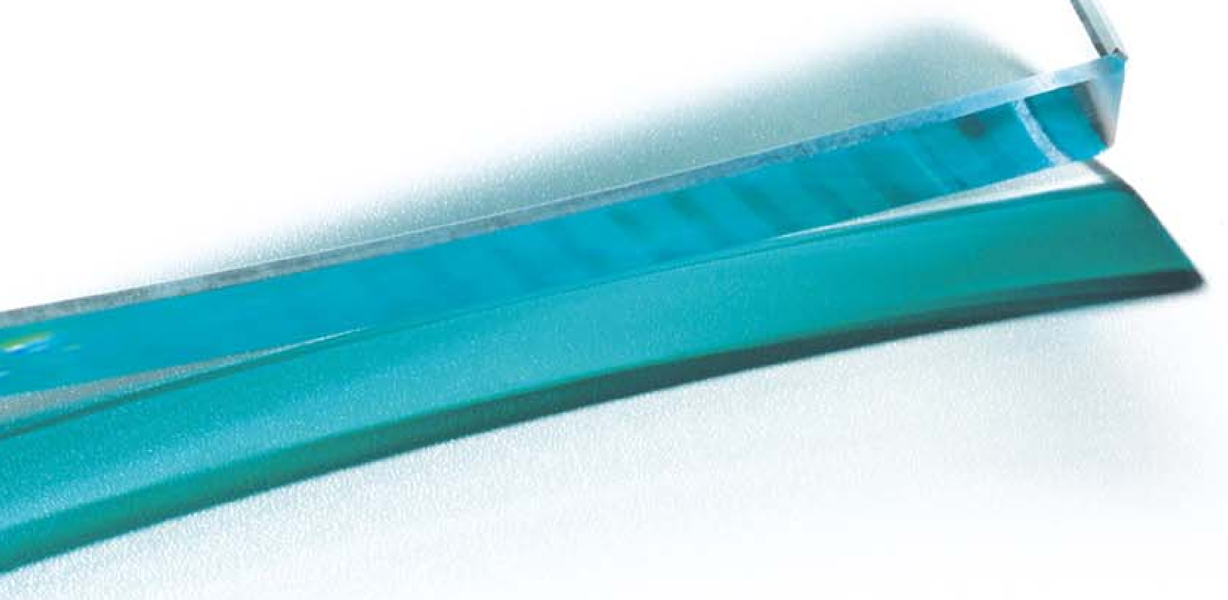
GAM | Holding AG

ANNUAL REPORT 2010



CONTENTS

KEY FIGURES 2010

	31.12.2010	31.12.2009	CHANGE FROM 31.12.2009 IN %
CLIENT ASSETS CHF BN			
Assets under management	117.8	113.6	4
Average assets under management	118.3	105.9	12
Net new money	8.0	0.4	-
INCOME STATEMENT CHF M			
Operating income	712.5	589.3	21
Operating expenses	466.0	400.6	16
Profit before taxes	**246.5**	**188.7**	**31**
Income taxes	44.3	39.1	13
Underlying net profit[1]	**202.2**	**149.6**	**35**
PROFIT BEFORE TAXES PER SEGMENT CHF M			
GAM	146.2	126.1	16
Swiss & Global Asset Management	99.8	53.2	88
Group functions	0.5	9.3	-95
Total	**246.5**	**188.7**	**31**
KEY PERFORMANCE INDICATORS			
Gross margin (basis points)	60.2	55.7	-
Cost/income ratio	65.4%	68.0%	-
Pre-tax margin (basis points)	20.8	17.8	-
Return on tangible equity[2]	19.0%	12.2%	-
PERSONNEL			
Number of full-time employees	1,052	1,023	3
in Switzerland	313	302	4
abroad	739	721	2

[1] The net profit for 2010 has been adjusted to exclude the reduction in the carrying value of the investment in associates (Artio Global Investors Inc.) of CHF 180.3 million and the amortisation of customer relationships of CHF 11.7 million. Including those non-cash items, the Group's net profit for 2010 amounted to CHF 10.2 million, as shown in the Consolidated Financial Statements.
The net profit for 2009 was adjusted to include income from associates (Artio Global Investors Inc.) but excludes the consolidation of Artio Global Investors Inc.'s results for 2009. It also excludes the amortisation of customer relationships and the elimination of non-recurring revenues paid to GAM Holding AG by Bank Julius Baer & Co. Ltd. during the period to September 2009. The Group's net profit for 2009 as shown in the Consolidated Financial Statements amounted to CHF 3,637.2 million.

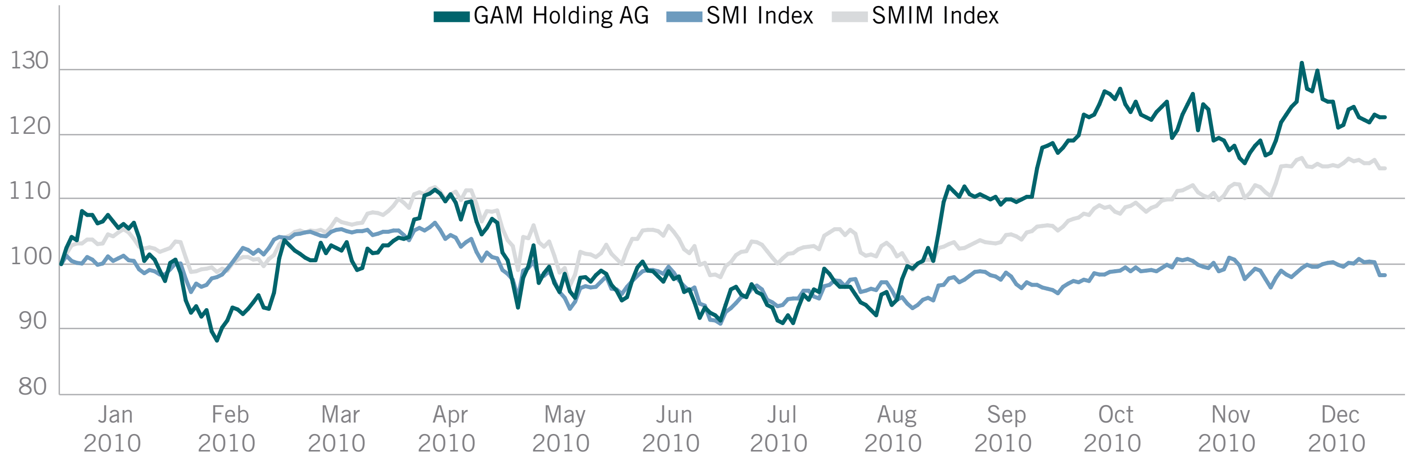
[2] Underlying net profit / tangible equity.

	31.12.2010	31.12.2009	CHANGE FROM 31.12.2009 IN %

BALANCE SHEET CHF M

Total assets	2,883.0	3,161.4	-9
Total equity	2,451.7	2,619.3	-6
Tangible equity[1]	1,066.8	1,222.8	-13

SHARE PRICE PERFORMANCE OF GAM HOLDING AG (INDEXED)



TICKER SYMBOLS

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

	31.12.2010	31.12.2009	CHANGE FROM 31.12.2009 IN %

SHARE INFORMATION CHF

EPS[2]	1.03	0.72	43
Book value[3]	5.65	6.08	-7
Closing price	15.45	12.59	-
High price	16.50	14.00	-
Low price	11.11	11.16	-
Market capitalisation (CHF m)	3,192	2,601	23
Weighted average number of shares outstanding	196,279,481	206,504,874	-5

[1] Total equity excluding goodwill, customer relationships and brand.
[2] Underlying net profit / weighted average number of shares outstanding.
[3] Tangible equity / number of shares outstanding.

GAM HOLDING AG AT A GLANCE

WHO WE ARE

- An independent asset management business borne out of the successful separation of Julius Baer in September 2009
- Listed on the SIX Swiss Exchange but with a strong global presence, employing over 1,000 staff in 11 countries
- Comprises the distinct but complementary businesses, GAM and Swiss & Global Asset Management, both dedicated to delivering superior long-term performance for clients through active asset management and an absolute focus on quality
- Offers a diversified range of investment products and services to institutions, intermediaries, private clients and charities

GAM HOLDING AG

BOARD OF DIRECTORS

Johannes A. de Gier – Chairman
Daniel Daeniker
Diego du Monceau
Dieter A. Enkelmann
Hugh Scott-Barrett

EXECUTIVE BOARD

Johannes A. de Gier – CEO
Andrew M. Wills – Group CFO
Scott Sullivan – Group General Counsel

OPERATING BUSINESSES

GAM

David M. Solo
– CEO, GAM

SWISS & GLOBAL ASSET MANAGEMENT

David M. Solo
– CEO, Swiss & Global Asset Management

LETTER FROM THE CHAIRMAN AND CEO

Johannes A. de Gier : Chairman and CEO, GAM Holding AG

DEAR READER

Our first full year of independence was marked by solid results, with a rise in profitability and renewed net new money growth.

We proved that active investment management – when well-executed and combined with effective distribution and attentive client service – is a highly compelling choice for investors across all segments. This underscores the strong potential of our businesses and places us in an excellent position for future success.

In an environment where investors showed a strong preference for the safe havens of lower-risk investments, our diversified range of products continued to be in high demand. Group net new money inflows for 2010 were CHF 8 billion – an impressive rebound from 2009 and evidence that the efforts made by our businesses to innovate and broaden their offerings are reaping rewards. Inflows and assets from third-party wholesale intermediaries reached an all-time high in 2010, highlighting the strength of our independent global distribution network.

The Group's overall assets under management grew by more than CHF 4 billion during 2010 to reach CHF 118 billion, despite the significant weakening of major currencies against our Swiss franc reporting currency. This effect was successfully counteracted by strong net new money inflows from both our operating businesses and by positive market performance, especially in the second part of the year when major equity markets recovered from their mid-year lows.

Underlying net profit rose by 35% year-on-year to reach CHF 202.2 million, driven by considerable revenue growth. At the same time, we kept a careful lid on costs, and increases in variable compensation for our staff were commensurate with improved financial performance.

We intend to distribute around half of our 2010 underlying net profit to our shareholders in the form of a dividend. This is in line with our stated commitment to efficient capital management and complements the repurchase of our own shares for cancellation. After the success of our first share buy-back programme, launched in August 2010, and in light of the Group's strong capitalisation, the Board of Directors intends to introduce a new buy-back scheme. It will replace the current one and have a higher repurchase limit as well as a longer time frame, giving us greater flexibility to manage our capital base without compromising our financial strength.

A disciplined approach to deploying our capital is a pre-requisite for sustainable growth, and I believe that this is especially true when it comes to investing in potential acquisitions. Our Board of Directors and our management team share this view. In fact, we evaluated various acquisition opportunities during 2010, but none of them met our requirements. Although we have the necessary experience and the right organisational structure to make such a transaction a long-term success, we will not compromise on our strict criteria. Any acquisition that we undertake must be financially accretive and strategically convincing in terms of complementing our existing investment management and/or distribution capabilities. The financial consideration of such a transaction must reflect realistic expectations with regards to the retention of talent, key client relationships and the potential for cost savings and revenue growth. While the search for suitable acquisition targets remains part of our strategic agenda, we will wait for the right opportunity and not enter into any transaction that is less than compelling.

In the meantime, we continue to position our businesses to benefit from the emerging trends in market demand. GAM is applying its acknowledged strength in independent thinking and manager selection to the expansion of its range of tax-transparent alternative investment strategies, which are exactly what private investors currently seek. Its traditional funds of hedge funds business is actively responding to the shift in private client demand towards onshore products by focusing on the quality institutional market where offshore vehicles with proven, low-correlation performance records continue to attract strong interest. Swiss & Global Asset Management has refined its value proposition as an active asset manager with an offering that is geared towards long-term economic trends. Both businesses are well on track with their initiatives to expand their distribution networks, and investment performance across their product ranges has generally been attractive. I am very pleased with the development of our Group and highly confident in our future.

Market flows over the last couple of months indicate that investors are tentatively recovering their interest in equities and hedge funds. However, sentiment remains fragile due to persisting macroeconomic concerns and political uncertainty. It is therefore too early to say whether this encouraging trend will be sustained during the rest of 2011. In addition, the strengthening of the Swiss franc against major currencies that make up a large part of our asset base will impact our revenues going forward and creates a hurdle that we must overcome as part of our business operations.

That said, as active asset managers, we know that we will not achieve the best results for our clients and our shareholders by simply relying on financial market developments. To be successful, we have to convince our clients through consistent investment performance, relevant products and workable service propositions, backed by operational excellence. We will continue to work hard to realise our aspiration of being one of the world's highest-quality asset managers. The commitment and dedication of our staff fill me with confidence that we have what is required to make our Group a long-term success.

Johannes A. de Gier

Chairman and CEO, GAM Holding AG
Zurich, March 2011

DISTRIBUTION TO SHAREHOLDERS

- Proposed **dividend** for 2010 of CHF 0.50 per share, intended to be paid from contributed capital reserves – exempt from the usual Swiss withholding tax of 35%, and from income tax for private investors resident in Switzerland.

- **Share buy-back programme 2010**: 5% of outstanding shares (10.33 million shares) re-purchased by year-end at an average price of CHF 14.94. These shares are to be cancelled following shareholder approval at the Annual General Meeting of 19 April 2011.

- **New share buy-back programme** (subject to regulatory and shareholder approval): to replace current buy-back scheme; maximum buy-back limit of 20% of shares currently in issue (corresponding to 41.3 million shares) over three years to allow for increased flexibility in managing the Group's capital base. Intended to be paid from contributed capital reserves: tax-efficient and attractive for both private and institutional shareholders.

BUSINESS REVIEW 2010

STRATEGY AND PERFORMANCE

STRATEGY

- Pure-play asset management group that benefits from independence, financial strength and capital discipline as well as strategic flexibility
- Two largely autonomous investment management businesses focused on truly active asset management, product diversification, global distribution and client servicing
- Built on the principles of uncompromising quality as well as continuity and talent management

WELL-POSITIONED FOR LONG-TERM GROWTH

- Highly competitive in areas of emerging client demand
- Diversified group that draws on highest-calibre investment talent to continuously broaden and innovate its offerings
- Continued progress in expansion of distribution networks
- Delivery of compelling long-term investment performance across the entire range a priority
- Search for suitable acquisition targets remains on strategic agenda

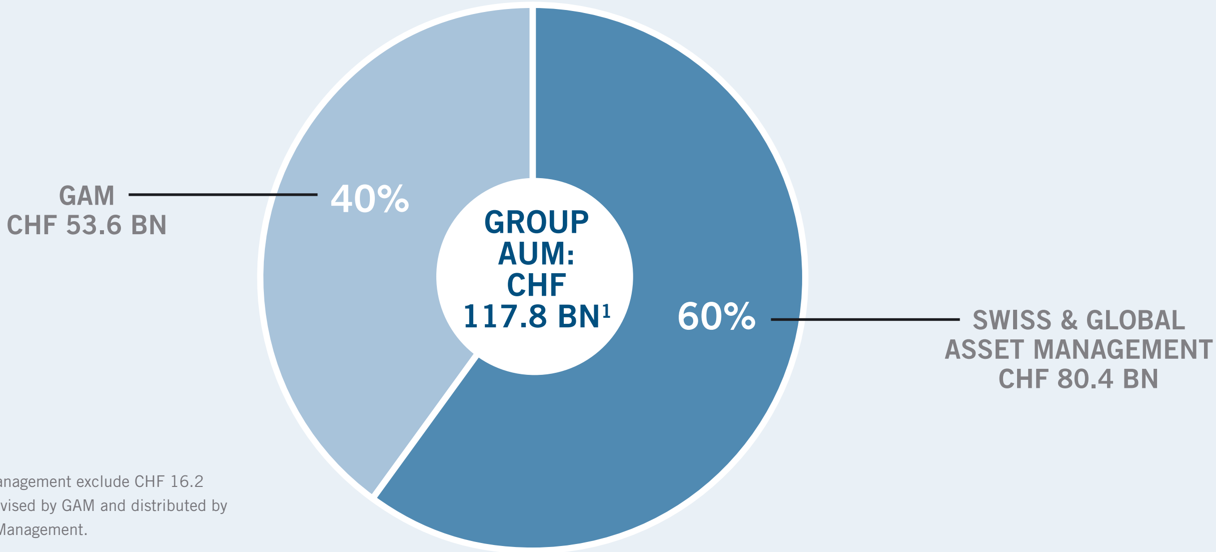
AUM AND NET NEW MONEY 2010

- Group assets under management of CHF 117.8 billion at 31 December 2010, an increase of 4% during the year
- Strong net new money inflows of CHF 8.0 billion, resulting from product diversification and broad distribution networks
- Positive market performance of CHF 5.3 billion
- Significant negative currency impact of CHF 9.1 billion, due to the weakening of the euro and the US dollar against the Group's Swiss franc reporting currency

GROUP PERFORMANCE 2010

- Underlying net profit of CHF 202.2 million, up 35% from 2009
- Earnings per share of CHF 1.03 and return on tangible equity of 19.0% (on the basis of underlying net profit)
- Operating income up 21%, driven by increased assets under management and higher performance fees
- Operating expenses up 16%, resulting primarily from higher variable compensation
- Lower general expenses, reflecting continued cost discipline

GROUP AUM CHF 117.8 BN[1] : AS OF 31 DECEMBER 2010



[1] Group assets under management exclude CHF 16.2 billion of funds sub-advised by GAM and distributed by Swiss & Global Asset Management.

GAM : AT A GLANCE

- Equity, fixed income, absolute return and funds of hedge funds strategies
- Discretionary portfolio management services
- Generation of alpha, unrestricted by a house view

SWISS & GLOBAL ASSET MANAGEMENT : AT A GLANCE

- Exclusive manager of Julius Baer funds
- Theme-based and traditional funds: core equity, fixed income, commodities and absolute return strategies
- Institutional and private label fund business

PERFORMANCE REVIEW 2010

Andrew M. Wills : Group Chief Financial Officer, GAM Holding AG

GROUP AUM AND NET NEW MONEY

Group assets under management grew by CHF 4.2 billion (4%) during 2010 to reach CHF 117.8 billion[1] at the end of December. This increase was driven primarily by strong net new money inflows and positive market performance. However, the weakening of the US dollar and the euro against our Swiss franc reporting currency reduced these gains by CHF 9.1 billion.

The Group's **net new money** inflows during 2010 totalled CHF 8.0 billion[1]. This represents a significant improvement on the CHF 0.4 billion of net inflows reported in 2009 and highlights the considerable progress we have made in diversifying our product base and broadening our distribution capabilities. Both our operating businesses recorded solid net inflows, with strong contributions from our fixed income range (including the funds GAM sub-advises for Swiss & Global Asset Management), our local emerging market strategies, US and Asian equity funds and commodity products.

GAM reported net inflows of CHF 5.9 billion during 2010, a successful turnaround from the net outflows of CHF 4.2 billion experienced in 2009. Swiss & Global Asset Management posted its strongest-ever result, with net inflows of CHF 9.7 billion (compared to CHF 7.9 billion in 2009).

GROUP FINANCIAL RESULTS

The Group's **operating income** for 2010 totalled CHF 712.5 million, an increase of 21% on 2009's result. Net fee and commission income rose by 9% to CHF 570.4 million on the back of our growing asset base. Performance fees, which are mainly recorded at GAM, grew steeply to reach CHF 89.5 million (compared to CHF 17.5 million in 2009), reflecting the success of our fixed income strategies as well as contributions from GAM's other hedge fund products. The growth of performance fees, which will continue to be an important component of our revenue as the Group's asset base evolves, contributed towards a **gross margin** of 60.2 basis points in 2010, compared to 55.7 basis points in 2009.

Income from investment in associates, relating to our 28% stake in Artio Global Investors Inc., which we continue to hold as a financial investment, decreased by 13% to CHF 27.5 million. This income, which is derived from publicly available financial information, was negatively impacted by the weakening of the US dollar against the Swiss franc. Other operating income – which includes foreign exchange gains from hedging activities undertaken with respect to our currency exposure – rose by CHF 8.1 million year-on-year to reach CHF 25.1 million.

[1] Group assets under management and net new money totals exclude the funds sub-advised by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses. Including these assets, Group assets under management would have been CHF 134.0 billion and net new money inflows CHF 15.6 billion in 2010.

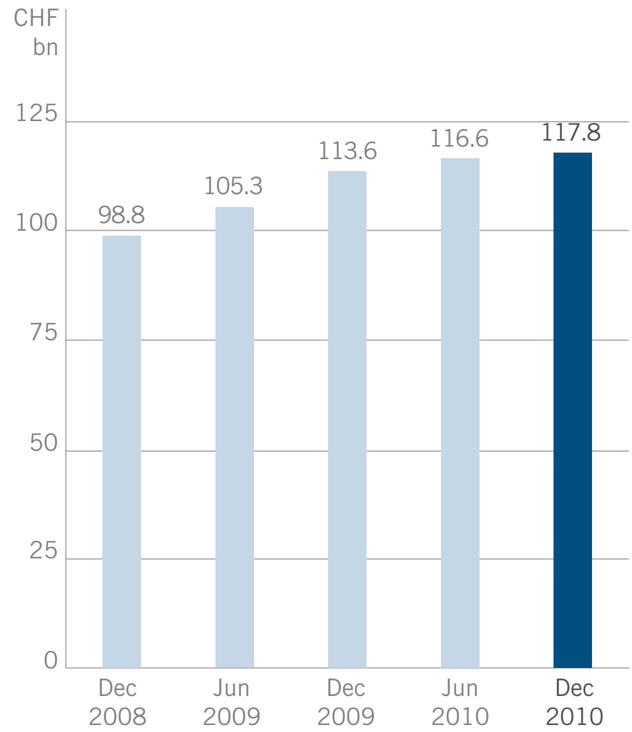
Operating expenses increased by 16% in 2010 to CHF 466.0 million, driven mainly by higher personnel expenses, which were up 29% on the previous year. As fixed salary levels remained broadly stable during the year, the vast majority of this increase was driven by higher contractual compensation to our investment professionals and the non-cash IFRS 2 charges relating to options awarded to all Group employees under a long-term incentive plan introduced in 2009 following our listing as an independent group. These non-cash charges are amortised over the relevant vesting periods and added CHF 33 million to personnel costs in 2010, compared to CHF 7 million in 2009. In line with its vesting schedule, the charges related to the plan will decrease to approximately CHF 15 million in 2011 and to around CHF 5 million in 2012. General and administrative expenses were slightly lower at CHF 124.5 million, a decrease of 5% on 2009.

The increase in operating expenses was outpaced by revenue growth, leading to an improvement in the Group's **cost/income ratio** in 2010 to 65.4%, compared to 68.0% in 2009.

The Group recorded an **underlying net profit** of CHF 202.2 million, an increase of 35% on 2009. This result excludes a reduction in the carrying value of our participation in Artio Global Investors Inc.[2], leading to a non-cash charge of CHF 180.3 million in 2010, and the amortisation of customer relationships of CHF 11.7 million. Including these two non-cash items, the Group's net profit reported in accordance with IFRS amounted to CHF 10.2 million.

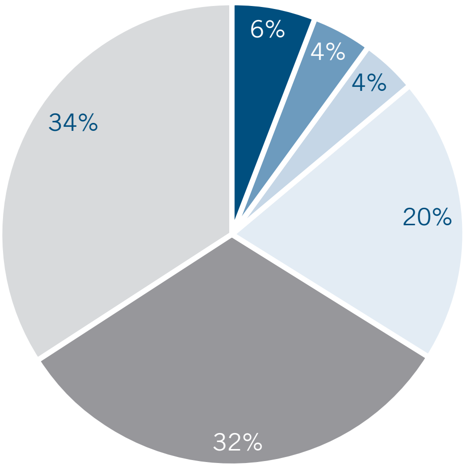
Growth in underlying net profit and the increase in our treasury share position – as a result of our share buy-back programme and the hedging of our exposure to options granted under the 2009 long-term incentive plan – drove **earnings per share** for 2010 up to CHF 1.03 (43% higher than in 2009). **Return on tangible equity** for 2010 increased to 19.0% (compared to 12.2% in 2009), driven by the same factors.

GROUP AUM CHF 117.8 BN[3] :
AS OF 31 DECEMBER 2010



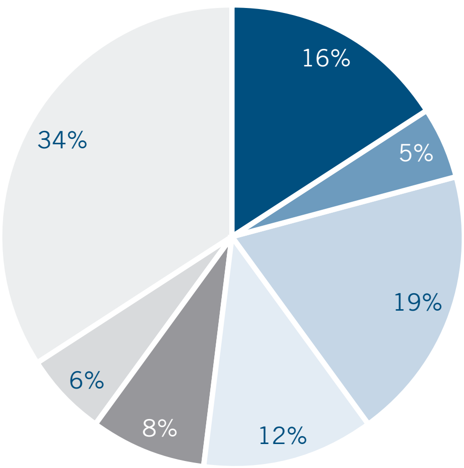
[2] Please refer to Note 14 of GAM Holding AG's Consolidated Financial Statements for details on the adjustment of the carrying value in the investment in associates (Artio Global Investors Inc.).
[3] Group assets under management exclude CHF 16.2 billion of funds sub-advised by GAM and distributed by Swiss & Global Asset Management.

GROUP AUM BY CLIENTS[1] : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Julius Baer private clients	6%	8%
Referred private clients	4%	6%
GAM private clients	4%	4%
Institutional clients	20%	20%
Wholesale fund distribution	32%	27%
Private label funds	34%	35%

GROUP AUM BY PRODUCTS[1] : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Equity	16%	17%
Commodities	5%	2%
Fixed income	19%	18%
Absolute return/hedge	12%	9%
Multi-manager	8%	12%
Managed portfolios & composites	6%	8%
Private label funds	34%	35%

[1] Group assets under management exclude CHF 16.2 billion of funds sub-advised by GAM and distributed by Swiss & Global Asset Management.

CONSOLIDATED INCOME STATEMENT

	2010 CHF M	2009 CHF M	CHANGE FROM 2009 IN %
Net fee and commission income	570.4	523.1	9
Performance fees	89.5	17.5	411
Income from investment in associates	27.5	31.7	-13
Other operating income	25.1	17.0	48
Operating income	**712.5**	**589.3**	**21**
Personnel expenses	334.5	259.0	29
General expenses	124.5	130.6	-5
Depreciation and amortisation	7.0	10.9	-36
Operating expenses	**466.0**	**400.6**	**16**
Profit before taxes	**246.5**	**188.7**	**31**
Income taxes	44.3	39.1	13
Underlying net profit[1]	**202.2**	**149.6**	**35**

[1] The net profit for 2010 has been adjusted to exclude the reduction in the carrying value of the investment in associates (Artio Global Investors Inc.) of CHF 180.3 million and the amortisation of customer relationships of CHF 11.7 million. Including those non-cash items, the Group's net profit for 2010 amounted to CHF 10.2 million, as shown in the Consolidated Financial Statements.
The net profit for 2009 was adjusted to include income from associates (Artio Global Investors Inc.) but excludes the consolidation of Artio Global Investors Inc.'s results for 2009. It also excludes the amortisation of customer relationships and the elimination of non-recurring revenues paid to GAM Holding AG by Bank Julius Baer & Co. Ltd. during the period to September 2009. The Group's net profit for 2009 as shown in the Consolidated Financial Statements amounted to CHF 3,637.2 million.

CONSOLIDATED BALANCE SHEET

	31.12.2010 CHF M	31.12.2009 CHF M	CHANGE FROM 31.12.2009 IN %
Cash and cash equivalents	819.1	974.2	-16
Financial investments	119.5	90.7	32
Investment in associates	306.3	463.4	-34
Other assets	253.2	236.6	7
Goodwill, customer relationships and brand	1,384.9	1,396.5	-1
Total assets	**2,883.0**	**3,161.4**	**-9**
Debt	63.2	245.6	-74
Other liabilities	368.1	296.5	24
Total liabilities	**431.3**	**542.1**	**-20**
Share capital	10.3	10.3	0
Treasury shares	-248.2	-66.1	-275
Other equity components	2,689.6	2,675.1	1
Total equity	**2,451.7**	**2,619.3**	**-6**
Total liabilities and equity	**2,883.0**	**3,161.4**	**-9**
Tangible equity[1]	1,066.8	1,222.8	-13

[1] Total equity excluding goodwill, customer relationships and brand.

GROUP BALANCE SHEET

The Group's balance sheet remains strong, with **total assets** of CHF 2,883 million as at 31 December 2010, including CHF 1,385 million relating to the GAM goodwill, customer relationships and brand.

Our cash position at year-end was still substantial at CHF 819 million, despite the repurchase of our publicly listed shares under our share buy-back programme and the repayment of a CHF 150 million bond in March 2010. At the end of 2010, the Group's outstanding debt amounted to CHF 63 million, reduced from CHF 246 million at the end of 2009, following the repayment of the bond and in line with the amortisation schedule of an outstanding loan.

Total equity amounted to CHF 2,452 million at the end of 2010. Excluding the GAM goodwill, customer relationships and brand, our **tangible equity** stood at CHF 1,067 million (compared to CHF 1,223 million as at 31 December 2009). This fall in tangible equity reflected mainly the increase in our treasury share position, resulting from the buy-back of our own shares for cancellation under the 2010 programme and from hedging the economic exposure from the options granted under the 2009 long-term incentive plan. At year-end 2010, the regulatory capital requirements of the Group, calculated by aggregating all of the regulatory requirements of the operating businesses, amounted to approximately CHF 71 million.

DIVIDEND AND SHARE BUY-BACK PROGRAMME

At the Annual General Meeting on 19 April 2011, the Board of Directors will propose a **dividend** payment of CHF 0.50 per share for the financial year 2010. This will result in a distribution to shareholders of approximately CHF 94 million, the equivalent of around half of our underlying net profit, in line with our previously stated commitment. The Board of Directors intends to pay this dividend from our significant contributed capital reserves, making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

We initiated our first **share buy-back programme** on 26 August 2010 and, by the end of 2010, had re-purchased 10,330,756 shares at an average price of CHF 14.94, returning around CHF 154 million to our shareholders. Shareholders will be asked to approve the cancellation of these shares, which represent 5% of the total in issue, at the Annual General Meeting in April 2011.

We continue to hold an economic hedge in respect of our exposure to options granted under the 2009 long-term incentive plan. This economic hedge consists of a separate position in treasury shares, as well as a total return swap over GAM Holding AG's shares, which together equate to 5% of shares in issue. Unlike the shares repurchased under the buy-back programme, these shares will not be cancelled.

