board fixed compensation paid and variable compensation proposed, including the fixed replacement award and the recruitment award granted to the group head of sales and distribution, is CHF 21,369,963. This figure includes CHF 8,230,510 for the group head of sales and distribution which includes CHF 996,922 of employer's social security costs.

4.2 Compensation to former members of the Group Management Board (audited)

In 2017, no compensation was paid to former members of the Group Management Board who stepped down prior to 1 January 2017.

4.3 Loans to members of the Group Management Board (audited)

In 2017, no loans were granted to the current or former members of the Group Management Board. No such loans were outstanding at year-end.

4.4 Compensation and loans to closely related parties (audited)

In 2017, no compensation was paid to closely related parties of current or former members of the Group Management Board. No loans were granted in, or were outstanding at the end of 2017 to closely linked parties of current or former members of the Group Management Board.

4.5 Total annual bonus awarded for the year ending 31 December 2017

The objective of the compensation committee is to pay Group Management Board members an annual bonus appropriate to the performance achieved both by the Group and by the individual, ensuring the proper balance of employee reward and returns to shareholders and motivating key executives.

A balanced scorecard of financial and non-financial measures has been used to determine annual bonuses for the 2017 performance year for each of the Group Management Board members. Group financial metrics are an integral component of that scorecard and are aligned with our key performance indicators. Each Group Management Board member was also evaluated on strategic, business and personal objectives set earlier in the year.

It has been a strong year for the Group, as outlined in the business review section. This is illustrated by the financial metrics used to determine the annual bonuses for the Group Management Board:

- Underlying profit before taxes increased 44% from 2016
- Operating margin for 2017 improved 31.1% from 24.3% in 2016
- The investment management business attracted net inflows of CHF 8.6 billion
- Over the three-year period to 31 December 2017, 77% of our assets under management in funds outperformed their respective benchmark, up from 60% that outperformed over three years to 31 December 2016.

The following sections provide a detailed breakdown of the balanced scorecard for the group CEO and group CFO and an overview in relation to other Group Management Board members.

i) Group CEO and group CFO

Maximum opportunity

Maximum annual bonus for the group CEO and group CFO is capped at 250% and 200% of their respective salaries.

However, as previously announced, the group CEO voluntarily decided to limit the total variable compensation (annual bonus plus face value of LTIP) he can receive in respect to the year ending 31 December 2017 to 100% of his 2017 salary (CHF 2,000,000).

Form of payment

Under our new compensation framework, 50% of any annual bonus is deferred into GAM shares vesting in equal tranches over four years.

For 2017, as previously announced, the group CEO voluntarily decided to defer 100% of any annual bonus received into GAM shares, which will vest in equal tranches over four years.

Performance metrics

The decisions for the group CEO and group CFO's 2017 annual bonus were based on financial performance (60%), and achievement against strategic and business (20%) and personal objectives (20%). The group CEO and group CFO's performance is assessed against the same financial objectives.

The table below summarises the metrics, weightings and targets by which financial performance was assessed during 2017.

Financial metrics (60%)

Metric	Weighting	Threshold (25% of max)	Target (50% of max)	Maximum (100%)	Actual	Vesting (% of performance metric)
Underlying profit before taxes [1]	20%	109.0	143.8	181.7	172.5	88.0%
Three-year investment performance [2]	10%	50.0%	62.5%	75.0%	77.0%	100.0%
Operating margin [3]	15%	21.8%	26.6%	35.0%	31.1%	77.0%
Net flows [4]	15%	-	1.7	3.4	8.6	100.0%
Total	**60%**					**90%**

1 Net profits before tax in accordance with the international financial reporting standards, excluding certain non recurring and acquisition related items.
2 Percentage of AuM in funds outperforming their benchmark over the relevant period (as at 31 December 2017).
3 Operating margin is calculated as net fee and commission income less expenses, divided by net fee and commission income.
4 Represents the net asset additions or redemptions by clients for our investment management business.

The Board of Directors considers many factors when determining target, threshold and maximum levels for each financial metric for any given year. When setting such levels the Board of Directors aims to ensure that targets are stretch in nature and take into consideration performance from prior periods, current expectations for the period in question and other factors that should be taken into account. Threshold and maximum levels are determined on the same basis, but with emphasis on providing appropriate parameters for which performance should be judged.

Individual performance assessment of the group CEO and group CFO
In the 'Our strategy' section starting on page 14 of this report there is an update on the strategic priorities of the Group. Provided below is a summary of the key elements relevant to the group CEO and group CFO and an assessment of their personal performance.

Group CEO – Alexander S. Friedman
Strategic and business performance assessment (20%)

Improved investment performance
- Strengthening of the Group's investment capabilities through various measures, including the creation of the new role of head of investments.
- Implementation of the development of equity team clusters and the centralised MiFID II research sharing-depositary.
- The changes above have supported the improved three-year outperformance with 77% of the Group's assets under management in funds outperforming their respective benchmark.

Broadened differentiated product offering
- Good progress made in the integration of Cantab.
- Positive net new money flows into the alternative risk premia strategy.
- Launch of GAM Systematic Discovery, a Cayman-domiciled product, managed by the Cantab team and the launch of an Australian-domiciled fund for GAM Systematic Alternative Risk Premia for the Australian superannuation sector.
- Strong performance of systematic products, including GAM Systematic Core Macro, achieving significant outperformance to its benchmark in 2017.
- Successful hiring of Adrian Gosden and launch of the GAM UK Equity Income fund under his leadership.
- A strong organic pipeline of fund launches is in place, including an equity fund focused on Europe, Australasia and the Far East (EAFE), an insurance-linked securities product, a global income fund and a global equity systematic strategy.

Strengthened quality of sales and distribution
- The successful hiring of the group head of sales and distribution and supporting the restructuring of the sales team in the UK, Japan and Asia Pacific.
- The new sales strategy has resulted in healthy, more diversified inflows with 10 strategies attracting net inflows in excess of CHF 300 million and total net inflows of CHF 8.6 billion in 2017.

Improved operating efficiency
- Leadership ensuring focus on efficiency to save CHF 30 million in annual fixed personnel costs and general expenses by the end of 2019 compared with 2016.
- Simplification of the product range with 16 funds merged or closed in 2017 with a de-minimis loss of assets under management.
- Achieved the final step to reduce brand complexity through the agreement with Julius Baer to terminate the Group's license to use the Julius Baer trademarks without loss of assets under management.
- The implementation of MiFID II.

The compensation committee determined that, in aggregate, there had been significant progress on these strategic and business measures in 2017 and agreed a 75% assessment under this element of the annual bonus.

Personal performance assessment (20%)

In meeting with shareholders during the year the Board has noted strong support for the strategy that the management team, led by Alexander S. Friedman, is pursuing as a specialist active asset manager. The Board acknowledged that he has played a critical role not only in the communication, but also the execution of this strategy, which has started to deliver increased profitability on the back of improved investment performance, stronger inflows and increased operating efficiency. The Board has also considered the actions taken by Alexander S. Friedman to strengthen the management team as well as the leadership shown in developing a more unified approach and culture across the Group through the implementation of changes, not least to remuneration policies affecting all members of staff.

The compensation committee determined that Alexander S. Friedman had very strong performance during 2017 and agreed an 80% assessment under this element of the annual bonus.

Group CFO – Richard McNamara

Strategic and business performance assessment (20%)

In 2017 Richard McNamara's core areas of responsibility were extended to include oversight of operations, IT, and the change capabilities of the Group.

Financial and cost management
- Strong improvement of financial performance.
- Proactively drove the Group's cost saving efforts, delivering a reduction in annual fixed personnel costs and general expenses of approximately CHF 12 million, exceeding the 2017 target of CHF 10 million.
- Signed a new lease enabling the consolidation of the Group's London offices in 2019 into one single location.

Implementation of multi-year change programme
- Successful hiring of Clare Forster as global head of change to drive transformation projects across the business with coordination through the Group's operational change committee.
- Implementation of change programme governance framework.
- Monitoring of the successful delivery of the multi-year change programme.

Implementation of robust scalable operating platform
- Finalisation of partner selection for the outsourcing of IT services and implementation of a single data architecture.
- Commenced implementation of the Group's single data architecture solution.
- Commenced the IT outsourcing programme.

The compensation committee determined that, in aggregate, there had been excellent progress on these strategic and business measures in 2017 and agreed a 95% assessment under this element of the annual bonus.

Personal performance assessment (20%)

The Board considers Richard McNamara to be an exceptionally strong leader within the Group and a key contributor to the Group Management Board and the Board of Directors. His leadership and management style has been integral in building teams to address the Group's multi-year change programme. He made excellent progress on improving the Group's transparency, reporting and budgeting in 2017 and greatly improved our relationship with investors and analysts. Richard McNamara demonstrates flexibility and is capable of leading in new operating conditions and adapting to them constructively.

The compensation committee determined that Richard McNamara had exceptional performance during 2017 and agreed a 95% assessment under this element of the annual bonus.

Summary

The compensation committee reviewed the balanced scorecard assessments for the group CEO and group CFO in light of GAM's risk and compliance performance and overall business performance during 2017 and concluded that the outcomes were appropriate and that no discretionary adjustments were required.

As announced in the interim management statement on 18 April 2017, the group CEO asked that any variable compensation awarded to him for 2017 performance be in the form of long-term deferred shares and be capped at no more than his base salary. In order to implement the group CEO's wishes, the compensation committee exercised its discretion to reduce his annual bonus to 85% of salary (CHF 1,700,000) to be paid wholly in the form of deferred shares. In combination with a proposed LTIP award of CHF 300,000 (face value) to be granted following the 2018 AGM, the group CEO's total variable compensation for 2017 performance therefore meets the group CEO's request. This adjustment is reflected in the table on the next page.

Total payout

	Contribution to % of maximum performance on balanced scorecard							
	Financial (60%)	Strategic & business (20%)	Personal (20%)	Total achieved	Total bonus (after application of discretion) (CHF)	Percentage of base salary	Cash element (CHF)	Deferred shares element (CHF)
Alexander S. Friedman (group CEO)	54	15	16	85	1,700,000	85%	-	1,700,000
Richard McNamara (group CFO)	54	19	19	92	1,169,974	184%	584,987	584,987

ii) Other Group Management Board members (six members)

To ensure that there are sufficient safeguards over variable compensation awarded to the other members of the Group Management Board, aggregate Group Management Board variable compensation will be put to the vote at the Annual General Meeting on a retrospective basis giving shareholders greater visibility over the compensation that is paid out. Furthermore, total Group Management Board variable compensation each year is capped at 5% of underlying profit before taxes (excluding Group Management Board variable compensation).

Performance, and resultant awards, of other Group Management Board members are determined using balanced scorecards with weightings proposed by the group CEO, and approved by the compensation committee. As the Group Management Board members perform certain functional roles as well as their role as a Group Management Board member, these balanced scorecards have different weightings and include other quantifiable financial and non-financial metrics. However, they are aligned to the same core objectives and are designed to achieve stretch performance.

Shortly after year-end, the group CEO proposed an annual bonus for each Group Management Board member based on his assessment of their performance against their balanced scorecards. The proposed bonus payment for each member of the Group Management Board is subject to review and approval by the compensation committee and 50% of any annual bonus is deferred into GAM shares vesting in equal tranches over four years. The total annual bonus paid to other Group Management Board members in aggregate was CHF 4,987,452 (excluding social security and pensions costs).

4.6 LTIP to be awarded in 2018

As explained in the letter from the chairman of the compensation committee, one of the principles of our revised compensation framework is alignment of Group Management Board compensation with shareholders' long-term interests. Regular LTIP awards are an important part of that framework and the Company therefore intends to grant an LTIP award to Group Management Board members following the 2018 AGM (subject to AGM approval of the Group Management Board variable compensation resolution).

To balance out the LTIP award that was granted to Group Management Board members in October 2016 (aggregate fair value of CHF 3.9 million), the compensation committee proposes to grant Group Management Board members a smaller LTIP award in 2018 (aggregate fair value of CHF 0.6 million). In future years, the committee expects to grant LTIP awards in line with our policy as set out in section 3.1, namely that Group Management Board variable compensation over the longer term should be appropriately balanced between cash, deferred equity and LTIP awards (based on face value) although the weightings may vary year to year.

As outlined in the compensation framework section, this will be a performance share award with a three-year performance period and a two year holding period. The award will be subject to performance measures (underlying earnings per share, relative total shareholder return and investment performance) that are aligned with our Group's key performance indicators and strategy of delivering sustainable value and growth for our shareholders.

4.7 Recruitment award

Tim Rainsford joined GAM as the new group head of sales and distribution in January 2017 and was appointed to the Group Management Board in February 2017.

As the chairman of the Board of Directors and the group CEO highlighted in last year's annual report, the Group was delighted to secure Tim Rainsford's services, in particular 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 which will be invaluable expertise in achieving sustainable, long-term organic growth.

Tim Rainsford has made significant progress in upgrading the distribution capabilities in each of the Group's core markets. This includes the creation of a new team to cover global consultants, new sales leadership in the UK, Japan and in Asia Pacific, a new head of institutional sales for the Middle East, a new global head of marketing and new quant sales expertise in the US. Tim Rainsford was instrumental in expanding the Group's distribution presence in continental Europe to gain better traction in core client segments and opened offices in Vienna and Paris. The Group's new sales and distribution strategy, under the leadership of Tim Rainsford, focuses on our product lifecycle, building out regional client bases and leveraging the Group's global institutional and consultant relationships while fostering a one-team mentality. Incentives for the sales teams have been streamlined across the regions and better aligned with the Group's priorities of diversifying and growing revenues and profitability. The changes introduced by Tim Rainsford have started to translate into a more active, targeted engagement with clients and helped to deliver healthy diversified inflows, with 10 strategies attracting net inflows in excess of CHF 300 million and total net inflows of CHF 8.6 billion in 2017.

When determining the compensation arrangements for this role, the compensation committee balanced a number of considerations: the criticality of this role to GAM's future success; Tim Rainsford's market-leading experience; protecting shareholder interests; placing a strong emphasis on compensation linked to long-term sustainable growth; and ensuring there is broad consistency in compensation across the Group Management Board population.

Ongoing compensation arrangements
Tim Rainsford's ongoing compensation arrangements are consistent with the Group Management Board compensation framework outlined in this compensation report. His compensation is closely aligned to the success both of his direct areas of responsibility and of GAM as a whole, and his ongoing total variable compensation will be included in Group Management Board variable compensation for the purposes of applying the Group Management Board variable compensation cap.

One-time recruitment award
As outlined in the 2016 compensation report, the compensation committee approved in July 2016 a one-time recruitment award to Tim Rainsford, which consisted of two elements: replacement awards for awards forfeited on leaving his previous employer and an ongoing long-term incentive award.