While the current share buy-back programme has a maximum buy-back limit of 10% of outstanding shares and is open until August 2012, in light of the strong capital and cash position of the Group, the Board of Directors intends to replace it with a new programme, which will be proposed to our shareholders at the April 2011 Annual General Meeting and initiated shortly thereafter, subject to all necessary approvals being obtained.

This proposed programme would run for three years to allow for maximum capital management flexibility but without compromising our intention to maintain a strong capital position. Subject to regulatory and shareholder approval, the maximum buy-back limit will be set at 20% of current shares in issue (41.3 million shares). The Board of Directors intends to utilise mainly contributed capital reserves for this new programme, thereby making it attractive for both private and institutional shareholders.

STRATEGY AND LONG-TERM INDUSTRY TRENDS

OUR STRATEGY AT A GLANCE

Pure-play asset management group that benefits from
- independence
- financial strength and capital discipline
- strategic flexibility

Two largely autonomous investment management businesses focused on
- truly active asset management
- product diversification
- global distribution and client servicing

Built on the principles of
- uncompromising focus on quality
- continuity and talent management

OUR STRATEGY

BUSINESS MODEL : PURE-PLAY, INDEPENDENT ASSET MANAGEMENT GROUP

We are an independent group, focused exclusively on asset management – a growing industry, driven by secular demographic and economic trends.

We are organised as a financial holding company comprised of two largely autonomous operating businesses – GAM and Swiss & Global Asset Management – as well as a continuing 28% stake in Artio Global Investors Inc., a US-listed investment manager, which we hold as a financial investment.

Our structure facilitates strategic and risk oversight as well as financial control of our businesses without restricting their operational freedom and growth potential. The holding company is deliberately streamlined to enable it to focus on defining the overall strategic direction and corporate governance of the listed entity. It also takes responsibility for the allocation of capital to our operating businesses, consolidated financial and regulatory reporting and the Group's overall approach to audit, legal and risk management.

GROWTH : ORGANIC AND THROUGH ACCRETIVE ACQUISITIONS

We aim to be one of the world's highest-quality global asset managers. Our success in maximising risk-adjusted portfolio returns within predefined investment parameters has earned us a reputation for consistent performance, leading to attractive returns for both our clients and our shareholders.

Our independent status, organisational structure and stock exchange listing give us the strategic flexibility required to take advantage of growth opportunities in a consolidating and evolving industry. They enable us to expand our distribution partnerships in target markets and to make accretive and complementary acquisitions when such opportunities arise. Our autonomy makes us an attractive employer for talented investment professionals.

Our financial strength provides us with the foundations for sustainable growth in the future. It gives us the freedom to actively shape our strategy and invest in our businesses, whilst providing confidence and reassurance to our clients, shareholders, staff and counterparties. The Group's financial strength far exceeds our regulatory capital requirements and we remain committed to deploying our capital in a disciplined way so as to maximise shareholder value in the long term.

When evaluating potential investment opportunities, our criteria are very strict: we will not enter into a transaction that dilutes the quality of our brands or may prove disruptive to our businesses and ultimately fail to create value for our clients and shareholders. Capital that is not required for the growth of our businesses will be returned to our shareholders, either through dividends or the repurchase and subsequent cancellation of our publicly listed shares.

> PROFESSIONAL EXCELLENCE AND INNOVATION ARE EMBEDDED IN OUR CULTURE AND I SEE THEM IN EVIDENCE AROUND THE OFFICE ALL THE TIME — STAFF PULL TOGETHER AND GO THE EXTRA MILE TO ACHIEVE THE BEST RESULTS.
>
> *STEVEN BRENNAN, GROUP HEAD OF HUMAN RESOURCES, GAM HOLDING AG*

CORE BUSINESS : ACTIVE ASSET MANAGEMENT

GAM and Swiss & Global Asset Management, our two operating businesses, are run on a largely autonomous basis, within a clear governance structure, and with the long-term time horizon, performance targets and client servicing standards expected from successful active asset managers. This is reflected in both organisations' cultures, processes and structures, all of which are designed to foster independent thinking and facilitate nimble, swift investment decisions. The absence of a 'house style' or 'investment by committee' approach enables our investment professionals to concentrate on conviction investing.

Each business distributes its products under well-established brands, with a clearly articulated value proposition. Each has its own investment management, distribution, sales and marketing, legal and compliance and support functions. Where it offers tangible benefits to the core business activities, certain operational functions may be leveraged across the two businesses as, for instance, in their shared IT infrastructure.

PRODUCT, CLIENT SERVICE AND DISTRIBUTION STRATEGY

Both of our businesses have highly diversified product offerings designed to appeal to a wide range of client segments such as institutions, wholesale intermediaries and private investors, and to weather cyclical fluctuations in financial markets and investor demand. This allows us to continue to grow through different market cycles.

For an asset manager, having a strong distribution network is critical to its success. Both GAM and Swiss & Global Asset Management have established a competitive presence in their target markets, some of which have been core to their businesses for many years. This gives them the capability to expand into new and developing markets, either by establishing a local presence or by choosing high-quality distribution partners. Every market entry opportunity is evaluated against the client servicing standards we set for ourselves – such as the ability to provide value-added support through our sales forces and rapid access to product experts and specialists.

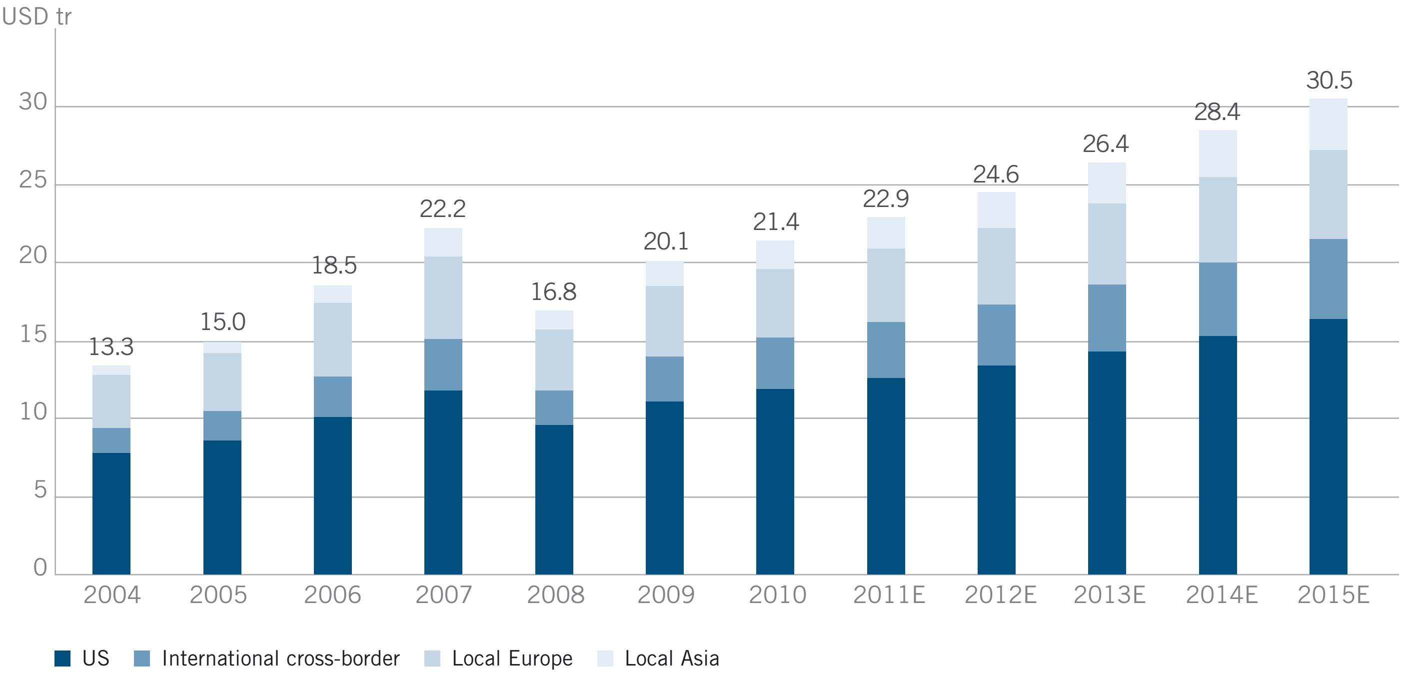
Institutional clients and private investors look for skilled investment management and compelling products that deliver what they promise – neither they, nor we, are prepared to accept a gap between fees charged and long-term value conferred. This requires an uncompromising focus on quality and is the key to client satisfaction, business growth and ultimately shareholder value. As a result, we manage our businesses to achieve fair compensation for our products that reflects the required costs of true active research and continuous due diligence and risk control.

EMPLOYEES

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

Our businesses each have a distinct culture, but both strive to provide employees with a stimulating and attractive place to work, where talent is nurtured and developed, and acting in the best interests of the Group is recognised. In turn, our people reward us with their loyalty, demonstrated by the length of tenure across all levels of the Group.

GLOBAL MUTUAL FUND ASSETS : ESTIMATED ANNUALISED GLOBAL GROWTH RATE OF 7.4% BY 2015[1]



[1] Source: Strategic Insight, February 2011.

LONG-TERM INDUSTRY TRENDS

GROWTH DRIVERS

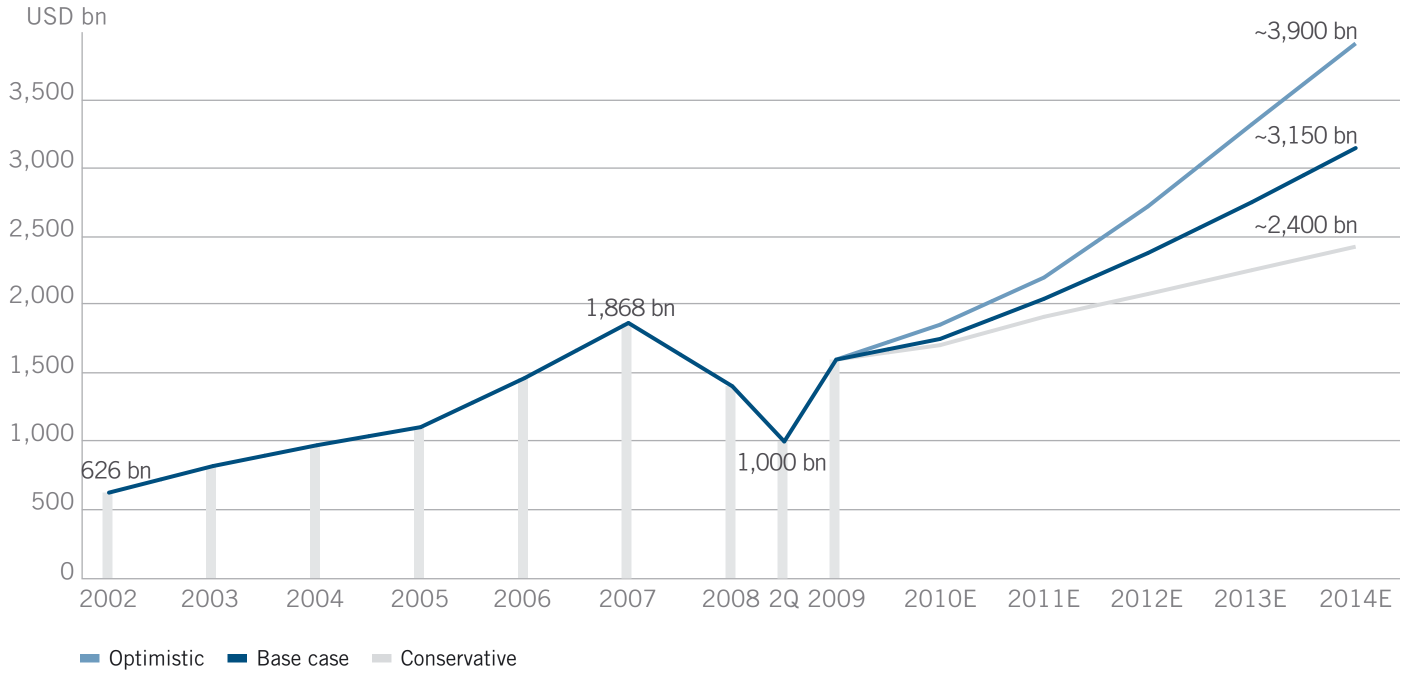
We believe that the long-term prospects for asset managers are attractive, driven by secular demographic and economic trends, such as the global improvement in life expectancy and the development of significant 'saving classes' in emerging markets. In Europe, the privatisation of pension solutions and an increased penetration of mutual funds are expected to remain key growth drivers. The US has been the biggest market for investment management for decades and continues to offer considerable opportunity, given the rising workforce participation in retirement plans and a projected 7% annual increase in the corporate defined-contribution market. (Source: The Boston Consulting Group).

ASSET ALLOCATION

Liquidity, diversification and capital protection will, in our view, continue to be top priorities for investors going forward, driven by ongoing macroeconomic and stock market uncertainty. While this is expected to drive a significant share of assets into indexed funds, we are convinced that the need for asset growth and capital protection that can be achieved through active asset management is greater than ever, since the financial crisis and economic recession have reduced the value of the savings and investments of the retired and working population globally.

We anticipate that sophisticated products with absolute return targets will remain indispensable components of investors' portfolios. At the same time, in the private client segment, the meaningful decline in traditional, offshore-oriented assets suggests that growth in the alternative sector will favour onshore investments over the historically dominant offshore products. As demonstrated by the momentous growth of UCITS III alternative funds during 2010,

PROJECTED HEDGE FUND INDUSTRY ASSETS BY SCENARIO : DEC 2002 – DEC 2014[1]



[1] Source: Hedge Fund Research, The Bank of New York Mellon and Casey Quirk & Associates, 2010.

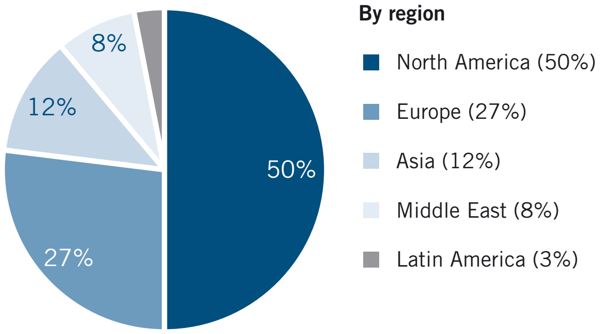
European investors are showing a clear preference for transparent and tax-efficient onshore products that comply with a regulatory regime designed to offer a higher level of investor protection. We expect this trend to continue, attracting an increasing number of investment managers to the UCITS III space, promoting the convergence of traditional and alternative investments. However, we strongly believe that the UCITS III label will in itself be no guarantee of a fund's success in attracting assets. Expert client service, sound investment management processes, a robust infrastructure and an established track record are essential if a fund is to succeed.

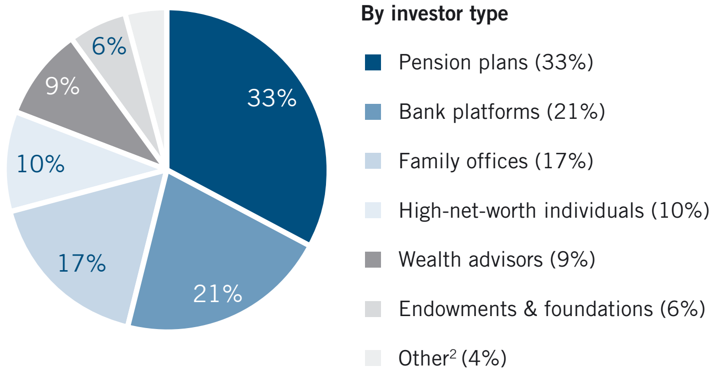
CLIENT EXPECTATIONS

The sophistication of investors and the demands they place on investment managers will inevitably continue to increase. In the institutional segment, the standards for selecting and evaluating asset managers are likely to become increasingly rigorous, involving lengthier, more structured reviews of investment processes, performance and risk management practices. Institutions are also expected to sharpen their focus on cost management, monitoring closely the costs of investment managers against their investment returns.

Based on our experience so far, we believe that wholesale distributors, driven by the impact of the financial crisis on private investors, will demand higher-quality service from their asset managers both in order to increase sales and to avoid potential claims of mis-selling. Many banks have retained their captive asset management arms on which they still heavily rely. Regulation and the demands of private investors, however, are likely to increasingly favour models where financial intermediaries act as truly independent advisors – a trend that could potentially spur the growth of open architecture platforms within banks.

PROJECTED CUMULATIVE HEDGE FUND INFLOWS : USD 800 BN FROM 2010 TO 2013[1]





[1] Source: The Bank of New York Mellon, Casey Quirk & Associates, April 2009.
[2] Other is split as follows: sovereign wealth funds (2%) and financial institutions (2%).

OUR HISTORY

2009 : GAM HOLDING AG

Separation of the former Julius Baer group to form two independent and separately listed groups, one focused on asset management, the other on private banking.

Asset management is brought together under GAM Holding AG, whose shares are independently traded on the SIX Swiss Exchange from 1 October 2009.

Julius Baer asset management business renamed Swiss & Global Asset Management.

2009

SWISS & GLOBAL ASSET MANAGEMENT | GAM

2005

Julius Baer acquires the three private banks, Ehinger Armand von Ernst AG, Ferrier Lullin & Cie SA and BDL Banco di Lugano, as well as GAM, from UBS

1999

GAM acquired by UBS

1996

Baer Holding Ltd. renamed Julius Baer Holding Ltd.

1983

GAM founded by Gilbert de Botton

1980

IPO of Baer Holding Ltd.

1890

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

COMMITTED TO RESPONSIBLE BUSINESS PRACTICES

AN INTERVIEW WITH SCOTT SULLIVAN, GROUP GENERAL COUNSEL

Q

WHAT ARE THE BROAD REGULATORY TRENDS AFFECTING YOUR BUSINESS?

A

Regulation across the financial services industry in general is expected to increase, as regulators and politicians seek to prevent the recurrence of practices that contributed to the most recent financial crisis, and as they move away from principle-based to more prescriptive, rule-based regimes.

To date, however, the pace of regulatory reform has failed to match political ambition and rhetoric. Whilst we have seen international agreements in areas such as capital adequacy, the regulation of credit agencies, short selling and remuneration, it seems that reform of the regulators and the supervisory structures themselves has proved much easier to deliver than substantive, international reform of the regulation that they are there to police. As a result, the shape of the overall financial services sector remains largely unaltered and the momentum for its change seems to have noticeably slowed.

Within the asset management sector, recent regulatory initiatives, such as the Alternative Investment Fund Managers Directive, have primarily targeted increased transparency and consumer protection, but have also extended to areas that were previously less in focus, such as remuneration. These developments are likely to increase the cost of doing business and establish certain economic barriers to market entry, potentially driving small investment managers to look for new partnerships and even accelerating consolidation across the industry. This actually works to the advantage of an independent asset manager of our size and with our established and effective governance, compliance and control structures, as we can provide carefully selected third-party managers with access to our infrastructure and distribution networks without compromising their autonomy, whilst they, in turn, enhance our investment capabilities and broaden our product offering.

Scott Sullivan : Group General Counsel, GAM Holding AG

Q

IS REGULATION BECOMING TOO RESTRICTIVE?

A

From time to time, regulation responds to a very particular concern or economic event, as with the recent restrictions on short selling for example. But for the most part, regulation – or certainly good regulation – is reflective of sound business practices and the principles of fair dealing. We always conduct our business by first asking ourselves “What is the right thing to do?” rather than by simply following existing rules or regulations or anticipating the introduction of new ones. As a result, whilst new regulations often require us to document current processes differently or make minor amendments to them, they seldom require us to adopt a significant behavioural change.

That is not to say that proposals from regulatory authorities are always well-received. On occasion, particularly where they are politically driven, draft regulations appear which in our view would offer little investor or market benefit, but would place a disproportionate burden on the business. Happily, typical regulatory consultation processes enable the industry to put forward its views and appropriate amendments to draft legislation can often be agreed. That is why we believe it is important to participate actively in dialogue with regulators, either directly or via industry bodies of which we are a member. Ultimately, a sensible and proportionate regulatory regime is as much in our interests as it is in the interests of those who regulate and of those who purchase our products and services.

DOES RESPONSIBLE BUSINESS BEHAVIOUR GO BEYOND COMPLYING WITH LAWS AND REGULATION?

Responsible business behaviour is driven by long-term thinking. As a company, we need to meet our obligations towards our main stakeholders: our clients, employees and shareholders. If we take our fiduciary responsibility towards our clients seriously, protecting and enhancing the economic value of their investments, and if we treat them and our employees fairly, we will be able to maintain our strong reputation and create sustainable value for our shareholders over the long term. Shortcuts will almost always prove to be detrimental to our business. It's a question of attitude, irrespective of who is watching. That is why we tend to find that where it codifies sound commercial practice, regulation generally endorses the way we already do business.

HOW DO YOU PUT THIS INTO PRACTICE?

It starts at the top. The commitment to strong business practices needs to go beyond boilerplate statements. It needs to be lived, first in the board room, then throughout the company. As a management team, we strive to foster a working environment where members of our staff – at all levels – are encouraged to act with integrity, accountability and in the best interests of the Group. This, in turn, is reflected in our structures, processes and internal policies, whether they relate to the oversight of risk, conflicts of interest or our dealings with clients and business partners. Just like external regulation, these internal rules are binding for our staff. But no amount of internal or external guidance can address each and every situation that arises. At that point, it's about exercising judgement – asking ourselves what our different stakeholders expect, determining how we can best balance these expectations over the long term and then acting accordingly.

OPERATING BUSINESSES : GAM

HIGHLIGHTS 2010

- Strong recovery of net new money growth, with inflows of CHF 5.9 billion during 2010
- Net new money growth rate of 11.6%, exceeding mid-term target rate of 6–10%
- Inflows and assets from wholesale intermediaries and institutional clients at an all-time high
- Increasingly diversified and sustainable mix of businesses (products and clients)
- Pre-tax profit of CHF 146.2 million, up 16% from 2009
- Cost/income ratio of 68.9%, above 60–65% range targeted over the medium term

STRATEGIC PRIORITIES

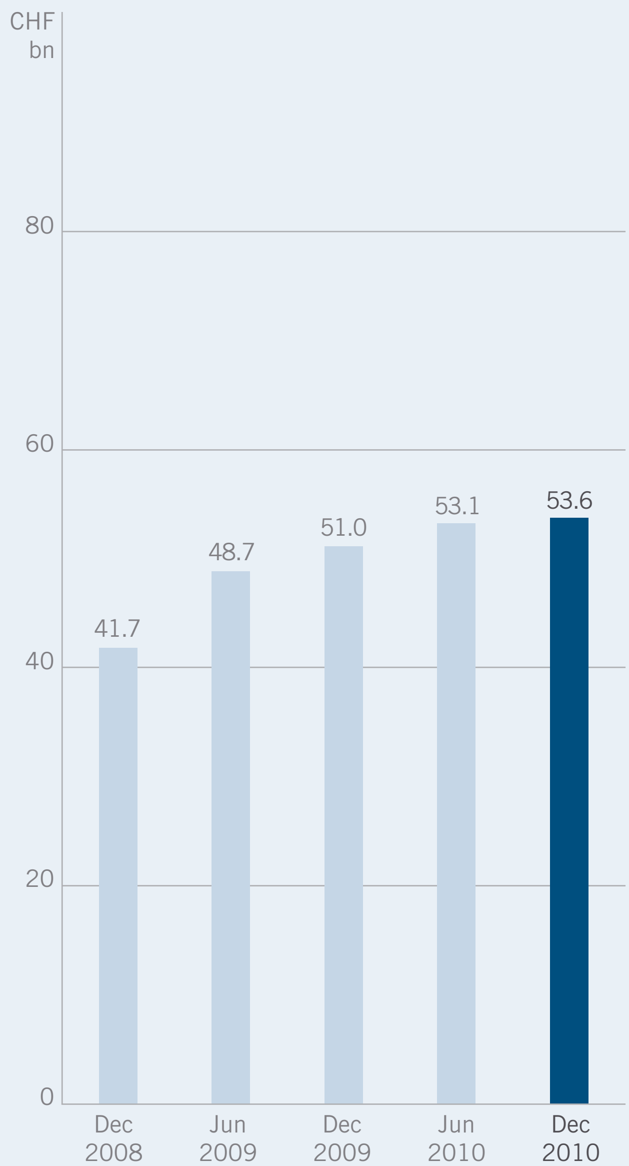
CONTINUE DIVERSIFICATION OF PRODUCT RANGE

- Focus on strategies with consistent return profiles, tax efficiency and liquidity
- Capture shift in private client demand from traditional, offshore funds to onshore investments
- Capitalise on growing demand for UCITS III products, which play to GAM's core strengths of manager selection and due diligence

EXPAND DISTRIBUTION CAPABILITIES

- Continue to focus on US and European markets where institutions show ongoing interest in offshore funds of hedge funds
- Expand sales presence in Germany and France, targeting demand for onshore products
- Increase direct distribution of managed portfolios to private clients as part of longer-term initiative

GAM : TOTAL AUM : CHF 53.6 BN



AS OF 31 DECEMBER 2010

OPERATING BUSINESSES : SWISS & GLOBAL ASSET MANAGEMENT

HIGHLIGHTS 2010

- Exceptional net new money growth, with inflows of CHF 9.7 billion during 2010
- Net new money growth rate of 13.3%, exceeding mid-term target rate of 8–12%
- Powerful distribution network contributed to growth
- Diversified and highly scalable business with a competitive offering that appeals across client segments
- Pre-tax profit of CHF 99.8 million, up 88% from 2009
- Cost/income ratio of 54.0%, in line with medium-term target range of 53–58%

STRATEGIC PRIORITIES

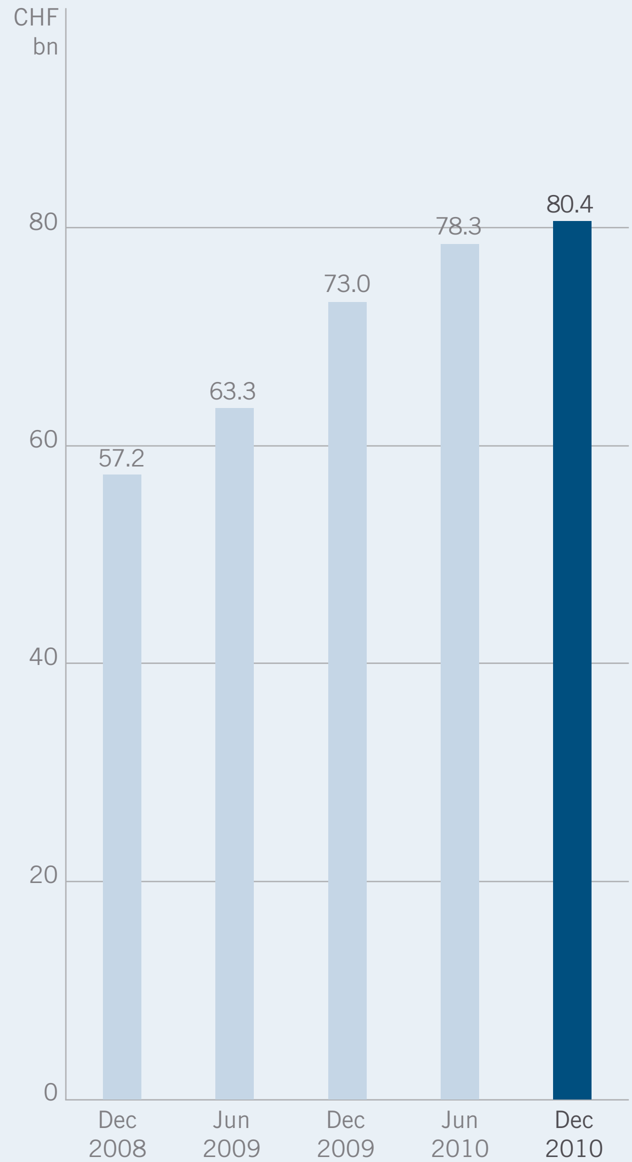
CAPTURE INVESTOR INTEREST WITH ENHANCED PRODUCT RANGE

- Launch new theme-based Julius Baer funds, with 'new economic world order' as their driver
- Benefit from enhanced product quality and performance

EXPAND DISTRIBUTION CAPABILITIES GLOBALLY

- Build on strong European presence to generate growth
- Capitalise on partnerships in Taiwan and Japan established in 2010
- Target new growth markets in Nordic and Baltic regions

SWISS & GLOBAL ASSET MANAGEMENT : TOTAL AUM : CHF 80.4 BN



AS OF 31 DECEMBER 2010

GAM

BUSINESS DESCRIPTION

BUSINESS FOCUS

GAM was founded in 1983 with the aim of providing superior risk-adjusted returns for its clients over the long term. Whilst the business has evolved significantly in the intervening years, the company's core principles have not changed, and today it continues to define itself by its commitment to investment quality and client servicing.

We offer a diversified and scalable set of investment solutions that demonstrate expertise across all core asset classes. Having primarily targeted high-net-worth individuals in our early days, our client base is now diversified across a range of investors that includes institutions and intermediaries – which together account for 76% of assets – as well as private clients and charities. We have over 750 staff based in nine locations globally, including London, Zurich, New York, Hong Kong and Dubai.

The breadth of GAM's investment capability is the result of our long-established expertise in researching and identifying investment talent from across the asset management industry. Having pioneered the open architecture approach in the 1980s, we continue to use our manager selection skills to find and recruit the world's finest investment talent for our clients. We provide the sole onshore distribution platform for some of the industry's leading managers, many of whom are attracted to GAM by its reputation for excellence, its performance-driven boutique culture, its distribution networks and its operational infrastructure.

GAM's investment philosophy is founded on an active approach to managing client money and a long-term timeframe for investment. We foster a culture of independent thinking and innovation, where managers are free to invest according to their own individual philosophies and styles. They seek to generate alpha through conviction investing. This means that their positions are often non-consensus, they ignore short-term index comparisons and they take carefully controlled risks in order to deliver differentiated performance. Rigorous risk management and portfolio monitoring are a critical part of this process and we therefore invest heavily in our risk analysis and modelling systems as well as in due diligence. During the worst of the recent financial crisis, when clients were de-risking portfolios and expected reliability from their asset managers, this emphasis on risk and liquidity management was an important differentiator.

PRODUCTS AND SERVICES

GAM's product range encompasses approximately 60 different investment strategies that span five core segments and a wide variety of investment styles. For example, our **equity** offering includes a broad range of regional and thematic funds, our **fixed income** range incorporates developed and emerging markets as well as specialist mandates, whilst our **absolute return** mandates are focused on macro/managed futures, equity long/short and fixed income strategies. Our **funds of hedge funds** business, which invests its assets in approximately 150 carefully screened external hedge funds, seeks to deliver absolute returns uncorrelated to traditional assets across a range of multi-strategy, single-strategy and specialist portfolios.