- **Replacement awards –** On leaving Man Group, Tim Rainsford forfeited the annual cash bonus that he would have earned for 2016 plus a number of years of deferred long-term equity. A fixed replacement award was made to replace the forfeited annual cash bonus and an equity award will be granted to replace the forfeited equity awards. In both cases, the awards are of an equivalent value (valued as at the date of his joining GAM in January 2017) to those that he forfeited. The forfeited equity awards were subject to employment conditions only (ie there were no further performance criteria to satisfy). The element of Tim Rainsford's award which replaces this equity will be structured on an equivalent basis and will vest between 2018 and 2020, subject to his continued employment at GAM.
- **Long-term incentive award –** When he started employment in January 2017, Tim Rainsford was granted an LTIP award to ensure that he was incentivised in a broadly consistent manner with the rest of the Group Management Board members who had received long-term incentive awards in October 2016. The award is structured as a share option with a minimum five-year period from grant to exercise to ensure that it is wholly linked to GAM's long-term performance.

The recruitment award comprises a cash award and an equity award. The cash award is made up of a fixed replacement award of CHF 956,226 plus employer's social security of CHF 131,959 and is classified as 2017 Group Management Board fixed compensation. The equity award (fair value) is made up of a replacement award of CHF 1,905,638, an LTIP award of CHF 1,962,712 plus employer's social security of CHF 533,832 and is included within the aggregate 2017 Group Management Board variable compensation figure which is for approval of shareholders at the 2018 AGM as outlined in the AGM resolutions section. All elements of the award were valued as at 1 January 2017, being the date that Tim Rainsford joined the Group.

5. FEE STRUCTURE FOR BOARD OF DIRECTORS

This section of the report outlines the fee structure for the Board of Directors. Details of total fees received by board members in financial year 2017 are set out in section 6.

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. There are no agreements that provide for severance payments.

The compensation of the members of the Board of Directors, including its chairman, consists of:

- an annual fixed fee paid in a mixture of cash and GAM Holding AG shares. These annual share awards provide an alignment with shareholder interests as they ensure that each board member has exposure to share price performance during their one-year term of office; and
- supplementary fixed fee amounts paid in cash for serving as a member or as chairman on the committees of the Board of Directors. These supplementary fees are designed to reflect the workload in serving on the Board of Directors' various committees.

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.

Fees were reduced for the chairman of the Board of Directors and for committee chairs during 2017. Following the assessment of the associated time commitment required, the Board of Directors approved a small increase to the supplementary cash fees to the audit and compensation committees 'other' members.

(in CHF)	AGM 2016 to AGM 2017	AGM 2017 to AGM 2018	AGM 2018 to AGM 2019
Fixed cash fee			
Chairman of the Board	600,000	350,000	350,000
Vice-chairman of the Board	-	-	120,000
Other members of the Board	100,000	100,000	100,000
Share-based fee			
Chairman of the Board	499,993 [1]	249,992 [2]	250,000 [3]
Vice-chairman of the Board	-	-	100,000 [3]
Other members of the Board	99,994 [1]	99,992 [2]	100,000 [3]
Supplementary cash fees			
Chairman of the audit committee	70,000	60,000	60,000
Chairman of compensation committee	60,000	40,000	40,000
Chairman of governance and nomination committee [4]	30,000	20,000	20,000
Other members of audit committee	20,000	30,000	30,000
Other members of compensation committee	10,000	20,000	20,000
Other members of governance and nomination committee	10,000	10,000	10,000

[1] Equity with this fair value was granted following AGM 2016 and vested on the day before the Company's 2017 AGM.

[2] Equity with this fair value was granted following AGM 2017 and will vest on the day before AGM 2018.

[3] Equity with this fair value will be granted following the AGM 2018 and will vest the day before AGM 2019.

[4] The chairman currently holds this role and does not take a supplementary fee.

6. BOARD OF DIRECTORS COMPENSATION FOR FINANCIAL YEAR 2017

This section of the report outlines the total fixed compensation for members of the Board of Directors, in respect to financial years 2017 and 2016.

6.1 The total compensation to the Board of Directors in respect to financial years 2017 and 2016 (audited)

(in CHF)		Fixed cash fee	Committee fee	Share-based fee [7]	Social security	Other benefits	Total compensation
Johannes A. de Gier [1]	2017	200,000	10,000	-	30,667	18,216	**258,883**
	2016	600,000	33,332	499,993	158,610	33,104	**1,325,039**
Hugh Scott-Barrett [2, 9]	2017	266,667	23,333	249,992	77,292	-	**617,284**
	2016	100,000	70,000	99,994	36,941	-	**306,935**
Diego du Monceau [9]	2017	100,000	46,667	99,992	-	-	**246,659**
	2016	100,000	80,000	99,994	-	-	**279,993**
Benjamin Meuli [3, 9]	2017	100,000	63,333	99,992	18,009	-	**281,334**
	2016	66,667	20,000	99,994	13,338	-	**199,998**
Nancy Mistretta [3, 9]	2017	100,000	40,000	99,992	-	-	**239,992**
	2016	66,667	13,333	99,994	-	-	**179,994**
Ezra Field [3, 9]	2017	100,000	10,000	99,992	-	-	**209,992**
	2016	66,667	6,667	99,994	-	-	**173,327**
David Jacob [4, 9]	2017	66,667	33,333	99,992	22,832	-	**222,824**
	2016	-	-	-	-	-	**-**
Daniel Daeniker [5]	2017	-	-	-	-	-	**-**
	2016	33,333	10,000	-	2,896	-	**46,229**
Tanja Weiher [6]	2017	-	-	-	-	-	**-**
	2016	3,763	1,129	-	276	-	**5,168**
Total	2017	**933,334**	**226,666**	**749,952**	**148,800**	**18,216**	**2,076,968** [8]
	2016	**1,037,097**	**234,461**	**999,963**	**212,061**	**33,104**	**2,516,683**

1 Johannes A. de Gier resigned from the Board of Directors at the 2017 AGM.

2 Hugh Scott-Barrett since his appointment as chairman of the Board is not eligible to receive committee fees.

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

4 David Jacob was elected to the Board of Directors at the 2017 AGM.

5 Daniel Daeniker decided not to stand for re-election as member of the Board of Directors of GAM Holding AG at the 2016 AGM.

6 Tanja Weiher stepped down from her role on the Board of Directors of GAM Holding AG on 14 January 2016.

7 On 28 April 2017 board directors (excluding the newly appointed chairman) were each awarded the right to receive 8,620 GAM Holding AG shares (at a fair value of CHF 11.60 per share based on the share's closing price on the first trading line at the SIX Swiss Exchange on 27 April 2017). On the same day, the chairman of the Board of Directors received 21,551 shares with an aggregate fair value of CHF 11.60. These shares will vest and be delivered on the day before the Company's 2018 AGM, provided the member is in office, proposed or decides not to stand for re-election.

8 Total fixed compensation (including employer's social security costs) paid to the Board of Directors between AGM 2016 and AGM 2017 was CHF 2,582,211 and between AGM 2017 and AGM 2018 was CHF 1,963,895. The figure for AGM 2017 to AGM 2018 includes an estimate for the period 1 January to 26 April 2018. These totals were both within the maximum values prospectively approved by shareholders (CHF 3,000,000 and CHF 2,250,000 respectively).

9 The functions of the board directors are set out in the corporate governance section of the annual report on page 59 and 60.

6.2 Compensation to former members of the Board of Directors (audited)

In 2017, no compensation was paid to former members of the Board of Directors who stepped down prior to 1 January 2017.

6.3 Loans to members of the Board of Directors (audited)

In 2017, no loans were granted to the current or former members of the Board of Directors. No such loans were outstanding at the year end.

6.4 Compensation and loans to closely related parties (audited)

In 2017, 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 2017 to closely linked parties of current or former members of the Board of Directors.

7. SHAREHOLDINGS

This section of the report sets out the shareholdings of the Group Management Board and the Board of Directors.

7.1 Group Management Board

The shareholdings of members of the Group Management Board who held office at the end of 2017 are shown in the following table. All interests shown include any shares which vested during the year or shares acquired in the market by a Group Management Board member. Alexander S. Friedman and Richard McNamara are expected to build up shareholdings worth at least 200% of their salary, for other members of the Group Management Board the expectation is 100% of salary. Once an award of shares has vested, each Group Management Board member will retain the shares granted, net of any shares sold to meet tax obligations, where applicable, in order to meet the shareholding requirements.

	Vested shares [1]		Unvested shares [2, 3]	
	2017	2016	**2017**	2016
Alexander S. Friedman [4]	51,000	51,000	178,102	87,130
Richard McNamara [4]	29,955	15,192	82,217	51,785
Larry Hatheway	-	-	90,653	63,298
Tim Dana	5,798	2,925	31,824	9,963
Martin Jufer	-	-	19,572	8,243
Tim Rainsford	-	-	180,117	-
Elmar Zumbuehl	4,829	-	960	960
Dirk Spiegel	960	-	960	960

[1] The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

[2] Unvested shares reflects the number of shares which will normally vest to the individual subject to continued employment at the relevant vesting date. This includes shares that are deferred under the annual bonus plan and one-time share awards granted at recruitment.

[3] Unvested shares does not include unexercised options or unvested performance shares. These are excluded as the number of options that become exercisable or performance shares that vest will be dependent upon share price performance and/or GAM's performance against specific performance criteria as well as continued employment until the relevant vesting date.

[4] Against the total shareholding requirements based on vested shares only and the share price as at 29 December 2017 (CHF 15.75), Alexander S. Friedman is currently at 27% of target (based on his adjusted base salary), and Richard McNamara is currently at 37% of target.

7.2 Board of Directors

The shareholdings of the directors who held office at the end of 2017, in shares of GAM Holding AG are shown in the following table. All interests shown include the portion of vested shares allocated to the directors as part of their fee, shares acquired in the market by the directors and shares held by connected parties related to the directors.

Members of the Board of Directors are required to build up and retain a holding of GAM shares worth at least 200% of their annual cash fee. Once an award of shares has vested, each director will retain the shares granted, net of any shares sold to meet tax obligations, where applicable, in order to meet the shareholding requirements.

None of the Board of Directors hold options over GAM Holding AG shares.

	Vested shares [1]		Unvested shares [2]	
	2017	2016	**2017**	2016
Hugh Scott-Barrett	16,683	8,493	21,551	7,936
Diego du Monceau	19,573	13,631	8,620	7,936
Benjamin Meuli [3]	19,207	-	8,620	7,936
Nancy Mistretta [3]	5,943	-	8,620	7,936
Ezra Field [3]	5,943	-	8,620	7,936
David Jacob [4]	2,500	-	8,620	-

[1] The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

[2] Board directors (excluding the chairman) have each an entitlement to 8,620 unvested shares that were awarded after AGM 2017 and which will vest on the day before the Company's 2018 AGM. The chairman of the Board of Directors has an entitlement to 21,551 unvested shares that were granted on an equivalent basis.

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

[4] David Jacob was elected to the Board of Directors at the 2017 AGM.

8. COMPENSATION GOVERNANCE

This section of the report outlines the governance framework used to determine compensation.

Compensation responsibilities

Annual total compensation of [1]	Proposal	Approval
Chairman of the Board of Directors	Compensation committee	Compensation committee
Ordinary members of the Board of Directors (including committee fees)	Compensation committee	Board of Directors
Group CEO	Chairman of the Board	Compensation committee
Other members of the Group Management Board	Group CEO	Compensation committee
Heads of control functions (risk, compliance and internal audit)	Group CEO Chairman of audit committee	Compensation committee

[1] The aggregate compensation for the Board of Directors and the Group Management Board (for both fixed and variable compensation components) is subject to a shareholder binding vote.

8.1 Compensation authorities

Board of Directors

The Board of Directors has established and implemented a Group compensation framework and policy which reflects the Group's overall approach to compensation. The Group compensation framework and 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 framework and 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 framework and policy in order to address any applicable regulatory developments and the objectives of the Group.

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.

At the 2017 AGM, the shareholders re-elected Nancy Mistretta and Benjamin Meuli as non-executive members of the compensation committee, with Nancy Mistretta being appointed chairman in May 2017. In accordance with the Swiss Ordinance against Excessive Compensation and GAM's articles of incorporation, the Board decided in May 2017 to appoint David Jacob as the third non-executive member of the committee.

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 table below provides an overview of the compensation committee's meeting schedule for performance year 2017:

Meeting schedule

Meeting	Standing agenda items
January	Approval of the aggregate annual bonus pools
	Determination of compensation to be paid to the group CEO
	Approval of compensation to be paid to other members of the Group Management Board
	Review of individual compensation payments for senior executives outside of the Group Management Board
	Determination of compensation paid to the chairman of the Board
	Proposal of the compensation paid to the members of the Board and to the members of the committees
February	Determination of the 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
May	Annual review of the Group compensation policy and share-based compensation plans
September	Annual review of the compensation committee charter
	Initial review and provision of guidance for group-wide compensation proposals
December	Final review of group-wide compensation proposals

In addition, the compensation review working group (comprised of the compensation committee and the chairman of the Board of Directors) met bi-weekly from May through to year-end.

8.2 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 annual bonus pool for all employees across the Group and variable compensation to be paid for the other members of the Group Management Board (subject to shareholder approval).

For the other members of the Group Management Board, the sum proposed by the group CEO is based on the individual's performance and contribution against pre-determined balanced scorecards comprised of financial, strategic and business and personal objectives determined by the group CEO and approved by the compensation committee.

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

8.3 Compensation management committee

The compensation committee has established, and has delegated authority to, a compensation management committee (CMC) comprising the group CEO, group head of human resources, group head of risk and group general counsel. The CMC is responsible for providing advice and support to ensure that compensation policies and processes across the Group are operated in line with current and future compensation regulations. It also provides information on conduct, risk and compliance matters that should be taken into account when approving all annual bonus payments.

8.4 Shareholders

During 2017, board directors spent a significant amount of time interacting with shareholders in relation to the recent compensation review and are committed to actively engaging with the shareholders going forward. In accordance with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we seek binding shareholder approval for the aggregate compensation for the Group Management Board and for the Board of Directors:

	Proposal	Approval	Binding vote	AGM vote
Maximum aggregate amount of annual fixed compensation for members of the Board of Directors for AGM 2018 to AGM 2019	Compensation committee	Board of Directors	Annual General Meeting	Prospective
Maximum aggregate amount of annual fixed compensation for members of the Group Management Board for 2018	Compensation committee	Board of Directors	Annual General Meeting	Prospective
The aggregate amount of annual variable compensation for members of the Group Management Board for 2017	Compensation committee	Board of Directors	Annual General Meeting	Retrospective

	Proposal	Approval	Consultative vote
2017 compensation report	Compensation committee	Board of Directors	Annual General Meeting

The Board of Directors remains of the view that obtaining prospective approval for the maximum aggregate amount of fixed compensation for both the Board of Directors and the Group Management Board is appropriate to ensure stability in the day-to-day management of the Group. Following the recent compensation review, the shareholders at the 2018 AGM and beyond will be asked to approve the aggregate variable compensation for the Group Management Board on a retrospective basis, as this provides shareholders with greater transparency on the variable compensation requested in relation to the prior year's performance. Details of the 2018 AGM resolutions can be found in section 9.

In respect of 2017 fixed compensation for the Board of Directors and the Group Management Board, the compensation committee fully complied with the prospective levels approved by the shareholders at the 2017 AGM.

Approved and paid fixed compensation for the Group Management Board and the Board of Directors

	Approved	Paid	Approved	Paid
CHF (including any shares)	2017	2017	2016	2016
Board of Directors [1]	2,250,000	1,963,895	3,000,000	2,582,211
Group Management Board [2]	8,000,000	7,648,882	8,000,000	6,853,203

[1] The approved and paid compensation for the Board of Directors is for the period AGM to AGM. The figure for 2017 includes an estimate for the period 1 January to 26 April 2018.

[2] The approved and paid compensation for the Group Management Board is for the financial year.

9. AGM RESOLUTIONS

This section of the report outlines the compensation resolutions to be put to shareholders at the 2018 AGM.

1) **Elections to the compensation committee of the Board of Directors (binding vote)**
Shareholder approval will be sought for the election of three compensation committee members until the 2019 AGM, as proposed by the Board of Directors.

2) **Approval of the fixed compensation of the Board of Directors (binding vote)**
To accommodate an additional member of the Board, shareholder approval will be sought for fixed compensation for the Board of Directors of a maximum of CHF 2,500,000 for the period AGM 2018 to AGM 2019 (this figure was CHF 2,250,000 for the period AGM 2017 to AGM 2018). The fee framework for the Board of Directors is set out in section 5 of this compensation report.

3) **Approval of the fixed compensation[1] of the Group Management Board (binding vote)**
Shareholder approval will be sought for fixed compensation for the Group Management Board of a maximum of CHF 8,000,000 for the 2018 financial year (this figure is unchanged since 2017). The fixed compensation framework for the Group Management Board is set out in section 3 of this compensation report.

4) **Approval of the compensation report (consultative vote)**
The shareholders' meeting shall be asked to approve the 2017 compensation report on a non-binding consultative basis.

5) **Approval of variable compensation[1] of the Group Management Board (binding vote)**
In prior years, the AGM was asked to approve a maximum value of variable compensation for the Group Management Board on a prospective basis. One of the conclusions of the comprehensive review was that there would be greater transparency for shareholders if they were able to retrospectively approve variable compensation awards proposed to be granted in light of performance achieved during the prior financial year. This approach will be adopted at the 2018 AGM and shareholder approval will be sought to amend the articles of incorporation to adopt this approach on an ongoing basis.

Shareholder approval will be sought for variable compensation for the Group Management Board of CHF 13,721,080 in relation to the 2017 financial year. A summary breakdown of this figure is set out in the table below.

	Value (CHF)	Term	Detail of award
Cash annual bonus	3,078,713	Paid post 2018 AGM	Section 4.1 and 4.5
Deferred share annual bonus	4,778,713	Granted post 2018 AGM; released over four years	Section 4.1 and 4.5
LTIP award (fair value at grant)	588,030	Granted post 2018 AGM; subject to performance over period 2018-20; vested element released in 2023	Section 4.1 and 4.6
Variable compensation sub-total[2]	8,445,456		
Recruitment award to GMB member	3,868,350	Variable terms	Section 4.1 and 4.7
Social security and pension costs	1,407,274		Section 4.1
Variable compensation total	13,721,080		

[1] Local currencies are converted into Swiss Francs at the exchange rates stated in the notes to the consolidated financial statements. Please refer to page 143.

[2] GMB variable compensation for 2017 of CHF 8,445,456 represents 4.6% of underlying profit before taxes (excluding GMB variable compensation) – within the 5% GMB variable compensation cap introduced this year.

KPMG

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 2017. 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 sections 4.1 to 4.4 on pages 86 to 87 as well as sections 6.1 to 6.4 on pages 95 to 96 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 2017 of GAM Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Christoph Groebli
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 28 February 2018

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

CONSOLIDATED FINANCIAL STATEMENTS

(see the following page for a detailed list)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTES TO THE CONSOLIDATED BALANCE SHEET

ADDITIONAL NOTES

CONSOLIDATED INCOME STATEMENT

	Note	2017 CHF m	2016 CHF m	Change in %
Net management fees and commissions	1	503.6	470.5	7
Net performance fees	1	59.0	3.0	-
Net fee and commission income	1	**562.6**	**473.5**	**19**
Net other income	2	12.4	18.3	(32)
Income		**575.0**	**491.8**	**17**
Personnel expenses	3	271.6	235.2	15
General expenses	4	110.5	106.4	4
Depreciation and amortisation		37.9	18.6	104
Impairment loss	13	6.8	-	-
Expenses		**426.8**	**360.2**	**18**
Profit before taxes		**148.2**	**131.6**	**13**
Income tax expense/(credit)	5.1	25.0	(2.7)	-
Net profit attributable to the shareholders of the Company		**123.2**	**134.3**	**(8)**
Earnings per share				
Basic earnings per share (CHF)	7	0.78	0.85	(8)
Diluted earnings per share (CHF)	7	0.78	0.85	(8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 CHF m	2016 CHF m	Change in %
Net profit attributable to the shareholders of the Company		**123.2**	**134.3**	**(8)**
Remeasurements of pension liabilities	16	9.9	(59.2)	-
Income tax (charges)/credits relating to remeasurements of pension liabilities		(2.1)	11.2	-
Items that will not be reclassified subsequently to the income statement, net of taxes		**7.8**	**(48.0)**	**-**
Net gains/(losses) on financial assets available-for-sale		2.4	(0.7)	-
Net realised (gains)/losses on financial assets available-for-sale reclassified to the income statement		(2.5)	2.1	-
Translation differences		10.7	(15.6)	-
Items that may be reclassified subsequently to the income statement, net of taxes		**10.6**	**(14.2)**	**-**
Other comprehensive income, net of taxes		**18.4**	**(62.2)**	**-**
Total comprehensive income attributable to the shareholders of the Company		**141.6**	**72.1**	**96**

CONSOLIDATED BALANCE SHEET

	Note	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Cash and cash equivalents	8	373.8	352.7	6
Trade and other receivables		53.6	33.1	62
Accrued income and prepaid expenses	9	152.8	99.4	54
Financial investments	10.1	45.9	75.3	(39)
Assets held for sale	11	39.2	11.3	247
Current assets		**665.3**	**571.8**	**16**
Financial investments and other financial assets	10.1	2.5	2.8	(11)
Deferred tax assets	12.1	52.3	56.3	(7)
Property and equipment	13	8.8	11.0	(20)
Goodwill and other intangible assets	13	1,716.5	1,736.6	(1)
Non-current assets		**1,780.1**	**1,806.7**	**(1)**
Assets		**2,445.4**	**2,378.5**	**3**
Trade and other payables		30.9	18.8	64
Other financial liabilities	10.2	21.8	9.7	125
Accrued expenses and deferred income	14	250.0	203.8	23
Current tax liabilities		15.7	9.2	71
Provisions	15	6.8	11.2	(39)
Liabilities held for sale	11	2.6	2.0	30
Current liabilities		**327.8**	**254.7**	**29**
Financial liabilities	10.2	79.8	114.4	(30)
Provisions	15	7.8	2.4	225
Pension liabilities	16	109.7	120.1	(9)
Deferred tax liabilities	12.2	37.7	42.9	(12)
Non-current liabilities		**235.0**	**279.8**	**(16)**
Liabilities		**562.8**	**534.5**	**5**
Share capital	17	8.0	8.0	0
Capital reserves		995.0	1,097.2	(9)
Retained earnings		1,026.5	889.6	15
Revaluation reserve		0.8	0.9	(11)
Foreign currency translation reserve		(96.2)	(106.9)	(10)
Treasury shares	17	(51.5)	(44.8)	15
Equity attributable to the shareholders of the Company		**1,882.6**	**1,844.0**	**2**
Liabilities and equity		**2,445.4**	**2,378.5**	**3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital CHF m	Capital reserves CHF m
Balance at 1 January 2016		**8.2**	**1,199.6**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes [1]		-	-
Total comprehensive income		**-**	**-**
Capital reduction	17	(0.2)	-
Dividends paid	17	-	(102.4)
Share-based payment expenses, net of taxes	5.3/22	-	-
Acquisitions of own shares and derivatives on own shares	17	-	-
Disposals of own shares and derivatives on own shares	17	-	-
Total transactions with shareholders of the Company		**(0.2)**	**(102.4)**
Balance at 31 December 2016		**8.0**	**1,097.2**
Net profit attributable to the shareholders of the Company		-	-
Other comprehensive income, net of taxes [1]		-	-
Total comprehensive income		**-**	**-**
Capital reduction	17	-	-
Dividends paid	17	-	(102.2)
Share-based payment expenses, net of taxes	5.3/22	-	-
Acquisitions of own shares and derivatives on own shares	17	-	-
Disposals of own shares and derivatives on own shares	17	-	-
Total transactions with shareholders of the Company		**-**	**(102.2)**
Balance at 31 December 2017		**8.0**	**995.0**

[1] Details of the line item ‘other comprehensive income, net of taxes’ are shown in the consolidated statement of comprehensive income.

Retained earnings CHF m	Revaluation reserve CHF m	Foreign currency translation reserve CHF m	Treasury shares CHF m	**Equity attributable to the shareholders of the Company** CHF m
847.0	**(0.5)**	**(91.3)**	**(86.6)**	**1,876.4**
134.3	-	-	-	**134.3**
(48.0)	1.4	(15.6)	-	**(62.2)**
86.3	**1.4**	**(15.6)**	**-**	**72.1**
(50.2)	-	-	50.4	**-**
-	-	-	-	**(102.4)**
7.9	-	-	-	**7.9**
-	-	-	(10.0)	**(10.0)**
(1.4)	-	-	1.4	**-**
(43.7)	**-**	**-**	**41.8**	**(104.5)**
889.6	**0.9**	**(106.9)**	**(44.8)**	**1,844.0**
123.2	-	-	-	**123.2**
7.8	(0.1)	10.7	-	**18.4**
131.0	**(0.1)**	**10.7**	**-**	**141.6**
(9.6)	-	-	9.6	**-**
-	-	-	-	**(102.2)**
17.6	-	-	-	**17.6**
-	-	-	(18.4)	**(18.4)**
(2.1)	-	-	2.1	**-**
5.9	**-**	**-**	**(6.7)**	**(103.0)**
1,026.5	**0.8**	**(96.2)**	**(51.5)**	**1,882.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017 CHF m	2016 CHF m
Net profit attributable to the shareholders of the Company		**123.2**	**134.3**
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit:			
– Impairment loss	13	6.8	-
– Depreciation and amortisation		37.9	18.6
– Share-based payment expenses	22	17.0	8.7
– Other non-cash items		9.8	2.5
Net changes in:			
– Financial investments and other financial assets		14.9	(17.8)
– Trade and other receivables (excluding tax receivable)		(20.2)	(3.5)
– Accrued income and prepaid expenses (excluding accrued interest)		(46.7)	29.4
– Trade and other payables		8.6	(14.2)
– Accrued expenses and deferred income (excluding accrued interest)		32.6	(13.5)
– Other liabilities		(57.1)	(40.9)
Net interest expenses		7.9	3.3
Interest received		0.2	0.6
Interest paid		(1.1)	(1.9)
Income tax expense/(credit)	5	25.0	(2.7)
Income taxes paid		(18.5)	(26.8)
Cash flow from operating activities		**140.3**	**76.1**
Acquisition of business (net of cash)		(1.1)	(205.2)
Disposal of subsidiaries (net of cash)		0.1	0.1
Purchase of property, equipment and intangible assets		(5.4)	(8.9)
Disposal of property, equipment and intangible assets		0.1	0.1
Cash flow from investing activities		**(6.3)**	**(213.9)**
Purchase of treasury shares	17	(18.4)	(10.0)
Dividends paid to shareholders of the Company	17	(102.2)	(102.4)
Deferred payment for the acquisition of non-controlling interests		(3.5)	(10.8)
Cash flow from financing activities		**(124.1)**	**(123.2)**
Effects of exchange rate changes on cash and cash equivalents		11.2	(19.2)
Net increase/(decrease) in cash and cash equivalents		**21.1**	**(280.2)**
Cash and cash equivalents at the beginning of the year		352.7	632.9
Cash and cash equivalents at the end of the year	8	**373.8**	**352.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Net fee and commission income

	2017 CHF m	2016 CHF m	Change in %
Investment management, advisory and other fees	1,015.1	902.9	12
Distribution, fee and commission expenses	(511.5)	(432.4)	18
Net management fees and commissions	**503.6**	**470.5**	**7**
Performance fees	73.7	7.7	857
Performance fees paid to external investment managers	(14.7)	(4.7)	213
Net performance fees	**59.0**	**3.0**	**-**
Net fee and commission income	**562.6**	**473.5**	**19**

2. Net other income

	Note	2017 CHF m	2016 CHF m	Change in %
Foreign exchange (losses)/gains		(4.2)	0.4	-
Interest income		0.2	0.5	(60)
Interest expenses		(8.1)	(3.8)	113
Net gains/(losses) on financial assets available-for-sale reclassified from other comprehensive income		2.5	(2.1)	-
Net gains/(losses) on financial assets at fair value through profit or loss		0.1	(1.1)	-
Gain/(loss) on sale of Cayman business	6	0.1	(0.6)	-
Adjustments to deferred consideration liabilities	6	32.6	14.9	119
Fair value changes of performance fees attributed to external interests	6/23.3	(14.9)	-	-
Settlement on termination of Julius Baer licence agreement	6	-	4.2	(100)
Other		4.1	5.9	(31)
Net other income		**12.4**	**18.3**	**(32)**

The line item ‘interest expenses’ includes negative interest on cash and cash equivalents of CHF 1.0 million (2016: CHF 1.7 million) and finance charges on discounted liabilities of CHF 7.0 million (2016: CHF 2.1 million) relating to the deferred consideration elements of acquisitions previously made. For further information on finance charges on discounted liabilities see note 6.

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.

3. Personnel expenses

	Note	2017 CHF m	2016 CHF m	Change in %
Salaries and bonuses		202.6	189.6	7
Social security expenses		22.8	16.6	37
Defined benefit pension plan expenses	16.2	11.8	3.7	219
Defined contribution pension plan expenses	16.1	8.4	8.4	0
Share-based payment expenses	22	17.0	8.7	95
Other personnel expenses		9.0	8.2	10
Personnel expenses		**271.6**	**235.2**	**15**

In respect of the Group’s reorganisation, CHF 8.5 million (2016: CHF 3.9 million) were included in salaries and bonuses and CHF 0.8 million (2016: CHF 0.2 million) in social security expenses. For further information regarding restructuring see note 15.

In early March 2018, the Group will grant to certain employees fund units as a variable deferred element of their total compensation for 2017. These fund units will vest and be delivered 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. The related expense is recognised over the relevant vesting period in the line item ‘Salaries and bonuses’. Other elements of the deferred bonuses are granted in form of share-based payments. For further information see Note 22.

At the Annual General Meeting on 27 April 2017, shareholders did not approve the proposed maximum variable compensation of the Group Management Board for 2017. However, the Group continues to accrue for related variable compensation based on estimated payout levels, which will be subject to shareholders’ approval at the next Annual General Meeting on 26 April 2018.