By combining strategic and tactical asset allocation, GAM's **Managed Portfolios** service provides tailored solutions for private clients, their advisors and charities, via both discretionary management and advisory mandates. Understanding individual client needs is at the heart of the Managed Portfolios offering and mandates are tailored to each investor's risk-return, currency, tax and liquidity requirements. Our range includes absolute return, relative return, specialised and thematic strategies, invested across both GAM and third-party products.

We seek to cater to a broad spectrum of jurisdictional and regulatory requirements by offering our mandates in a range of structures, including UCITS III funds, OEICs, UK unit trusts, US LLC/LPs, Swiss registered funds, structured notes, offshore funds and segregated mandates.

STRATEGIC PRIORITIES

DIVERSIFICATION OF PRODUCT RANGE

We will continue to invest in the development of our product offering in 2011. If we are to continue to generate sustainable growth in an increasingly competitive marketplace, it will be of

> OUR KNOWLEDGE OF THE HEDGE FUND MARKET IS TESTED BY THE MOST DISCERNING INSTITUTIONS. IT'S A GREAT ASSET, WHICH ALSO DRIVES THE EXPANSION OF OUR ONSHORE OFFERING.
>
> *DAVID SMITH, CHIEF INVESTMENT DIRECTOR, GAM MULTI-MANAGER*

GAM : PRODUCT RANGE

Absolute return	Equity	Fixed income	Funds of hedge funds	Managed portfolios
• Macro/managed futures • Equity long/short • Fixed income • Currency	• Global • Europe • North America • Asia-Pacific • Emerging markets • Thematic	• Developed markets • Emerging markets • Specialist	• Multi-strategy • Single-strategy • Specialist • Customised	• Discretionary and advisory mandates
Single managers			Multiple managers	

critical importance that we maintain a diversified range of high-quality strategies – a range that has the breadth and flexibility to withstand rapidly evolving market dynamics and cyclical periods of investor demand and product performance.

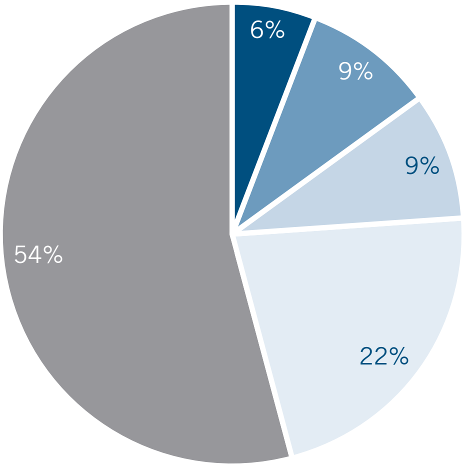
Our product development initiatives in 2011 will focus predominantly on expanding our regulated onshore offering, which remains a core growth area. Investors continue to favour strategies that offer consistent return profiles, tax efficiency and reliable liquidity. The requirements of UCITS III play to GAM's core strengths – our due diligence expertise, commitment to liquidity and transparency, strong operational infrastructure and reporting capabilities make us ideally suited to onshore investing. Between late 2009 and the end of 2010, we launched more than 10 UCITS III alternative products and, as at 31 December 2010, our range was valued at approximately USD 2 billion, making us one of the industry leaders in this field. Further additions to the offering are planned for 2011 – including GAM's first UCITS III fund of hedge funds and a number of specialist mandates run by leading internal and external managers. Our Managed Portfolios business is also seeing increased interest in onshore offerings across its client base. Our existing absolute return strategies will therefore be enhanced and new mandates introduced in 2011 in order to capture this demand.

FOCUS ON INVESTMENT QUALITY

The delivery of compelling performance will be an absolute priority for all asset managers in 2011 and we will continue to place a rigorous focus on investment quality. Ongoing macroeconomic uncertainty and market volatility are likely to continue to unsettle investors and cause fluctuations in risk appetite. In this environment, investors seeking consistent performance will look to trusted managers who have a reputation for investment excellence and the highest levels of due diligence. GAM's investment track record and our focus on risk management should place us in a strong competitive position in this regard. Many of our core equity and absolute return products have delivered excellent returns throughout 2010 and are well positioned to continue their success in the coming years. Performance will be important for funds of hedge funds, both at GAM and across the industry, if private clients are to overcome their post-2008 liquidity concerns and meaningfully re-engage with this segment. However, the simultaneous decline in offshore orientation among private clients is likely to limit the rebound in traditional, offshore funds of funds structures.

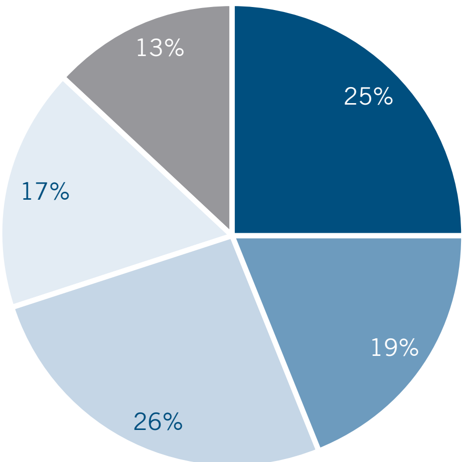
> INCREASING OUR DIRECT PRIVATE CLIENT DISTRIBUTION IS A KEY INITIATIVE FOR US, BUT PRODUCING SUPERIOR INVESTMENT RETURNS REMAINS OUR FIRST PRIORITY.
>
> *GRAHAM WAINER, GLOBAL HEAD OF PRIVATE CLIENTS & PORTFOLIO MANAGEMENT, GAM*

GAM AUM BY CLIENTS : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Julius Baer private clients	6%	9%
Referred private clients	9%	13%
GAM private clients	9%	10%
Institutional clients	22%	21%
Wholesale fund distribution	54%	47%

GAM AUM BY PRODUCTS : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Equity	25%	24%
Fixed income	19%	13%
Absolute return/hedge	26%	19%
Multi-manager	17%	26%
Managed portfolios & composites	13%	18%

An environment that is conducive to outperformance plays an important role in supporting results. Behind the scenes, we will therefore continue to invest in our operational infrastructure, ensuring our investment managers receive the highest levels of support and are free to focus solely on performance.

Manager research and selection are deeply embedded in GAM's history and its investment philosophy. Enhancing our investment capabilities through attracting and recruiting new talent will remain a core part of the way we develop our business. We significantly added to our stable of leading managers during 2010, expanding our offering with innovative and attractive strategies as a result. During 2011, we will continue to enhance our manager line-up where we find investment talent coupled with market opportunity and client demand. However, our criteria for recruitment will remain extremely strict and investment quality will not be diluted merely in the interests of growing our product range.

Bolt-on acquisitions of third-party investment teams or companies will continue to be considered where they might complement and enhance our existing capabilities, for example, through the addition of specialised talent or new investment areas. Our criteria for such acquisitions will also be strict, however, and cultural alignment with GAM, compelling benefit to our clients and financial advantage to our shareholders will be pre-requisites for any transaction that we consider.

EXPANSION OF DISTRIBUTION CAPABILITIES

Having historically benefited from direct access to the private banking distribution channels of our previous owners, the diversification of our client base is a central, long-term initiative that is critical to the ongoing growth and sustainability of our business as an independent asset manager. During the past few years, we have established an effective global distribution network and made substantial progress in finding new sources of asset growth, particularly across our institutional and wholesale offerings. This remains one of our most important strategic priorities for 2011 and thereafter.

Specifically, we will continue to target the US and European institutional market where we have made good headway both in raising our profile with pension fund consultants – the key gatekeepers in this market – and in attracting client assets during 2009 and 2010. Our Trading funds of hedge funds mandates have been particularly successful with institutions. Over the last two years, we have developed a system that enables us to construct customised portfolios for our clients. It provides an intuitive fund selection tool with a comprehensive screen across all the world's hedge funds, driven by a substantial proprietary research database. This database has been developed during our 20 years of experience in the funds of hedge funds business, without reliance on third-party providers. The platform also incorporates and facilitates GAM's real-time portfolio construction approach and its risk monitoring process. These integrated systems have been a key contributor to recent successes in winning institutional business, particularly in the US, and will continue to be a cornerstone of our initiative to expand our market share.

Expansion of our third-party wholesale client base will also be a priority globally and to this end our local sales presence will be strengthened in newer markets such as Germany and France where, in light of increased focus on tax transparency, the demand for onshore products is high. Whilst working to support our relationships with UBS and Julius Baer, our Managed Portfolios team will continue to build out its direct distribution capabilities to high-net-worth private clients over the coming years. It will also look to expand its business development capabilities in markets such as Israel, South Africa, the Caribbean, Eastern Europe and the Middle East.

2010 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

GAM's **assets under management** reached CHF 53.6 billion as at 31 December 2010, an increase of CHF 2.6 billion or 5% on year-end 2009. Strong net new money inflows and positive market performance more than counteracted the impact of the weakening of the US dollar and the euro against our Swiss franc reporting currency.

Net new money inflows for 2010 totalled CHF 5.9 billion. Relative to GAM's asset base at the beginning of 2010, this result corresponds to a growth rate of 11.6%, well above our mid-term target rate of 6–10%. It is also a strong turnaround from the net outflows of CHF 4.2 billion experienced in 2009.

> AT GAM WE INVEST HEAVILY IN OUR OPERATIONAL INFRASTRUCTURE AND RISK MANAGEMENT SYSTEMS TO ENSURE THEY ARE THE BEST THEY CAN BE. THIS ENABLES OUR INVESTMENT MANAGERS TO FOCUS SOLELY ON GENERATING OUTPERFORMANCE FOR CLIENTS.
>
> *ANDREW HANGES, GLOBAL HEAD OF OPERATIONS, GAM*

GAM : KEY FIGURES[1]

	31.12.2010 CHF M	31.12.2009 CHF M	CHANGE FROM 31.12.2009 IN %
Net fee and commission income	367.2	364.5	1
Performance fees	83.7	15.7	433
Other operating income	19.4	15.1	28
Operating income	**470.3**	**395.3**	**19**
Personnel expenses	250.6	195.9	28
General expenses	67.2	66.3	1
Depreciation and amortisation	6.3	7.1	-11
Operating expenses	**324.1**	**269.2**	**20**
Profit before taxes	**146.2**	**126.1**	**16**
Assets under management (CHF bn)[2]	**53.6**	**51.0**	**5**
Change through net new money	*5.9*	*-4.2*	*240*
Change through market appreciation and currency movements	*-3.3*	*4.6*	*-172*
Change through acquisition	*-*	*8.8*	*-100*
Average assets under management (CHF bn)	53.9	46.4	16
Gross margin (basis points)	87.3	85.2	-
Cost/income ratio	68.9%	68.1%	-
Pre-tax margin (basis points)	27.1	27.2	-
Number of full-time employees	**757**	**750**	**1**

1 Excludes the amortisation of customer relationships of CHF 11.7 million for 2010. Please refer to Note 10 of GAM Holding AG's Consolidated Financial Statements for a full breakdown of segmental reporting.

2 Included in GAM's assets under management, on a single count basis, are assets sourced from **UBS** of **CHF 5.5 billion** (31.12.2009: CHF 7.1 billion); and from **Julius Baer** of **CHF 2.2 billion** (31.12.2009: CHF 3.1 billion).

Substantial net inflows were recorded into our fixed income range, including the funds GAM sub-advises for Swiss & Global Asset Management. While client investments into fixed income absolute return products were somewhat slower in the second half of the year, inflows into our local emerging markets strategies picked up considerably as the year progressed.

Strong contributors to net new money also included our Asian and US equity strategies and single manager absolute return products, in particular our new UCITS III alternative range. This development highlights the ongoing shift in client preferences towards single manager and onshore products – a trend that we were able to capture thanks to the diversification of our offering. The same trend, however, is impacting flows into our funds of hedge funds range and our Managed Portfolios business where private clients continued to withdraw assets, particularly from offshore structures. However, these outflows slowed considerably during 2010 and were meaningfully countered by private investors' growing focus on single manager onshore products, where GAM has strived to establish a leading position with a range of attractive offerings.

> I BELIEVE WHAT DIFFERENTIATES OUR UCITS III RANGE IS WHAT DEFINES GAM — INDUSTRY-LEADING MANAGERS, RIGOROUS RISK CONTROL AND HIGH-QUALITY CLIENT SERVICING.
>
> *CRAIG WALLIS, GLOBAL HEAD OF INSTITUTIONAL & FUND DISTRIBUTION, GAM*

By contrast, we have increased our penetration of the institutional market in our funds of hedge funds business. Institutions make up an increasing proportion of our asset base and are set to replace private clients as our largest client group in this field. Offshore fund structures remain attractive within the largely non-taxable institutional space and our alternative strategies that have a low correlation to equity markets have proved particularly successful. This brought us some considerable wins in 2010 and a solid pipeline of potential business for 2011.

Our efforts to broaden our distribution capabilities through the rapid development of a full-service wholesale and institutional coverage model for Europe, the US and Asia are on track. Inflows and assets from these channels reached an all-time high in 2010, demonstrating our progress in diversifying our client base.

FINANCIAL RESULTS

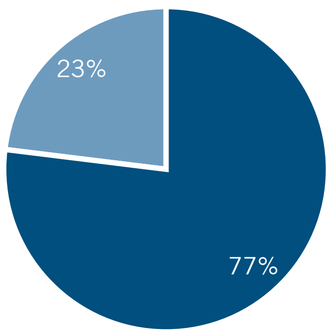
GAM's **operating income** in 2010 was CHF 470.3 million, up 19% from 2009. Net fee and commission income rose slightly (by 1%) to CHF 367.2 million, while performance fees saw a steep increase, rising by CHF 68.0 million to CHF 83.7 million. The realisation of performance fees is spread throughout the year, but in 2010 performance fee contribution was stronger during the first half of the year, reflecting the mid-year booking of significant fees from our fixed income products.

GAM's **gross margin** increased by 2.1 basis points to 87.3 basis points, driven by performance fee development and the rapid growth of assets in our fixed income range. Although variable, performance of these assets is measured relative to a benchmark and the resulting performance fees tend to be more stable than the absolute-based fees generated in typical equity or macro hedge funds. Excluding performance fees, the gross margin in 2010 was 71.7 basis points, approximately 10 basis points lower than in 2009, reflecting the development of our asset base on the back of the increased diversification of our offering. Over the medium term, we expect to generate a blended gross margin including performance fees ranging between 73 and 80 basis points, in line with the projected evolution of our business and product mix.

Operating expenses increased by 20% to CHF 324.1 million. Personnel expenses were 28% higher than in the previous year, partly as a result of increased net fees and commissions, combined with higher performance fees, leading to higher contractual-based payments to our investment professionals. Personnel costs were also affected by the accounting impact of the options awarded under the long-term incentive plan introduced for all Group employees in late 2009. Despite ongoing investment in product innovation and sales and marketing initiatives to bolster our distribution strength, general and administrative expenses were practically stable at CHF 67.2 million.

GAM's **pre-tax profit** rose 16% year-on-year to CHF 146.2 million (compared to CHF 126.1 million in 2009). The **cost/income ratio** for 2010 was 68.9% (compared to 68.1% in 2009). This is above the range of 60–65% that we seek to achieve over the medium term through asset growth generated by leveraging our scalable infrastructure.

GAM : PERFORMANCE OF STRATEGIES AGAINST BENCHMARKS OVER 3 YEARS



[1] The assets under management analysed include all strategies that are distributed to GAM's wholesale and institutional client base.

AS OF 31 DECEMBER 2010

DELIVERING TRULY ACTIVE ASSET MANAGEMENT

AN INTERVIEW WITH DAVID M. SOLO, CEO, GAM AND SWISS & GLOBAL ASSET MANAGEMENT

WHAT ARE THE REAL MERITS OF ACTIVE MANAGEMENT?

Active management enables investors to seize unique opportunities, particularly when asset prices deviate from their fundamental value, or where it pays to take a contrarian view. But it's an approach that requires a long-term time horizon – it is not suited to short-term or half-hearted investors or to mandates where the objective is to keep the tracking error to a minimum. An active manager inevitably needs to deviate from the index and tolerate short-term drawdowns.

DON'T CRITICS STATE THAT THE AVERAGE ACTIVELY MANAGED FUND UNDERPERFORMS THE INDEX?

Index returns are a reflection of the performance of overall market assets, of which actively managed mandates still account for the great majority. Thus, the observation that the average fund underperforms its market merely reflects the fact that the return of the market, after deducting a management fee, is less than the gross return of the market before any fees or commissions. This is not particularly useful or enlightening information, but there is a subtler truth behind it. And this is that a very large proportion of so-called active funds either differ too little from their index or are unwilling to allow enough short-term deviation from their index to produce – on average – any added value. It is not that active management cannot be executed in a way that produces meaningful long-term value; it can. It is that extensive industry pressures and, significantly, the inadvertent negative impact of clients' focus on short-term performance lead most 'active' managers to operate in a manner likely to lead to underperformance.

David M. Solo : CEO, GAM and Swiss & Global Asset Management

WHAT DOES IT TAKE TO BE A SUCCESSFUL ACTIVE MANAGER?

It comes down to a combination of the quality of your investment professionals and the establishment of an environment which, while continuously monitoring risks, nonetheless supports the volatility and non-consensus positions required to achieve great long-term results. You need experienced, senior investors capable of truly independent thinking combined with rigorous, bottom-up due diligence – as well as the skills and conviction not to follow the herd, balanced with a healthy respect for the market. For investment talent to thrive, it is critical that you create an environment that takes account of the challenges on both the manager's and the client's side. Modern reporting tools are very efficient, but by making constant reference to indices, they can encourage a short-term perspective that is counterproductive to long-term performance. So it is the subtle balance of encouraging talented, proven investors to place conviction bets, while constantly ensuring that we challenge ourselves to factor in new information, changed circumstances, or the simple evidence that any given line of investment is simply proving incorrect.

Q

HOW DO INVESTORS IDENTIFY THE 'GOOD' ACTIVE MANAGERS?

A

Besides performance, a good high-level indicator is the stability of the investment and sales teams at a company. It is also worth digging deeper and taking full advantage of the transparency good managers should offer. For example, do the teams at a particular firm demonstrate the ability and intellectual flexibility to understand complex macroeconomic developments and how they are interlinked? Do they generally get to the right conclusions and are they able to translate their views into compelling investment strategies? Do they seek out unexplored areas of the market or do they just take consensus bets? Is their approach to due diligence, risk management and liquidity solid and tested? How do the managers perform in challenging markets? Given bull markets tend to make the least risk-aware investors look better than the reality, the best way to make money in the long run is to limit losses during challenging times. This type of research takes time, but it is more meaningful than just looking at past performance.

Q

WHAT ARE THE PRIORITIES FOR YOUR TWO BUSINESSES IN 2011?

A

At GAM, we need to continue on the path we have embarked upon, by focusing our resources on those areas that have the greatest interest for clients and becoming more efficient in pursuing these growth opportunities. We also have to complement GAM's acknowledged strength for independent thinking in investment management with a powerful and autonomous distribution engine. We will do this step by step. GAM has demonstrated the ability to use its inherent skills and expertise to innovate its product offering – this has created the pre-requisites for renewed growth, which I am very confident we will achieve.

At Swiss & Global Asset Management, we need to sharpen our value proposition by focusing on compelling and distinctive long-term investment themes encompassing different asset classes and products. We have invested heavily in product quality and, with our funds increasingly building the kind of performance track records needed to compete successfully, our value proposition is very competitive and gives us a good starting position for 2011.

SWISS & GLOBAL ASSET MANAGEMENT

BUSINESS DESCRIPTION

BUSINESS FOCUS

Swiss & Global Asset Management offers a comprehensive range of investment funds, tailored solutions for institutional clients and customised private labelling services.

As an active asset manager, we aim to be a market-leading provider of competitive and reliably performing traditional, actively managed equity and fixed income funds, as well as innovative, theme-based and absolute return-oriented products. Our ability to deliver alpha and beta, combined with the agility to react to evolving trends in investor demand, enable us to offer relevant products in all market environments.

A high degree of precision, efficiency, risk awareness and client service as well as continuous product development are our guiding principles in the implementation of our business strategy. The combination of our Swiss roots and our global distribution strength forms the basis of our success. Our operational platform is highly scalable and offers significant potential for the creation of operating leverage.

Our investment process aligns decision-making, implementation and accountability. Each investment team defines and implements its strategy in its area of expertise based on its assessment of market opportunities, taking calculated risks and constantly reviewing the positioning of portfolios. The skills of the 50-plus in-house portfolio managers are complemented by select third-party managers with proven expertise in specialised niche areas. Independent risk control specialists monitor overall risk exposure as well as compliance with investment guidelines on a daily basis, providing visibility on all positions in a portfolio.

Swiss & Global Asset Management is headquartered in Switzerland, where it is one of the top five fund providers in terms of market share (according to the Lipper Swiss FundFlows Insight Report). We are one of the leading fund managers in Europe, reflecting our long-standing presence in our core markets of Switzerland, Germany and Italy. At the end of 2010, we employed 279 staff in eight locations (Switzerland, Germany, Italy, Luxembourg, Spain, UK, Hong Kong and the Cayman Islands). The business maintains a network of around 1,000 distribution partners in over 30 countries.

PRODUCTS AND SERVICES

Based on a global licence agreement with Julius Baer Group Ltd., Swiss & Global Asset Management is the exclusive manager of the **Julius Baer investment funds.** The use of this established brand – one of the most valued and respected financial services brands in Europe – is a significant competitive advantage. Julius Baer funds stand for reliable performance, fair pricing and outstanding service. The product range includes over 100 funds, distributed through independent third-party wholesale intermediaries. The costs of the licensing agreement amount to approximately 5% of the net revenues generated by the Julius Baer investment funds.

In addition, we provide **tailored investment solutions for institutional clients**. This offering includes a broad range of institutional funds, designed to act as standardised components in a customised portfolio. Our range of institutional mandates has demonstrated consistent outperformance and we aim to focus on those client segments seeking higher-performing active managers as opposed to relatively passive and minimum-fee solutions.

Private label funds are the third business area of Swiss & Global Asset Management. These funds are tailored products set up for banks, insurers, independent asset managers and institutional investors, where we provide parts of the value chain, such as the structuring, legal set-up and administration of the fund. Having designed and launched over 160 private label funds regulated in Luxembourg, Switzerland and the Cayman Islands, our experience makes us one of the market leaders in this field.

> THE DIVERGENCE BETWEEN DEVELOPED AND EMERGING ECONOMIES CREATES EXTRAORDINARY INVESTMENT OPPORTUNITIES — AND WE ARE UNLOCKING THEM FOR OUR CLIENTS.
>
> *STEFAN ANGELE, HEAD OF INVESTMENT MANAGEMENT, SWISS & GLOBAL ASSET MANAGEMENT*

SWISS & GLOBAL ASSET MANAGEMENT : FUND RANGE

	Actively managed core	**Emerging markets**	**Themes/satellites**
Julius Baer equity and alternative investment funds	• Global and regional	• Global and regional	• Commodities • Energy • Infrastructure • Life sciences
	Actively managed core	**Absolute return**	**Satellites**
Julius Baer bond funds	• Global and regional	• Global and emerging markets	• Emerging markets • High-yield • Inflation-linked
	Relative return	**Total return**	
Julius Baer asset allocation funds	• Global and regional	• Global and multi-asset class solutions	

STRATEGIC PRIORITIES

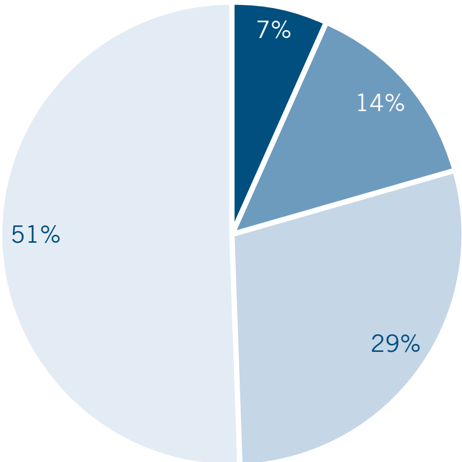
INVESTMENT FUNDS

Product innovation and time-to-market are essential if we are to capture evolving trends in client demand. A key driver in product development is our belief that the paradigms for economic growth have fundamentally changed. This 'new economic world order' is characterised by fundamental long-term trends. Demographic development, urbanisation and industrialisation will change the demand for healthcare, branded consumer and luxury goods, food, energy, technology, financial services and travel in emerging economies, making them attractive markets for global companies across a range of sectors. Economic development will also drive demand for commodities and precious metals. On a global level, the divergence between emerging and developed economies in terms of growth cycles, trade and monetary policies is likely to increase.

We have already launched a number of funds to capture the investment opportunities offered by these trends. They form the building blocks for a comprehensive new product offering. In 2010, we launched six new equity funds and three precious metal funds which were met with encouraging interest from investors. We are now looking at sharpening the focus of our offering with an ambitious plan for further new product launches in 2011.

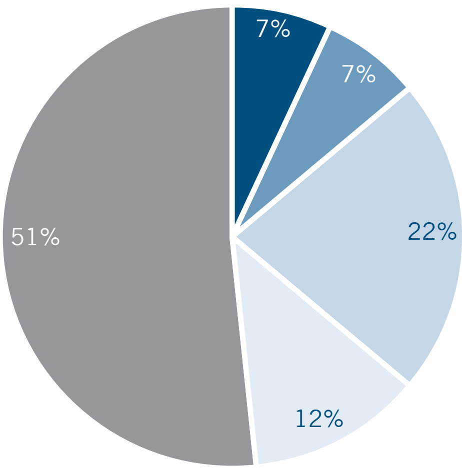
> FROM OUR LEADING POSITION IN EUROPE, WE ARE DETERMINED TO MAKE OUR EXPANSION INTO NEW MARKETS OUR NEXT SUCCESS STORY.
>
> *MICHELE PORRO, HEAD OF SALES & DISTRIBUTION, SWISS & GLOBAL ASSET MANAGEMENT*

SWISS & GLOBAL ASSET MANAGEMENT AUM BY CLIENTS : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Julius Baer private clients	7%	7%
Institutional clients	14%	16%
Wholesale fund distribution	29%	23%
Private label funds	51%	54%

SWISS & GLOBAL ASSET MANAGEMENT AUM BY PRODUCTS : AS OF 31 DECEMBER 2010



	31.12.2010	31.12.2009
Equity	7%	10%
Commodities	7%	4%
Fixed income	22%	21%
Absolute return/hedge	12%	11%
Private label funds	51%	54%

In the meantime, our Zurich-based investment management team has significantly enhanced the quality of our more established products. Since September 2009, for instance, it has turned around investment performance in our in-house fixed income range and is building a strong track record, which should serve us well going forward. On the equity side, we maintain a very broad range of core and thematic funds that typically have solid performance and long track records. Investment performance is a pre-requisite if our funds are to have the scale required to compete effectively in the marketplace.

INSTITUTIONAL BUSINESS

During 2010, we started repositioning the institutional business to concentrate on countries and mandates with the strongest potential for profitable growth. Outside Europe, we are working successfully with clients in Chile and Peru and continue to expand our relationships in the Middle East and Asia. In the saturated Swiss pension fund market, we are focusing on profitable mandates whilst de-emphasising smaller ones, and on investing in the build-up and retention of a client base that is prepared to reward quality active investment management.

PRIVATE LABEL FUNDS

Following its exceptional growth in 2009, the private label fund business has reached a substantial size, encompassing 51% of Swiss & Global Asset Management's asset base. Given our competitively priced service offering and the high costs associated with a switch of providers, client assets in this business are typically extremely stable once acquired. Despite the comparatively low margins of this business line, it offers high operating leverage and remains an important contributor to our overall profitability. Our expertise enables us to focus increasingly on more complex mandates, which offer higher fee levels and better differentiate our capabilities from the marketplace.

DISTRIBUTION

The ongoing expansion of our global footprint remains one of our top priorities.

In 2010 we took decisive steps to expand our onshore presence in Europe, complementing our long-standing strength in Switzerland, Germany and Italy. In October, we opened an office in Madrid to service local institutional and intermediary clients. Its primary focus will be the sale of the Luxembourg-based Julius Baer funds registered in Spain. In the UK, we established our onshore presence in October 2010 and appointed a new experienced leadership team in early 2011. This will allow us to expand our client relationships with local funds of funds, insurance companies and financial intermediaries in this important market.

Building on this position of strength, we are focusing on extending our reach to new growth markets, for instance in the Nordic and Baltic regions. Outside Europe, we made progress in penetrating the Asian market during 2010 through a partnership with Concord Capital Management in Taiwan and a sales cooperation with GAM in Japan.

We also continuously evaluate potential acquisitions that might complement the organic expansion of our distribution capabilities. Such opportunities may involve, for instance, the take-over of asset management businesses that are divested by European banking groups, where we can enter into a distribution partnership with the previous owners of these businesses.

2010 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

At Swiss & Global Asset Management, **assets under management** at the end of 2010 were CHF 80.4 billion, CHF 7.4 billion or 10% higher than on 31 December 2009. This increase reflects robust net new money inflows and a positive impact from market performance, partly offset by the significant strengthening of our Swiss franc reporting currency against major currencies, in particular the euro.

SWISS & GLOBAL ASSET MANAGEMENT : KEY FIGURES[1]

	31.12.2010 CHF M	31.12.2009 CHF M	CHANGE FROM 31.12.2009 IN %
Net fee and commission income	203.2	159.8	27
Performance fees	5.8	1.8	222
Other operating income	8.1	4.9	65
Operating income	**217.1**	**166.4**	**30**
Personnel expenses	66.3	61.2	8
General expenses	50.4	47.3	7
Depreciation and amortisation	0.6	4.7	-87
Operating expenses	**117.3**	**113.2**	**4**
Profit before taxes	**99.8**	**53.2**	**88**
Assets under management (CHF bn)	**80.4**	**73.0**	**10**
of which traditional business	*39.6*	*33.5*	*18*
of which private label funds	*40.8*	*39.6*	*3*
Change through net new money	*9.7*	*7.9*	*23*
Change through market appreciation and currency movements	*-1.9*	*6.6*	*-129*
Change through deconsolidation and rebranding	*-0.4*	*1.5*	*-127*
Average assets under management (CHF bn)	79.0	64.9	22
Gross margin (basis points)	27.5	25.6	-
Cost/income ratio	54.0%	68.0%	-
Pre-tax margin (basis points)	12.6	8.2	-
Number of full-time employees	**279**	**266**	**5**

[1] Please refer to Note 10 of GAM Holding AG's Consolidated Financial Statements for a full breakdown of segmental reporting.

Net new money inflows for 2010 rose 23% and totalled CHF 9.7 billion, their highest level ever. Relative to the asset base at the beginning of 2010, this corresponds to a growth rate of 13.3%, exceeding our mid-term target rate of 8–12%.

The greatest contributors to net new money, particularly in the first half of the year, were the fixed income funds sub-advised by GAM and distributed by Swiss & Global Asset Management. The physical precious metal fund range also continued to attract client assets, while inflows into equity funds remained muted throughout 2010. Inflows from institutional clients, in particular in Germany, Chile and Peru, were offset by the closure of smaller mandates in Switzerland, which resulted from our efforts to reposition the business to focus on clients with a real interest in active investment management and on growth regions. Net inflows into the private label funds business were lower than in 2009, when the business experienced extraordinary growth, but were nonetheless robust and the pipeline of future business remains healthy.

FLAWLESS EXECUTION DEPENDS ON RIGOROUS RISK CONTROL AND STRONG OPERATIONAL PRACTICES. IT IS ONLY WHEN THESE FOUNDATIONS ARE IN PLACE THAT WE CAN CREATE INNOVATION FOR OUR CLIENTS.

MARTIN JUFER, HEAD OF PRODUCTS & SERVICES, SWISS & GLOBAL ASSET MANAGEMENT

FINANCIAL RESULTS

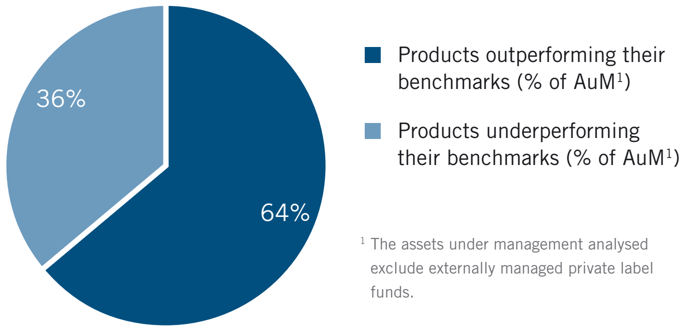
Operating income in 2010 rose 30% to CHF 217.1 million. This increase was mainly driven by a 27% rise in net fee and commission income, resulting from the growth of our asset base. Performance fees also increased, to CHF 5.8 million (compared to CHF 1.8 million in 2009), mostly generated from institutional segregated accounts and funds.

Swiss & Global Asset Management's **gross margin** was 27.5 basis points, in line with our expected medium-term run-rate of 26–29 basis points. This represents an increase on 2009's gross margin, which was 25.6 basis points, driven by stronger asset growth in our investment funds relative to our private label funds business and by the higher contribution from performance fees.

Operating expenses increased by 4% year-on-year to CHF 117.3 million. Higher variable compensation, which rose in line with improved financial performance, drove personnel costs up, as did the accounting impact of the options awarded under the long-term incentive plan introduced for all Group employees in late 2009. General expenses rose modestly (by 7%), driven by the build-out of a standalone infrastructure and the development of the product range.

Swiss & Global Asset Management's **pre-tax profit** rose by 88% to CHF 99.8 million (CHF 53.2 million in 2009). The **cost/income ratio** for the business in 2010 was 54%, a significant improvement from the 68% recorded in 2009 and in line with our medium-term target range of 53–58%.

SWISS & GLOBAL ASSET MANAGEMENT : PERFORMANCE OF PRODUCTS AGAINST BENCHMARKS OVER 3 YEARS



[1] The assets under management analysed exclude externally managed private label funds.

AS OF 31 DECEMBER 2010

CORPORATE GOVERNANCE

BACKGROUND

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

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

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

The corporate governance information in this Annual Report is presented in accordance with (a) the Corporate Governance Directive of SIX Swiss Exchange that entered into force on 1 July 2002 and was revised as of 1 July 2009 (the "Corporate Governance Directive"), and (b) the guidelines and recommendations of the "Swiss Code of Best Practice for Corporate Governance" of the Swiss business association economiesuisse dated 25 March 2002 including Appendix 1, "Recommendations on compensation for board of directors and executive board" dated 6 September 2007, which takes into account the articles $663b^{bis}$ and 663c paragraph 3 of the Swiss Code of Obligations that entered into force on 1 January 2007.

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

The following information corresponds to the situation as at 31 December 2010.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 OPERATIONAL GROUP STRUCTURE OF GAM HOLDING AG

The consolidated companies are disclosed in Note 24.

The diagram below reflects the holding structure and business operating model of the Group introduced on 1 October 2009, including the composition of the Executive Board of GAM Holding AG in effect since 1 October 2009. GAM Holding AG is organised and operates as a financial holding company which from time to time may own and control one or more operating businesses. Although GAM Holding AG and the operating businesses are consolidated for financial reporting and regulatory supervisory purposes, the operating businesses are run as largely autonomous operating businesses, subject always to the non-delegable responsibilities and the oversight of the Board of Directors.

GAM Holding AG continues to hold a 28% stake in Artio Global Investors Inc. following the successful IPO of that company on the New York Stock Exchange in September 2009.

GAM HOLDING AG

BOARD OF DIRECTORS

Johannes A. de Gier – Chairman
Daniel Daeniker
Diego du Monceau
Dieter A. Enkelmann
Hugh Scott-Barrett

EXECUTIVE BOARD

Johannes A. de Gier – CEO
Andrew M. Wills – Group CFO
Scott Sullivan – Group General Counsel

OPERATING BUSINESSES

GAM

David M. Solo
– CEO, GAM

SWISS & GLOBAL ASSET MANAGEMENT

David M. Solo
– CEO, Swiss & Global Asset Management

1.2 SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG each of the following shareholders held more than 3% of the voting rights in GAM Holding AG as of 31 December 2010[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 NOTIFICATION**
Shareholder/participant			
GAM Holding AG[2]	8.66%[7]	1.31%[8]	**9.97%**
Davis Selected Advisers L.P.[3]	4.95%	-	**4.95%**
BlackRock Inc.[4]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[5]	3.25%	-	**3.25%**
Fidelity[6]	3.01%	-	**3.01%**

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 GAM Holding AG, Zurich, Switzerland.
3 Davis Selected Advisers L.P., Tucson, USA.
4 BlackRock Inc., New York, USA.
5 Credit Suisse Asset Management Funds AG, Zurich, Switzerland, as manager of collective investment schemes.
6 FIL Limited, Hamilton, Bermuda.
7 GAM Holding AG also has a sale position of GAM Holding AG shares of 14.74% related to the options granted under the Company's Long-Term Incentive Plan.
8 GAM Holding AG holds 17,894,588 or 8.66% treasury shares. Additionally GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.31% of shares in issue. For further details please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, which were disclosed during the year 2010, can be found under the following link by inserting "GAM" as the company name:
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Based on notifications received by GAM Holding AG each of the following shareholders held more than 3% of the voting rights in GAM Holding AG as of 31 December 2009[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 NOTIFICATION**
Shareholder/participant			
Davis Selected Advisers L.P.[2]	8.46%	-	**8.46%**
BlackRock Inc.[3]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[4]	3.25%	-	**3.25%**
Harris Associates L.P.[5]	3.02%	-	**3.02%**

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 Davis Selected Advisers L.P., Tucson, USA.
3 BlackRock Inc., New York, USA.
4 Credit Suisse Asset Management Funds AG, Zurich, Switzerland, as manager of collective investment schemes.
5 Harris Associates L.P., Chicago, USA.

1.3 CROSS-SHAREHOLDINGS

There are no cross-shareholdings between GAM Holding AG and its subsidiaries or third-party companies.

2. CAPITAL STRUCTURE

2.1 CAPITAL

As of 31 December 2010, ordinary share capital in the amount of CHF 10,331,537.80 existed. There is no authorised capital.

The share capital, which is fully paid, consists of 206,630,756 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 10265962; ISIN CH0102659627) are listed on SIX Swiss Exchange and are a component of the Swiss Market Index Mid (SMIM).

2.2 CONDITIONAL CAPITAL

The Company's share capital may be increased by the issue of up to 10,000,000 registered shares, to be fully paid and each with a par value of CHF 0.05, in a maximum total amount of CHF 500,000, through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Existing shareholders are excluded from such subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares is subject to the entry limitations as set forth in Article 4.3 et seq. of the Articles of Incorporation.

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

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

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

2.3 CHANGES OF CAPITAL

The description of the changes of capital in the last two years is disclosed in Note 20 of the Consolidated Financial Statements. For the description of any changes of capital in 2008 kindly refer to the Julius Baer Holding Ltd. Annual Report for the year 2008.

2.4 SHARES AND PARTICIPATION CERTIFICATES

	2010	2009 [1]
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 (all entitled to dividends)	206,630,756	206,630,756

[1] By resolution of the Ordinary Annual General Meeting on 8 April 2009, 4,403,500 Julius Baer Holding Ltd. registered shares held by the company itself were cancelled in connection with a corresponding decrease of the share capital.

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

There are no participation certificates.

2.5 BONUS CERTIFICATES

There are no bonus certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

The Company keeps a share register in which the owners and usufructuaries of the registered shares are entered with their name, address nationality and place of incorporation in the case of legal entities. In relation to the Company, any person entered in the share register shall be deemed to be the shareholder.

The registered shares of the Company are issued as uncertificated securities and registered as intermediated securities. At any time however, 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 Intermediated Securities Act. In order to be valid vis-à-vis the Company, a transfer of uncertificated shares by assignment requires a notification of such transfer to the Company.

A person who acquires registered shares shall, upon application, be entered into the share register as a shareholder with voting rights, provided that such person expressly acknowledges that he/she has acquired the shares in his/her own name and for his/her own account. If the person acquiring registered shares does not provide such acknowledgement, the Board of Directors may, and typically will, refuse the entry 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. Further details are set out in Article 4.4 of the Articles of Incorporation.

2.7 CONVERTIBLE BONDS AND OPTIONS

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in section 5 and in Note 22 of the Consolidated Financial Statements.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

From left to right: Diego du Monceau, Hugh Scott-Barrett, Johannes A. de Gier, Daniel Daeniker and Dieter A. Enkelmann

All the members of the Board of Directors of GAM Holding AG are non-executive members, with the exception of Johannes A. de Gier who is also the Chief Executive Officer of GAM Holding AG.

JOHANNES A. DE GIER, CHAIRMAN OF THE BOARD AND CEO OF GAM HOLDING AG

Johannes A. de Gier was elected to the Board of Directors of GAM Holding AG in 2009 and subsequently appointed Chairman and CEO, following the independent listing of the Company. He also chairs the Governance and Nomination Committee. Prior to the separation of the Company from the Julius Baer group, Johannes A. de Gier was President of the Group Executive Board and Group CEO of Julius Baer Holding Ltd. from 2005 to 2008, and from 2008 to 2009 he was CEO of Bank Julius Baer. He led the integration of SBC Wealth Management (GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) as Chairman of the Board of Directors from 2002 until the sale to Julius Baer in 2005. Johannes A. de Gier was Executive Vice Chairman of the Board of Directors of UBS until 2003. Before his election to the Board in 2001, Johannes A. de Gier held several senior management roles at UBS and its predecessor, Swiss Bank Corporation. He joined Swiss Bank Corporation in 1980 and became Chairman and CEO of Warburg Dillon Read, its investment banking business, and a member of the Group Executive Board of Swiss Bank Corporation in 1991. Johannes A. de Gier holds a degree in law from the University of Amsterdam. He was born in 1944 and is a Dutch citizen.

DANIEL DAENIKER, MEMBER OF THE BOARD OF DIRECTORS

Daniel Daeniker was elected to the Board of GAM Holding AG in 2010 where he also serves as a member of the Compensation Committee and of the Governance and Nomination Committee. Daniel Daeniker has spent the majority of his professional career with Homburger AG, one of Switzerland's leading law firms based in Zurich, which he joined in 1991 and where he was appointed as a partner in 2000. His practice focuses on mergers & acquisitions, equity capital markets, financial services regulation and corporate governance. Daniel Daeniker is also a lecturer in law at the University of Zurich from which he earned a PhD in 1992, having been admitted to the bar in 1990. He further earned an LL.M at The Law School of the University of Chicago. He was born in 1963 and is a Swiss citizen.

DIEGO DU MONCEAU, MEMBER OF THE BOARD OF DIRECTORS

Diego du Monceau was elected to the Board of GAM Holding AG in 2010 where he also serves as a member of the Audit Committee and of the Governance and Nomination Committee. Diego du Monceau is currently Chairman of the Board of the 3 Suisses International Group. He is also an independent board member of a number of retailing companies and of different financial institutions in Belgium and Luxembourg. He started his career in Investment Banking and Corporate Finance at White Weld, Merrill Lynch and Swiss Bank Corporation in New York and London. Between 1985 and 2002, Diego du Monceau held different roles at the leadership of GIB Group (Belgium's top retailer at the time), where he was Managing Director, Chief Executive Officer and Vice Chairman of the Board. He is one of the founders, a member of the Board of Directors and presently the Chairman of the Investment Committee of a small regional development fund in Belgium. Diego du Monceau holds a degree in commercial engineering from the Solvay Business School of Brussels University and an MBA from Harvard Business School. He was born in 1949 and is a Belgian citizen.

DIETER A. ENKELMANN, CHAIRMAN OF THE COMPENSATION COMMITTEE

Dieter A. Enkelmann was elected to the Board of GAM Holding AG in 2009 and also appointed as Chairman of its Compensation Committee. He further serves as a member of the Audit Committee. Dieter A. Enkelmann is currently Group Chief Financial Officer and a member of the Executive Board of Julius Baer Group Ltd. and Bank Julius Baer, a role he also held with Julius Baer Holding Ltd. prior to the separation of its asset management and private banking businesses. Before joining Julius Baer in this position in 2006, he was Chief Financial Officer of Barry Callebaut, the world's leading supplier of cocoa and chocolate products, and until 2003, Head of Corporate Financial Management and Investor Relations at Swiss Re. Dieter A. Enkelmann started his career at Credit Suisse, in Investment Banking and Corporate Finance and holds a law degree from the University of Zurich. He was born in 1959 and is a Swiss citizen.

HUGH SCOTT-BARRETT, CHAIRMAN OF THE AUDIT COMMITTEE

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

CHANGES IN THE BOARD OF DIRECTORS

At the Ordinary Annual General Meeting on 13 April 2010, Daniel Daeniker and Diego du Monceau were elected for a two-year term of office as members of the Board of Directors. They took up the positions with effect from 13 April 2010.

3.2 OTHER ACTIVITIES AND FUNCTIONS OF BOARD MEMBERS

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

JOHANNES A. DE GIER

None

DANIEL DAENIKER

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

DIEGO DU MONCEAU

Member of the Board of Directors and Chairman of the Audit Committee of ING, Belgium
Vice Chairman of the Board of Directors of Continental Bakeries, The Netherlands
Vice Chairman of the Board of Directors and member of the Audit Committee of Quest for Growth, Belgium
Founder, Member of the Board of Directors and Chairman of the Investment Committee of E-Capital I (2000) and E-Capital II (2007), Belgium
Member of the Board of Directors of WE International, The Netherlands
Member of the Board of Directors of Kredietbank Luxembourgeoise, Luxembourg
Member of the Board of Directors and Chairman of the Audit Committee of Euro Shoe Group, Belgium
Member of the Board of Directors of Foyer Finance, Luxembourg
Chairman of the Board of Directors of 3 Suisses International Group "3SI", France

DIETER A. ENKELMANN

Member of the Board of Directors of iNNutriGel, Switzerland
Member of the Board of Directors and Chair of Audit Committee of Cosmo Pharmaceuticals SpA, Italy

HUGH SCOTT-BARRETT

None

3.3 ELECTIONS AND TERMS OF OFFICE

The members of the Board of Directors are elected by the Ordinary Annual General Meeting for a maximum term of three years. The period between two Ordinary Annual General Meetings is deemed to be one year. The term of office for each director shall be fixed with his/her election. Members whose term of office has expired are immediately eligible for re-election. The maximum (cumulative) term of office for the members of the Board of Directors is, as a general rule, twelve years. Members who have reached their 67th year of age generally do not seek re-election after their term of office expires. In exceptional instances, however, the Board of Directors may propose the re-election of such a member to the Ordinary Annual General Meeting. The term of office of such a member of the Board of Directors ends automatically at the Ordinary Annual General Meeting in the year in which he/she completes his/her 70th year of age. The Board of Directors shall constitute itself.

3.4 THE OPERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

THE BOARD OF DIRECTORS

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

According to the Code of Obligations and the Articles of Incorporation of GAM Holding AG (Article 9), the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the Company and issue any necessary instructions;
b) to determine the organisation;
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;
f) to draw up the Annual Report and to prepare the Ordinary Annual General Meeting and implementation of its resolutions;
g) to make any necessary notifications in the event of insolvency.

In line with these duties, the Board of Directors assumes responsibility for the ultimate strategic direction, management supervision and control of the Company. The Board of Directors has established three Committees to assist it in discharging its non-transferable duties (see further below) and has delegated the day-to-day management of the Company and, for financial reporting and regulatory supervisory purposes, its oversight and control of the operating businesses, which are run as largely autonomous operating businesses in accordance with their own Organisational Rules, to the Executive Board.

The full Board of Directors has retained responsibility, in particular, for:

a) preparing all topics which fall within the competence of the Annual General Meeting (receiving support and advice from the Audit Committee in matters of financial reporting, dividend proposals and other capital management questions);
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) determining the overall risk framework policy of the Group as well as for accounting, financial controlling and strategic financial planning;
d) taking decisions, based upon advice and recommendations from the Executive Board, with respect to the formation, change in the capital or ownership, structure, change of legal form or the potential liquidation of direct subsidiaries;
e) succession planning relating to and the appointment of members of the Executive Board, including the Chief Executive Officer;
f) the appointment of the Group Head of Internal Audit.

The Board of Directors consists of five members, all of whom, apart from the Chairman, are non-executive. From among its members, the Board of Directors elects a Chairman, as well as the Chairmen and the members of the Committees of the Board of Directors. The Board of Directors meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed with the exception of the ascertainment resolution, any resolution concerning the amendment of the Articles of Incorporation, and the production of the capital increase report in the case of proposed capital increases. Resolutions are passed by an absolute majority of votes of members present. In the case of a tied vote, 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.

The members of the Executive Board of GAM Holding AG are invited to participate in the meetings of the full Board of Directors. The Board of Directors also regularly invites members of the management teams of the operating businesses to attend the meetings of the Board of Directors, to present and discuss specific topics relating to or affecting the operating businesses. The meetings of the Board of Directors generally take approximately half a day. The Board of Directors regularly discusses the strategic direction of the Group at its meetings. The purpose of these discussions is to analyse the positioning of the Group as well as to review and, if necessary, redefine its 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, carry 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 Committees are brought to the attention of the full Board of Directors.

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

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

JANUARY TO DECEMBER 2010

	FEB	MAR	MAR	JUN	AUG	SEPT	NOV	DEC	DEC	DEC
Johannes A. de Gier	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Daeniker[1]	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau[1]	n/a	n/a	n/a	✓	✓	✓	✓	✓	✓	✓
Dieter A. Enkelmann	✓	✓	✓	✓	✓	✓	E	✓	✓	✓
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

E = Excused

[1] Joined the Board of Directors at the Annual General Meeting in April 2010.

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

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

Members: Hugh Scott-Barrett (Chairman); Diego du Monceau; Dieter A. Enkelmann

COMPENSATION COMMITTEE

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

The Compensation Committee supports the Board of Directors in setting remuneration guidelines, approving remuneration levels and evaluating executive performance. In particular, the Compensation Committee is responsible for:

a) drafting, reviewing and implementing the compensation and benefits policies of GAM Holding AG, including retirement benefits, compensation plans and compensation governance for the Board of Directors and members of the Executive Board, including its Chief Executive Officer;
b) the review and approval of any compensation plans applicable to the Group as a whole and any compensation plan within the Group, which is linked to the shares of, and options over shares of, the Company;
c) determining the total compensation of the Chairman of the Board of Directors as well as of the members of the Executive Board including the Chief Executive Officer;
d) preparing and providing to the full Board of Directors compensation proposals relating to non-executive members of the Board of Directors;
e) approving the aggregate, variable compensation expenditure of the Group and reviewing individual compensation payments to be made to senior executives within the Group;
f) the review and approval of non-standard contracts of employment and termination agreements for the members of the Board of Directors, the Executive Board and other senior executives within the Group;
g) overseeing the compensation reporting to shareholders;
h) evaluating the performance of the members of the full Board of Directors and the Chief Executive Officer in meeting agreed goals and objectives.

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

Members: Dieter A. Enkelmann (Chairman); Daniel Daeniker; Hugh Scott-Barrett

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 principal responsibilities comprise:

a) long-term succession planning at the level of the Board of Directors;
b) the assessment and preliminary selection of potential new members of the Board of Directors, as well as preparing election recommendations of the Board of Directors for the Ordinary Annual General Meeting;
c) reviewing the appropriateness of continued service on the Board of Directors by members whose circumstances have changed;
d) overseeing the orientation process for newly elected members of the Board of Directors and assessing the adequacy of and need for continuing Director education programmes;
e) co-ordinating the regular evaluation of the Board of Directors and its Committees to determine whether they are functioning effectively and meeting their objectives and goals;
f) assessing candidates for and deciding on appointments and dismissals of the chairmen and members of the board of directors of direct subsidiaries;
g) supporting the Board of Directors with regard to succession planning at the level of the Executive 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;
i) overseeing that the Group has an adequate system and procedures for the education, development, performance review and orderly succession of senior managers throughout the Group.

The Governance and Nomination Committee consists of three members, the majority of whom are non-executive. The Governance and Nomination Committee convenes as often as necessary, at least once in each half-year. During the year under review the Governance and Nomination Committee held four meetings, which lasted on average about one hour. All the members of the Governance and Nomination Committee participated at all the meetings. The Governance and Nomination Committee can seek independent advice as deemed necessary. The Governance and Nomination Committee reports to the 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 goals every year.

Members: Johannes A. de Gier (Chairman); Daniel Daeniker; Diego du Monceau

3.5 EXECUTIVE BOARD

The Executive Board formulates and develops the overall strategy for the Company within the parameters established by the Board of Directors and is accountable to the Board of Directors for its implementation and for the Company's operating results. The Executive Board is delegated with ultimate responsibility for all of the day-to-day activities of the Company.

Consistent with GAM Holding AG's financial holding company structure, day-to-day management of the operating businesses is largely vested in the businesses themselves, with the Executive Board exercising an oversight responsibility for the activities of certain functions within the Group, including risk control, legal and compliance, finance and accounting, communications and investor relations. In that role the Executive Board monitors and evaluates financial and other risks, as well as compliance with rules governing equity capital, risk distribution and liquidity management.

The Executive Board is presided over by the Chief Executive Officer of GAM Holding AG who is responsible for ensuring the consistent development of the Group in accordance with defined business policies, for establishing the organisation of the Executive Board itself, and for representing the Executive Board in its relationship with the Board of Directors and third parties.

As of 31 December 2010 the Executive Board comprised Johannes A. de Gier as Chief Executive Officer of GAM Holding AG, Andrew M. Wills as Group Chief Financial Officer and Scott Sullivan as Group General Counsel.

3.6 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE BOARD

The Board of Directors supervises and controls the Executive Board through various control tools and processes. The Executive Board reports to the Board of Directors on a regular basis on its current activities, business performance, financial data, major risks and other material and significant issues or developments as they arise. The members of the Executive Board are invited to participate at meetings of the full Board of Directors and its Committees, to support those bodies in their decision-making processes, and to provide regular reporting on the day-to-day activities and risks facing the Company, and on their oversight of the operating businesses.

The Board of Directors is responsible for the appointment and dismissal, performance evaluation and remuneration of all members of the Executive Board.

Group Internal Audit supports the Board of Directors and its Committees in discharging their governance responsibilities. For more information on Group Internal Audit please refer to section 8.5 of this report.

4. SENIOR MANAGEMENT

4.1 MEMBERS OF THE EXECUTIVE BOARD

JOHANNES A. DE GIER, CHAIRMAN OF THE BOARD AND CEO OF GAM HOLDING AG

Johannes A. de Gier was elected to the Board of Directors of GAM Holding AG in 2009 and subsequently appointed Chairman and CEO, following the independent listing of the Company. He also chairs the Governance and Nomination Committee. Prior to the separation of the Company from the Julius Baer group, Johannes A. de Gier was President of the Group Executive Board and Group CEO of Julius Baer Holding Ltd. from 2005 to 2008, and from 2008 to 2009 he was CEO of Bank Julius Baer. He led the integration of SBC Wealth Management (GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) as Chairman of the Board of Directors from 2002 until the sale to Julius Baer in 2005. Johannes A. de Gier was Executive Vice Chairman of the Board of Directors of UBS until 2003. Before his election to the Board in 2001, Johannes A. de Gier held several senior management roles at UBS and its predecessor, Swiss Bank Corporation. He joined Swiss Bank Corporation in 1980 and became Chairman and CEO of Warburg Dillon Read, its investment banking business and a member of the Group Executive Board of Swiss Bank Corporation in 1991. Johannes A. de Gier holds a degree in law from the University of Amsterdam. He was born in 1944 and is a Dutch citizen.

SCOTT SULLIVAN – GROUP GENERAL COUNSEL

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

ANDREW M. WILLS – GROUP CHIEF FINANCIAL OFFICER

Andrew M. Wills was appointed Group Chief Financial Officer of GAM Holding AG and became a member of its Executive Board in 2009, following the Company's independent listing. Andrew M. Wills spent most of his career at GAM where he entered as Group Financial Controller in 1986 and was appointed to the Group Executive Business Committee in 2000. He held a number of senior roles within the group, including the position of Chief Financial Officer of SBC Wealth Management (which included GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) and of GAM (following the acquisition of SBC Wealth Management and the integration of the private banks by Julius Baer in 2005). Andrew M. Wills is a fellow of the Chartered Association of Certified Accountants. He was born in 1962 and is a British citizen.

CHANGES IN SENIOR MANAGEMENT

The composition of the Executive Board of GAM Holding AG has remained unchanged since 1 October 2009.

4.2 OTHER ACTIVITIES AND FUNCTIONS

In applying the Corporate Governance Directive and the corresponding commentary of the SIX Swiss Exchange, we disclose mandates and other formal relationships of such members of the Executive Board with exchange-listed domestic and foreign companies, as well as with domestic and foreign finance companies outside the Group.

Members of the Executive Board do not perform such activities and have no such relationships.

4.3 MANAGEMENT CONTRACTS

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

5. THE METHOD OF DETERMINING COMPENSATION – THE EQUITY PARTICIPATION PROGRAMMES

5.1 COMPENSATION PRINCIPLES

The Group's current compensation approach supports its strategic business plan and the culture and principles that promote sustained growth and an increase in shareholder value, without encouraging the taking of inappropriate risk.

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 composition of the elements within an individual's overall compensation is the result of the function and performance of the individual (including alignment with the Group's risk tolerances), market competitiveness and the Group's overall profitability. The benefits programme aims to be competitive with local market practices by targeting benefits at the median.

The Group has substantial amounts of variable compensation deferred in the form of stock options. These forms of reward are deferred for three years and employees are exposed to the long-term performance of the Company, as options will only become valuable to the extent that the Company's share price exceeds the exercise price. This effectively aligns the participants' interests with those of the Company and its shareholders. Further details, including on the implementation of these principles, are set out below.

5.2 COMPENSATION GOVERNANCE

5.2.1 BOARD OF DIRECTORS

The Board of Directors has established and implemented a Group Compensation Policy, which reflects the Group's overall approach to compensation including reflecting local regulatory requirements. The Policy is designed to reflect recent guidance from regulatory agencies, market practice, and to support the strategic development and profitability of the Company. The Group Compensation Policy contains rules for the determination of compensation for all employees of the Group including the Executive Board. With the support of Group Human Resources, the Board of Directors intends to regularly review this Group Compensation Policy to meet any important regulatory developments (including most recently the EU Capital Requirements Directive) and the objectives of the Company.

The Board of Directors has assigned the tasks set out below to the Compensation Committee.

5.2.2 COMPENSATION COMMITTEE

The Compensation Committee supports the Board of Directors in setting compensation guidelines, approving compensation levels and in evaluating executive performance.

The Compensation Committee is composed of three non-executive members of the Board of Directors. Members as of 31 December 2010 were Dieter A. Enkelmann who chairs the Committee, Daniel Daeniker and Hugh Scott-Barrett. The Compensation Committee is supported by advice from the Group Head of Human Resources, who regularly participates at the Committee meetings.

The Compensation Committee reviews and recommends any necessary amendments to the Group Compensation Policy. It also reviews and approves any compensation plan offered to the Group, as a whole and any compensation plan within the Group, which is linked to shares or options over shares in GAM Holding AG.

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

The Compensation Committee annually assesses the performance of the Chairman, the members of the Board of Directors and the Chief Executive Officer of the Company against previously agreed goals and objectives (see further below). The Chief Executive Officer evaluates the performance of the other members of the Executive Board on an ongoing basis and reports to the Compensation Committee on this topic.

The Compensation Committee approves the aggregate, variable compensation expenditure of the Group and reviews individual compensation payments to be made to senior executives within the Group. It determines the total compensation of the Chairman of the Board of Directors as well as of the members of the Executive Board of the Company, including the Chief Executive Officer. It also prepares and provides to the Board of Directors for its approval, all compensation proposals relating to non-executive members of the Board of Directors based upon input and recommendations from Group Human Resources. It also reviews and approves non-standard contracts of employment and termination agreements for the members of the Board of Directors, the Executive Board and other senior executives within the Group.

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

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

5.3 COMPENSATION COMPONENTS

FIXED COMPONENTS

5.3.1 BASE SALARY

This is the fixed, base element of the remuneration that gives current employees the guarantee of a regular income so that they can plan their financial affairs. The aim is to pay a market rate comparable to similar roles within the financial services industry. The base salary reflects the level of the employee's function and experience. External benchmarking is used to ensure that base salaries are in line with the market. Group Human Resources receives data from recognised market data providers, the choice of which may vary from location to location depending upon perceived quality and market penetration. Data sets are tailored to exclude certain sector participants, which are not considered appropriate comparables, such as insurance companies. Market data is, however, only one of the sources of information used. As a result of its recruitment activities, Group Human Resources has internal data on base salaries which have been needed to attract employees of the appropriate skills and experience for particular positions. Group Human Resources is assisted in its activities by external recruitment agencies with whom it maintains close and regular contact to ensure that it has as accurate and current an understanding of local hiring conditions as possible.