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 16.

4. General expenses

	2017 CHF m	2016 CHF m	Change in %
Occupancy expenses	22.2	26.0	(15)
IT expenses	19.5	16.2	20
Communication and marketing expenses	29.6	29.2	1
Professional services, other fees and charges	17.2	16.8	2
Administration expenses	8.8	6.1	44
Other general expenses	13.2	12.1	9
General expenses	**110.5**	**106.4**	**4**

Administration expenses represent outsourcing fees paid to the external service provider for back office and middle office functions.

The line item ‘Professional services, other fees and charges’ includes CHF 0.2 million (2016: none) of general expenses in respect of the restructuring. For further information regarding restructuring see note 15.

5. Income tax expense/(credit)

5.1. Tax effects recognised in the income statement

	2017 CHF m	2016 CHF m
Income tax expense at the Swiss statutory tax rate of the parent company of 21% (2016: 21%)	31.3	27.8
Deferred tax asset relating to merger of Swiss legal entities	-	(27.8)
Impact of tax rates differing from Swiss statutory rate	(2.4)	(4.8)
Non-taxable and lower taxed income	(6.2)	(0.8)
Previously unrecorded tax losses now utilised	(0.4)	-
Current year losses not recognised	-	0.5
Prior year adjustments	(0.5)	(0.5)
Non-deductible expenses	1.9	2.6
Adjustment to deferred tax assets due to US tax rate reductions	1.3	-
Other effects	-	0.3
Income tax expense/(credit)	**25.0**	**(2.7)**

In 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 12.

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 5.6 million (2016: CHF 7.6 million), all of which will expire within ten years (2016: CHF 2.6 million with no expiry date).

	2017 CHF m	2016 CHF m
Current income tax expense	30.6	21.8
Deferred income tax credit	(5.6)	(24.5)
Income tax expense/(credit)	**25.0**	**(2.7)**

5.2. Tax effects recognised in other comprehensive income

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

5.3. Tax effects recognised directly in equity

In 2017, tax effects on share-based payments resulted in a credit to equity of CHF 0.6 million (2016: debit of CHF 0.8 million). With share-based payment expenses of CHF 17.0 million (2016: CHF 8.7 million) and these tax effects, CHF 17.6 million (2016: CHF 7.9 million) is included in the respective line item within equity as shown in the consolidated statement of changes in equity.

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

			2017			2016
	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	503.6	-	503.6	470.5	-	470.5
Net performance fees	59.0	(14.9)	44.1	3.0	-	3.0
Net fee and commission income	**562.6**	**(14.9)**	**547.7**	**473.5**	**-**	**473.5**
Net other income	12.4	(10.2)	2.2	18.3	(13.2)	5.1
Income	**575.0**	**(25.1)**	**549.9**	**491.8**	**(13.2)**	**478.6**
Personnel expenses	271.6	(7.0)	264.6	235.2	11.0	246.2
General expenses	110.5	(4.4)	106.1	106.4	(3.5)	102.9
Depreciation and amortisation	37.9	(31.2)	6.7	18.6	(9.2)	9.4
Impairment loss	6.8	(6.8)	-	-	-	-
Expenses	**426.8**	**(49.4)**	**377.4**	**360.2**	**(1.7)**	**358.5**
Profit before taxes	**148.2**	**24.3**	**172.5**	**131.6**	**(11.5)**	**120.1**
Income tax expense/(credit)	25.0	10.4	35.4	(2.7)	28.6	25.9
Net profit	**123.2**	**13.9**	**137.1**	**134.3**	**(40.1)**	**94.2**
Earnings per share						
Basic earnings per share (CHF)	0.78		0.87	0.85		0.60
Diluted earnings per share (CHF)	0.78		0.86	0.85		0.60

Reconciling items

	Note	Acquisition-related items CHF m	Non-recurring items CHF m	2017 Total reconciling items CHF m	Acquisition-related items CHF m	Non-recurring items CHF m	2016 Total reconciling items CHF m
Performance fees attributed to external interests	23.3	(14.9)	-	(14.9)	-	-	-
Net fee and commission income		**(14.9)**	**-**	**(14.9)**	**-**	**-**	**-**
Adjustments to deferred consideration liabilities	2	(32.6)	-	(32.6)	(14.9)	-	(14.9)
Foreign exchange gains/(losses) on deferred consideration liabilities		0.6	-	0.6	3.2	-	3.2
Sale of Cayman business	2	-	(0.1)	(0.1)	-	0.6	0.6
Fair value changes of performance fees attributed to external interests	2/23.3	14.9	-	14.9	-	-	-
Finance charges on discounted liabilities	2	7.0	-	7.0	2.1	-	2.1
Settlement on termination of Julius Baer licence agreement	2	-	-	-	-	(4.2)	(4.2)
Net other income		**(10.1)**	**(0.1)**	**(10.2)**	**(9.6)**	**(3.6)**	**(13.2)**
Adjustments to deferred consideration liabilities		3.1	-	3.1	8.0	-	8.0
Reorganisation charge	15	-	(9.3)	(9.3)	-	(4.1)	(4.1)
Pension plan amendment	3	-	-	-	-	8.1	8.1
Deal and integration costs		-	(0.8)	(0.8)	-	(1.0)	(1.0)
Personnel expenses		**3.1**	**(10.1)**	**(7.0)**	**8.0**	**3.0**	**11.0**
Reorganisation charge		-	(3.0)	(3.0)	-	(0.3)	(0.3)
Deal and integration costs		-	(0.5)	(0.5)	-	(3.2)	(3.2)
Other expenses		-	(0.9)	(0.9)	-	-	-
General expenses		**-**	**(4.4)**	**(4.4)**	**-**	**(3.5)**	**(3.5)**
Reorganisation charge		-	-	-	-	(0.2)	(0.2)
Amortisation of investment management and client contracts	13	(31.2)	-	(31.2)	(9.0)	-	(9.0)
Depreciation and amortisation		**(31.2)**	**-**	**(31.2)**	**(9.0)**	**(0.2)**	**(9.2)**
Impairment of investment management and client contracts		-	(6.8)	(6.8)	-	-	-
Impairment loss	13	**-**	**(6.8)**	**(6.8)**	**-**	**-**	**-**
Total reconciling items before taxes		**3.1**	**21.2**	**24.3**	**(8.6)**	**(2.9)**	**(11.5)**
Deferred tax asset relating to merger of Swiss legal entities	12	-	-	-	-	27.8	27.8
Income tax expense/(credit)		6.4	4.0	10.4	1.5	(0.7)	0.8
Total reconciling items after taxes		**(3.3)**	**17.2**	**13.9**	**(10.1)**	**(30.0)**	**(40.1)**

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

2017

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 (Cantab), all with a deferred consideration element. In 2017, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 35.7 million. Thereof, CHF 32.6 million were recognised as income in the line item 'net other income' and CHF 3.1 million as a credit in the line item 'personnel expenses'. In addition, a related net of hedging loss of CHF 0.6 million was recognised in the line item 'foreign exchange gains/(losses)'.

Finance charges on discounted liabilities

The CHF 7.0 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 investment management businesses of Taube Hodson Stonex and Cantab.

Amortisation of investment management and client contracts

The CHF 31.2 million amortisation of investment management and client contracts relates to the acquisitions of the investment management businesses of Taube Hodson Stonex and Cantab, the Renshaw Bay real estate business and the Singleterry Mansley business.

Performance fees, and related fair value changes, attributed to external interests

The Group has a contractual commitment, through the agreement to acquire Cantab, to allocate 40% of performance fees generated by Cantab to employees (in the first five years and capped at USD 50 million as determined by previous partners) and previous partners thereafter indefinitely via "A" interests. Such liabilities are recognised when respective performance fees crystallise. The fair value changes of performance fees payable in relation to "A" interests of Cantab amount to CHF 14.9 million.

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, all with a deferred consideration element. In 2016, the consideration payable, compared with that recognised at acquisition or in subsequent periods, was reduced by CHF 22.9 million. Thereof, CHF 14.9 million were recognised as income in the line item 'net other income' and CHF 8.0 million as a credit to the line item 'personnel expenses'. In addition, a related 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.

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, the Renshaw Bay real estate business and the Singleterry Mansley business.

Non-recurring items

2017

Reorganisation charge

The charge of CHF 12.3 million in respect of the Group's implementation of its strategic initiatives includes restructuring costs of CHF 9.3 million associated with redundancies and the revaluation of the restructuring provision recognised in the line item 'personnel expenses' as well as CHF 3.0 million in connection with non-staff costs recognised in the line item 'general expenses' relating to the office facility exit in the UK, rebranding cost and the Group's compensation and strategic review. For further information regarding restructuring see note 15.

Impairment of investment management and client contracts

The CHF 6.8 million impairment loss on investment management and client contracts relates to the acquisition of the investment management business of Taube Hodson Stonex. For further information see note 13.

Deal and integration costs

In 2016, the Group acquired the investment management businesses of Taube Hodson Stonex and Cantab. As part of these acquisitions, CHF 1.3 million of deal and integration costs were incurred in 2017.

Other expenses

Other expenses include certain other costs and other minor adjustments to previously reported items which have been combined in one line item considering materiality.

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 3 and 16.

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 15) 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. 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 26.

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 12.

7. Earnings per share and shares outstanding

7.1. Earnings per share

	2017	2016
Basic earnings per share		
Net profit attributable to the shareholders of the Company (CHF m)	123.2	134.3
Weighted average number of shares outstanding (millions)	157.0	157.7
Basic earnings per share (CHF)	**0.78**	**0.85**
Diluted earnings per share		
Net profit attributable to the shareholders of the Company for diluted EPS (CHF m)	123.2	134.3
Weighted average number of shares outstanding (millions)	157.0	157.7
Dilution effect (millions)	1.8	0.1
Weighted average number of shares outstanding for diluted EPS (millions)	158.8	157.8
Diluted earnings per share (CHF)	**0.78**	**0.85**

7.2. Shares outstanding

	Note	2017	2016
Shares issued at the beginning of the year		160,294,731	163,394,731
Cancelled during the year		(612,200)	(3,100,000)
Shares issued at the end of the year	17	**159,682,531**	**160,294,731**
Treasury shares – share buy-back programmes	17	-	(612,200)
Treasury shares – share-based payment plans	17	(3,361,073)	(2,186,616)
Shares outstanding at the end of the year		**156,321,458**	**157,495,915**

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. Cash and cash equivalents

	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Cash at bank	357.2	311.8	15
Short-term deposits	16.6	40.9	(59)
Cash and cash equivalents	**373.8**	**352.7**	**6**

9. Accrued income and prepaid expenses

	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Accrued fee and commission income	141.7	85.3	66
Prepaid expenses	10.5	9.2	14
Accrued other income	0.6	4.9	(88)
Accrued income and prepaid expenses	**152.8**	**99.4**	**54**

10. Financial instruments

10.1. Financial investments and other financial assets

	Note	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Equity financial assets available-for-sale		16.6	24.1	(31)
Derivative financial instruments	10.3	0.4	1.3	(69)
Equity financial assets designated at fair value through profit or loss		29.8	50.6	(41)
Other financial assets		1.6	2.1	(24)
Financial investments and other financial assets		**48.4**	**78.1**	**(38)**
Current		45.9	75.3	(39)
Non-current		2.5	2.8	(11)
Financial investments and other financial assets		**48.4**	**78.1**	**(38)**

10.2. Other and non-current financial liabilities

	Note	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Derivative financial instruments	10.3	1.5	0.5	200
Financial liabilities at fair value through profit or loss	10.5	97.7	120.5	(19)
Financial liabilities measured at amortised cost		2.4	3.1	(23)
Other and non-current financial liabilities		**101.6**	**124.1**	**(18)**
Current		21.8	9.7	125
Non-current		79.8	114.4	(30)
Other and non-current financial liabilities		**101.6**	**124.1**	**(18)**

10.3. Derivative financial instruments

	Contract/ notional amount CHF m	Positive replacement value CHF m	2017 Negative replacement value CHF m
Foreign exchange derivative financial instruments	224.9	0.4	0.5
Other derivative financial instruments (index futures/swaps)	44.0	-	1.0
Derivative financial instruments held for trading	**268.9**	**0.4**	**1.5**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	2.3	-	-
Derivative financial instruments designated as hedging instruments	**2.3**	**-**	**-**
Derivative financial instruments	**271.2**	**0.4**	**1.5**

	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**

Losses of CHF 0.2 million (2016: losses of CHF 0.5 million) on derivative financial instruments designated as hedging instruments and losses of CHF 0.1 million (2016: gains of CHF 0.2 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 (2016: CHF 0.3 million), which is recognised in the income statement in ‘net other income’.

10.4. Financial instruments by category

	31.12.2017 Carrying amount CHF m	31.12.2016 Carrying amount CHF m
Cash and cash equivalents	373.8	352.7
Trade and other receivables (excluding tax receivable)	53.6	28.8
Accrued income	142.3	90.2
Other financial assets	1.6	1.8
Financial assets measured at amortised cost	**571.3**	**473.5**
Financial assets available-for-sale	16.6	24.1
Derivative financial instruments held for trading	0.4	1.2
Derivative financial instruments designated as hedging instruments	-	0.1
Financial assets designated at fair value through profit or loss	29.8	50.9
Financial assets at fair value held for trading	39.2	11.3
Financial assets measured at fair value	**86.0**	**87.6**
Financial assets	**657.3**	**561.1**
Trade and other payables	30.9	18.8
Accrued expenses	250.0	203.8
Other financial liabilities	2.4	3.1
Financial liabilities measured at amortised cost	**283.3**	**225.7**
Derivative financial instruments held for trading	1.5	0.5
Financial liabilities designated at fair value through profit or loss	100.3	122.5
Financial liabilities measured at fair value	**101.8**	**123.0**
Financial liabilities	**385.1**	**348.7**

The Group has not disclosed the fair values for financial assets and liabilities, including cash and cash equivalents, accrued income and expenses, trade and other receivables and payables, and other financial assets and liabilities, because their carrying amounts are a reasonable approximation of fair values. Regarding the level in the fair value hierarchy for financial assets and liabilities measured at fair value see note 10.5.

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 39.2 million (31 December 2016: CHF 11.3 million), representing investments into financial instruments. See note 11 for more information.

10.5. 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, ie:

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

If one or more of the significant inputs 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.

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	31.12.2017 **Total** CHF m
Derivative financial instruments	-	0.4	-	**0.4**
Financial assets at fair value through profit or loss	61.3	7.4	0.3	**69.0**
Financial assets available-for-sale	15.7	0.8	0.1	**16.6**
Financial assets measured at fair value	**77.0**	**8.6**	**0.4**	**86.0**
Derivative financial instruments	-	1.5	-	**1.5**
Financial liabilities at fair value through profit or loss	2.6	14.9	82.8	**100.3**
Financial liabilities measured at fair value	**2.6**	**16.4**	**82.8**	**101.8**

	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**

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 10.4 and 11 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 2017, compared to prior year, financial assets in the amount of CHF 8.0 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. 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 mainly represent 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 2016	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**
Disposals/settlements	(0.2)	(12.0)	**(12.2)**	(5.9)
Total gains/losses:				
– in profit or loss	0.1	(1.1)	**(1.0)**	(35.2)
– in other comprehensive income	-	2.3	**2.3**	-
Translation differences	-	-	**-**	3.4
Balance at 31 December 2017	**0.3**	**0.1**	**0.4**	**82.8**

In 2017, net gains of CHF 34.2 million (2016: net gains of CHF 11.4 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' and 'personnel expenses'. For further information on the financial liabilities see note 6 regarding adjustments to the deferred consideration liabilities.