The Group's approach to recent regulatory developments has not been to artificially increase base salaries and thereby increase its fixed costs. Nor have base salaries of higher earners been increased to offset any local increases in personal taxation or employee social security contributions.

VARIABLE COMPONENTS

5.3.2. DISCRETIONARY BONUS

The purpose of the discretionary bonus is to annually reward and incentivise excellent performance and to align the success of the Company with that of the employee. Discretionary bonuses are intended to reflect the contribution to the overall success of the Company and are designed to take a long-term view of the Company's development. Bonus payments made to risk and control functions are not directly linked to the profitability of the business areas which they support so as to maximise the independence of such functions.

All employees, except those who participate in a formula-driven incentive, are eligible to receive a discretionary bonus. The proportion of an employee's total remuneration which is comprised of a discretionary bonus is likely to be higher amongst senior management, thereby encouraging greater responsibility and accountability for the operating results and risk profile of the Group.

The annual appraisal process is used to evaluate and measure an employee's performance against defined objectives. The SMART objectives concept is utilised, requiring objectives to be – Specific, Measurable, Achievable, Realistic and Time-bound.

An employee's primary annual objectives are agreed with his or her line manager at the start of each calendar year. Where agreed between the line manager and employee, weightings may be applied to these objectives. Objectives are linked to the risk appetite and culture of the Group and whilst some may be standardised within certain functions, most are tailored to the individual employee's role and responsibilities.

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

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

An overriding principle of the Group's performance measurement and bonus structure is to prohibit paying cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Company, either via direct balance sheet exposure or through the potential for other negative income events. The Group adopts the most conservative stance of only paying discretionary or formula bonus amounts based on income earned by the Group in each calendar year, excluding any income that reflects taking an up-front or net-present-value of theoretical future year profits. Generally, should an employee generate business that creates income of, for example, USD 300 over three years, his compensation would reflect the contribution of USD 100 in each of the three sequential annual bonus rounds, and then only if the employee remained employed for three years. If the Group were to engage in business activities where market practice dictated that annual bonus payments factor in the up-front accounting income created over multiple years, the Group would structure bonus payment to defer amounts into future years approximately proportionate with the amount and time profile of the associated income. In any such case, deferred bonus amounts would be paid only to the degree that the originally calculated profit actually crystallised in the accounts of the Group in the respective future year. Should such accounting profits fail to materialise then all such deferred amounts would be forfeited.

5.3.3 FORMULA BONUS

As is customary within the asset management industry, certain employees within the Group who are involved in the direct management of funds and segregated accounts and in the distribution of such products receive some or all of their annual variable compensation based upon an agreed formula. Formula-based remuneration for fund managers and their teams is standard practice within the core markets in which the Group operates, and is considered appropriate in order to attract and retain the best-quality investment professionals. It also transparently links and aligns the individual's interests with those of the investors in the funds and accounts which they manage. The formula will reflect the experience of the individuals concerned, the size of the team (where it is a team-based award), the level of assets managed and any performance fees earned for the successful management of such assets against defined benchmarks. Formula bonus payments may also be awarded to individuals or teams responsible for distribution activities. These payments, which typically form only a part of an individual's total variable compensation, are tied to sales volumes but are also linked to ongoing client servicing and are determined, and typically paid, over a multi-year horizon to align them with the longer-term profits generated by the Group as a result of such sales. Individual allocations within teams can be flexed to reflect individual contribution and performance. Where formula bonus payments form only part of an individual's total variable compensation the balance is comprised of a discretionary payment calculated as detailed in 5.3.2 above.

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

5.3.4 EQUITY PARTICIPATION PLANS

To align the interests of employees with the Company's shareholders and its ongoing development, the Company may, from time to time, issue restricted stock or share option plans. These plans typically involve a multi-year horizon so as to defer compensation and operate as a retention mechanism, including by the forfeiture of awards upon the termination of employment. Under the most recent such plan – the 2009 Long-Term Incentive Plan (details of which are included in 5.5 below) – the fraction of an employee's expected total compensation that is delivered via the plan increases with the seniority of the employee given the expectation that more senior managers must accept broader responsibility for overall Company results. For example, assuming a 10% annual appreciation in the Company's share price during a period of growing business performance, the fraction of an employee's expected total cumulative compensation over the three-year period derived from the equity participation plan would range between approximately 10% and 40%, with increasing management seniority.

5.3.5 BENEFITS

Benefits are provided to assist with the financial security of employees when they retire and to promote their well-being both in and out of the workplace. They vary from location to location depending upon local market conditions and consist of at least the minimum benefits required by law, such as sick pay, pensions and maternity/paternity leave.

5.4 COMPENSATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

5.4.1 CHAIRMAN

The compensation of the Chairman of the Board of Directors consists of a fixed annual payment (plus reasonable expenses) together with a fixed amount for each Committee of the Board of Directors of which he is a member. The level of payment was fixed by the Compensation Committee following a benchmarking exercise, which included consideration of the payments received by (a) board members of Swiss banks (including UBS, Credit Suisse, Vontobel and Julius Baer) and other Swiss-based financial institutions for which such data was published; (b) remuneration reports produced by Income Data Services (an independent research body) and PricewaterhouseCoopers (in association with Monks Partnership); and (c) data received from recruitment agencies. The level of this payment for 2010 was not increased from the previous year.

The Chairman of the Board of Directors does not currently receive any annual variable compensation, but is eligible to participate in any equity participation plans operated by the Company. The performance of the Chairman is reviewed on an annual basis by the Compensation Committee of the Board of Directors based upon the operating results of the Company. The Compensation Committee is also responsible for determining the total compensation payable to the Chairman.

5.4.2 BOARD OF DIRECTORS

The compensation of the members of the Board of Directors consists of a fixed annual payment (plus reasonable expenses), together with a fixed amount for each committee of the Board of Directors of which they are a member. The level of payment was fixed by the Board of Directors following a benchmarking exercise, which included consideration of the payments received by (a) board members of Swiss banks (including UBS, Credit Suisse, Vontobel and Julius Baer) and other Swiss-based financial institutions for which such data was published; (b) remuneration reports produced by Income Data Services (an independent research body) and PricewaterhouseCoopers (in association with Monks Partnership); and (c) data received from recruitment agencies. The level of this payment for 2010 was not increased from the previous year.

Members of the Board of Directors do not receive any annual variable compensation but may participate in equity participation plans operated by the Company.

5.4.3 EXECUTIVE BOARD

The compensation of members of the Executive Board, other than the Chief Executive Officer who receives only a fixed base salary, consists of a fixed base salary and a discretionary bonus.

The Company's approach to setting the base and variable compensation levels for members of the Executive Board is, in general, the same as that employed for other employees within the Group and is set out in detail in 5.3.1 and 5.3.2 above.

In setting the fixed component of compensation for members of the Executive Board, however, particular reference was made to those occupying similar positions within publicly listed Swiss and UK-based banking and asset management companies, which operate in multiple jurisdictions worldwide. Further, the variable component of compensation paid to members of the Executive Board specifically took into account the development of the Company, its share price and risk profile. These corporate objectives, taken together, amounted to approximately 50% of the overall weighting of factors used to determine the variable component. The variable component of compensation paid to members of the Executive Board amounted to an average of 65% of the fixed component.

The Compensation Committee determines the total compensation payable to members of the Executive Board following consultation with the Chief Executive Officer, who conducts the performance evaluations of the other members of that body.

All members of the Executive Board are eligible to participate in equity participation plans operated by the Company.

5.5 CURRENT EQUITY PARTICIPATION PLANS

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all Equity Participation Plans. The plans described in detail below reflect the situation as of 31 December 2010. The description includes plans issued prior to the separation of the former Julius Baer group on 1 October 2009, together with plans issued by the Company after that date. The registered shares of Julius Baer Holding Ltd. and GAM Holding AG requiring settling obligations under the Equity Participation Plans are either procured in the market or made available from additional share capital. More information on the Equity Participation Plans is disclosed in Note 22.

5.5.1 STAFF PARTICIPATION PLAN (JULIUS BAER HOLDING LTD.)

The Staff Participation Plan came into force on 1 January 2007 and granted the employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount defined every year. Information with regard to the Staff Participation Plan 2008 and 2009 can be found in Note 22. A similar plan was not offered in 2010.

5.5.2 2005/2007 LONG-TERM INCENTIVE PLANS (JULIUS BAER HOLDING LTD.)

The Long-Term Incentive Plans were aimed at employees who were considered to have a significant influence on the then Julius Baer group's long-term development and financial results, as well as at the members of the Board of Directors. The purpose of the plans was to strengthen the long-term commitment of the then group and to align the interests of the participants with those of shareholders by granting options over registered shares of Julius Baer Holding Ltd.

In line with the objectives of the plans, options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are participants entitled to the options, provided that such employees are in ongoing employment with the Group and that all other conditions of the plan are met. Until expiration of the vesting period, the Loteco Foundation (currently within the Julius Baer group) and the GAM

Employee Benefit Trust manage the options that have been allotted to the participants. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the plan on allocation date through the purchase of the corresponding shares. The financing of these shares is carried out by the respective employer companies. Options granted under the 2007 Long-Term Incentive Plan expired without value in December 2010.

5.5.3 2009 LONG-TERM INCENTIVE PLAN (GAM HOLDING AG)

Consistent with the Company's general approach to align the interests of employees with those of the Company's shareholders and its ongoing development, in 2009, the Company introduced a long-term incentive plan under which employees may be granted options over shares in the Company. All employees within the Group as at the date of the plan's creation in October 2009 received an award of such options. The level of individual awards was based upon a recipient's role, and the same performance and contribution criteria as is used to calculate the level of discretionary bonus payments (see 5.3.2 above). Whenever granted, options under the 2009 Long-Term Incentive Plan vest over three years and, save in certain limited circumstances (not including change of control events), will only be exercisable at the end of this period. The Board of Directors has determined that equity settlement will be satisfied principally by the purchase and use of treasury shares with the intention to limit dilution for shareholders to less than 5%.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 VOTING-RIGHTS RESTRICTIONS AND REPRESENTATION

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

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

6.2 STATUTORY QUORUMS

Except where otherwise required by mandatory law or Article 8.14 of the Articles of Incorporation, all resolutions of the Ordinary Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

6.3 CONVOCATION OF THE ORDINARY ANNUAL GENERAL MEETING

The convocation of the Ordinary Annual 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.

6.4 AGENDA

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

6.5 REGISTRATIONS IN THE SHARE REGISTER

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

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER

According to the Swiss Stock Exchanges and Securities Trading Act an investor who acquires more than 33 1/3 % of all voting rights, either directly, indirectly or in concert with a third party, and whether the rights are exercisable or not, has to submit a take-over offer for all shares outstanding. GAM Holding AG has not applied to opt out of nor to increase the percentage threshold applicable to this obligation.

7.2 CLAUSES ON CHANGE OF CONTROL

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

8. AUDITORS

8.1 DURATION OF MANDATE AND TERM OF OFFICE OF HEAD AUDITOR

In accordance with the Articles of Incorporation, the external auditor must be elected at each Ordinary Annual General Meeting for a term of office of one year. KPMG AG has been the external auditor of the Company since the Ordinary Annual General Meeting on 12 April 2006. Mr Markus Schunk served as the Lead Auditor from 1 October 2009 to 3 February 2011. As of 3 February 2011, Mr Philipp Rickert assumed the role of Lead auditor.

8.2 AUDITING FEES

The Group paid KPMG AG auditing fees totalling CHF 2.4 million in the 2010 financial year. In the previous financial year, audit fees totalled CHF 4.3 million.

8.3 ADDITIONAL FEES

For additional services such as tax advisory work, the Group paid KPMG AG fees totalling CHF 0.2 million during the 2010 financial year. In the previous financial year, the additional fees totalled CHF 2.1 million.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The Audit Committee pre-approves all services rendered by KPMG AG in order to ensure their independence. Pre-approval may be granted for specific single mandates or for a number of well-defined tasks. The Group Chief Financial Officer has been granted an approval authority up to a limit of CHF 100,000 per mandate. The Audit Committee receives regular updates from the Group Chief Financial Officer on KPMG AG's activities related to audit work. Any use of KPMG AG for non-audit work is overseen by the Audit Committee and coordinated by the Group Chief Financial Officer. The Audit Committee of the Board of Directors 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.

8.5 GROUP INTERNAL AUDIT

The Group Internal Audit function provides independent, objective assurance and advisory services to the Board of Directors, the Audit Committee and the Executive Board. It carries out operational and system audits in accordance with a risk-based 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 Head of Group Internal Audit reports to the Chairman of the Board of Directors of GAM Holding AG. In addition, the Head of Group Internal Audit is expected to provide regular reporting on the activities of the Group Internal Audit function to the Audit Committee. The Audit Committee regularly reviews the independence, activities and results of Group Internal Audit. The Audit Committee also evaluates the performance of, and ultimately determines the compensation paid to, the Head of Group Internal Audit.

9. INFORMATION POLICY

GAM Holding AG provides regular information to its shareholders and the public each year by means of the Annual Report as well as a half-year report. Its current policy is additionally to provide voluntary interim management statements twice each year, covering material developments between the publication of the annual and half-year results and the date of such statements. Additional ad-hoc publications will be made where they are considered appropriate or where required under applicable law or regulation. Published materials are available to the public in electronic form at www.gamholding.com as well as in print form from the address below.

9.1 CORPORATE CALENDAR

19 April 2011	Ordinary Annual General Meeting, Kongresshaus, Zurich
19 April 2011	Interim Management Statement / Q1
23 August 2011	Release of half-year results, webcast
25 October 2011	Interim Management Statement / Q3

9.2 CONTACTS

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FURTHER INFORMATION

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

www.gamholding.com

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

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

CONSOLIDATED FINANCIAL STATEMENTS 2010

CONSOLIDATED INCOME STATEMENT

	NOTE	2010 CHF M	2009 [1] CHF M re-presented	CHANGE FROM 2009 IN %
Fee and commission income		1,117.1	937.2	19
Distribution and commission expenses		-457.2	-428.6	7
Net fee and commission income	*5*	**659.9**	**508.6**	**30**
Income from investment in associates	*14*	27.5	11.3	143
Other operating income	*6*	25.1	72.5	-65
Operating income		**712.5**	**592.4**	**20**
Personnel expenses	*7*	334.5	239.5	40
General expenses	*8*	124.5	119.2	4
Depreciation of property and equipment and amortisation of intangible assets	*17*	18.7	108.5	-83
Impairment of goodwill and customer relationships	*17*	-	1,313.6	-100
Impairment of investment in associates	*14*	180.3	-	-
Operating expenses		**658.0**	**1,780.8**	**-63**
Operating profit from continuing operations		**54.5**	**-1,188.4**	**105**
Gain on non-cash dividend distributed, net	*20*	-	3,942.9	-100
Profit before taxes from continuing operations		**54.5**	**2,754.5**	**-98**
Income taxes	*9*	44.3	38.2	16
Net profit from continuing operations		**10.2**	**2,716.3**	**-100**
Net profit after tax from discontinued operations	*26*	-	920.9	-100
Net profit		**10.2**	**3,637.2**	**-100**
Net profit attributable to the shareholders of the Company:				
- from continuing operations		10.2	2,716.3	-100
- from discontinued operations		-	920.6	-100
		10.2	**3,636.9**	**-100**
Net profit attributable to non-controlling interests:				
- from continuing operations		-	-	-
- from discontinued operations		-	0.3	-100
		-	**0.3**	**-100**
Earnings per share				
Basic earnings per share	*11*	0.05	17.61	-100
Diluted earnings per share	*11*	0.05	17.60	-100
Basic earnings per share from continuing operations	*11*	0.05	13.15	-100
Diluted earnings per share from continuing operations	*11*	0.05	13.15	-100

[1] Comparative figures have been reclassified to reflect the new presentation as a pure asset manager. For further information see Notes 1 and 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2010 CHF M	2009 CHF M	CHANGE FROM 2009 IN %
Net profit recognised in the income statement		**10.2**	**3,637.2**	**-100**
Other comprehensive income, net of taxes:				
Net gains/(losses) on financial investments available-for-sale		-9.6	70.6	
Net (gains)/losses reclassified to the income statement on financial investments available-for-sale		4.6	102.5	
Net gains/(losses) on hedging reserve for cash flow hedges		-	1.9	
Net (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges		-	2.3	
Translation differences		-28.8	2.9	
Net (gains)/losses on translation differences reclassified to the income statement		-	43.5	
Total other comprehensive income for the period recognised directly in equity	*9*	**-33.8**	**223.7**	
Total comprehensive income for the period recognised in the income statement and in equity		**-23.6**	**3,860.9**	
Comprehensive income attributable to the shareholders of the Company		-23.6	3,860.6	
Comprehensive income attributable to non-controlling interests		-	0.3	
		-23.6	**3,860.9**	

CONSOLIDATED BALANCE SHEET

	NOTE	31.12.2010 CHF M	31.12.2009[1] CHF M *re-presented*	1.1.2009[1] CHF M *re-presented*	CHANGE FROM 31.12.2009 IN %
Current assets					
Cash and cash equivalents		819.1	974.2	17,947.7	-16
Trade and other receivables		55.0	87.6	8,755.0	-37
Accrued income and prepaid expenses	*12*	118.4	117.9	384.9	0
Financial investments	*13.1*	110.0	89.3	11,655.7	23
Total current assets		**1,102.5**	**1,269.0**	**38,743.3**	**-13**
Non-current assets					
Financial investments	*13.1*	9.5	1.4	2,410.3	579
Other financial assets	*13.4*	34.1	-	-	-
Investment in associates	*14*	306.3	463.4	-	-34
Pension assets	*15*	4.0	0.7	36.7	471
Deferred tax assets	*16.1*	20.5	9.8	106.3	109
Property and equipment	*17*	18.5	19.2	363.6	-4
Goodwill and other intangible assets	*17*	1,387.6	1,397.9	4,579.8	-1
Total non-current assets		**1,780.5**	**1,892.4**	**7,496.7**	**-6**
Total assets		**2,883.0**	**3,161.4**	**46,240.0**	**-9**

[1] Comparative figures have been reclassified to reflect the new presentation as a pure asset manager. For further information see Notes 1 and 2.

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	NOTE	31.12.2010 CHF M	31.12.2009[1] CHF M *re-presented*	1.1.2009[1] CHF M *re-presented*	CHANGE FROM 31.12.2009 IN %
Current liabilities					
Trade and other payables		42.8	6.7	23,288.4	539
Other financial liabilities	*13.2*	32.2	182.6	11,991.5	-82
Accrued expenses and deferred income	*18*	268.8	245.6	993.0	9
Tax liabilities		33.3	35.9	50.1	-7
Provisions	*19*	12.4	0.5	13.0	-
Total current liabilties		**389.5**	**471.3**	**36,336.0**	**-17**
Non-current liabilities					
Other financial liabilities	*13.2*	31.0	63.0	3,205.6	-51
Provisions	*19*	1.7	1.8	25.2	-6
Pension liabilities	*15*	7.9	4.1	12.4	93
Deferred tax liabilities	*16.2*	1.2	1.9	87.7	-37
Total non-current liabilities		**41.8**	**70.8**	**3,330.9**	**-41**
Total liabilities		**431.3**	**542.1**	**39,666.9**	**-20**
Equity					
Share capital		10.3	10.3	10.6	0
Capital reserves		83.7	83.7	4,930.9	0
Retained earnings		2,694.9	2,646.6	2,238.7	2
Other components of equity		-89.0	-55.2	-279.0	-61
Treasury shares		-248.2	-66.1	-329.5	-275
Equity attributable to the shareholders of the Company	*20*	**2,451.7**	**2,619.3**	**6,571.7**	**-6**
Non-controlling interests		-	-	1.4	-
Total equity		**2,451.7**	**2,619.3**	**6,573.1**	**-6**
Total liabilities and equity		**2,883.0**	**3,161.4**	**46,240.0**	**-9**

[1] Comparative figures have been reclassified to reflect the new presentation as a pure asset manager. For further information see Notes 1 and 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL CHF M	CAPITAL RESERVES CHF M	RETAINED EARNINGS CHF M
At 1 January 2009		10.6	4,930.9	2,238.7
Comprehensive income				
Net profit		-	-	3,636.9
Other comprehensive income				
Net gains/(losses) on financial investments available-for-sale		-	-	-
Net (gains)/losses reclassified to the income statement on financial investments available-for-sale		-	-	-
Net gains/(losses) on hedging reserve for cash flow hedges		-	-	-
Net (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges		-	-	-
Translation differences		-	-	-
Net (gains)/losses on translation differences reclassified to the income statement		-	-	-
Total comprehensive income		**-**	**-**	**3,636.9**
Capital reduction		-0.2	-	-298.4
Cash dividends		-	-	-105.5
Distribution of non-cash dividend to owners	*20*	-	-	-8,290.0
Share-based payment transactions		-	-	30.9
Put option reclassified from liability to equity		-	-	587.2
Disposal of non-controlling interests		-	-	-
Transfer from capital reserves to retained earnings	*20*	-	-4,847.2	4,847.2
Acquisitions and disposals of own shares and derivatives on own shares		-	-	-0.4
At 31 December 2009		**10.3**	**83.7**	**2,646.6**
At 1 January 2010		10.3	83.7	2,646.6
Comprehensive income				
Net profit		-	-	10.2
Other comprehensive income				
Net gains/(losses) on financial investments available-for-sale		-	-	-
Net (gains)/losses reclassified to the income statement on financial investments available-for-sale		-	-	-
Translation differences		-	-	-
Total comprehensive income		**-**	**-**	**10.2**
Share-based payment transactions	*9/22*	-	-	37.7
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	0.4
At 31 December 2010		**10.3**	**83.7**	**2,694.9**

OTHER COMPONENTS OF EQUITY						
FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE, NET OF TAXES CHF M	HEDGING RESERVE FOR CASH FLOW HEDGES, NET OF TAXES CHF M	FOREIGN CURRENCY TRANSLATION RESERVE CHF M	TREASURY SHARES CHF M	EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY CHF M	NON-CONTROLLING INTERESTS CHF M	**TOTAL EQUITY** CHF M
-172.6	-4.2	-102.2	-329.5	6,571.7	1.4	**6,573.1**
-	-	-	-	3,636.9	0.3	**3,637.2**
70.7	-	-	-	70.7	-	**70.7**
102.5	-	-	-	102.5	-	**102.5**
-	1.9	-	-	1.9	-	**1.9**
-	2.3	-	-	2.3	-	**2.3**
-	-	2.9	-	2.9	-	**2.9**
-	-	43.5	-	43.5	-	**43.5**
173.2	**4.2**	**46.4**	**-**	**3,860.7**	**0.3**	**3,861.0**
-	-	-	298.6	-	-	**-**
-	-	-	-	-105.5	-	**-105.5**
-	-	-	-	-8,290.0	-	**-8,290.0**
-	-	-	-	30.9	-	**30.9**
-	-	-	-	587.2	-	**587.2**
-	-	-	-	-	-1.7	**-1.7**
-	-	-	-	-	-	**-**
-	-	-	-35.2	-35.6	-	**-35.6**
0.6	**-**	**-55.8**	**-66.1**	**2,619.3**	**-**	**2,619.3**
0.6	-	-55.8	-66.1	2,619.3	-	**2,619.3**
-	-	-	-	10.2	-	**10.2**
-9.6	-	-	-	-9.6	-	**-9.6**
4.6	-	-	-	4.6	-	**4.6**
-	-	-28.8	-	-28.8	-	**-28.8**
-5.0	**-**	**-28.8**	**-**	**-23.6**	**-**	**-23.6**
-	-	-	-	37.7	-	**37.7**
-	-	-	-215.5	-215.5	-	**-215.5**
-	-	-	33.4	33.8	-	**33.8**
-4.4	**-**	**-84.6**	**-248.2**	**2,451.7**	**-**	**2,451.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2010 CHF M	2009 CHF M *re-presented*
Net profit		**10.2**	**3,637.2**
Adjustments to reconcile net profit to cash flow from operating activities:			
Non-cash items included in net profit and other adjustments:			
- Gain on non-cash dividend distributed	*20*	-	-3,942.9
- Gain on sale and fair value uplift Artio Global Investors Inc.		-	-1,072.3
- Income from investment in associates	*14*	-27.5	-11.3
- Impairment of investment in associates	*14*	180.3	-
- Depreciation of property and equipment and amortisation of intangible assets	*17*	18.7	107.7
- Impairment of goodwill and customer relationships	*17*	-	1,314.4
- Depreciation of property and equipment from discontinued operations	*17*	-	18.8
- Amortisation of intangible assets from discontinued operations	*17*	-	77.4
- Share-based payment expenses		33.1	308.8
- Other non-cash items		14.2	-271.8
Net increase/decrease in operating assets and liabilities:			
- Financial investments and other financial assets		-73.8	-2,165.9
- Operating financial liabilities		-0.5	1,746.5
- Trade and other receivables (excl. tax receivable)		28.5	1,110.3
- Accrued income and prepaid expenses (excl. interest accrual)		-15.0	105.5
- Trade and other payables		41.4	241.4
- Accrued expenses and deferred income (excl. interest accrual)		54.7	-810.7
Dividends received from investment in associates		4.2	-
Adjustment for interest income and expenses		0.6	-6.2
Interest received		2.6	16.7
Interest paid		-3.1	-3.1
Adjustment for income tax expenses		44.3	223.5
Income taxes paid		-51.6	-135.5
Cash flow from operating activities		**261.3**	**488.5**
Proceeds from sale of Artio Global Investors Inc., net of cash		-	444.8
Purchase of property, equipment and intangible assets	*17*	-10.1	-74.5
Disposal of property, equipment and intangible assets	*17*	1.0	-
Cash flow from investing activities		**-9.1**	**370.3**
Net money market instruments issued/(repaid)		-	-0.9
Purchase of treasury shares and own equity derivatives	*20*	-215.5	-35.3
Disposal of treasury shares and own equity derivatives	*20*	33.8	-
Ordinary dividend payments		-	-105.5
Repayment of debt		-182.0	-
Cash flow from financing activities		**-363.7**	**-141.7**
Total		**-111.5**	**717.1**

	2010 CHF M	2009 [1] CHF M
Cash and cash equivalents at beginning of the year	974.2	17,947.7
Cash flow from operating activities	261.3	488.5
Cash flow from investing activities	-9.1	370.3
Cash flow from financing activities	-363.7	-141.7
Changes in cash and cash equivalents due to separation	-	-17,637.8
Effects of exchange rate changes	-43.6	-52.8
Cash and cash equivalents at the end of the year	**819.1**	**974.2**

[1] For cash flows from discontinued operations see Note 26.

Cash and cash equivalents are structured as follows:

	31.12.2010 CHF M	31.12.2009 CHF M
Cash at bank	528.0	781.2
Short-term deposits	291.1	193.0
Total	**819.1**	**974.2**

Additional information:

	2010 CHF M	2009 CHF M
Dividends received (incl. from investment in associates)	5.0	198.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

GAM Holding AG (the "Company") is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The consolidated financial statements as of 31 December 2010 comprise those of GAM Holding AG and all its subsidiaries (together referred to as the "Group") and the Group's investments in associates.

SEPARATION OF THE ASSET MANAGEMENT AND PRIVATE BANKING BUSINESSES OF JULIUS BAER HOLDING LTD.

At the Extraordinary General Meeting of Julius Baer Holding Ltd. on 30 June 2009, shareholders approved the separation of Julius Baer's asset management and private banking businesses into two fully independent groups, with the parent company of each group to be separately listed on the SIX Swiss Exchange (hereafter referred to as the "Transaction"). GAM Holding AG (formerly Julius Baer Holding Ltd.) became the parent company of the asset management business and Julius Baer Group Ltd. became the parent company of the private banking business. The separation was completed on 30 September 2009 and the first trading day for GAM Holding AG and Julius Baer Group Ltd. as separately listed entities was on 1 October 2009.

The Transaction was structured as a divestment of the newly created Julius Baer Group Ltd., including its principal operating entity Bank Julius Baer & Co. Ltd. and certain ancillary businesses, by Julius Baer Holding Ltd. through the distribution of a non-cash dividend. Julius Baer Holding Ltd. was subsequently renamed GAM Holding AG and, following the Transaction, comprises the active asset managers GAM and Swiss & Global Asset Management (representing the previously Julius Baer branded asset management business).

2. BASIS OF PREPARATION

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

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

CHANGES IN PRESENTATION

The presentation of the balance sheet has been changed from a presentation based on liquidity to a current/non-current presentation which is more common for asset managers. In addition, in the consolidated income statement "net interest income" is now included as part of "other operating income" and in the consolidated statement of cash flows "net investment in/divestment of financial investments available-for-sale" has been reclassified from "cash flow from investing activities" to "cash flow from operating activities". Comparative figures have been re-presented to reflect these changes.

The consolidated income statement for the year to 31 December 2009 includes the operating results of the private banking business (now Julius Baer Group Ltd.) and of Artio Global Investors Inc., which was the subject of a successful initial public offering on the New York Stock Exchange (both businesses are presented as discontinued operations) as well as the asset management businesses of GAM and Swiss & Global Asset Management. For more information regarding the discontinued operations please refer to Note 26.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are discussed in the corresponding notes: determining fair values of financial instruments, measurement and timing of provisions and valuation allowances, measurement of defined benefit obligations, utilisation of tax losses and deferred taxes assets, determining the fair value of share-based payments, measurement of the recoverable amount of goodwill and other intangible assets as well as investment in associates.

3.2. ACCOUNTING POLICIES

All Group companies apply uniform accounting and measurement principles, which remained the same as in the previous year, except as outlined at the end of this summary of significant accounting policies.

3.2.1. SUBSIDIARIES AND ASSOCIATES

Subsidiaries in which GAM Holding AG directly or indirectly owns a majority of the voting shares or in which it exercises control in some other way are fully consolidated. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date control ceases. The effects of all intercompany transactions and balances are eliminated on consolidation.

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

3.2.2. FOREIGN CURRENCY TRANSLATION

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

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

The following exchange rates are used for the major currencies:

	YEAR-END RATES		AVERAGE EXCHANGE RATES FOR THE YEAR	
	31.12.2010	31.12.2009	**2010**	2009
USD/CHF	0.9321	1.0337	1.0444	1.0825
EUR/CHF	1.2505	1.4832	1.3610	1.5070
GBP/CHF	1.4593	1.6694	1.6038	1.6945

3.2.3. INCOME RECOGNITION

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

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

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

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

3.2.4. EARNINGS PER SHARE

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

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

3.2.5. CASH AND CASH EQUIVALENTS

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

3.2.6. FINANCIAL INSTRUMENTS

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

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Security positions which are not held for trading purposes nor initially designated as at fair value through profit or loss are reported as available-for-sale financial assets and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement within other operating income.

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

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

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

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

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

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

LOANS AND RECEIVABLES

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

OTHER FINANCIAL LIABILITIES

Other financial liabilities are financial liabilities not classified as 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 when other financial liabilities are derecognised and throughout the amortisation process.

IMPAIRMENT

At the end of each reporting period the Group assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event(s) impacted on the estimated future cash flows of the financial asset.

When a decline in the fair value of an available-for-sale financial asset 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.

3.2.7. PROPERTY AND EQUIPMENT

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

IT hardware and communication systems are depreciated over a period not exceeding five years, furniture and other office equipment over a period not exceeding eight years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life which does not exceed 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 the Group will profit from the future economic benefits of the investment. Current maintenance and servicing costs are expensed through the income statement.

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

3.2.8. LEASING

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

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

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

3.2.9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are classified into the following categories:

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

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations. Customer relationships are amortised over their estimated useful life not exceeding 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 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 not exceeding five years using the straight-line method.

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

3.2.10. PROVISIONS

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

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

3.2.11. SHARE CAPITAL

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

3.2.12. TREASURY SHARES AND DERIVATIVES ON OWN SHARES

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

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

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

3.2.13. 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 loss carryforwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or loss carryforwards can be offset.

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

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

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

3.2.14. POST-EMPLOYMENT BENEFITS

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

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

DEFINED BENEFIT PLANS

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

The pension expenses recorded in the income statement for the defined benefit pension plans correspond to the actuarially determined expenses minus the employee contributions and are charged in personnel expenses.

Actuarial gains and losses in excess of 10% of the greater of the present value of the plan obligation or the fair value of the plan assets are systematically amortised in the income statement over the expected average remaining service period of employees participating in the plan.

Pension assets are only recognised in the balance sheet if they are available to the Group as refunds or future reductions in contributions.

DEFINED CONTRIBUTION PLANS

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

3.2.15. SHARE-BASED PAYMENTS

The Group maintains a number of share-based payment plans in the form of share or share option plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses.

Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period.

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

3.2.16. SEGMENT REPORTING

The Group comprises the two segments, GAM and Swiss & Global Asset Management, which reflect the Group's organisation, management and internal reporting structure and are primarily based on the products and services provided to its clients. In addition, Group Functions is responsible for the typical corporate functions, such as corporate governance, legal, finance and control functions. Direct income and expenses are assigned to the segments based on the principle of accountability. Assets, liabilities, income and expenses that are not directly related to the segments are attributed to Group Functions. Indirect costs for internal service relationships between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

The Executive Board takes the role of "Chief Operating Decision-Maker", i.e. the function responsible for allocating resources and assessing the performance of the operating segments.

3.3. CHANGES IN ACCOUNTING POLICIES

The Group applied the following new and revised accounting standards for the first time in 2010:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- *Improvements to IFRSs* (April 2009) – various standards

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

3.4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

IFRS 9 — FINANCIAL INSTRUMENTS AND ADDITIONS TO IFRS 9 FOR FINANCIAL LIABILITY ACCOUNTING

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

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

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

For debt instruments, classification as trading (i.e. at fair value) and a fair value option are available.

Equity instruments are to be measured at fair value, with the recognition of gains and losses in the income statement.

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

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

The new standard will be applicable for annual periods beginning on or after 1 January 2013, with earlier application permitted. The impact of the new standard on the Group's financial statements has not yet been assessed.

IAS 24 — RELATED PARTY DISCLOSURE

The revised standard will provide a simplified definition of related parties by clarifying its intended meaning and eliminating inconsistencies from the definition. The revised standard will be applicable for annual periods beginning on or after 1 January 2011.

CLASSIFICATION OF RIGHTS ISSUES (AMENDMENT TO IAS 32)

The proposed amendment specifies that a rights issue offered pro rata to all of an entity's existing shareholders on the exercise of which the entity will receive a fixed amount of cash for a fixed number of the entity's own equity instruments is classified as an equity instrument regardless of the currency in which the exercise price is denominated. The amendment will be applicable for annual periods beginning on or after 1 January 2011.

PREPAYMENTS OF A MINIMUM FUNDING REQUIREMENT (AMENDMENTS TO IFRIC 14)

The updated interpretation provides guidance on assessing the amount of surplus that can be recognised as an asset in the case of prepayments made by the employer. Such amounts reduce the future minimum funding requirement contributions for future services. The amendments will be applicable for annual periods beginning on or after 1 January 2011.

IFRIC 19 — EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS

The interpretation clarifies that the issue of an entity's equity instruments to a creditor to extinguish all or part of a financial liability qualifies as consideration paid and therefore as extinguishment of the liability. The entity shall measure the equity instruments issued at the fair value of the equity instruments issued or the fair value of the liability extinguished, whichever is more reliably determinable. Possible gains or losses are to be disclosed separately. The interpretation will be applicable for annual periods beginning on or after 1 July 2010.

DISCLOSURES — TRANSFERS OF FINANCIAL ASSETS (AMENDMENTS TO IFRS 7)

This amendment introduces new disclosure requirements in relation to transfer transactions of financial assets (e.g. transfers of contractual rights to receive the cash flows of a financial asset), including possible effects of any risks that may remain with the entity that transferred the assets. The interpretation will be applicable for annual periods beginning on or after 1 July 2011.

IMPROVEMENTS TO IFRS (MAY 2010)

A number of amendments to several standards are included in the IASB's Annual Improvement Project. The amendments will be applicable for annual periods beginning on or after 1 January 2011.

4. COMMENT ON RISK AND CAPITAL MANAGEMENT

Effective risk and capital management is fundamental to all stakeholders of the Group, including shareholders, clients and employees, and is of interest to the wider financial services sector. Regulators continually assess our capital positions as well as our approach to risk and expect us to adopt high standards of risk management. The Group regards the effective management of its risk and capital as being central to the successful achievement of its business objectives. It therefore has in place frameworks which are designed to embed the management of risk and capital at all levels within the organisation.

4.1. RISK MANAGEMENT FRAMEWORK AND PROCESS

The Group's approach to risk management is a structured process which identifies, measures, mitigates, controls and reports risk. It aims to identify potential changes in the risk profile of the business and is built on formal governance processes, individual responsibility and senior management oversight.

Risk management is not the responsibility of one single individual or department, it is the duty of all employees within the Group. It forms an integral part of good management practice and the normal business process.

The Group's risk management framework serves to ensure that our aggregate risk exposure is commensurate with our risk capacity and the risk appetite as determined by the Board of Directors, taking into consideration the Group's earnings capacity and capital position.

The Executive Board through its Group Risk function is responsible for implementing the overall risk strategy and the risk management framework as determined by the Board of Directors, for managing the risks owned by the Company and for monitoring the risk exposure, risk reports and risk management processes of the operating businesses. The designated individual in charge of risk management at the Group level is the Group Chief Financial Officer.

The management of the operating businesses own and are accountable for all risks assumed through their day-to-day decision making and they are responsible for establishing an appropriate risk management environment, including a robust infrastructure and risk culture. Within each of the operating businesses, risks are identified, analysed and assessed and then managed and mitigated where possible within a risk control framework that comprises both quantitative components including exposure limits, as well as qualitative elements, including policies and authorities.

Day-to-day independent and objective assessment and monitoring of risk is provided by various control functions in the operating businesses and at Group level. These control functions include the Risk, Finance, Legal, Compliance, Human Resources and Internal Audit functions.

The Group's risk landscape is dynamic and continually evolves as the Group's business mix and the market environment changes.

4.2. RISK TYPES

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

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

4.2.1. STRATEGIC AND BUSINESS RISK

Strategic and business risks facing the Group in the actual operation of the asset management business are those which could have an adverse effect on our assets under management, revenue and profitability, and by that on the sustainability of our business. Since strategic and business risks are by nature less quantifiable, the description below indicates steps we take to mitigate the effects of these risks.

For the purpose of identifying the principal strategic and business risks, we undertake an annual analysis, whereby the identified risks are consolidated into a risk landscape. This analysis includes a review of the probability and impact of potential strategic and business risks and defines mitigating and controlling actions. The results are also used for strategic planning purposes by the operating businesses, the Executive Board, the Board of Directors and for internal audit planning.

Strategic and business risks for the Group include:

DECLINE IN SECURITIES MARKETS

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

CHANGE IN INVESTOR APPETITE

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

LOSS OF INVESTMENT PROFESSIONALS

The departure of investment professionals from the operating businesses could result in a loss of knowledge or expertise and lead to a fall in assets under management and therefore a fall in 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 outperformance. Our scale and product diversification also serves as a risk mitigant in relation to loss of investment professionals.

POOR INVESTMENT PERFORMANCE

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

PRODUCT PROFITABILITY

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

CLIENT AND INVESTOR CONCENTRATION

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

FOREIGN EXCHANGE RISK

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

REGULATORY CHANGES

Regulatory authorities are actively considering changes to the regulation of the global financial sector in the aftermath of the recent financial crisis. Regulatory changes may affect the investment management sector either directly or indirectly. We operate in a highly regulated environment and therefore constantly monitor our products and sales practices to ensure that they are compliant with regulations. Our dedicated legal and compliance teams provide an infrastructure and source of competitive advantage that enable our products to be robust and provide us with speed to market for our new product launches. The diversity of our product offering and geographical spread of our investor base also mitigates the effect of some regulatory changes.

4.2.2. OPERATIONAL RISK

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

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

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

The system of internal control is subject to regular review by the Group's Internal Audit function, based on an audit programme approved annually by the Audit Committee of the Board of Directors. The programme covers the business areas and processes which 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 its risk profile and designed to increase the breadth of cover and certainty of response in respect of certain material third-party liabilities.

4.2.3. REPUTATIONAL RISK

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

4.2.4. FINANCIAL RISK

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

As asset managers, the operating businesses act in an agency capacity, investing assets entrusted to them by their clients. These investments carry with them associated market, credit and liquidity risks which are borne by our clients and not by the operating businesses and therefore do not form part of this financial risk section. They will nevertheless affect the growth of our assets under management (see Note 10).

CREDIT RISK

Credit risk is the risk that the Group's counterparties will not be able or willing to pay interest, re-pay principal, or otherwise fulfil their contractual obligations when they fall due. The Group is exposed to credit risk arising from (i) placing its cash and cash equivalents in the form of bank deposits, (ii) its receivables and accrued income, (iii) engaging in OTC transactions to hedge foreign exchange risks and a portion of the Group's Long-Term Incentive Plan (see section "Treasury Shares" in Note 20), and (iv) other financial assets.

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

The Group's credit risk exposure arising from derivative financial instruments is included in the balance sheet position financial investments (see Note 13.1 and 13.3) 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 deposits counterparty policy establishes high internal credit and rating standards for acceptable bank counterparties as well as hard exposure limits per counterparty. Our receivables and accrued income exposures, by the very nature of our business, exhibit a very high credit quality and they are well diversified. As a result of the high quality of our counterparties and by avoiding undue concentrations, the Group does not expect to incur any material credit losses on its financial assets.

The following table shows the Group's maximum exposure to credit risk as of the balance sheet date, which represents the exposure in the event of other parties failing to perform their obligations, without taking account of any collateral held or other credit enhancements. For financial assets, these exposures are typically the gross carrying amount, net of any amounts offset on the balance sheet or any impairment losses recognised.

MAXIMUM EXPOSURE TO CREDIT RISK

	31.12.2010 GROSS MAXIMUM EXPOSURE CHF M	31.12.2009 GROSS MAXIMUM EXPOSURE CHF M *re-presented*
Cash and cash equivalents	819.1	974.2
Trade and other receivables	53.2	85.2
Accrued income	111.2	108.3
Financial investments and other financial assets	51.6	23.0
Total	**1,035.1**	**1,190.7**

As at the balance sheet date, apart from the CHF 0.6 million noted in the table below there are no further financial assets which are impaired and there is no indication of any material negative impact on the credit quality of any financial assets. No significant impairments were recorded on financial assets exposed to credit risk in the financial year 2010.

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

AGEING OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

	31.12.2010 GROSS AMOUNT CHF M	31.12.2010 IMPAIRMENT CHF M	31.12.2009 GROSS AMOUNT CHF M *re-presented*	31.12.2009 IMPAIRMENT CHF M
Not past due	1,030.9	-	1,189.8	-
Past due less than 3 months	1.7	-	0.5	-
Past due 3–12 months	3.0	0.6	0.4	-
Past due more than 12 months	0.1	-	-	-
Total	**1,035.7**	**0.6**	**1,190.7**	**-**

The following table shows the debt financial instruments by credit rating classes.

DEBT FINANCIAL INSTRUMENTS BY CREDIT RATING CLASSES

		31.12.2010 CHF M	31.12.2009 CHF M	CHANGE %
Fitch, S&P	**Moody's**			
AAA – AA-	Aaa – Aa3	1.2	16.5	-93
A+ – A-	A1 – A3	0.1	2.7	-96
BBB+ – BBB-	Baa1 – Baa3	-	-	-
BB+ – CCC-	Ba1 – Caa3	-	-	-
Unrated	Unrated	-	-	-
Total		**1.3**	**19.2**	**-93**

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 those relating to its financial investments, which predominantly relate to investments in mutual funds. The Group's interest in Artio Global Investors Inc. is accounted for using the equity method in accordance with IAS 28 (Investments in Associates) and therefore not included in this market risk section, which deals only with market risk related to financial instruments; for further information on the Group's interest in Artio Global Investors Inc. see Note 14.

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 euros and US dollars. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and actively seeks to minimise its net exposure on foreign currency positions in relation to its functional currency. Net exposures result from net positions of assets and liabilities or revenues and expenses in the same foreign currency. In the case of such net exposure on foreign currency positions, hedging strategies may be used to ensure that there is no material adverse effect on the cash flow generated by future transactions and as a consequence on future profits resulting from future movements in currency rates.

Equity price risk is the risk that the fair value of an equity investment will fluctuate as a result of changes in equity prices, whether caused by factors specific to an individual investment, its issuer or other factors affecting instruments traded in the market. The Group is exposed to equity price risk resulting from investments held by the Group and classified on the balance sheet as equity financial instruments available-for-sale and as financial assets designated at fair value through profit and loss (for exposure see Note 13.1). The majority of such investments consist of investments in mutual funds, which have to be approved by the Group Chief Financial Officer and are periodically reviewed by the Executive Board 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 from changes in interest rates, which is why the related Group risk exposure is minimal.

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

INTEREST RATE PROFILE

	31.12.2010 CHF M	31.12.2009 CHF M
Variable rate instruments		
Financial assets	819.1	987.7
Financial liabilities	-63.2	-97.2
	755.9	**890.5**
Fixed rate instruments		
Financial assets	1.3	19.1
Financial liabilities	-	-149.9
	1.3	**-130.8**

The interest-bearing financial assets include mainly cash and cash equivalents on which no significant exposure to interest rate risk is expected. The Group has furthermore no significant 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 following table shows an analysis of the Group's financial assets and liabilities by remaining contractual maturities as of 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 *re-presented*
Financial assets						
Cash and cash equivalents	528.0	291.1	-	-	-	**819.1**
Trade and other receivables	4.2	39.2	9.8	-	-	**53.2**
Accrued income	-	109.6	1.6	-	-	**111.2**
Financial investments	-	8.4	-	9.0	0.1	**17.5**
Other financial assets	-	-	-	34.0	0.1	**34.1**
Total 31.12.2010	**532.2**	**448.3**	**11.4**	**43.0**	**0.2**	**1,035.1**
Derivatives	-	8.4	-	7.8	-	**16.2**
Non-derivatives	532.2	439.9	11.4	35.2	0.2	**1,018.9**
Total	**532.2**	**448.3**	**11.4**	**43.0**	**0.2**	**1,035.1**
Cash and cash equivalents	788.3	185.8	0.1	-	-	**974.2**
Trade and other receivables	74.3	10.9	-	-	-	**85.2**
Accrued income	108.3	-	-	-	-	**108.3**
Financial investments	61.6	11.2	16.5	1.2	0.2	**90.7**
Total 31.12.2009	**1,032.5**	**207.9**	**16.6**	**1.2**	**0.2**	**1,258.4**
Derivatives	-	1.3	-	-	-	**1.3**
Non-derivatives	1,032.5	206.6	16.6	1.2	0.2	**1,257.1**
Total	**1,032.5**	**207.9**	**16.6**	**1.2**	**0.2**	**1,258.4**

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 *re-presented*
Financial liabilities						
Trade and other payables	1.4	33.1	8.3	-	-	**42.8**
Accrued expenses	-	254.4	14.4	-	-	**268.8**
Other financial liabilities	0.2	-	32.6	31.4	-	**64.2**
Total 31.12.2010	**1.6**	**287.5**	**55.3**	**31.4**	**-**	**375.8**
Derivatives	-	-	-	-	-	**-**
Non-derivatives	1.6	287.5	55.3	31.4	-	**375.8**
Total	**1.6**	**287.5**	**55.3**	**31.4**	**-**	**375.8**
Trade and other payables	1.2	5.5	-	-	-	**6.7**
Accrued expenses	-	245.6	-	-	-	**245.6**
Other financial liabilities	0.2	151.1	33.4	64.1	-	**248.8**
Total 31.12.2009	**1.4**	**402.2**	**33.4**	**64.1**	**-**	**501.1**
Derivatives	-	-	-	-	-	**-**
Non-derivatives	1.4	402.2	33.4	64.1	-	**501.1**
Total	**1.4**	**402.2**	**33.4**	**64.1**	**-**	**501.1**

4.3. CAPITAL MANAGEMENT

The Group continues to actively and prudently manage its available capital according to the following basic principles:

- the Group manages its capital base to ensure that it is commensurate with the optimal balance sheet structure consistent with its desired risk profile, both at a consolidated Group level as well as for each of the Group's legal entities;
- the Group and all of its legal entities will at all times maintain sufficient regulatory capital to meet local regulatory requirements;
- the Group believes that a strong capital position is of critical importance in retaining the confidence of our clients and ensuring maximum financial and strategic flexibility; and
- excess capital not required for organic growth or for targeted accretive acquisitions will be returned to shareholders as efficiently as possible.

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

Regulatory capital requirements may be based on an entity's level of assets under management, its fixed expenditures and/or the size and quality of its financial assets and liabilities. All Group entities currently maintain an appropriate level of capital resources relative to their respective applicable capital requirements. The aggregation of the current regulatory capital requirement across the Group amounts to approximately CHF 71 million. This amount is, however, impacted by exchange rate fluctuations between the relevant Group entities' respective functional currency and the Swiss franc, the ongoing development of the business and changes in regulatory requirements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. NET FEE AND COMMISSION INCOME

	2010 CHF M	2009 CHF M	CHANGE %
Investment management fees	1,011.7	918.4	10
Investment performance fees	89.5	17.5	411
Other fund-related fees and commissions	15.9	1.3	-
Total fee and commission income	**1,117.1**	**937.2**	**19**
Distribution and commission expenses	457.2	428.6	7
Total	**659.9**	**508.6**	**30**

6. OTHER OPERATING INCOME

	2010 CHF M	2009 CHF M *re-presented*	CHANGE %
Foreign exchange gains/(losses)	13.6	19.2	-29
Interest income	2.4	16.7	-86
Interest expenses	-3.0	-10.5	71
Net gains/(losses) on financial investments available-for-sale	-4.7	-4.6	-2
Real estate income	-	1.4	-100
Other income	16.8	50.3	-67
Total	**25.1**	**72.5**	**-65**

7. PERSONNEL EXPENSES

	2010 CHF M	2009 CHF M	CHANGE %
Salaries and bonuses	247.8	182.7	36
Expense related to defined benefit pension plans	15.0	9.7	55
Contributions to defined contribution pension plans	6.7	5.6	20
Share-based payment expenses	33.1	14.6	127
Social security expenses	22.8	18.6	23
Other personnel expenses	9.1	8.3	10
Total	**334.5**	**239.5**	**40**

As described in Note 20 GAM Holding AG has entered into a cash-settled total return swap over own shares that forms part of an economic hedge in respect of the potential exposure to options granted under the Group's 2009 Long-Term Incentive Plan. In certain jurisdictions the increase in the share price of GAM Holding AG leads to increased social security expenses. The total return swap seeks to mitigate such increases through the increase in its fair value, which is recognised in social security expenses. At the balance sheet date this increase in fair value amounted to CHF 7.8 million.

8. GENERAL EXPENSES

	2010 CHF M	2009 CHF M	CHANGE %
Occupancy expenses	27.4	28.2	-3
IT expenses	26.5	14.2	87
Communication and marketing expenses	26.7	27.1	-1
Service and other fees and charges	16.9	47.4	-64
Other general expenses	27.0	2.3	-
Total	**124.5**	**119.2**	**4**

9. INCOME TAXES

	2010 CHF M	2009 CHF M	CHANGE %
Income tax on profit before taxes from continuing operations (expected tax expense)	11.4	606.0	-98
Applicable tax rates differing from Swiss statutory rate	69.9	-29.0	341
Non-taxable and lower taxed income	-43.7	-867.4	95
Previously unrecorded tax losses now utilised	-2.9	-1.0	-190
Tax effects of losses not recognised	0.8	1.4	-43
Adjustments related to prior years	-0.9	-0.3	-200
Non-deductible expenses	1.1	313.0	-100
Other effects	8.6	15.5	-45
Actual income tax expense from continuing operations	**44.3**	**38.2**	**16**

A Swiss statutory tax rate of 21% (2009: 22%) was applied in the calculation of income taxes. The Group has accumulated unrecognised tax loss carryforwards in the amount of CHF 33.8 million (2009: CHF 44.4 million) with no expiry date, apart from CHF 6.0 million (2009: CHF 1.5 million) of this amount which expires within ten years.

	2010 CHF M	2009 CHF M	CHANGE %
Current income taxes	52.4	37.5	40
Deferred income taxes	-8.1	0.7	-
Total	**44.3**	**38.2**	**16**

TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

			2010
	BEFORE-TAX AMOUNT CHF M	TAX (EXPENSE)/ BENEFIT CHF M	**NET OF TAX AMOUNT** CHF M
Net gains/(losses) on financial investments available-for-sale	-9.7	0.1	**-9.6**
Net (gains)/losses reclassified to the income statement on financial investments available-for-sale	4.6	-	**4.6**
Translation differences	-28.8	-	**-28.8**
Other comprehensive income for the year recognised directly in equity	**-33.9**	**0.1**	**-33.8**

			2009
	BEFORE-TAX AMOUNT CHF M	TAX (EXPENSE)/ BENEFIT CHF M	**NET OF TAX AMOUNT** CHF M
Net gains/(losses) on financial investments available-for-sale	79.0	-8.4	**70.6**
Net (gains)/losses reclassified to the income statement on financial investments available-for-sale	112.5	-10.0	**102.5**
Net gains/(losses) on hedging reserve for cash flow hedges	2.4	-0.5	**1.9**
Net (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges	2.9	-0.6	**2.3**
Translation differences	2.9	-	**2.9**
Net (gains)/losses on translation differences reclassified to the income statement	43.5	-	**43.5**
Other comprehensive income for the year recognised directly in equity	**243.2**	**-19.5**	**223.7**

TAX CHARGED OR CREDITED DIRECTLY TO EQUITY

Tax effects on share-based payments amount to CHF 4.8 million (2009: none) and have been included in the respective line item within equity (see consolidated statement of changes in equity).

10. REPORTING BY SEGMENT

	GAM		SWISS & GLOBAL ASSET MANAGEMENT		GROUP FUNCTIONS		TOTAL CONSOLIDATED BEFORE DISCONTINUED OPERATIONS		DISCONTINUED OPERATIONS		**TOTAL GROUP**	
	2010 CHF M	2009[1] CHF M *re-presented*	**2010** CHF M	2009[1] CHF M *re-presented*	**2010** CHF M	2009[1] CHF M *re-presented*	**2010** CHF M	2009[1] CHF M *re-presented*	**2010** CHF M	2009[1] CHF M *re-presented*	**2010** CHF M	2009[1] CHF M *re-presented*
Operating income	**470.3**	**395.3**	**217.1**	**166.4**	**25.1**	**30.7**	**712.5**	**592.4**	**-**	**1,456.4**	**712.5**	**2,048.8**
Personnel expenses	250.6	195.9	66.3	61.2	17.6	-17.6	334.5	239.5	-	1,038.1	**334.5**	**1,277.6**
General expenses	67.2	66.2	50.4	47.3	6.9	5.7	124.5	119.2	-	303.6	**124.5**	**422.8**
Depreciation of property and equipment and amortisation of intangible assets	18.0	107.8	0.6	4.7	0.1	-4.0	18.7	108.5	-	96.2	**18.7**	**204.7**
Impairment of goodwill and customer relationships	-	1,313.6	-	-	-	-	-	1,313.6	-	-	**-**	**1,313.6**
Impairment of investment in associates	-	-	-	-	180.3	-	180.3	-	-	-	**180.3**	**-**
Operating expenses	**335.8**	**1,683.5**	**117.3**	**113.2**	**204.9**	**-15.9**	**658.0**	**1,780.8**	**-**	**1,437.9**	**658.0**	**3,218.7**
Operating profit/(loss)	**134.5**	**-1,288.2**	**99.8**	**53.2**	**-179.8**	**46.6**	**54.5**	**-1,188.4**	**-**	**18.5**	**54.5**	**-1,169.9**
Gain on sale of discontinued operation	-	-	-	-	-	-	-	-	-	862.2	**-**	**862.2**
Fair value re-measurement of investments in associates	-	-	-	-	-	-	-	-	-	445.3	**-**	**445.3**
Less eliminations of dividends	-	-	-	-	-	-	-	-	-	-223.0	**-**	**-223.0**
Net profit/(loss) before reconciling items	**134.5**	**-1,288.2**	**99.8**	**53.2**	**-179.8**	**46.6**	**54.5**	**-1,188.4**	**-**	**1,103.0**	**54.5**	**-85.4**
Gain on non-cash dividend paid, net							-	3,942.9	-	-	**-**	**3,942.9**
Income taxes							-44.3	-38.2	-	-182.1	**-44.3**	**-220.3**
Net profit/(loss) after reconciling items							**10.2**	**2,716.3**	**-**	**920.9**	**10.2**	**3,637.2**
Assets under management	53,601	51,037	80,396	73,017	-16,170[2]	-10,407[2]	117,827	113,647				
Assets	1,794	1,771	303	288	786	1,102	2,883	3,161				
Liabilities	253	249	148	123	30	170	431	542				
Investment in associates					306	463	306	463				
Interest in profit or loss of associate					27.5	11.3	27.5	11.3				

1 The presentation of prior year figures has been changed. For further information see Notes 1 and 2.
2 Represents the double count of Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by GAM.

Further details of the income and expenses of discontinued operations are set out in Note 26.

REPORTING BY GEOGRAPHICAL SEGMENT

	2010 OPERATING INCOME CHF M	2009 OPERATING INCOME CHF M *re-presented*	31.12.2010 [1] NON-CURRENT ASSETS CHF M	31.12.2009 [1] NON-CURRENT ASSETS CHF M *re-presented*
Europe	569.0	440.3	1,401.4	1,410.3
Americas	136.2	143.4	4.3	6.7
Middle East and Asia	7.3	8.7	0.4	0.1
Discontinued operations	-	1,456.4	-	-
Total	**712.5**	**2,048.8**	**1,406.1**	**1,417.1**

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

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

MANAGEMENT ACCOUNTING POLICIES

This reporting comprises the two segments GAM and Swiss & Global Asset Management. Income and expenses that are not directly connected with the segments GAM and Swiss & Global Asset Management are attributed to Group Functions.

The external segment reporting reflects the internal organisational structure and management accounts. Income and expenses are assigned to the segments according to the principle of accountability based on the client relationships. Indirect costs for internal service relationships between the segments are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary. The depreciation of non-current assets as well as the provisions and losses included in the operating expenses relate to actual costs.

The assets and liabilities are assigned on the basis of the business activities of the individual segments.