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

Sensitivity of fair value measurements of financial liabilities
Level 3 financial liabilities, representing the deferred consideration liabilities from acquisitions previously 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 amount to CHF 72.6 million as at 31 December 2017 (31 December 2016: CHF 96.2 million).

The deferred consideration regarding the acquisition of Cantab Capital Partners 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 2018; and
- future growth rates (2018 to 2020: 15% to 32%) annually (31 December 2016: 18% to 22% annually).

The estimated fair value would increase / (decrease) if:
- the forecasted revenue from net management fees for 2018 were higher / (lower). An increase / (decrease) of 5% would result in the estimated fair value being higher / (lower) by CHF 4 million / (CHF 4 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).

11. 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 and the balance sheet line item 'liabilities held for sale' consists of the direct liabilities of those controlled funds under the Group's control.

	31.12.2017 CHF m	31.12.2016 CHF m
Assets held for sale	39.2	11.3
Liabilities held for sale	2.6	2.0

12. Deferred tax assets and liabilities

12.1. Deferred tax assets

	2017 CHF m	2016 CHF m
Balance at the beginning of the year	56.3	26.1
Recognised in profit or loss	(1.5)	23.0
Recognised directly in equity	0.7	(0.7)
Recognised in other comprehensive income	(4.0)	9.9
Acquired in business combinations	-	0.2
Translation differences	0.8	(2.2)
Balance at the end of the year	**52.3**	**56.3**
Components of deferred tax assets		
Tax loss carry-forwards	25.2	28.7
Pension liabilities	19.9	22.8
Employee compensation and benefits	0.8	1.1
Share-based payments	2.7	0.3
Property and equipment	1.9	1.9
Other	1.8	1.5
Deferred tax assets at the end of the year	**52.3**	**56.3**

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.

12.2. Deferred tax liabilities

	2017 CHF m	2016 CHF m
Balance at the beginning of the year	42.9	1.0
Recognised in profit or loss	(7.1)	(1.5)
Acquired in business combinations	-	43.4
Translation differences	1.9	-
Balance at the end of the year	**37.7**	**42.9**
Components of deferred tax liabilities		
Intangible assets	37.5	42.7
Property and equipment	0.2	0.2
Deferred tax liabilities at the end of the year	**37.7**	**42.9**

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 26 for further information.

13. 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 2016	**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**
Additions	**1.9**	-	-	-	3.5	**3.5**
Disposals	**(2.6)**	-	-	-	-	**-**
Translation differences	**1.2**	6.1	12.1	-	0.9	**19.1**
Balance at 31 December 2017	**64.1**	**1,983.4**	**1,260.8**	**273.0**	**47.6**	**3,564.8**
Accumulated depreciation, amortisation and impairment loss						
Balance at 1 January 2016	**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**
Additions	**4.2**	-	31.2	-	2.5	**33.7**
Disposals	**(2.6)**	-	-	-	-	**-**
Impairment loss	**-**	-	6.8	-	-	**6.8**
Translation differences	**1.1**	-	1.7	-	0.5	**2.2**
Balance at 31 December 2017	**55.3**	**764.4**	**1,045.6**	**-**	**38.3**	**1,848.3**
Carrying amounts						
Historical cost	**63.6**	1,977.3	1,248.7	273.0	43.2	**3,542.2**
Accumulated depreciation, amortisation and impairment loss	**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**
Historical cost	**64.1**	1,983.4	1,260.8	273.0	47.6	**3,564.8**
Impairment loss	**55.3**	764.4	1,045.6	-	38.3	**1,848.3**
Balance at 31 December 2017	**8.8**	**1,219.0**	**215.2**	**273.0**	**9.3**	**1,716.5**

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 26). 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 (ie 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 10.6% (2016: 9.4%) 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% (2016: 1.5%) 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 2017 (2016: 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

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 26). 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. Investment management and client contracts acquired prior to 2014 are fully amortised.

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.

As a result of the loss of mandates and clients, the assets under management of the Taube Hodson Stonex (THS) business and related forecasted cash flows significantly decreased in 2017 reflecting an indication of impairment of related investment management and client contracts. Therefore, an impairment test was performed using a discounted cash flow model based on future cash flows attributable to identified investment management and client contracts relating to the acquisition of THS to determine the recoverable amount. As a result, an impairment loss of CHF 6.8 million was recognised in 2017.

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.

14. Accrued expenses and deferred income

	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Accrued commission expenses	139.6	108.2	29
Other accrued expenses and deferred income	110.4	95.6	15
Accrued expenses and deferred income	**250.0**	**203.8**	**23**

15. Provisions

	Restructuring CHF m	Reinstatement of leasehold improvements CHF m	Other CHF m	**2017** **Total** CHF m
Balance at the beginning of the year	10.0	2.8	0.8	**13.6**
Recognised during the year	9.6	-	0.5	**10.1**
Utilised during the year	(8.1)	(0.5)	(0.8)	**(9.4)**
Reversed during the year	(0.1)	-	-	**(0.1)**
Translation differences	0.3	0.1	-	**0.4**
Balance at the end of the year	**11.7**	**2.4**	**0.5**	**14.6**
Current	6.2	0.1	0.5	**6.8**
Non-current	5.5	2.3	-	**7.8**
Balance at the end of the year	**11.7**	**2.4**	**0.5**	**14.6**

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 involves several restructuring actions, including the implementation of single data architecture, a move to cloud-based IT infrastructure, simplification of our systems, processes and reporting, outsourcing of back and middle office activities and outsourcing certain IT activities. The restructuring measures are anticipated to be completed by the end of 2019.

The remeasurement of 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 6:

	2017 CHF m	2016 CHF m
Salaries and bonuses	8.5	3.9
Social security expenses	0.8	0.2
Personnel expenses	**9.3**	**4.1**
General expenses	**0.2**	**-**
Restructuring expenses	**9.5**	**4.1**

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 0.1 million of this provision is expected to be used in 2018, the remainder of this provision is anticipated to be utilised between 2019 and 2021.

16. Pension plans

16.1. 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 2017 financial year (2016: CHF 8.4 million).

16.2. 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 2016: 5.44%), 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 111% as at 31 December 2017 (31 December 2016: 106%) 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 deficit at the date of an actuarial valuation. The last such valuation was performed as at 31 March 2017 and is expected to be finalised in the first half of 2018. The next actuarial valuation will take place as at 31 March 2020. 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

	2017 CHF m	2016 CHF m
1. Movement in pension plan obligations and plan assets		
Present value of funded obligations at the beginning of the year	468.3	427.6
Current service cost	11.9	12.7
Interest expense on benefit obligation	8.5	10.0
Gain on curtailment and plan amendments	-	(8.1)
Benefits paid	(51.2)	(17.2)
Actuarial (gains)/losses	(4.7)	82.4
Translation differences	14.1	(39.1)
Present value of funded obligations at the end of the year	**446.9**	**468.3**
Fair value of plan assets at the beginning of the year	348.2	347.2
Interest income on plan assets	5.8	8.1
Return on plan assets excluding interest income	5.2	23.2
Employer's contributions	17.0	14.1
Employees' contributions	3.6	3.6
Benefits paid	(51.2)	(17.2)
Administration expenses	(0.8)	(0.8)
Translation differences	9.4	(30.0)
Fair value of plan assets at the end of the year	**337.2**	**348.2**

	31.12.2017 CHF m	31.12.2016 CHF m
2. Balance sheet		
Fair value of plan assets	337.2	348.2
Present value of funded obligations	446.9	468.3
Pension liabilities	**(109.7)**	**(120.1)**
Deferred tax assets	19.9	22.8
Net amount recognised in the balance sheet	**(89.8)**	**(97.3)**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2017 **Total** CHF m
Balance sheet by geographical locations and components				
Fair value of plan assets	143.6	188.8	4.8	**337.2**
Present value of funded obligations	155.4	285.8	5.7	**446.9**
Pension liabilities	**(11.8)**	**(97.0)**	**(0.9)**	**(109.7)**
Deferred tax assets	2.3	17.3	0.3	**19.9**
Net amount recognised in the balance sheet	**(9.5)**	**(79.7)**	**(0.6)**	**(89.8)**
Active members/employees	140.5	13.5	1.2	**155.2**
Deferred members with vested benefits	-	208.1	4.5	**212.6**
Pensioners	14.9	64.2	-	**79.1**
Present value of funded obligations	**155.4**	**285.8**	**5.7**	**446.9**

	Switzerland CHF m	UK CHF m	Rest of the world CHF m	31.12.2016 **Total** CHF m
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**

The weighted average duration of the defined benefit pension obligation as at 31 December 2017 is 21.4 years (2016: 23.3 years).

	2017 CHF m	2016 CHF m
3. Amounts recognised in the income statement		
Current service cost	(11.9)	(12.7)
Gain on curtailment and plan amendments	-	8.1
Interest expense on benefit obligation	(8.5)	(10.0)
Interest income on plan assets	5.8	8.1
Administration expenses	(0.8)	(0.8)
Net pension cost for the period	**(15.4)**	**(7.3)**
Employees' contributions	3.6	3.6
Expense recognised in the income statement	**(11.8)**	**(3.7)**

	2017 CHF m	2016 CHF m
4. Amounts recognised in other comprehensive income		
Actuarial gains/(losses) based on adjustment of demographic assumptions	7.5	5.3
Actuarial losses based on adjustment of financial assumptions	(17.8)	(86.7)
Experience adjustments	15.0	(1.0)
Return on plan assets excluding interest income	5.2	23.2
Remeasurements recognised in other comprehensive income	**9.9**	**(59.2)**

	2017 CHF m	2016 CHF m
5. Movement in pension liabilities		
Pension liabilities at the beginning of the year	(120.1)	(80.4)
Expense recognised in the income statement	(11.8)	(3.7)
Remeasurements recognised in other comprehensive income	9.9	(59.2)
Employer's contributions	17.0	14.1
Translation differences	(4.7)	9.1
Pension liabilities at the end of the year	**(109.7)**	**(120.1)**
Actual return on plan assets	11.0	31.3

	Quoted in an active market CHF m	Unquoted CHF m	**Total** CHF m	31.12.2017 Plan asset allocation in %
6. Asset allocation				
Cash and cash equivalents	17.0	-	**17.0**	5.0
Debt instruments	52.6	-	**52.6**	15.6
Investment funds				
– Equity	121.2	-	**121.2**	36.0
– Bonds	77.7	-	**77.7**	23.0
– Real estate	24.3	-	**24.3**	7.2
– Other	22.7	9.2	**31.9**	9.5
Other investments	12.5	-	**12.5**	3.7
Fair value of plan assets	**328.0**	**9.2**	**337.2**	**100.0**

	Quoted in an active market CHF m	Unquoted CHF m	**Total** CHF m	31.12.2016 Plan asset allocation in %
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**

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 2018 financial year are estimated at CHF 17.0 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 3).

Actuarial calculation of funded obligations

The latest actuarial calculation was carried out as at 31 December 2017. The actuarial assumptions are based on local economic conditions.

	Switzerland		UK	
	2017	2016	**2017**	2016
Discount rate	0.65%	0.65%	2.39%	2.60%
Interest credit rate	0.65%	0.65%	n/a	n/a
Future pension increases in deferment	n/a	n/a	1.84%	1.95%
Future pension increases	0.00%	0.00%	3.18-4.22%	2.70-4.10%

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:

					31.12.2017
		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%	(5.6)	6.1	(16.0)	17.3
Interest credit rate	0.25%	1.7	(1.6)	n/a	n/a
Future pension increases in deferment	0.25%	n/a	n/a	4.2	(4.1)
Future pension increases	0.25%	3.6	n/a	2.0	(1.8)
Increase in life expectancy	1 year	2.3	n/a	12.4	n/a

					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

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.

17. 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 2015	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**
Capital reduction	(612,200)	(0.031)
Balance at 31 December 2017	**159,682,531**	**7.984**
of which treasury shares	3,361,073	

All registered shares are fully paid.

On 12 July 2017, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 27 April 2017 and cancelled 612,200 shares repurchased under its share buy-back programme during 2016. The share capital of the Company now amounts to CHF 7,984,127 (159,682,531 registered shares at a par value of CHF 0.05 per share).

Conditional capital

At the Annual General Meeting held on 27 April 2017, the shareholders approved the cancellation of the conditional share capital.

Authorised capital

At the Annual General Meeting 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 Annual General Meeting). 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 parent company's financial statements.

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.

	2017		2016	
	Shares	CHF m	Shares	CHF m
Balance at 1 January	2,798,816	44.8	5,254,167	86.6
Capital reduction	(612,200)	(9.6)	(3,100,000)	(50.4)
Acquisition of own shares	1,325,800	18.4	733,200	10.0
Disposals of own shares	(151,343)	(2.1)	(88,551)	(1.4)
Balance at 31 December	**3,361,073**	**51.5**	**2,798,816**	**44.8**

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 22.

The number of shares held by the Company in relation to the Group's share-based payment plans as at 31 December 2017 amounted to 3.4 million, equating to 2.1% of shares in issue (31 December 2016: 2.2 million, equating to 1.4% of shares in issue).

Treasury shares – share buy-back programmes

The 2017–2020 share buy-back programme for the purpose of capital reduction, which commenced on 28 April 2017, is for a maximum period of three years and allows for the purchase of a maximum of 16.0 million shares.

As at 31 December 2017, the Company held no shares as part of its 2017–2020 share buy-back programme.

The 2014–2017 share buy-back programme for the purpose of capital reduction, which commenced on 28 April 2014, was for a maximum period of three years and allows for the purchase of a maximum of 16.7 million shares. This share buy-back programme expired on 27 April 2017. As at that date, 5.8 million shares had been purchased (31 December 2016: 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. These shares were cancelled in 2017 as described above under the section 'Share capital'.

Distribution of dividends

In 2017, a dividend of CHF 102.2 million was paid for the financial year 2016 (dividend per share: CHF 0.65). In 2016, a dividend of CHF 102.4 million was paid for the financial year 2015 (dividend per share: CHF 0.65). For the financial year 2017, 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 parent company's financial statements.

18. 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 (ie total book equity excluding non-controlling interests, goodwill and other intangible assets) and on 31 December 2017 amounted to CHF 166.1 million (31 December 2016: CHF 107.4 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, France, Austria, 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 (including the Group's UK holding company benefitting from a five-year consolidation waiver granted by the FCA on the acquisition of Cantab) 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 2017 amounted to approximately CHF 116 million (31 December 2016: CHF 91 million). This increase is mainly the result of an increase of the minimum capital requirements of the Group's UK entities due to increased pension, business and market risk regulatory capital requirements. 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

19. 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 and the Group's resultant revenues.