11. EARNINGS PER SHARE AND SHARES OUTSTANDING

	2010	2009
Basic earnings per share		
Net profit from continuing operations (CHF m)	10.2	2,716.3
Net profit from discontinued operations (CHF m)	-	920.6
Weighted average number of shares outstanding	196,279,481	206,504,874
Basic net profit per share (CHF):		
- from continuing operations	**0.05**	**13.15**
- from discontinued operations	**-**	**4.46**
Diluted earnings per share		
Net profit from continuing operations (CHF m)	10.2	2,716.3
Less (profit)/loss on derivative contracts on own shares (CHF m)	-	-
Net profit from continuing operations for diluted EPS (CHF m)	**10.2**	**2,716.3**
Net profit from discontinued operations (CHF m)	-	920.6
Less (profit)/loss on derivative contracts on own shares (CHF m)	-	0.5
Net profit from discontinued operations for diluted EPS (CHF m)	**-**	**921.1**
Weighted average number of shares outstanding	196,279,481	206,504,874
Dilution effect from continuing operations	1,207,505	-
Weighted average number of shares outstanding for diluted EPS from continuing operations	**197,486,986**	**206,504,874**
Weighted average number of shares outstanding	-	206,504,874
Dilution effect from discontinued operations	-	270,610
Weighted average number of shares outstanding for diluted EPS from discontinued operations	**-**	**206,775,484**
Diluted net profit per share (CHF):		
- from continuing operations	**0.05**	**13.15**
- from discontinued operations	**-**	**4.45**

	2010	2009
Shares outstanding		
Total shares issued at the beginning of the year	206,630,756	211,034,256
Cancellation during the year	-	-4,403,500
Total shares issued at the end of the year	**206,630,756**	**206,630,756**
Treasury shares - share buy-back programme	-10,330,756	-
Treasury shares - 2009 Long-Term Incentive Plan[1]	-7,563,832	-5,498,412
Total shares outstanding at the end of the year	**188,736,168**	**201,132,344**

[1] These treasury shares are held as an economic hedge in respect of the 2009 Long-Term Incentive Plan. For further information see Note 20.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2010 CHF M	31.12.2009 CHF M	CHANGE %
Accrued fee and commission income	111.1	104.9	6
Prepayments	7.2	9.6	-25
Accrued other income	0.1	3.4	-97
Total	**118.4**	**117.9**	**0**

13. FINANCIAL INSTRUMENTS

13.1. FINANCIAL INVESTMENTS

	NOTE	31.12.2010 CHF M	31.12.2009 CHF M *re-presented*	CHANGE %
Debt financial instruments available-for-sale		1.3	19.2	-93
Equity financial instruments available-for-sale		101.2	67.7	49
Derivative financial instruments	13.3	16.2	1.3	-
Financial assets designated at fair value through profit and loss		0.8	2.5	-68
Total		**119.5**	**90.7**	**32**
Current		110.0	89.3	23
Non-current		9.5	1.4	579
Total		**119.5**	**90.7**	**32**

13.2. OTHER FINANCIAL LIABILITIES

	31.12.2010 CHF M	31.12.2009 CHF M *re-presented*	CHANGE %
Bank overdraft	0.2	-	-
Debt issued (bond)	-	149.9	-100
Loans	63.0	95.7	-34
Total	**63.2**	**245.6**	**-74**
Current	32.2	182.6	-82
Non-current	31.0	63.0	-51
Total	**63.2**	**245.6**	**-74**

13.3. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivatives	100.0	8.4	-
Equity derivatives	33.9	7.8	-
Total derivatives held for trading	**133.9**	**16.2**	**-**
Total derivative financial instruments	**133.9**	**16.2**	**-**

	2009		
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivatives	67.7	0.6	-
Total derivatives held for trading	**67.7**	**0.6**	**-**
Derivatives designated as fair value hedges (interest rate swap)	150.0	0.7	-
Total derivatives held for hedging	**150.0**	**0.7**	**-**
Total derivative financial instruments	**217.7**	**1.3**	**-**

13.4. FINANCIAL INSTRUMENTS BY CATEGORY

	31.12.2010		31.12.2009	
	CARRYING AMOUNT CHF M	FAIR VALUE CHF M	CARRYING AMOUNT CHF M *re-presented*	FAIR VALUE CHF M *re-presented*
Financial assets				
Loans and receivables				
Cash and cash equivalents	819.1	819.1	974.2	974.2
Trade and other receivables	53.2	53.2	85.2	85.2
Accrued income	111.2	111.2	108.3	108.3
Other financial assets[1]	34.1	34.1	-	-
Total loans and receivables	**1,017.6**	**1,017.6**	**1,167.7**	**1,167.7**
Financial investments available-for-sale	**102.5**	**102.5**	**86.9**	**86.9**
Derivative financial instruments held for trading at fair value through profit and loss	**16.2**	**16.2**	**0.6**	**0.6**
Derivative financial instruments designated as hedging instruments	**-**	**-**	**0.7**	**0.7**
Financial assets designated at fair value through profit and loss	**0.8**	**0.8**	**2.5**	**2.5**
Total financial assets	**1,137.1**	**1,137.1**	**1,258.4**	**1,258.4**

[1] For further information see section "Treasury Shares" in Note 20.

	31.12.2010		31.12.2009	
	CARRYING AMOUNT CHF M	FAIR VALUE CHF M	CARRYING AMOUNT CHF M *re-presented*	FAIR VALUE CHF M *re-presented*
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	42.8	42.8	6.7	6.7
Accrued expenses	268.8	268.8	245.6	245.6
Other financial liabilities	63.2	63.2	245.6	245.6
Total financial liabilities measured at amortised cost	**374.8**	**374.8**	**497.9**	**497.9**
Total financial liabilities	**374.8**	**374.8**	**497.9**	**497.9**

13.5. FINANCIAL INSTRUMENTS — FAIR VALUE DETERMINATION

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

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing at the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model or derivations of that model. 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, or credit risk.

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

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

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

	LEVEL 1 QUOTED MARKET PRICE CHF M	LEVEL 2 VALUATION TECHNIQUE MARKET-OBSERVABLE INPUTS CHF M	LEVEL 3 VALUATION TECHNIQUE NON-MARKET-OBSERVABLE INPUTS CHF M	31.12.2010 **TOTAL** CHF M
Determination of fair values				
Derivative financial instruments	-	16.2	-	**16.2**
Financial assets designated at fair value through profit and loss	-	-	0.8	**0.8**
Financial investments available-for-sale	71.7	28.6	2.2	**102.5**
Total assets at fair value	**71.7**	**44.8**	**3.0**	**119.5**

	LEVEL 1 QUOTED MARKET PRICE CHF M	LEVEL 2 VALUATION TECHNIQUE MARKET-OBSERVABLE INPUTS CHF M	LEVEL 3 VALUATION TECHNIQUE NON-MARKET-OBSERVABLE INPUTS CHF M	31.12.2009 **TOTAL** CHF M
Determination of fair values				
Derivative financial instruments	-	1.3	-	**1.3**
Financial assets designated at fair value through profit and loss	-	-	2.5	**2.5**
Financial investments available-for-sale	38.7	20.6	27.6	**86.9**
Total assets at fair value	**38.7**	**21.9**	**30.1**	**90.7**

The following table presents the changes in Level 3 financial instruments for the year ended 31 December:

	FAIR VALUE THROUGH PROFIT OR LOSS CHF M	AVAILABLE-FOR-SALE CHF M	**TOTAL** CHF M
Opening balance on 01.01.2009	-	149.0	**149.0**
Purchases	2.5	27.8	**30.3**
Total gains or losses:			
- in profit or loss	-	-	**-**
- in other comprehensive income	-	-0.8	**-0.8**
Disposal of subsidiaries	-	-148.4	**-148.4**
Closing balance on 31.12.2009	**2.5**	**27.6**	**30.1**
Purchases	-	25.2	**25.2**
Disposals	-1.7	-36.9	**-38.6**
Total gains or losses:			
- in profit or loss	0.2	-4.7	**-4.5**
- in other comprehensive income	-	-8.6	**-8.6**
Translation differences	-0.2	-0.4	**-0.6**
Closing balance on 31.12.2010	**0.8**	**2.2**	**3.0**

All gains and losses recognised in profit or loss are reported in other operating income. Gains of CHF 0.1 million for the period included in profit or loss relate to financial instruments held at the end of the reporting period.

SENSITIVITY OF FAIR VALUE MEASUREMENTS

In 2010, no reasonably possible change in the inputs used in making the measurements would cause the fair value of Level 3 financial instruments to significantly change.

In 2009, for fair value measurement in Level 3, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the effects as presented below in the table.

The fair value is estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. The sensitivity analysis in the following table is hypothetical. Changes in fair value based upon a 10% or 20% variation in assumptions generally cannot be extrapolated easily because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in the table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might counteract or magnify the sensitivities.

	31.12.2010		31.12.2009	
	CHF M	%	CHF M	%
Estimated fair value	-		11.6	
Weighted-average credit losses:				
Impact of 10% adverse change	-	-	1.5	12.85
Impact of 20% adverse change	-	-	2.8	24.55
Weighted-average discount rate (base 20.5%):				
Impact of 10% adverse change	-	-	0.6	4.88
Impact of 20% adverse change	-	-	1.1	9.13

14. INVESTMENT IN ASSOCIATES

At 31 December 2010, the Group had a 28% (31 December 2009: 28%) interest in Artio Global Investors Inc. ("Artio"), a company that provides investment management services to institutional and mutual fund clients.

The fair value of the Group's interest in Artio, which has been listed on the New York Stock Exchange since 24 September 2009, is CHF 230.4 million as at 31 December 2010 (31 December 2009: CHF 441.5 million).

The reporting date of Artio is 31 December.

The following table provides summarised financial information of the Group's investment in Artio:

	31.12.2010 CHF M	31.12.2009 CHF M
Carrying amount of the investment in associate	**306.3**	**463.4**
Summary financial information of investments in associates		
Total assets	357.6	204.7
Total liabilities	258.5	200.6
Equity	**99.1**	**4.1**

	2010 CHF M	2009 CHF M
Revenue	350.0	332.8
Profit or loss	108.3	-394.3

IMPAIRMENT TESTING

Whenever there are indications that an investment in associates might be impaired, the recoverable amount (based on the higher of value in use and fair value less costs to sell) is determined and is compared to the carrying amount of these investments on the Group's balance sheet.

As the fair value of the Group's investment in Artio – reflected by the share price as of 31 December 2010 – declined significantly below its carrying amount, there is objective evidence of an impairment and the Group's investment in Artio was therefore tested for impairment.

The Group uses a model based on the discounted cash flow method to calculate the value in use of its investment in Artio. The Group estimates the present value of the free cash flows expected to be generated from the operations of its investment in Artio based on available financial information, taking into account the following key parameters and their individual components:

- free cash flows
- discount rate
- tax rate applicable

Reasonably expected growth assumptions are applied in order to calculate the projected free cash flows. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 18.6%. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers.

The Group's approach to determining the key assumptions and related growth expectations is based on management's reasonable expectations of future business, using external market information and other reasonable information. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations. For free cash flows used to calculate the recoverable amount of the investment in Artio, the Group applies 2% as the terminal growth rate.

Based on the assumptions above an impairment loss of CHF 180.3 million resulted.

15. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

ACTUARIAL CALCULATION OF PENSION OBLIGATIONS WITH RESPECT TO EMPLOYEES[1]

	2010 CHF M	2009 CHF M
1. Movement in pension obligations and assets		
Present value of funded obligation at the beginning of the year	-264.7	-1,573.9
Service cost	-15.2	-64.2
Interest cost	-12.8	-46.0
Settlements	-	-1.4
Benefits paid	-1.0	68.3
Actuarial gain/(loss)	-22.4	24.4
Disposal of subsidiaries	-	1,291.1
Translation differences	25.0	37.0
Present value of funded obligation at the end of the year	**-291.1**	**-264.7**
Fair value of plan assets at the beginning of the year	237.7	1,406.9
Expected return on plan assets	13.0	52.6
Employer's contributions	13.5	82.4
Employees' contributions	2.9	20.4
Settlements	-	-0.1
Benefits paid	1.0	-68.3
Actuarial gain/(loss)	6.7	46.4
Disposal of subsidiaries	-	-1,270.6
Translation differences	-21.4	-32.0
Fair value of plan assets at the end of the year	**253.4**	**237.7**

	31.12.2010 CHF M	31.12.2009 CHF M
2. Balance sheet		
Fair value of plan assets	253.4	237.7
Present value of funded obligation	-291.1	-264.7
Funded/(unfunded) status	**-37.7**	**-27.0**
Unrecognised assets	-	-2.8
Unrecognised actuarial (gains)/losses	31.1	21.1
Translation differences	2.7	5.3
Net asset/(liability)	**-3.9**	**-3.4**
Deferred taxes	1.3	0.9
Amounts recognised in the balance sheet	**-2.6**	**-2.5**

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

The pension plan assets are invested in accordance with local laws and include no shares of GAM Holding AG.

	2010 CHF M	2009 CHF M
3. Income statement		
Service cost	-15.2	-64.1
Interest cost	-12.8	-46.0
Expected net return on plan assets	13.0	52.6
Amortisation of actuarial gain/(loss)	-0.4	-0.5
Recognised actuarial gains/(losses) under IAS 19.58	-5.3	1.3
Change in unrecognised plan assets	2.8	-2.8
Settlements	-	-2.7
Net pension cost for the period	**-17.9**	**-62.2**
Employees' contributions	2.9	20.4
Discontinued operations	-	32.1
Expense recognised in the income statement	**-15.0**	**-9.7**

	2010 CHF M	2009 CHF M
4. Movement in the net asset/(liability)		
Net asset/(liability) at the beginning of the year	-3.4	24.3
Disposal of subsidiaries	-	-67.4
Translation differences	1.0	-0.9
Expense recognised in the income statement	-15.0	-9.7
Discontinued operations	-	-32.1
Employer's contributions	13.5	82.4
Net asset/(liability) at the end of the year	**-3.9**	**-3.4**
Pension asset	4.0	0.7
Pension liability	-7.9	-4.1
Net asset/(liability) at the end of the year	**-3.9**	**-3.4**
Actual return on plan assets	**19.7**	**99.0**

	2010 %	2009 %
5. Asset allocation		
Cash	4.2	5.8
Debt instruments	21.1	18.6
Equity instruments	51.9	61.5
Real estate	5.1	4.5
Other	17.7	9.6
Total	**100.0**	**100.0**

	31.12.2010 CHF M	31.12.2009 CHF M	31.12.2008 CHF M	31.12.2007 CHF M	31.12.2006 CHF M
6. Defined benefit pension plans					
Fair value of plan assets	253.4	237.7	1,406.9	1,644.3	1,647.8
Present value of funded obligation	-291.1	-264.7	-1,573.9	-1,581.4	-1,680.8
Funded/(unfunded) status	**-37.7**	**-27.0**	**-167.0**	**62.9**	**-33.0**
Experience adjustment on plan liabilities	-9.1	66.9	-9.7	-8.8	-20.9
Change in assumptions adjustment on plan liabilities	-13.3	-28.3	47.2	115.3	5.2
Experience adjustment on plan assets	6.7	46.4	-298.3	-36.8	34.5
Total actuarial gain/(loss)	**-15.7**	**85.0**	**-260.8**	**69.7**	**18.8**

ACTUARIAL CALCULATION OF PENSION ASSETS AND OBLIGATIONS

The latest actuarial calculation was carried out as of 31 December 2010. The actuarial assumptions are based on local economic conditions.

	UK		SWITZERLAND	
	2010	2009	**2010**	2009
Discount rate	5.50%	5.80%	2.70%	3.25%
Expected net return on plan assets	6.60%	6.00%	4.00%	4.50%
Average future salary increases	1.00%–3.60%	0.00%–3.60%	1.50%	1.50%
Future pension increases	2.30%–4.30%	3.40%–4.20%	0.00%	0.00%

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2011 financial year are estimated at CHF 12.6 million.

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 6.7 million during the 2010 financial year (2009: CHF 5.6 million).

The Group had no outstanding liabilities to pension plans as of 31 December 2010 (31 December 2009: none).

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1. DEFERRED TAX ASSETS

	31.12.2010 CHF M	31.12.2009 CHF M
Balance at the beginning of the year	9.8	106.3
Income statement - credit	13.3	1.3
Income statement - charge	-6.0	-0.1
Recognised directly in equity	4.8	-1.1
Translation differences and other adjustments	-1.4	3.4
Disposal of subsidiaries	-	-100.0
Balance at the end of the year	**20.5**	**9.8**
The components of deferred tax assets are as follows:		
Employee compensation and benefits	3.2	5.0
Share-based payments	11.6	-
Property and equipment	1.8	2.1
Tax loss carryforwards	3.1	2.6
Other	0.8	0.1
Total deferred tax assets	**20.5**	**9.8**

16.2. DEFERRED TAX LIABILITIES

	31.12.2010 CHF M	31.12.2009 CHF M
Balance at the beginning of the year	1.9	87.7
Income statement - charge	-	2.0
Income statement - credit	-0.8	-0.1
Recognised directly in equity	-	-20.6
Translation differences and other adjustments	0.1	-0.1
Disposal of subsidiaries	-	-67.0
Balance at the end of the year	**1.2**	**1.9**
The components of deferred tax liabilities are as follows:		
Employee compensation and benefits	0.9	0.8
Property and equipment	0.3	1.1
Total deferred tax liabilities	**1.2**	**1.9**

17. PROPERTY AND EQUIPMENT, GOODWILL AND OTHER INTANGIBLE ASSETS

	GOODWILL CHF M	CUSTOMER RELATION-SHIPS CHF M	BRAND CHF M	SOFTWARE CHF M *re-presented*	**TOTAL INTANGIBLE ASSETS** CHF M	PREMISES CHF M	OTHER PROPERTY AND EQUIPMENT CHF M *re-presented*	**TOTAL PROPERTY AND EQUIPMENT** CHF M *re-presented*
Historical cost								
Balance on 01.01.2009	2,954.7	1,757.9	273.0	247.6	**5,233.2**	331.0	180.4	**511.4**
Translation differences	-	-	-	0.4	**0.4**	-	0.8	**0.8**
Additions	-	3.6	-	49.0	**52.6**	7.5	14.4	**21.9**
Disposals[1]	-	-3.6	-	-	**-3.6**	-	-	**-**
Disposal of subsidiaries[1]	-1,113.4	-762.3	-	-273.2	**-2,148.9**	-338.5	-128.3	**-466.8**
Balance on 31.12.2009	**1,841.3**	**995.6**	**273.0**	**23.8**	**3,133.7**	**-**	**67.3**	**67.3**
Translation differences	-	-	-	-1.1	**-1.1**	-	-5.8	**-5.8**
Additions	-	-	-	2.7	**2.7**	-	7.4	**7.4**
Disposals[1]	-	-	-	-	**-**	-	-5.4	**-5.4**
Balance on 31.12.2010	**1,841.3**	**995.6**	**273.0**	**25.4**	**3,135.3**	**-**	**63.5**	**63.5**
Depreciation and amortisation								
Balance on 01.01.2009	-	541.4	-	112.0	**653.4**	41.0	106.9	**147.9**
Translation differences	-	-	-	0.3	**0.3**	-	0.3	**0.3**
Additions from continuing operations	764.4	649.9	-	0.8	**1,415.1**	-	7.0	**7.0**
Additions from discontinued operations	-	57.0	-	20.4	**77.4**	3.6	15.2	**18.8**
Disposal of subsidiaries	-	-299.3	-	-111.1	**-410.4**	-44.6	-81.3	**-125.9**
Balance on 31.12.2009	**764.4**	**949.0**	**-**	**22.4**	**1,735.8**	**-**	**48.1**	**48.1**
Translation differences	-	-	-	-1.0	**-1.0**	-	-4.5	**-4.5**
Additions	-	11.7	-	1.2	**12.9**	-	5.8	**5.8**
Disposals[1]	-	-	-	-	**-**	-	-4.4	**-4.4**
Balance on 31.12.2010	**764.4**	**960.7**	**-**	**22.6**	**1,747.7**	**-**	**45.0**	**45.0**
Book value								
Balance on 31.12.2009	**1,076.9**	**46.6**	**273.0**	**1.4**	**1,397.9**	**-**	**19.2**	**19.2**
Balance on 31.12.2010	**1,076.9**	**34.9**	**273.0**	**2.8**	**1,387.6**	**-**	**18.5**	**18.5**

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

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

The Board of Directors, together with the Executive Board, has undertaken an assessment of the carrying value of the intangible assets resulting from the 2005 purchase of GAM. The greater transparency in the market value of the GAM segment within the share price of GAM Holding AG has also been used as a cross-reference to ensure that the discounted cash flow method provides a reasonable assessment of the recoverable amount.

In reviewing the carrying amount of the intangible assets the Board of Directors has considered the current environment in which asset managers operate, in addition to the standalone status of GAM Holding AG.

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

GOODWILL IMPAIRMENT TESTING

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

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

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

The Group's approach to determining the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of GAM vis-à-vis its respective competitors and in its industry.

The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 11.9% (2009: 16.3%) for GAM. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers.

For assets under management used to calculate the recoverable amount of the goodwill relating to the GAM segment, the Group applies 2.0% (2009: 1.5%) as a terminal growth rate, which is in line with the Group's expected growth rate of the relevant long-term gross domestic products. The discount rates used in the above calculation represent the Group's specific risk-weighted rates.

Based on the assumptions above there was no impairment loss (2009: CHF 764.4 million).

CUSTOMER RELATIONSHIPS IMPAIRMENT TESTING

This position comprises long-term customer relationship intangibles from recent business combinations. Customer relationships are amortised over their estimated useful life not exceeding a period greater than ten years using the straight-line method.

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

For 2010 there is no indication that customer relationships may be impaired, therefore the recoverable amount has not been estimated and no impairment loss resulted (2009: impairment loss of CHF 549.2 million). The pre-tax discount rate used to calculate the recoverable amount in 2009 was 16.3%.

BRAND IMPAIRMENT TESTING

The Group tests the brand name GAM for impairment annually or whenever there are indications that the brand name might be impaired by comparing its carrying amount with its recoverable amount. The Group uses a model based on the discounted cash flow method to determine the recoverable amount. This recoverable amount is based on the projected “royalty savings” (i.e. an internal licence fee for use of brands), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 11.9% (2009: 13.4%), and the rate used for the “royalty savings” is 4.8% (2009: 3.9%). No impairment loss was recognised as a result of this review.

CHANGES IN KEY ASSUMPTIONS

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

In 2010, no reasonably possible change in the key assumptions would cause the carrying amount of the goodwill to exceed the recoverable value.

In 2009, an increase in the discount rate of 0.25% would have caused the goodwill to exceed its recoverable amount by CHF 37 million. However, there were significant uncertainties involved in the determination of these assumptions in the then-current market environment.

18. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2010 CHF M	31.12.2009 CHF M	CHANGE %
Accrued commission expenses	122.4	105.2	16
Accrued operating expenses	146.4	140.4	4
Total	**268.8**	**245.6**	**9**

19. PROVISIONS

				2010
	RESTRUCTURING CHF M	REINSTATEMENT OF LEASEHOLD IMPROVEMENTS CHF M	OTHER CHF M	TOTAL CHF M
Balance at the beginning of the year	0.2	2.1	-	**2.3**
Utilised during the year	-	-0.5	-	**-0.5**
Provisions made during the year	-	0.1	12.3	**12.4**
Translation differences	-	-0.1	-	**-0.1**
Balance at the end of the year	**0.2**	**1.6**	**12.3**	**14.1**
Maturity of provisions				
Current	-	0.1	12.3	**12.4**
Non-current	0.2	1.5	-	**1.7**
Total	**0.2**	**1.6**	**12.3**	**14.1**

The Group rents a number of buildings and provides for the reinstatement costs of these in line with the rental agreements. This provision is anticipated to be utilised during the next four years.

Other provisions relate to issues which have arisen as a result of potential obligations during the course of the Group's business activities.

20. EQUITY

SHARE CAPITAL

The share capital comprises all issued, fully paid registered shares of GAM Holding AG.

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
Balance on 01.01.2009	211,034,256	10.5
Changes	-4,403,500	-0.2
Balance on 31.12.2009	**206,630,756**	**10.3**
Changes	-	-
Balance on 31.12.2010	**206,630,756**	**10.3**
of which treasury shares	*-17,894,588*	

All registered shares are fully paid.

Conditional capital		
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24.06.1993	10,000,000	0.5

There is no authorised capital.

The dividend paid for the previous financial year is disclosed in the consolidated statement of changes in equity. For outstanding shares see Note 11.

SHARE CAPITAL

The share capital comprises all issued, fully paid registered shares of GAM Holding AG.

CAPITAL RESERVES

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

HEDGING RESERVE FOR CASH FLOW HEDGES, NET OF TAXES

The hedging reserve (none as at 31 December 2010) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

TREASURY SHARES

Treasury shares comprise the cost of GAM Holding AG shares held by the Group.

GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.3% of shares in issue. This total return swap forms part of the Company's strategy to economically hedge its potential exposure to options granted to officers and employees under the Group's 2009 Long-Term Incentive Plan. Aggregating the number of shares over which the total return swap is contracted, together with treasury shares held in relation to this Long-Term Incentive Plan amounts to 4.97% of shares in issue. The receivable in respect of this total return swap, amounting to CHF 33.9 million, is included under non-current other financial assets in the balance sheet. The total return swap is recognised as a derivative financial instrument held for trading at fair value through profit and loss. For further information on the accounting treatment within the income statement see Note 7.

Treasury shares have also been purchased by GAM Holding AG as part of its share buy-back programme announced on 24 August 2010. The number of shares purchased during the period from announcement to 31 December 2010 amounted to 10.331 million; a request to cancel these shares will be put to the Annual General Meeting to be held on 19 April 2011.

DISTRIBUTION OF DIVIDEND

In 2010 no dividend was distributed for the financial year 2009. In 2009 an ordinary dividend of CHF 103,315,378 was paid (dividend per share: CHF 0.50) for the financial year 2008. For the financial year 2010 a dividend of CHF 0.50 per share has been proposed. For further information see the proposed appropriation of retained earnings in the financial statements for the parent company.

DISTRIBUTION OF A SPECIAL DIVIDEND IN 2009

At the Extraordinary General Meeting on 30 June 2009, it was decided to distribute to the shareholders as follows:

(a) a dividend-in-kind consisting of one registered share of Julius Baer Group Ltd. with a nominal value of CHF 0.02 per registered share of Julius Baer Holding Ltd. entitled to receive a dividend (in total 206,630,756 registered shares of Julius Baer Group Ltd.); plus
(b) a cash dividend in the amount of CHF 0.01076923 per registered share of Julius Baer Holding Ltd. entitled to receive a dividend (in total CHF 2,225,254), not to be paid to the shareholders but to be remitted to the Swiss tax authorities by Julius Baer Holding Ltd. in order to satisfy the liability for Swiss withholding tax.

At the Extraordinary General Meeting on 30 June 2009, a decision was taken that the legal reserves of GAM Holding AG (formerly Julius Baer Holding Ltd.) be converted in an amount of CHF 4,847,232,563 into free reserves and that therefore the account "general legal reserves" (capital reserves) be reduced by CHF 4,847,232,563 and the new account "further other reserves" (retained earnings) be credited with the same amount of CHF 4,847,232,563.

The dividend-in-kind was accounted for at fair value as follows:

	31.12.2009 CHF M
Distribution of non-cash dividend to Julius Baer Group	
Fair value of the non-cash dividend distributed	8,290.0
Carrying amount of the net assets distributed	-4,163.7
Net realised losses on other comprehensive income reclassified to the income statement	-130.3
Transaction costs deducted from gain on non-cash divided distributed, net of tax	-53.1
Gain on non-cash dividend distributed, net	**3,942.9**

The transaction was recognised and measured in accordance with IFRIC 17 (Distribution of Non-cash Assets to Owners). This treatment led to a substantial gain on the distribution of the non-cash assets to shareholders, which resulted essentially from the difference in the market value of the new Julius Baer Group Ltd. shares and the underlying net assets divested.

Directly attributable and incremental transaction costs have been deducted. These transaction costs comprised legal, investment banking, auditors' review and various advisory fees, as well as CHF 4.9 million of personnel costs and CHF 18.6 million of Long-Term Incentive Plan costs and related taxes and levies.

For further information on the separation of the private banking and asset management businesses refer to Notes 1 and 26.

ADDITIONAL NOTES

21. RELATED PARTY TRANSACTIONS[1,2]

	31.12.2010 CHF M	31.12.2009 CHF M *re-presented*
Key management personnel compensation		
Salaries and other short-term employee benefits	5.7	6.6
Post-employment benefits	0.1	0.3
Share-based payments	6.5	7.4
Total	**12.3**	**14.3**
Receivables from		
Associated companies	-	40.9
Total	**-**	**40.9**
Liabilities to		
Associated companies	0.7	0.7
Own pension funds	-	0.1
Total	**0.7**	**0.8**
Expense from services provided by		
Associated companies	2.9	0.7
Total	**2.9**	**0.7**

1 Key management personnel consists of the Board of Directors and the Executive Board of GAM Holding AG.
From October 2009: The Executive Board consists of the Chief Executive Officer, the Group Chief Financial Officer and the Group General Counsel of GAM Holding Ltd.
From January to September 2009: The Executive Board consisted of the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel of Julius Baer Holding Ltd.

2 GAM Holding AG or its subsidiaries obtain from time to time legal advice from, amongst other law firms, Homburger AG, Attorneys-at-law, Zurich, Switzerland. Mr Daniel Daeniker, member of the Board of Directors of GAM Holding AG, is one of 32 partners at Homburger AG. These mandates are not considered material to GAM Holding AG. Furthermore Mr Daeniker does not work on any such mandate for GAM Holding AG or subsidiaries. Mr Daeniker's independence to fulfill his mandate as a member of the Board of Directors of GAM Holding AG is therefore ensured.

Services are transacted at arm's length. The expense from services provided by and liabilities to associated companies relate to investment advisory fees. For information on compensation, loans and share and option holdings of the Board of Directors and Senior Management in accordance with the Swiss Code of Obligations, see Note 10 of the 2010 financial statements for the parent company.

22. SHARE-BASED PAYMENTS

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Plans. The plans described in detail below reflect the situation as of 31 December 2010. The description includes plans issued prior to the separation of the former Julius Baer group on 1 October 2009, together with plans issued by the Company after that date. The registered shares of Julius Baer Group Ltd. and GAM Holding AG required to settle obligations under the Equity Participation Plans are either procured in the market or made available from additional share capital.

2009 LONG-TERM INCENTIVE PLAN (GAM HOLDING AG)

On 28 October 2009, the Board of Directors approved the granting of options over the Company's shares. Options were granted to every officer and employee of the Group. These options were all granted with an exercise price of CHF 12.28.

Out of the total option grant to mark the independent listing of GAM Holding AG, options over 7.568 million shares were granted specifically to recognise the efforts of employees in facilitating this event. These options vested immediately upon grant. Options over the remaining 22.704 million shares will vest in three equal installments on the following three anniversaries of the grant date. Save in limited circumstances (not including change of control events), all of the options granted will only be exercisable at the end of the three year vesting period. The options expire at the end of the exercise period on 26 January 2013. Each installment is accounted for as a separate "share based payment arrangement" and therefore the expenses are allocated over the corresponding vesting period of one, two or three years.

In 2010 further options were granted to newly elected members of the Board of Directors as well as to certain new employees of the Group.

GAM HOLDING AG — 2009 SHARE OPTION SCHEME

	31.12.2010		31.12.2009	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *CHF*
Outstanding at the beginning of the year	30,116,211	12.28	-	-
Granted during the year	829,542	13.54	30,271,544	12.28
Exercised during the year	-12,639	12.28	-	-
Forfeited/cancelled during the year	-468,691	12.28	-155,333	12.28
Outstanding at the end of the year	**30,464,423**	**12.31**	**30,116,211**	**12.28**
of which exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for share options exercised in 2010 was CHF 14.61 (2009: no options exercised).