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, under financial investments (see notes 10.1 and 10.3) 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

	31.12.2017 CHF m	31.12.2016 CHF m
Cash and cash equivalents	373.8	352.7
Trade and other receivables (excluding tax receivable)	53.6	28.8
Accrued income	142.3	90.2
Financial investments and other financial assets	2.2	3.4
Total	**571.9**	**475.1**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2016: 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 2017.

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

Ageing of financial assets with credit risk exposure

	31.12.2017 CHF m	31.12.2016 CHF m
Not past due	569.7	472.5
Past due less than 3 months	1.7	1.6
Past due 3–12 months	0.5	1.0
Total	**571.9**	**475.1**

Market risk

Market risk is the risk of loss due to fluctuations in market variables such as foreign exchange rates, equity prices and interest rates. The Group classifies exposures to market risk into currency risk, equity price risk and interest rate risk. The Group has no significant concentration of market risk, beyond that relating to its financial investments, which predominantly relate to investments in 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]	
	31.12.2017	31.12.2016	2017	2016
USD/CHF	0.9745	1.0164	0.9797	0.9873
EUR/CHF	1.1702	1.0720	1.1160	1.0892
GBP/CHF	1.3183	1.2559	1.2750	1.3280

[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. Since seed capital and product management investments are exposed to equity price, currency and liquidity risks, they require the joint approval of the group chief executive officer and the group chief financial officer and they are periodically reported on by the group chief risk officer to, and 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 interest-bearing financial assets in the amount of CHF 375.5 million (31 December 2016: CHF 354.4 million) include cash and cash equivalents of CHF 373.8 million (31 December 2016: CHF 352.7 million) and rent deposits of CHF 1.7 million (31 December 2016: CHF 1.7 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. In 2017, CHF 50 million of this credit facility was extended until 31 December 2019 and CHF 50 million until 31 December 2020.

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	357.2	16.6	-	-	-	**373.8**
Trade and other receivables (excluding tax receivable)	2.2	46.9	4.5	-	-	**53.6**
Accrued income	-	138.6	3.7	-	-	**142.3**
Financial investments and other financial assets	-	-	0.1	1.7	-	**1.8**
Non-derivative financial assets at 31 December 2017	**359.4**	**202.1**	**8.3**	**1.7**	**-**	**571.5**
Derivatives – inflows	-	39.0	-	-	-	**39.0**
Derivatives – outflows	-	(38.6)	-	-	-	**(38.6)**
Derivative financial assets at 31 December 2017	**-**	**0.4**	**-**	**-**	**-**	**0.4**
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**

Remaining contractual maturities of financial liabilities

	On demand CHF m	Due within 3 months CHF m	Due within 3–12 months CHF m	Due within 1–5 years CHF m	Due after 5 years CHF m	**Total** CHF m
Trade and other payables	1.2	28.7	1.0	-	-	**30.9**
Other financial liabilities	-	18.8	1.5	-	-	**20.3**
Accrued expenses	-	241.7	8.3	-	-	**250.0**
Non-current financial liabilities	-	-	-	79.4	0.4	**79.8**
Non-derivative financial liabilities at 31 December 2017	**1.2**	**289.2**	**10.8**	**79.4**	**0.4**	**381.0**
Derivatives – inflows	-	(187.8)	-	-	-	**(187.8)**
Derivatives – outflows	-	188.3	1.0	-	-	**189.3**
Derivative financial liabilities at 31 December 2017	**-**	**0.5**	**1.0**	**-**	**-**	**1.5**
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**

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	359.4	202.5	8.3	1.7	-	**571.9**
Financial liabilities	(1.2)	(289.7)	(11.8)	(79.4)	(0.4)	**(382.5)**
Net financial assets/(liabilities) at 31 December 2017	**358.2**	**(87.2)**	**(3.5)**	**(77.7)**	**(0.4)**	**189.4**
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**

20. 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

	2017 Income CHF m	2016 Income CHF m	31.12.2017 Non-current assets CHF m	31.12.2016 Non-current assets CHF m
Switzerland	147.6	162.5	1,362.4	1,363.2
Rest of Europe	376.1	287.5	356.6	376.4
Americas	35.0	28.8	5.2	6.5
Rest of the world	16.3	13.0	1.1	1.5
Total	**575.0**	**491.8**	**1,725.3**	**1,747.6**

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.

21. 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:

	2017 CHF m	2016 CHF m
Salaries and other short-term employee benefits	10.7	12.2
Share-based payment expenses	7.8	6.4
Post-employment benefits	0.9	0.5
Long-term employee benefits	0.8	1.5
Social security expenses	1.8	(0.4)
Key management personnel compensation	**22.0**	**20.2**

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.

With effect from 1 February 2017, Dirk Spiegel (group general counsel), Elmar Zumbuehl (group chief risk officer), and Tim Rainsford (group head of sales and distribution), became members of the Group Management Board. Scott Sullivan and Craig Wallis stepped down from the Group Management Board at the end of December 2016. Johannes A. de Gier stepped down from the Board of Directors and David J. Jacob was elected as a new member of the Board of Directors at the Annual General Meeting held on 27 April 2017.

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

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

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 2017 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. Daniel Daeniker, member of the Board of Directors of GAM Holding AG until 27 April 2016, 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, Daniel Daeniker did not work on any such mandate for GAM Holding AG or its subsidiaries. Daniel Daeniker's independence to fulfil his mandate as a member of the Board of Directors of GAM Holding AG was therefore ensured.

22. Share-based payments

The plans described below reflect the situation as at 31 December 2017. The Company shares that the Group 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 2017 compensation report.

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

	2017 CHF m	2016 CHF m
Ongoing programmes		
Share plans for the Group Management Board	2.2	0.9
Share plans for members of the Board of Directors	0.8	0.9
2017 bonus deferrals	3.3	-
2017 employee option award	0.5	-
Other option awards	0.6	-
Other share awards	2.3	1.6
2017 long-term incentive plan	0.2	-
Legacy programmes		
2016 long-term incentive plan	3.8	0.7
2016 employee share ownership plan	2.1	0.6
Variable restricted share (VRS) grant	0.4	0.3
Three-year variable restricted share (VRS) scheme for members of the Group Management Board	(0.2)	0.4
Five-year variable restricted share (VRS) scheme for the group CEO	1.0	2.3
2013 deferred compensation scheme	-	1.0
Share-based payment expenses	**17.0**	**8.7**

Share plans for the Group Management Board

2017 compensation

At the Annual General Meeting on 27 April 2017, shareholders did not approve the proposed maximum variable compensation of the Group Management Board for 2017. However, the Group has accrued for related variable compensation based on estimated payout levels, which will be subject to shareholders' approval at the 2018 Annual General Meeting.

If approved by the Shareholders at the Group's upcoming Annual General Meeting, the members of the Group Management Board will be granted GAM Holding AG shares as a variable deferred element of their total compensation for 2017. These shares will vest and be delivered in four equal tranches on the first four anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting 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 awards to be delivered in shares, subject to approval by the Annual General Meeting, amounts to CHF 5.1 million and is recognised as an expense over the relevant vesting period starting 1 January 2017. CHF 1.4 million was recognised as an expense in 2017.

It is intended that members of the Group Management Board will also receive a long-term incentive plan (LTIP) award as another variable deferred element of their total compensation for 2017. For further information on the 2017 LTIP see below.

2016 compensation
On 6 March 2017, the members of the Group Management Board (including the group CEO) were granted 181,949 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 was 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 2017 (2016: CHF 0.6 million).

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 2017, an expense of CHF 0.2 million was recognised (2016: CHF 0.3 million). In 2017, 20,783 shares have forfeited relating to one former member of the Group Management Board. For further details see note 21. As at 31 December 2017, 116,935 shares were outstanding (31 December 2016: 137,718 shares were outstanding).

Share plans for members of the Board of Directors
On 28 April 2017, the members of the Board of Directors were granted a total of 64,651 GAM Holding AG shares at a fair value of CHF 11.60 per share. These shares will vest and be delivered on the day before the Company's 2018 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 2017, an expense of CHF 0.5 million was recognised.

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 2017, an expense of CHF 0.3 million was recognised (2016: CHF 0.7 million).

2017 bonus deferrals
Deferral applies to all employees' annual bonuses. The proportion of annual bonus to be deferred into GAM shares by employees (other than GMB members) will generally be one-third of any annual bonus over CHF 75,000.

In early March 2018, the Group will grant to certain employees GAM Holding AG shares as a variable deferred element of their total compensation for 2017. These shares will vest and be delivered 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. Other elements of the deferred bonuses are granted in form of fund units. For further information see Note 3.

As at the date of grant, the aggregate fair value of these shares amounted to CHF 9.8 million and is recognised as an expense over the relevant vesting period starting 1 January 2017. In 2017, an expense of CHF 3.3 million was recognised.

2017 employee option award

On 6 March 2017, the Group granted, to certain employees (excluding all Board of Directors and Group Management Board members), a total of 1,122,850 options with an exercise price of CHF 11.25. Subject to certain terms and conditions, the Group will deliver one share in GAM Holding AG per option. The options have an exercise period of six months after their vesting date of 6 March 2020.

As at the date of grant, the aggregate fair value of these options amounted to CHF 2.0 million and is recognised as an expense over the relevant vesting period. In 2017, an expense of CHF 0.5 million was recognised.

As at 31 December 2017, 91,882 options have forfeited and 1,030,968 options were outstanding.

Other option awards

Between 1 January 2017 and 6 March 2017 certain new employees were granted a total of 1,560,919 options (thereof to a member of the GMB: 1,016,949 options). Subject to certain terms and conditions, the Group will deliver one share in GAM Holding AG per option. The options will vest in either one or two tranches after a maximum of five years, subject to the recipients continuing to be employed with the Group on each vesting date.

As at the date of grant, the aggregate fair value of these options amounted to CHF 3.0 million (thereof for a member of the GMB: CHF 2.0 million) and is recognised as an expense over the relevant vesting period. In 2017, an expense of CHF 0.6 million (thereof for a member of the GMB: CHF 0.4 million) was recognised.

Other share awards

Between 1 January 2017 and 31 July 2017 certain new employees were granted a total of 250,533 GAM Holding AG shares (thereof to a member of the GMB: 180,117 shares) with a fair value between CHF 8.55 and CHF 14.64 per share. The shares will vest in one to three equal tranches after a maximum of three years, subject to the recipients continuing to be employed with the Group on each vesting date.

The aggregate fair value of this share plan amounted to CHF 2.8 million (thereof for a member of the GMB: CHF 1.9 million) and is recognised as an expense over the relevant vesting periods. In 2017, an expense of CHF 1.5 million (thereof for a member of the GMB: CHF 1.2 million) was recognised.

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 2017, an expense of CHF 0.1 million was recognised (2016: CHF 0.1 million).

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 2017, an expense of CHF 0.7 million was recognised (2016: CHF 1.5 million).

2017 long-term incentive plan

The proposed LTIP award will be granted after the Annual General Meeting in April 2018. Members of the Group Management Board and a handful of senior executives will be eligible to receive an LTIP award which will form part of their deferred variable compensation.

The LTIP will be delivered 100% in performance shares and will have a three-year performance period plus a two-year holding period. The award will vest and settle five years after the grant date subject to the recipient continuing to be employed with the Group on the vesting date.

The metrics utilised will include the annual earnings per share (EPS) growth which will have a 50% weighting, three-year relative total shareholder return (rTSR) and three and five-year investment performance both of which will have a weighting of 25%.

A maximum of 25% of the LTIP will vest for achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance. The number of performance shares converted to GAM shares will be capped at one share for each performance share.

Performance under the 2018 LTIP award will be assessed using the performance conditions as mentioned in section 4 of the compensation report.

The number of performance shares granted will be determined by dividing the predetermined aggregate fair value by the fair value per performance share at grant date. Subject to shareholder approval for GMB members, as at the date of grant, the aggregate fair value of the performance shares amounts to CHF 1.1 million (thereof to members of the GMB, subject to approval by the Annual General Meeting: CHF 0.6 million). The fair value at grant date is recognised as an expense over the relevant vesting period. In 2017, an expense of CHF 0.2 million was recognised (thereof to members of the GMB: CHF 0.1 million).

2016 long-term incentive plan

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, ie 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 2017, an expense of CHF 3.8 million was recognised for the 2016 LTIP awards (2016: CHF 0.7 million).

As at 31 December 2017, 61,166 performance units (31 December 2016: 6,771 performance units) and 294,020 options (31 December 2016: 32,543 options) have forfeited. The number of outstanding share-based awards at year-end is 1,263,434 performance units and 6,426,371 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 2017			
Remaining contractual life (in months)	15	27	39
Number of rTSR units outstanding	315,859	315,859	631,717

	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 2017			
Remaining contractual life (in months)	21	33	45
Number of options outstanding	1,031,324	1,031,324	2,062,648

	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 2017			
Remaining contractual life (in months)	21	33	45
Number of options outstanding	575,269	575,269	1,150,538

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 2017, an expense of CHF 2.1 million was recognised (2016: CHF 0.6 million).

As at 31 December 2017, 23,100 shares (31 December 2016: none) have forfeited and 328,009 shares were outstanding.

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, the employee 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 2017, an expense of CHF 0.4 million was recognised (2016: CHF 0.3 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 2017	
Remaining contractual life (in months)	33

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 2017, an income of CHF 0.2 million was recognised due to the forfeiture of 54,000 VRS units (2016: expense of CHF 0.4 million). The VRS units were valued using a Monte-Carlo simulation approach. 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 2017	
Remaining contractual life (in months)	1
Number of options outstanding	371,695

The VRS units were settled on 20 January 2018. As the average share price of GAM Holding AG on the 124 trading days prior to the settlement date was below the exercise price of CHF 15.45 all outstanding VRS units expired worthless.

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, the group CEO 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 7.5 million. The fair value at grant date is recognised as an expense over the relevant vesting period. In 2017, an expense of CHF 1.0 million was recognised (2016: CHF 2.3 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 2017	
Remaining contractual life (in months)	21

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.

23. Commitments

23.1 Future commitments under operating leases

	31.12.2017 CHF m	31.12.2016 CHF m
Maturity of up to 1 year	14.6	14.8
Maturity within 1–5 years	27.8	31.1
Maturity within 5–10 years	17.5	2.2
Maturity within 10–15 years	17.4	-
Maturity of over 15 years	1.7	-
Future commitments under operating leases	**79.0**	**48.1**

The increase in future commitments under operating leases is mainly due to new lease agreements entered into for the London offices.

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 14.8 million for 2017 (2016: CHF 16.9 million).

Future sublease payments of CHF 2.1 million are expected to be received within five years.

23.2 Contractual commitments for the acquisition of assets
As at 31 December 2017 and 2016, there were no contractual commitments for the acquisition of assets.