GAM HOLDING AG — SHARE OPTIONS GRANTED IN 2010

	OPTIONS VESTED 13 APRIL TO 16 AUGUST 2010	OPTIONS VESTING 13 APRIL TO 16 AUGUST 2011	OPTIONS VESTING 13 APRIL TO 16 AUGUST 2012	OPTIONS VESTING 13 APRIL TO 16 AUGUST 2013
Fair value of share options and assumptions				
Fair value of option at grant date	1.98–2.33	2.10–2.46	2.12–2.47	2.06–2.39
Average remaining contractual life (in months)	30–35	30–35	30–35	30–35
Share price at grant date	11.60–13.93	11.60–13.93	11.60–13.93	11.60–13.93
Exercise price	12.28–13.93	12.28–13.93	12.28–13.93	12.28–13.93
Expected volatility	34.5%–38.5%	34.5%–38.5%	34.5%–38.5%	34.5%–38.5%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.51–0.86%	0.51–0.86%	0.51–0.86%	0.51–0.86%
Expense recognised for the period (CHF m)	0.5	0.4	0.1	0.1

GAM HOLDING AG — SHARE OPTIONS GRANTED IN 2009

	OPTIONS VESTED ON 28 OCTOBER 2009	OPTIONS VESTING ON 28 OCTOBER 2010	OPTIONS VESTING ON 28 OCTOBER 2011	OPTIONS VESTING ON 28 OCTOBER 2012
Fair value of share options and assumptions				
Fair value of option at grant date	2.48	2.62	2.63	2.55
Average remaining contractual life (in months)	25	25	25	25
Share price at grant date	12.28	12.28	12.28	12.28
Exercise price	12.28	12.28	12.28	12.28
Expected volatility	40.75%	40.75%	40.75%	40.75%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.98%	0.98%	0.98%	0.98%
Expense recognised for the period (CHF m)	-	16.0	9.7	6.3

2005/2007 LONG-TERM INCENTIVE PLANS (JULIUS BAER HOLDING LTD.)

The Long-Term Incentive Plans were aimed at employees who were considered to have a significant influence on the then Julius Baer group's long-term development and financial results as well as at the members of the Board of Directors. The purpose of the plans was to strengthen the long-term commitment of the then Group and to align the interests of the participants with those of shareholders by granting options over registered shares of Julius Baer Holding Ltd.

In line with the objectives of the plans, options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are participants entitled to the options, provided that such employees are in ongoing employment with the Group and that all other conditions of the plan are met. Until expiration of the vesting period, the Loteco Foundation (currently within the Julius Baer Group) and the GAM Employee Benefit Trust manage the options that have been allotted to the participants. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the plan on allocation date through the purchase of the corresponding shares. The financing of these shares is carried out by the respective employer companies.

In anticipation of the separation of the former Julius Baer group the terms applicable to the then existing options previously granted over registered shares in Julius Baer Holding Ltd. were amended by the Compensation Committee of Julius Baer Holding Ltd. so that participants' options were changed into options on a EUREX basket of shares in Julius Baer Group Ltd. and GAM Holding AG. As of 1 October 2009 participants therefore held an option over an equal number of shares of Julius Baer Group Ltd. and GAM Holding AG.

At 31 December 2009 there were 192,415 options (with a weighted average exercise price of CHF 91.20) outstanding, all of which were forfeited/expired without value as of 31 December 2010.

In addition, at 31 December 2009 under the Long-Term Incentive Plans (Julius Baer Holding Ltd.) there were 4,142 unvested shares outstanding with a weighted average fair value per share awarded of CHF 12.63. At 31 December 2010 no shares were outstanding.

STAFF PARTICIPATION PLAN (JULIUS BAER HOLDING LTD.)

The Staff Participation Plan came into force on 1 January 2007 and granted employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount defined every year. The offer price for the 2009 Staff Participation Plan was 25% below the average weighted market value of the registered shares for the period from 2 March until 11 March 2009.

This plan was not offered again in 2010 and therefore no expense was incurred in the current period.

EQUITY BONUS PLAN (JULIUS BAER HOLDING LTD.)

Up to 2006, senior management of the former Julius Baer group had the option to have part or all of their bonuses paid in the form of Julius Baer Holding Ltd. registered shares and/or options on such registered shares at market price. The shares and options acquired in this way were subject to a sales restriction period. This plan is only accounted for until 30 September 2009, as following the separation of the former Julius Baer group no participants remained with the Group.

Of the 1,160 outstanding options at 31 December 2009 (with a weighted average exercise price of CHF 49.65) a total of 310 options have been sold. The remaining 850 options with an exercise price of CHF 55.00 have a remaining contractual life of 0.3 years.

23. FUTURE ANNUAL COMMITMENTS UNDER OPERATING LEASES

	31.12.2010 CHF M	31.12.2009 CHF M
Maturity of up to 1 year	19.2	15.5
Maturity within 1–5 years	65.8	57.6
Maturity within 5–10 years	38.6	50.8
Maturity within 10–15 years	11.4	13.9
Maturity of over 15 years	13.9	17.7
Total	**148.9**	**155.5**

For 2010 operating leases in the gross amount of CHF 19.0 million are included in operating expenses (2009: CHF 17.8 million).

Future sublease payments of CHF 0.3 million are expected to be received.

24. COMPANIES CONSOLIDATED AS OF 31 DECEMBER 2010

	PLACE OF LISTING	CAPITALISATION AS OF 31.12.2010 M	HEAD OFFICE	CURRENCY	SHARE CAPITAL M
Listed company which is consolidated					
GAM Holding AG	SIX Swiss Exchange	3,192	Zurich	CHF	10.332

Security number: 10265962, Reuters: GAMH.VX, Bloomberg: GAM VX

UNLISTED COMPANIES WHICH ARE CONSOLIDATED

	DOMICILE	CURRENCY	SHARE CAPITAL M	EQUITY INTEREST %
GAM Group AG	Zurich	CHF	225.000	100
GAM (Schweiz) AG	Zurich	CHF	1.000	100
GAM Anlagefonds AG	Zurich	CHF	1.000	100
GAM Ltd.	Bermuda	USD	2.020	100
GAM Dubai Ltd.	Dubai	USD	1.000	100
GAM (UK) Ltd.	London	GBP	1.000	100
GAM Investment Managers Ltd.	London	GBP	0.200	100
GAM International Management Ltd.	London	GBP	2.250	100
GAM London Ltd.	London	GBP	2.025	100
GAM Sterling Management Ltd.	London	GBP	0.050	100
GAM (Isle of Man) Ltd.	Isle of Man	GBP	0.100	100
GAM Fund Management Ltd.	Dublin	EUR	0.127	100
GAM Singapore Pte Ltd.	Singapore	SGD	4.600	100
GAM Hong Kong Ltd.	Hong Kong	HKD	5.000	100
GAM Japan Limited	Tokyo	JPY	370.000	100
GAM USA Inc.	Wilmington/USA	USD	6.817	100
GAM Services Inc.	Wilmington/USA	USD	0.660	100
GAM Funding Inc.	Wilmington/USA	USD	0.010	100
Swiss & Global Asset Management Holding AG	Zurich	CHF	10.250	100
Swiss & Global Asset Management AG	Zurich	CHF	1.200	100
Swiss & Global Fund Administration (Cayman) Ltd.	Grand Cayman	USD	0.500	100
Directorate Inc.	BVI	USD	0.020	100
Swiss & Global Services (Italia) S.r.l.	Milan	EUR	0.050	100
Swiss & Global Asset Management (Italia) SGR S.p.A.	Milan	EUR	2.000	100
Swiss & Global Advisory S.A.	Luxembourg	EUR	0.075	100
Swiss & Global Asset Management (Luxembourg) SA (including branch offices in United Kingdom and Spain)	Luxembourg	EUR	4.125	100
Swiss & Global Asset Management Kapital AG	Frankfurt	EUR	2.600	100

ADDITIONS TO COMPANIES CONSOLIDATED:

Swiss & Global Asset Management (Luxembourg) SA established branch offices in the United Kingdom and Spain

DISPOSALS OF COMPANIES CONSOLIDATED:

GAM Fonds Marketing GmbH, liquidated
Swiss & Global Asset Management (Cayman) Limited, liquidated
Swiss & Global Multicash Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multicooperation Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multifund Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multiinvest Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multiopportunities Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multipartner Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multiselect Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global Multistock Advisory S.A.H., liquidated (restructuring to create operational efficiencies)
Swiss & Global SICAV II Advisory S.A.H., liquidated (restructuring to create operational efficiencies)

NAME CHANGES OF COMPANIES CONSOLIDATED:

GAM Investment Managers Ltd., name changed from Augustus Asset Managers Ltd., London
Swiss & Global Advisory S.A., name changed from Swiss & Global Multibond Advisory S.A.H.
GAM (Isle of Man) Ltd., name changed from GAM Administration Ltd.

25. ACQUISITIONS

No acquisitions were made in 2010.

PURCHASE OF CREINVEST LTD.

On 3 August 2009 Swiss & Global Asset Management Holding AG, then named JB Invest, obtained control of Creinvest Ltd. by acquiring 60% of the shares and voting interests in the company. As a result, the Group's equity interest in Creinvest Ltd. increased from 40% to 100%.

Creinvest Ltd. was merged with its parent immediately after the acquisition. The consideration paid amounted to CHF 125 million.

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	CARRYING AMOUNT CHF M	STEP-UP TO FAIR VALUE CHF M	FAIR VALUE CHF M
Assets			
Cash and cash equivalents	54	-	54
Financial investments available-for-sale	24	47	71
Total	**78**	**47**	**125**
Liabilities and equity			
Equity	78	47	125
Total	**78**	**47**	**125**

PURCHASE OF AUGUSTUS ASSET MANAGERS LTD

On 29 May 2009, Julius Baer Holding Ltd. re-acquired 100% of the shares of Augustus Asset Managers Ltd. At the time of the original disposal in January 2007, as part of a management buyout, the shares of Augustus Asset Managers Ltd. were not derecognised from Julius Baer Holding Ltd.'s balance sheet, but were reclassified as financial investments available-for-sale. Due to the re-acquisition, Augustus Asset Managers Ltd. has been re-consolidated.

26. DISCONTINUED OPERATIONS

	JULIUS BAER GROUP[1]		ARTIO GLOBAL INVESTORS[1]		TOTAL[1]	
	2010 CHF M	2009[2] CHF M *re-presented*	2010 CHF M	2009[2] CHF M *re-presented*	2010 CHF M	2009[2] CHF M *re-presented*
Operating income	-	1,230.2	-	226.2	-	**1,456.4**
Operating expenses	-	898.7	-	539.2	-	**1,437.9**
Profit/(loss) before tax from operating activities	-	**331.5**	-	**-313.0**	-	**18.5**
Income taxes	-	48.1	-	134.0	-	**182.1**
Profit/(loss) from operating activities, net of tax	-	**283.4**	-	**-447.0**	-	**-163.6**
Gain on sale of discontinued operations	-	-	-	862.2	-	**862.2**
Fair value re-measurement of investment in associates	-	-	-	445.3	-	**445.3**
Net profit before eliminations	-	**283.4**	-	**860.5**	-	**1,143.9**
Less eliminations of dividends	-	-	-	-223.0	-	**-223.0**
Net profit from discontinued operations	-	**283.4**	-	**637.5**	-	**920.9**
Net cash flow from discontinued operations						
Net cash from/(used in) operating activities	-	-155.5	-	32.4	-	**-123.1**
Net cash from/(used in) investing activities	-	-157.1	-	69.7	-	**-87.4**
Net cash from/(used in) financing activities	-	1,441.6	-	-15.4	-	**1,426.2**
Total net cash from/(used in) discontinued operations	-	**1,129.0**	-	**86.7**	-	**1,215.7**

1 Discontinued as per September 2009.
2 The presentation of the 2009 figures has been changed. For further information see Notes 1 and 2.

At the Extraordinary General Meeting of Julius Baer Holding Ltd. on 30 June 2009, shareholders approved the separation of Julius Baer's asset management and private banking businesses into two fully independent groups, with the parent company of each group separately listed on the SIX Swiss Exchange.

After the listing of Artio Global Investors Inc. on the New York Stock Exchange on 24 September 2009, a participation of 28% is still held and accounted for as an investment in associates.

As a result, the private banking business (now Julius Baer Group Ltd.) and Artio Global Investors Inc. are both presented as discontinued operations.

There were no income tax charges on the gain on sale of discontinued operations due to an offset against loss carryforwards in the holding company.

For further information please refer to Notes 1 and 2.

27. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors approved these financial statements on 28 February 2011. In addition, they must be approved by the Ordinary Annual General Meeting on 19 April 2011. There were no significant events to report after the reporting period.

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

GAM Holding AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of GAM Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 72 to 133) for the year ended 31 December 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

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

Zurich, 28 February 2011

PARENT COMPANY FINANCIAL STATEMENTS 2010

INCOME STATEMENT

	2010 CHF M	2009 CHF M *re-presented*	CHANGE %
Income			
Income from investments in subsidiaries and associates	187.1	342.6	-45
Gain from sales of subsidiaries and associates	-	628.2	-100
Financial income	1.4	14.4	-90
Other operating results	0.7	54.8	-99
Operating income	**189.2**	**1,040.0**	**-82**
Expenses			
Personnel expenses	29.0	11.8	146
General expenses	6.4	48.6	-87
Financial expenses	5.6	8.1	-31
Operating expenses	**41.0**	**68.5**	**-40**
Gross profit	**148.2**	**971.5**	**-85**
Depreciation	-	1,577.0	-100
Taxes	1.8	2.2	-18
Net profit/(loss)	**146.4**	**-607.7**	**124**

BALANCE SHEET

	31.12.2010 CHF M	31.12.2009 CHF M *re-presented*	CHANGE %
Current assets			
Cash and cash equivalents	337.0	543.1	-38
Securities	107.2	46.8	129
Trade and other receivables	1.5	5.0	-70
Accrued income and prepaid expenses	173.8	182.4	-5
Total current assets	**619.5**	**777.3**	**-20**
Non-current assets			
Investments in subsidiaries and associates	1,729.2	1,729.2	0
Treasury shares	248.2	66.1	275
Other financial assets	33.6	-	-
Intangible assets	-	0.1	-100
Total non-current assets	**2,011.0**	**1,795.5**	**12**
Total assets	**2,630.5**	**2,572.8**	**2**
Due from group companies	173.5	138.4	25
Liabilities			
Due to banks	-	0.5	-100
Debt issued	-	150.0	-100
Accrued expenses and deferred income	30.3	18.6	63
Other liabilities	58.0	7.9	634
Total liabilities	**88.3**	**177.0**	**-50**
Equity			
Share capital	10.3	10.3	0
General legal reserve	5.3	5.3	0
Reserve for treasury shares	281.6	66.1	326
Other reserves	2,098.6	2,913.6	-28
Retained earnings	146.4	-599.6	124
of which balance brought forward	*-*	*8.1*	*-100*
of which profit/(loss) for the year	*146.4*	*-607.7*	*124*
Total equity	**2,542.2**	**2,395.8**	**6**
Total liabilities and equity	**2,630.5**	**2,572.8**	**2**
Due to group companies	0.3	0.3	0

NOTES

1. CHANGES IN PRESENTATION

The presentation of the income statement and the balance sheet has been changed to a presentation which is more common for a holding company.

2. CONTINGENT LIABILITIES

	31.12.2010 CHF M	31.12.2009 CHF M
Guarantee obligations in favour of group companies	63.0	95.0

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. SECURITIES

Securities are stated at fair value. Unrealised gains are recorded in financial income, unrealised losses are recorded in financial expenses.

4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Please refer to Notes 14 and 24 of GAM Holding AG's Consolidated Financial Statements. Dividend income from subsidiaries is recorded in the same period as the corresponding income was earned at the relevant subsidiary.

5. OUTSTANDING BONDS

	MATURITY DATE	2010 CHF M	2009 CHF M
2.5% bond 2004	12.03.2010	-	150.0

6. TREASURY SHARES

	NUMBER OF SHARES	AVERAGE PRICE CHF	TOTAL VALUE CHF M
Balance as of 1 January 2009	**4,403,500**		
Capital decrease	-4,403,500		
Purchase of treasury shares to cover the Group's 2009 Long-Term Inventive Plan	5,498,412	12.03	66.1
Balance as at 31 December 2009	**5,498,412**	**12.03**	**66.1**
Purchase of treasury shares to cover the Group's 2009 Long-Term Inventive Plan	4,766,818	12.79	61.0
Delivery of shares due to exercise of options	-1,398	12.39	-0.0
Sale of treasury shares[1]	-2,700,000	12.37	-33.4
Share buy-back programme announced 24 August 2010	10,330,756	14.96	154.5
Balance at 31 December 2010	**17,894,588**	**13.87**	**248.2**

[1] GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.3% of shares in issue. This total return swap forms part of the Company's strategy to economically hedge its potential exposure to options granted to officers and employees under the Group's Long-Term Incentive Plan. Aggregating the number of shares over which the total return swap is contracted, together with treasury shares held in relation with the Group's Long-Term Incentive Plan amounts to 4.97% of shares in issue. The reserves for treasury shares include the underlying shares of that swap. For further details, please refer to Note 20 of GAM Holding AG's Consolidated Financial Statements.

The shares are valued at the lower of cost or market price.

7. CONDITIONAL CAPITAL

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24.06.1993	10,000,000	0.5

8. RISK MANAGEMENT

Please see Consolidated Financial Statements, Note 4: Comment on Risk and Capital Management.

9. SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG each of the following shareholders held more than 3% of the voting rights in GAM Holding AG as of 31 December 2010[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 NOTIFICATION**
Shareholder/participant			
GAM Holding AG[2]	8.66%[7]	1.31%[8]	**9.97%**
Davis Selected Advisers L.P.[3]	4.95%	-	**4.95%**
BlackRock Inc.[4]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[5]	3.25%	-	**3.25%**
Fidelity[6]	3.01%	-	**3.01%**

[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] GAM Holding AG, Zurich, Switzerland.
[3] Davis Selected Advisers L.P., Tucson, USA.
[4] BlackRock Inc., New York, USA.
[5] Credit Suisse Asset Management Funds AG, Zurich, Switzerland, as manager of collective investment schemes.
[6] FIL Limited, Hamilton, Bermuda.
[7] GAM Holding AG also has a sale position of GAM Holding AG shares of 14.74% related to the options granted under the Company's Long-Term Incentive Plan.
[8] GAM Holding AG holds 17,894,588 or 8.66% treasury shares. Additionally GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.31% of shares in issue. For further details please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

Based on notifications received by GAM Holding AG each of the following shareholders held more than 3% of the voting rights in GAM Holding AG as of 31 December 2009[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 NOTIFICATION**
Shareholder/participant			
Davis Selected Advisers L.P.[2]	8.46%	-	**8.46%**
BlackRock Inc.[3]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[4]	3.25%	-	**3.25%**
Harris Associates L.P.[5]	3.02%	-	**3.02%**

[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] Davis Selected Advisers L.P., Tucson, USA.
[3] BlackRock Inc., New York, USA.
[4] Credit Suisse Asset Management Funds AG, Zurich, Switzerland, as manager of collective investment schemes.
[5] Harris Associates L.P., Chicago, USA.

10. COMPENSATION, LOANS AND SHARE AND OPTION HOLDINGS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

		BASE PAY[4] CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS[5] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of the Board of Directors						
Johannes A. de Gier, Chairman[1, 2]	2010	258,500	-	-	-	**258,500**
	2009	66,750	-	805,515[6]	-	**872,265**
Daniel Daeniker[3]	2010	83,500	-	756,125[7]	-	**839,625**
	2009	n/a	n/a	n/a	n/a	**n/a**
Diego du Monceau[3]	2010	83,500	-	756,125[7]	-	**839,625**
	2009	n/a	n/a	n/a	n/a	**n/a**
Dieter Enkelmann[1]	2010	117,000	-	-	-	**117,000**
	2009	31,375	-	805,515[6]	-	**836,890**
Hugh Scott-Barrett[1]	2010	117,000	-	-	-	**117,000**
	2009	31,375	-	805,515[6]	-	**836,890**
Total	**2010**	**659,500**	**-**	**1,512,250**	**-**	**2,171,750**
Total	**2009**	**129,500**	**-**	**2,416,545**	**-**	**2,546,045**

1 These members constituted the Board of Directors of GAM Holding AG as of 1 October 2009 following their election at the Extraordinary General Meeting held on 30 June 2009. For these members the compensation indicated for 2009 includes payments for the period 1 October to 31 December 2009.

2 This member received additional compensation for the period 1 October 2009 to 31 December 2009 and for 2010 in his role as Chief Executive Officer of GAM Holding AG. Details of this compensation can be found on page 146.

3 Elected to the Board of Directors at the Ordinary General Meeting on 13 April 2010.

4 The base pay for 2009 and for 2010 included CHF 8,500 per year per Committee of the Board of Directors of which the recipient is a member.

5 The value of the share-based payments cannot be compared with Note 22 on share-based payments of the Consolidated Financial Statements as the latter discloses the compensation expense for the options that have been recognised during the reporting periods.

6 Share-based payments to these members of the Board of Directors consist of options which were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will vest over three years and can be exercised once they have fully vested after three years as of 28 October 2012. The options were valued at fair value calculated for each of the vesting periods (CHF 2.48/2.62/2.63/2.55).

7 Share-based payments to these members of the Board of Directors consist of options which were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan. The options will vest over three years and can be exercised once they have fully vested after three years as of 13 April 2013. The options were valued at fair value calculated for each of the vesting periods (CHF 2.33/2.46/2.47/2.39).

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS [4,5] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of former members of the Board of Directors[1]						
Raymond J. Baer (Chairman up to 30 September 2009)[2]	2009	1,107,000	637,500	423,360	81,912	**2,249,772**
Leonhard H. Fischer[3]	2009	127,500	-	305,760	7,226	**440,486**
Rolf P. Jetzer	2009	112,500	-	-	5,905	**118,405**
Peter Kuepfer	2009	127,500	-	-	6,439	**133,939**
Gareth Penny	2009	90,000	-	-	4,769	**94,769**
Monika Ribar Baumann	2009	90,000	-	-	4,769	**94,769**
Daniel J. Sauter	2009	127,500	-	-	6,663	**134,163**
Charles G.T. Stonehill	2009	112,500	-	-	5,945	**118,445**
Total	**2009**	**1,894,500**	**637,500**	**729,120**	**123,628**	**3,384,748**

1 These members constituted the Board of Directors of Julius Baer Holding Ltd. They resigned with the separation of the businesses of the former Julius Baer group as of 30 September 2009. For these members the compensation indicated for 2009 therefore only includes the payments for the period from 1 January to 30 September 2009.
2 This member of the Board of Directors had a full-time employment relationship with Julius Baer Holding Ltd. until the end of September 2009.
3 Elected to the Board of Directors of Julius Baer Holding Ltd. at the Ordinary General Meeting on 8 April 2009.
4 The value of the share-based payments cannot be compared with Note 22 on share-based payments of the Consolidated Financial Statements as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.
5 Share-based payments to these members of the Board of Directors (excluding the Chairman) were made in the year of election and/or re-election and for the entire term (normally three years). The share-based payments were valued at fair value at the time of grant (CHF 80.35 per share of Julius Baer Holding Ltd. as of 30 April 2008; CHF 39.20 per share of Julius Baer Holding Ltd. as of 1 May 2009).

In 2010 no compensation was granted to members of the Board of Directors who left the Board in 2009 or earlier.
No compensation was granted to closely linked parties of members of the Board of Directors.
No termination fees were paid to any member of the Board of Directors who left the Board of Directors.
No additional payments were made to any member of the Board of Directors.

No loans to current members of the Board of Directors (and their closely linked parties) were granted and no loans to former members of the Board of Directors (and their closely linked parties) were outstanding at year-end 2010 or granted in 2010.

		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS)			
			EXERCISE PRICES CHF			MATURITY
			12.28[2]	13.93[3]	91.20[4]	
Share and option holdings of the members of Board of Directors[1]						
Johannes A. de Gier, Chairman[5]	2010	-	1,567,592	-	-	28.10.12
(as of 1 October 2009)	2009	-	783,796	-	-	28.10.12
Daniel Daeniker	2010	-	-	78,380	-	13.04.13
(as of 13 April 2010)	2009	n/a	n/a	n/a	n/a	n/a
Diego du Monceau	2010	-	-	78,380	-	13.04.13
(as of 13 April 2010)	2009	n/a	n/a	n/a	n/a	n/a
Dieter Enkelmann	2010	68,600	156,760	-	-	28.10.12
(as of 1 October 2009)	2009	68,600	78,380	-	27,412	28.10.12 / 15.12.10
Hugh Scott-Barrett	2010	5,000	156,760	-	-	28.10.12
(as of 1 October 2009)	2009	5,000	78,380	-	-	28.10.12
Total	**2010**	**73,600**	**1,881,112**	**156,760**	**-**	
Total	**2009**	**73,600**	**940,556**	**-**	**27,412**	

1 Including share and option holdings of closely linked parties.
2 These vested options were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will be exercisable only as of 28 October 2012.
3 These vested options were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan. The options will be exercisable only as of 13 April 2013.
4 These options vested prior to the separation of the former Julius Baer group on 1 October 2009. The value of these options is determined based upon the aggregate share price of GAM Holding AG and Julius Baer Group Ltd. as of the exercise date. See Note 22 of the Consolidated Financial Statements. These options expired worthless as of 15 December 2010. The relevant date for listing share and option holdings of the members of the Board of Directors in this table is 31 December 2010. As these options had no value on that date they have therefore not been listed for 2010.
5 The options held by this member also include additional vested options granted to him in his role as Chief Executive Officer of GAM Holding AG.

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS [3, 4] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of Senior Management						
Total[1]	2010	2,976,437	1,939,595	-	255,582	**5,171,614**
Total[2]	2009	1,717,873	2,130,358	11,015,715	267,731	**15,131,677**

[1] The disclosed compensation for the members of Senior Management for 2010 includes the compensation of the three members of Senior Management of GAM Holding AG; the Chief Executive Officer, the Group Chief Financial Officer and the Group General Counsel.
[2] The disclosed compensation for the members of Senior Management for 2009 includes the compensation of all members who served during the course of 2009. This includes compensation for the three members of Senior Management of Julius Baer Holding Ltd. from 1 January 2009 to 30 September 2009, as either paid or accrued and the compensation for the three members of Senior Management of GAM Holding AG from 1 October 2009 to 31 December 2009. It does not include compensation paid to the Chief Executive Officer of GAM Holding AG for his role as Chairman of GAM Holding AG, which is separately detailed on page 143.
[3] The value of the share-based payments cannot be compared with Note 22 on share-based payments of the Consolidated Financial Statements as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.
[4] The share-based payments to the members of Senior Management of GAM Holding AG consist of options which were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will vest over three years and can be exercised once they have fully vested after three years as of 28 October 2012. The options were valued at fair value calculated for each of the vesting periods (CHF 2.48/2.62/2.63/2.55).

		BASE PAY *CHF*	PERFORMANCE PAYMENT *CHF*	SHARE-BASED PAYMENTS [3] *CHF*	PENSION FUND CONTRIBUTION AND VARIA *CHF*	**TOTAL** CHF
Details of the compensation of the highest paid member of the Senior Management						
Johannes A. de Gier[1]	2010	2,347,330	-	-	47,155	**2,394,485**
Johannes A. de Gier[2]	2009	583,250	-	7,249,659	7,710	**7,840,619**

[1] The compensation disclosed includes payments for the year 2010 for the member's role as Chief Executive Officer of GAM Holding AG. It does not include additional compensation paid to this member of Senior Management in his role as Chairman of GAM Holding AG, which is separately detailed on page 143. The aggregate total of all such compensation amounts to CHF 2,652,985.
[2] The compensation disclosed includes payments for the period 1 October 2009 to 31 December 2009. It does not include additional compensation paid to this member of Senior Management in his role as Chairman of GAM Holding AG, which is separately detailed on page 143. The aggregate total of all such compensation amounts to CHF 8,712,884.
[3] The share-based payment included consists of options which were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will vest over three years and can be exercised only once they have fully vested after three years as of 28 October 2012. The options were valued at fair value calculated for each of the vesting periods (CHF 2.48/2.62/2.63/2.55).

In 2010 no compensation was paid to former members of Senior Management that left Senior Management in 2009 or earlier.
No compensation was granted to closely linked parties of members of Senior Management or former members of Senior Management.
No termination fees were paid to members who left Senior Management.
No additional compensation payments were made to any of the members of Senior Management.

No loans to current members of Senior Management (and their closely linked parties) were granted and no loans to former members of Senior Management (and their closely linked parties) were outstanding at year-end 2010 or granted in 2010.

		Number of shares	Number of vested options (all option holdings are call options)		
			Exercise prices CHF		Maturity
			12.28[2]	91.20[3]	
Share and option holdings of the members of Senior Management[1]					
Johannes A. de Gier (Chief Executive Officer)	2010	-	1,567,592	-	28.10.12
	2009	-	783,796	-	28.10.12
Scott Sullivan (Group General Counsel)	2010	-	366,450	-	28.10.12
	2009	-	183,225	8,845	28.10.12/ 15.12.10
Andrew Wills (Group Chief Financial Officer)	2010	185,000	366,450	-	28.10.12
	2009	-	183,225	-	28.10.12
Total	**2010**	**185,000**	**2,300,492**	**-**	
Total	**2009**	**-**	**1,150,246**	**8,845**	

1 Including share and option holdings of closely linked parties.

2 The members of Senior Management hold vested options which were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will be exercisable only as of 28 October 2012. The options held by Johannes A. de Gier include options granted to him in his role as Chairman of GAM Holding AG in addition to those granted to him in his role as Chief Executive Officer of GAM Holding AG.

3 These options vested prior to the separation of the former Julius Baer group on 1 October 2009. The value of these options is determined based upon the aggregate share price of GAM Holding AG and Julius Baer Group Ltd. as of the exercise date. See Note 22. These options expired worthless as of 15 December 2010. The relevant date for listing share and option holdings of the members of the Senior Management in this table is 31 December 2010. As these options had no value on that date they have therefore not been listed for 2010.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND DIVIDEND PAYMENT

	2010 CHF M	2009 CHF M
Retained earnings		
Balance brought forward	-	8.1
Profit/(loss) for the year	146.4	-607.7
Retained earnings available for appropriation	**146.4**	-599.5
Transfer of other reserves to retained earnings	-	599.5
Balance to be carried forward	**146.4**	-
Dividend to be paid out of other reserves[1]	**94.4**	-

[1] The dividend total of CHF 94.4 million corresponds to a dividend of CHF 0.50 per registered share (excluding 17,894,588 treasury shares held by the Company).

The Board of Directors proposes to the forthcoming Annual General Meeting the following appropriation of retained earnings and dividend payment:

- Distribution of a dividend of CHF 0.50 per registered share (excluding treasury shares) out of other reserves;
- Retained earnings available for appropriation to be carried forward.

If the Board of Directors' proposal for the appropriation of retained earnings and dividend payment is approved, the dividend for the 2010 financial year will be paid on 28 April 2011, in accordance with dividend payment instructions, and as this dividend 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 2011

KPMG

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

GAM Holding AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of GAM Holding AG, which comprise the balance sheet, income statement and notes (pages 138 to 148) for the year ended 31 December 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

KPMG

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

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

Zurich, 28 February 2011

‘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’, ‘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 actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company that 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; 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 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, historic annual reports and an events calendar.

www.gamholding.com

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

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

This Annual Report is also available in German.
The English version is legally binding.