23.3 Contingent liabilities
The Group has a contractual commitment, through the agreement to acquire Cantab (see note 26), 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 as determined by previous partners) and previous 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, resulting in CHF 14.9 million recognised in 2017 (2016: none).

24. Consolidated entities

Listed company

	Place of listing	Capitalisation as at 31.12.2017 CHF m	Head office	Share capital CHF m
GAM Holding AG	SIX Swiss Exchange	2,515	Zurich	7.984

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 Limited	Bermuda	100
GAM (UK) Limited	UK	100
GAM Investment Managers Limited	UK	100
GAM International Management Limited	UK	100
GAM London Limited	UK	100
(including a branch office in Israel)		
GAM Sterling Management Limited	UK	100
GAM (Guernsey) GP Limited	Guernsey	100
Renshaw Bay GP1 Limited	Guernsey	100
RB REFS 1 Limited	UK	100
RB REFS 2 Limited	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) Limited	Cayman	100
GAM Fund Management Limited	Ireland	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100
GAM Hong Kong Limited	Hong Kong	100
GAM Japan Limited	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 (Italia) SGR S.p.A.	Italy	100
GAM (Luxembourg) S.A.	Luxembourg	100
(including branch offices in Spain, Austria and France)		
GAM Trade Finance S.à.r.l.	Luxembourg	100
GAM REFF II GP S.à.r.l.	Luxembourg	100
GAM (Deutschland) GmbH	Germany	100

Regarding consolidated structured entities see note 25. All voting rights equal the equity interest.

Changes to subsidiaries consolidated

GAM REFF II GP S.à.r.l. was established. GAM (Luxembourg) S.A. established branch offices in Austria and France.

GAM Services (Italia) S.r.l. was liquidated.

25. 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 11).

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

26. Acquisitions

26.1. Acquisition of Cantab Capital Partners

On 3 October 2016, the Group acquired the investment management business of Cantab Capital Partners (Cantab), a UK-based 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 23.3). 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 CHF 213.2 million at closing and deferred contingent payments based on net management fee revenue from the strategies managed by the Cantab team for the years 2018, 2019 and 2020, payable after each period end (for further details on the contingent consideration refer to note 10.5). In 2016, 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 6). Excluding those items, the Cantab business contributed a net profit of CHF 4.8 million to the Group's underlying net profit in 2016.

If the acquisition had occurred on 1 January 2016, management estimates that consolidated net fee and commission income of the Group would have been CHF 509 million, and consolidated profit after taxes of the Group 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.

26.2. 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. 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. In 2016, 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**

27. Events after the reporting period

The Board of Directors approved these consolidated financial statements on 28 February 2018. In addition, they must be approved by the Annual General Meeting on 26 April 2018.

28. 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 2017 comprise those of the Company and all its subsidiaries (together referred to as the Group) including structured entities under the Group’s control. The Group provides asset management services. The core investment management business is complemented by private labelling services, which include management company and other support services to third-party asset managers.

29. 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 and liabilities at fair value through profit or loss, derivative financial instruments and financial assets available-for-sale (for details see note 30.2.6).

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

30. Summary of significant accounting policies

30.1. 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 30.2.6 and 10.5)
- determining whether the Group controls another entity (notes 30.2.1, 11, 24 and 25)
- accrual of performance fees (notes 30.2.3 and 1)
- measurement and timing of provisions (notes 30.2.10 and 15)
- measurement of defined benefit pension plan obligations (notes 30.2.15 and 16)
- utilisation of tax losses and measurement of deferred tax assets (notes 30.2.14, 8 and 12.1)
- determining the fair value of share-based payments (notes 30.2.16 and 22)
- determining the fair value of consideration transferred (including contingent consideration) and the fair value of the assets acquired and liabilities assumed (notes 30.2.9, 10.5 and 26)
- measurement of the recoverable amount of goodwill and other intangible assets (notes 30.2.9 and 13)

30.2. Accounting policies

All Group companies apply uniform accounting policies, which remained consistent with the previous year, except for the application of various amendments to existing standards for the first time in 2017. The adoption of these accounting pronouncements had no significant impact on the consolidated financial statements of the Group.

30.2.1. 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.

30.2.2. 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.

30.2.3. Income recognition

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

Fee and commission income includes client management fees and fund management fees that are recognised in the period in which the services are 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 investment performance are recognised once their value can be determined with a reasonable degree of accuracy and it is highly probable that they will be collected within a reasonable timeframe, ie they are recognised at the time when all performance criteria are fulfilled.

30.2.4. 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.

30.2.5. 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.

30.2.6. 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'.

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'.

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) impacts 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.

30.2.7. 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 in the income statement if the carrying amount exceeds the recoverable amount.

30.2.8. Leasing
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.

30.2.9. 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 in the income statement if the carrying amount exceeds the recoverable amount.

30.2.10. 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.

30.2.11. 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.

30.2.12. 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.

An entity may enter into a derivative contract for the purchase or sale of shares of GAM Holding AG. Depending upon the nature of the contract and the settlement terms in particular, such contracts may be accounted for as equity instruments, financial liabilities or as derivative financial assets and liabilities. When the entity determines whether a financial instrument is a financial liability or an equity instrument, it considers the following:

- Contracts over shares of the Company that require settlement in a fixed number of shares for a fixed amount are recognised as equity instruments 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'.

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

Non-current assets or disposal groups (ie 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'.

30.2.14. 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.

30.2.15. 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.

30.2.16. 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.

Conditions that determine whether the counterparty receive the share-based payment are separated into vesting conditions and non-vesting conditions. Vesting conditions are all conditions that determine whether the entity receives the services that entitle the counterparty to the share-based payment, and may be differentiated further between service or performance conditions. Performance conditions are either market conditions or non-market performance conditions. All other conditions are considered non-vesting conditions.

The modified grant-date method requires entities to distinguish between the above mentioned vesting and non-vesting conditions:
- Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true up for differences between estimated and actual vesting due to market conditions.
- The impact of service conditions and non-market performance conditions on vesting is estimated at grant date, but it is not reflected in the grant-date fair value itself. Instead, the accounting for the share-based payment is based on the number of equity instruments for which the service and non-market performance conditions are expected to be met. Subsequently these estimates are trued up for differences between the number of instruments expected to vest and the actual number of instruments vested.

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.

30.2.17. 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.

30.3. 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 and is required to be applied for annual periods beginning on or after 1 January 2018. 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 with the objective of collecting 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 and no requirement to perform an assessment of impairment and to reclassify cumulative gains and losses on disposal.

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 reclassified to the income statement 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.

The impact of this new standard has been assessed to be as follows:
- The Group will apply IFRS 9 on a retrospective basis, with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained earnings on 1 January 2018, with the benefit of certain optional practical reliefs.
- The impact of this standard depends on the types of financial instruments held by the Group at adoption. Under IFRS 9, the majority of financial instruments have to be recognised at fair value through profit or loss. Accordingly, equity financial assets available-for-sale, amounting to CHF 29.8 million as at 31 December 2017, will be classified as financial assets at fair value through profit or loss on 1 January 2018. The main impact derives from unrecognised gains or losses on financial assets available-for-sale which, under IFRS 9, will be recognised in the income statement instead of the revaluation reserve within equity (other comprehensive income). As at 31 December 2017, the revaluation reserve amounts to CHF 0.8 million and will be recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.
- As at 31 December 2017, changes to the impairment model are not having a material impact as (i) the majority of the financial assets are measured at fair value through profit or loss (FVTPL) and the impairment requirements do not apply to such instruments; and (ii) the financial assets at amortised cost are short-term (ie no longer than 12 months). Accordingly, the ‘expected credit losses’ on such assets are considered not material.
- The Group does not early adopt the new hedge accounting requirements of IFRS 9 and continues to apply the hedge accounting requirements of IAS 39. As most of the financial assets are recognised at FVTPL there will be a natural hedge relationship which does not require the Group to apply hedge accounting.
- More extensive disclosures relating to financial instruments are expected to be made by the Group.

IFRS 15 – Revenue from Contracts with Customers
A single revenue recognition model was published for all revenue transactions arising from contracts with customers (ie contracts for goods, services, licences or fees). The new standard for revenue recognition replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes and other revenue standards.

The new standard introduces 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, eg 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. The application of the new standard will result in more extensive disclosures about contracts with customers with no other significant impact on the Group’s consolidated financial statements on adoption.

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 (ie leases of 12 months or less), 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 eg property need in most cases to be capitalised as fixed assets. 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.

Recognition exemptions available in form of accounting options:
- An exception exists for short-term leases 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.

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 impact of this standard on the Group's consolidated financial statements has been initially assessed and is currently expected to be as follows:

- The Group's consolidated balance sheet is expected to be grossed up by the recognition of assets (right-of-use assets, receivables for subleases) and financial lease liabilities (discounted future lease payments) in the same amount.
- IFRS 16 changes the nature of expenses related to any leases replacing the operating lease expenses with a depreciation charge for lease assets and an interest expense on lease liabilities. Consequently, in the Group's consolidated income statement, general expenses decrease due to lower occupancy expenses while depreciation and amortisation increase and net other income, including the increased interest expense, decreases. The overall impact on net profit is not expected to be material.
- More extensive disclosures relating to lease agreements are expected by the Group.

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 2017 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 107 to 170) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 other intangible assets

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 and crystallisation periods are passed.

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 determined that they were appropriate for our purposes. Where the reports did not cover the full financial year we obtain bridging letters from the Administrator to confirm that the relevant controls operate consistently over the remaining period and that no deficiencies have 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 and the Administrators. We independently recalculate management and performance fee income, rebates and distribution costs, perform cut-off testing and re-assess whether performance criteria have been met.

For further information on the recognition of net fee and commission income refer to notes 1 and 30.2.3 to the consolidated financial statements on pages 113 and 162.

Assessment of impairment of goodwill and other intangible assets

Key Audit Matter

As at 31 December 2017, total goodwill and other intangibles on GAM's balance sheet amounted to CHF 1,716.5m (2016: CHF 1,736.6m), which equates to 70% of total assets (2016: 73%) and mainly includes goodwill (CHF 1,219.0m), investment management and client contracts (CHF 215.2m) and brand (CHF 273.0m).

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 together 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.

Investment management and client contracts are monitored for indications for impairment. Whenever there are indications for impairment, the recoverable amount is estimated and compared with the carrying value.

These estimations require judgement about projected future cash-flows and the discount rate used.

Current year's assessment by management showed that no impairment of goodwill, brand or investment management and client contracts 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 used 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 other intangibles 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 other intangibles refer to notes 13 and 30.2.9 to the consolidated financial statements on pages 129 to 131 and 165.

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

Christoph Groebli Licensed Audit Expert Auditor in Charge	Thomas Dorst Licensed Audit Expert

Zurich, 28 February 2018

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

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	2017 CHF m	2016 CHF m	Change in %
Income from investments		100.7	43.6	131
Finance income		4.3	2.1	105
Recharges to affiliated companies		28.9	20.4	42
Other income	2.2	-	4.2	(100)
Income		**133.9**	**70.3**	**90**
Personnel expenses		32.4	18.4	76
General expenses		9.0	6.5	38
Finance expenses	2.3	3.6	3.2	13
Expenses		**45.0**	**28.1**	**60**
Profit before taxes		**88.9**	**42.2**	**111**
Direct taxes		0.8	0.4	-
Net profit		**88.1**	**41.8**	**111**

BALANCE SHEET

	Note	31.12.2017 CHF m	31.12.2016 CHF m	Change in %
Cash and cash equivalents		27.4	42.8	(36)
Securities listed on a stock exchange		81.1	71.9	13
Trade and other receivables	2.4	2.7	6.5	(58)
Accrued income and prepaid expenses	2.5	107.5	52.1	106
Loans	2.6	-	27.3	(100)
Other financial assets		2.5	1.3	92
Current assets		**221.2**	**201.9**	**10**
Loans	2.6	72.6	87.0	(17)
Investments	2.7	1,684.2	1,684.2	0
Non-current assets		**1,756.8**	**1,771.2**	**(1)**
Assets		**1,978.0**	**1,973.1**	**0**
Loans	2.8	38.6	22.8	69
Accrued expenses	2.9	6.3	9.0	(30)
Other liabilities	2.10	37.7	15.1	150
Current liabilities		**82.6**	**46.9**	**76**
Share capital		8.0	8.0	0
Legal capital reserves				
Capital contribution reserve	2.11	995.0	1,097.2	(9)
Legal retained earnings				
General legal retained earnings		5.3	5.3	0
Voluntary retained earnings				
Net profit		88.1	41.8	111
Other voluntary reserve		842.3	809.1	4
Treasury shares				
Treasury shares from capital contribution reserve	2.12	(17.1)	(18.7)	9
Other treasury shares	2.12	(26.2)	(16.5)	(59)
Shareholders' equity		**1,895.4**	**1,926.2**	**(2)**
Liabilities and shareholders' equity		**1,978.0**	**1,973.1**	**0**

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.

1.2 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.

1.3 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.

1.4 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.

1.5 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

	2017 CHF m	2016 CHF m	Change in %
Settlement on termination of Julius Baer licence agreement	-	4.2	(100)
Other Income	**-**	**4.2**	**(100)**

2.3 Finance expenses

	2017 CHF m	2016 CHF m	Change in %
Loss on financial investments	1.9	1.7	12
Foreign exchange losses	0.8	-	-
Interest expenses	0.3	0.8	(63)
Other finance expenses	0.6	0.7	(14)
Finance expenses	**3.6**	**3.2**	**13**

2.4 Trade and other receivables

	2017 CHF m	2016 CHF m	Change in %
Third parties	0.3	1.3	(77)
Other Group companies	2.4	5.2	(54)
Trade and other receivables	**2.7**	**6.5**	**(58)**

2.5 Accrued income and prepaid expenses

	2017 CHF m	2016 CHF m	Change in %
Third parties	2.8	5.7	(51)
Direct subsidiaries	100.5	43.4	132
Other Group companies	4.2	3.0	40
Accrued income and prepaid expenses	**107.5**	**52.1**	**106**

2.6 Loans

	2017 CHF m	2016 CHF m	Change in %
Direct subsidiaries < 1 year	-	27.3	(100)
Other Group companies > 1 year	72.6	87.0	(17)
Loans	**72.6**	**114.3**	**(36)**

2.7 Direct subsidiaries and other Group companies

	Country of incorporation	2017 Equity interest in %	2016 Equity interest in %
GAM Group AG	Switzerland	100	100
GAM Capital Management (Switzerland) AG	Switzerland	100	100
(including branch office in Lugano)			
GAM Limited	Bermuda	100	100
GAM (UK) Limited	UK	100	100
GAM Investment Managers Limited	UK	100	100
GAM International Management Limited	UK	100	100
GAM London Limited	UK	100	100
(including branch office in Israel)			
GAM Sterling Management Limited	UK	100	100
GAM (Guernsey) GP Limited	Guernsey	100	100
Renshaw Bay GP1 Limited	Guernsey	100	100
RB REFS 1 Limited	UK	100	100
RB REFS 2 Limited	UK	100	100
Renshaw Bay GP4 LLP	UK	100	100
GAM Unit Trust Management Company Limited	UK	100	100
GAM Systematic Holding Limited	UK	100	100
Cantab Capital Partners	UK	100	100
GAM Systematic Services Limited	UK	100	100
Cantab Capital (Cayman) Limited	Cayman	100	100
GAM Fund Management Limited	Ireland	100	100
GAM Investment Management Singapore Pte. Ltd.	Singapore	100	100
GAM Hong Kong Limited	Hong Kong	100	100
GAM Japan Limited	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 (Italia) SGR S.p.A.	Italy	100	100
GAM (Luxembourg) S.A.	Luxembourg	100	100
(including branch office in Spain, Austria and France)			
GAM Trade Finance Partnership GP S.à.r.l.	Luxembourg	100	100
GAM REFF II GP S.à.r.l.	Luxembourg	100	-
GAM (Deutschland) GmbH	Germany	100	100

Changes to Group companies

GAM REFF II GP S.à.r.l. was established. GAM (Luxembourg) S.A. established branch offices in Austria and France.

GAM Services (Italia) S.r.l. was liquidated.

All voting rights equal the equity interest.

2.8 Loans

	2017 CHF m	2016 CHF m	Change in %
Direct subsidiaries < 1 year	38.6	22.8	69
Loans	**38.6**	**22.8**	**69**

2.9 Accrued expenses

	2017 CHF m	2016 CHF m	Change in %
Third parties	4.8	7.9	(39)
Other Group companies	1.3	0.9	44
Auditors	0.2	0.2	0
Accrued expenses	**6.3**	**9.0**	**(30)**

2.10 Other liabilities

	2017 CHF m	2016 CHF m	Change in %
Third parties	37.3	14.4	159
Other Group companies	0.4	0.7	(43)
Other liabilities	**37.7**	**15.1**	**150**

2.11 Capital contribution reserve

	CHF m
Balance at 1 January 2016	**1,199.6**
Distribution to shareholders	(102.4)
Balance at 31 December 2016	**1,097.2**
Distribution to shareholders	(102.2)
Balance at 31 December 2017	**995.0**

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 2016	**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**	**15.56**			**35.2**
Delivery of shares due to exercise of options	(151,343)	11.00			(1.6)
Purchase of treasury shares to cover share-based payments	1,325,800	13.90	16.10	9.89	18.4
Cancellation of shares approved at the Annual General Meeting on 27 April 2017	(612,200)	14.19			(8.7)
Balance at 31 December 2017	**3,361,073**	**12.86**			**43.3**
Thereof treasury shares from capital contribution reserve	1,551,878	11.00			17.1
Thereof other treasury shares	1,809,195	14.46			26.2

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

	2017 CHF m	2016 CHF m
Guarantee obligations in favour of Group companies	7.7	9.8

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 Personnel

	2017	2016
Average number of full-time equivalents	23.4	21.1

3.4 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 2017.[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]	4.96%	-	**4.96%**
Credit Suisse Funds AG[6]	4.93%	-	**4.93%**
Wellington Management Group, LLP[7]	3.08%	-	**3.08%**
Norges Bank (The Central Bank of Norway)[8]	3.07%	-	**3.07%**
Kabouter Management LLC[9]	3.04%	-	**3.04%**
UBS Fund Management (Switzerland) AG[10]	3.02%	-	**3.02%**
Dimensional Holdings Inc.[11]	3.00%	-	**3.00%**
GAM Holding AG[12]	2.10%[13]	-	**2.10%**

[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 8 November 2017).

[6] Credit Suisse Funds AG, Zurich, Switzerland (as at 4 August 2017).

[7] Wellington Management Group, LLP, Boston, USA (as at 22 August 2017).

[8] Norges Bank (The Central Bank of Norway), Oslo, Norway (as at 8 August 2017).

[9] Kabouter Management LLC, Chicago, Illinois, USA (as at 1 June 2017).

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

[11] Dimensional Holdings Inc., c/o Corporation Service Comp, Wilmington, Delaware, USA (as at 8 March 2017).

[12] GAM Holding AG, Zurich, Switzerland (as at 31 December 2017).

[13] As at 31 December 2017, GAM Holding AG also had a sale position (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 9.44% of shares in issue. For further details, please refer to note 22 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 2016.[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%**
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 (representing obligations to deliver shares to employees under share-based payment awards) of GAM Holding AG shares of 7.44% of shares in issue. For further details, please refer to note 22 of the consolidated financial statements.

3.5 Share and option holdings of the members of the Board of Directors

	Vested shares[1]		Unvested shares[2]	
	2017	2016	2017	2016
Hugh Scott-Barrett	16,683	8,493	21,551	7,936
Diego du Monceau	19,573	13,631	8,620	7,936
Benjamin Meuli[3]	19,207	-	8,620	7,936
Nancy Mistretta[3]	5,943	-	8,620	7,936
Ezra Field[3]	5,943	-	8,620	7,936
David Jacob[4]	2,500	-	8,620	-

[1] The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

[2] Board directors (excluding the chairman) have each an entitlement to 8,620 unvested shares that were awarded after AGM 2017 and which will vest on the day before the Company's 2018 AGM. The chairman of the Board of Directors has an entitlement to 21,551 unvested shares that were granted on an equivalent basis.

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

[4] David Jacob was elected to the Board of Directors at the 2017 AGM.

3.6 Share and option holdings of the members of the Group Management Board

	Vested shares[1]		Unvested shares[2, 3]	
	2017	2016	2017	2016
Alexander S. Friedman[4]	51,000	51,000	178,102	87,130
Richard McNamara[4]	29,955	15,192	82,217	51,785
Larry Hatheway	-	-	90,653	63,298
Tim Dana	5,798	2,925	31,824	9,963
Martin Jufer	-	-	19,572	8,243
Tim Rainsford	-	-	180,117	-
Elmar Zumbuehl	4,829	-	960	960
Dirk Spiegel	960	-	960	960

[1] The number of vested shares represents shares held by the individual (together with interests held by their connected persons) which are neither subject to performance conditions nor continued employment.

[2] Unvested shares reflects the number of shares which will normally vest to the individual subject to continued employment at the relevant vesting date. This includes shares that are deferred under the annual bonus plan and one-time share awards granted at recruitment.

[3] Unvested shares does not include unexercised options or unvested performance shares. These are excluded as the number of options that become exercisable or performance shares that vest will be dependent upon share price performance and/or GAM's performance against specific performance criteria as well as continued employment until the relevant vesting date.

[4] Against the total shareholding requirements based on vested shares only and the share price as at 29 December 2017 (CHF 15.75), Alexander S. Friedman is currently at 27% of target (based on his adjusted base salary), and Richard McNamara is currently at 37% of target.

3.7 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	2017	64,651	0.7	-	-	-	-
Board of Directors	2016	79,362	1.0	-	-	-	-
Granted to members of the	2017	362,066	3.7	-	-	1,016,949	2.0
Group Management Board	2016	189,687	2.4	405,216	1.9	2,301,076	2.0
Granted to other members	2017	70,416	0.9	-	-	1,666,820	3.0
of the staff	2016	371,587	3.5	919,384	4.4	4,419,315	4.4

For further details on share-based payments, please refer to note 22 of the Group's consolidated financial statements.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS AND DISTRIBUTION PAYMENT

	2017 CHF m	2016 CHF m
Available earnings for appropriation		
Balance brought forward	-	-
Net profit	88.1	41.8
Available earnings for appropriation	**88.1**	**41.8**
Allocation to other voluntary reserve	(88.1)	(41.8)
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve	**101.6** [1]	**102.4**

[1] The distribution to the shareholders of CHF 101.6 million corresponds to CHF 0.65 per registered share excluding the 3,361,073 treasury shares held by the Company as at 31 December 2017.

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 88.1 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 2017 financial year will be paid as at 3 May 2018 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, 28 February 2018

KPMG

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 2017, 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 178 to 190) for the year ended 31 December 2017 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.

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

Christoph Groebli Licensed Audit Expert Auditor in Charge	Thomas Dorst Licensed Audit Expert

Zurich, 28 February 2018

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

FINANCIAL SUMMARY AND SHARE INFORMATION

FIVE-YEAR FINANCIAL SUMMARY

	2017 CHF m	2016 CHF m	2015 CHF m	2014 CHF m	2013 CHF m
Net management fees and commissions	503.6	470.5	517.8	542.9	554.1
Net performance fees	44.1	3.0	82.8	65.9	100.7
Net fee and commission income	**547.7**	**473.5**	**600.6**	**608.8**	**654.8**
Net other income	2.2	5.1	0.7	14.7	15.4
Income	**549.9**	**478.6**	**601.3**	**623.5**	**670.2**
Personnel expenses	264.6	246.2	290.0	293.2	321.3
Fixed personnel expenses	150.1	155.7	165.1	166.0	165.7
Variable personnel expenses	114.5	90.5	124.9	127.2	155.6
General expenses	106.1	102.9	104.9	105.8	108.7
Occupancy expenses	22.2	25.7	28.6	28.8	27.9
IT expenses	18.2	16.2	18.3	22.7	21.3
Communication and marketing expenses	28.7	29.2	29.4	28.2	28.3
Professional services, other fees and charges	15.3	13.6	14.4	15.2	19.2
Administration expenses	8.8	6.1	-	-	-
Other general expenses	12.9	12.1	14.2	10.9	12.0
Depreciation and amortisation	6.7	9.4	8.6	7.8	7.1
Expenses	**377.4**	**358.5**	**403.5**	**406.8**	**437.1**
Underlying profit before taxes	**172.5**	**120.1**	**197.8**	**216.7**	**233.1**
Underlying income tax expense	35.4	25.9	39.4	39.5	22.9
Underlying net profit	**137.1**	**94.2**	**158.4**	**177.2**	**210.2**
Acquisition-related items	(3.1)	8.6	(13.4)	(5.9)	(11.6)
Non-recurring items	(21.2)	2.9	(8.5)	(2.3)	2.6
Tax on acquisition-related items	6.4	1.5	(0.5)	-	-
Tax on non-recurring items	4.0	(0.7)	2.3	-	0.2
Non-recurring tax item	-	27.8	-	-	-
IFRS net profit	**123.2**	**134.3**	**138.3**	**169.0**	**201.4**
IFRS net profit attributable to:					
The shareholders of the Company	123.2	134.3	138.3	165.8	196.8
Non-controlling interests	-	-	-	3.2	4.6
Operating margin (%) [1]	31.1	24.3	32.8	33.2	33.2
Compensation ratio (%) [2]	48.3	52.0	48.3	48.2	49.1
Average personnel (FTEs)	951	1,023	1,093	1,082	1,091

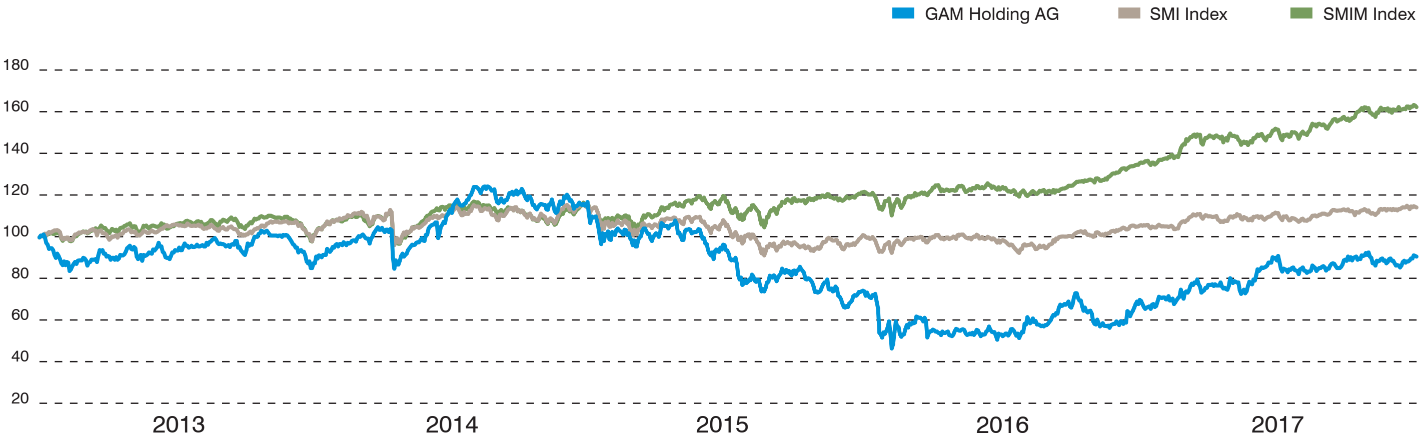
[1] (Net fee and commission income - expenses) / net fee and commission income.

[2] Personnel expenses / net fee and commission income.

	2017	2016	2015	2014	2013
Assets under management at the end of the year (CHF bn)	**158.7**	**120.7**	**119.0**	**123.2**	**114.4**
in investment management	84.4	68.2	72.3	76.1	69.8
in private labelling	74.3	52.5	46.7	47.1	44.6
Average assets under management (CHF bn)	**138.0**	**117.2**	**123.3**	**119.6**	**117.6**
in investment management	74.7	68.3	73.7	72.9	73.1
in private labelling	63.3	48.9	49.6	46.7	44.5
Net flows (CHF bn)	**24.3**	**(6.4)**	**3.0**	**1.2**	**(3.7)**
in investment management	8.6	(10.7)	0.3	2.0	(2.6)
in private labelling	15.7	4.3	2.7	(0.8)	(1.1)
Net management fees and commissions (CHF m)	**503.6**	**470.5**	**517.8**	**542.9**	**554.1**
in investment management	463.8	434.4	476.2	501.6	515.2
in private labelling	39.8	36.1	41.6	41.3	38.9
Total fee margin in investment management (bps)	68.0	64.1	75.8	77.8	84.3
Management fee margin in investment management (bps)	62.1	63.6	64.6	68.8	70.5
Management fee margin in private labelling (bps)	6.3	7.4	8.4	8.8	8.7
Weighted average number of shares outstanding for basic EPS (m)	157.0	157.7	159.9	162.3	163.4
Basic underlying EPS (CHF)	0.87	0.60	0.99	1.07	1.26
Basic IFRS EPS (CHF)	0.78	0.85	0.87	1.02	1.20
Weighted average number of shares outstanding for diluted EPS (m)	158.8	157.8	160.8	163.4	166.0
Diluted underlying EPS (CHF)	0.86	0.60	0.98	1.06	1.24
Diluted IFRS EPS (CHF)	0.78	0.85	0.86	1.01	1.19
Dividend per share for the financial year (CHF)	0.65	0.65	0.65	0.65	0.65

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

	2017	2016	Change in %
Closing price at the end of the year	15.75	11.80	33
Highest price	16.10	16.30	(1)
Lowest price	9.82	8.10	21
Market capitalisation at the end of the year (CHF m) [1]	2,515	1,891	33

Treasury shares

	31.12.2017	31.12.2016	Change in %
Shares issued	159,682,531	160,294,731	0
Treasury shares	(3,361,073)	(2,798,816)	20
Shares outstanding	156,321,458	157,495,915	(1)

[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