GAM | Holding Ltd

ANNUAL REPORT 2009

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Letter to the Shareholders

DEAR SHAREHOLDER,

2009 was another highly eventful year in financial markets. It began in much the same way as 2008 ended, with the markets in turmoil and investors' risk aversion at very high levels. However, by the end of the year there had been a significant rally in virtually all asset classes, resulting primarily from the direct intervention of governments and central banks. The impact and ramifications of these events are likely to shape the global political, economic and regulatory landscape for some time to come.

For us, the year was also one of considerable change. In May, Julius Baer Holding Ltd. announced its intention to separate its private banking and asset management businesses into two separately listed, independent groups. On 1 October this separation was successfully completed: the private banking business, under the newly formed Julius Baer Group Ltd., was divested from Julius Baer Holding Ltd. and listed on the SIX Swiss Exchange, and Julius Baer Holding Ltd. was renamed GAM Holding Ltd.

As a result of the successful IPO of Artio Global Investors Inc. on the New York Stock Exchange in September, GAM Holding Ltd. now comprises two distinct asset management businesses: GAM and Swiss & Global Asset Management. Our product range spans equity, fixed income, and alternative investment strategies, private label fund offerings, and discretionary portfolio management services. The Group also retains a 27.9% stake in Artio Global Investors Inc.

The differentially strong positioning of GAM and Swiss & Global Asset Management allows each business to pursue strategies best suited to its specific target markets and client segments. The investment products and services of Swiss & Global Asset Management are primarily focused on traditional investments, while GAM is best known for its alternative and absolute return-oriented strategies.

After a difficult 2008, GAM showed clear signs of recovery in 2009, boosted by the acquisition in May of Augustus Asset Managers Ltd., the London-based fixed income and foreign exchange investment specialist. This acquisition was a valuable addition to GAM's business, particularly given investors' increased appetite for fixed income strategies and the continued strong performance of the products managed by this team. Following net outflows during the first half of the year, GAM recorded positive net new money in the second half of 2009, predominantly into its expanded fixed income range. The institutional alternative segment continues to produce an encouraging pipeline of future business, while the new range of UCITS III alternative funds has started to attract considerable interest from European wealth managers. At the end of 2009, GAM's assets under management were CHF 51.0 billion, up 22% from CHF 41.7 billion at the end of 2008.

Swiss & Global Asset Management enjoyed a very successful year in 2009, underlining the strong positioning of its three business areas – investment funds, institutional solutions, and private labelling. At year-end, the assets under management of Swiss & Global Asset Management were CHF 73.0 billion, up 28% from CHF 57.2 billion at the end of 2008, with half of this increase attributable to net new money. Strong performance was registered across the majority of its product range, both in absolute and relative terms.

The consolidated balance sheet of the Group remains healthy, with tangible equity of CHF 1,223 million, excluding goodwill, brand, and customer relationship assets of CHF 1,397 million.

The basic principle of our capital management policy is to return excess capital to shareholders in the most efficient way possible. However, following the divestment of the Julius Baer Group Ltd., 2010 will be a transitional year for GAM Holding Ltd. with various new and potential uses for our capital, therefore no dividend payment in respect of the business year 2009 will be proposed. Going forward we will be targeting a dividend payout ratio in excess of 50% of net profit.

As we emerge from the financial crisis and look towards the future, I think we are very well positioned to be a leader within the asset management industry. Our purpose and passion remain the same: to generate superior returns for our clients over the mid and long term through the world's finest investment talent. With GAM Holding Ltd. operating as an independent listed entity, our businesses have increased flexibility to build upon their global distribution networks, forming new partnerships with private banks and wealth managers, while continuing to benefit from existing relationships. Moreover, GAM Holding Ltd. has the scale to take advantage of worldwide growth in institutional demand for quality active investment.

Finally, I would like to thank our staff, clients, and shareholders for their trust in us in a challenging market environment. I hope that we will receive their continued support in the year ahead.

Johannes A. de Gier

Chairman and Chief Executive Officer, GAM Holding Ltd.
Zurich, March 2010

Corporate Governance

Corporate Governance

BACKGROUND

Corporate governance is a decisive factor in business management. Shareholders, clients, and employees are usually considered the key stakeholder groups within the context of corporate governance and our focus on achieving sustained success and consistency in our business rests significantly on the principle of retaining such stakeholders for as long as possible. Our stakeholders have a legitimate interest in knowing the individuals and internal bodies that determine the development of the Company, make the strategic decisions and bear the responsibility for them. We aim to satisfy these legitimate information needs in this chapter of the Annual Report.

The corporate governance information in relation to GAM Holding Ltd. is presented in accordance with (a) the Corporate Governance Directive of the SIX Swiss Exchange that entered into force on 1 July 2002 and was most recently 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 federation economiesuisse dated 25 March 2002 including Appendix 1, "Recommendation on compensation for board of directors and executive board" dated 6 September 2007, which takes into account the new 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" or "the Parent Company" shall be taken as references to GAM Holding Ltd. References to the "GAM Group" or "the Group" shall be taken as references to GAM Holding Ltd. and all of its subsidiaries. References to the "Board of Directors" and the "Executive Board" shall mean such bodies of GAM Holding Ltd.

The following information corresponds to the situation as at 31 December 2009.

1. GROUP STRUCTURE AND SHAREHOLDERS

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

As of 1 October 2009 the businesses of Julius Baer Holding Ltd. were separated under two distinct, independent entities, both listed on the SIX Swiss Exchange. As part of this transaction Julius Baer Holding Ltd. transferred its private banking and certain related ancillary businesses to Julius Baer Group Ltd., a former wholly-owned subsidiary of Julius Baer Holding Ltd., and retained its existing asset management business. On the same date, Julius Baer Holding Ltd. changed its name to GAM Holding Ltd.

1.2 OPERATIONAL GROUP STRUCTURE OF GAM HOLDING LTD.

Board of Directors	Johannes A. de Gier Chairman
	Hugh Scott-Barrett
	Dieter A. Enkelmann
Executive Board	Johannes A. de Gier CEO, GAM Holding Ltd.
	Andrew M. Wills Group CFO
	Scott Sullivan Group General Counsel

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

The consolidated companies are disclosed in Note 24.

The above diagram reflects the holding structure and business operating model of the GAM Group introduced on 1 October 2009 including the composition of the Executive Board of GAM Holding Ltd. in effect since 1 October 2009.

GAM Holding Ltd. continues to hold a 27.9% stake in Artio Global Investors Inc. following the successful IPO of the company on the New York Stock Exchange in September 2009.

1.3 SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding Ltd. each of the following shareholders held more than 3% of the voting rights in GAM Holding Ltd. as of 31 December 2009[1].

Shareholder/participant	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS	RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF NOTIFICATION
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 1.3 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

1.4 CROSS-SHAREHOLDINGS

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

2. CAPITAL STRUCTURE

2.1 CAPITAL

As of 31 December 2009, ordinary capital in the amount of CHF 10 331 537.80 existed. There is no authorised capital.

The share capital of the Company amounts to CHF 10 331 537.80. It is fully paid and divided into 206 630 756 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 10 265 962; ISIN CH0102659627) are listed on the SIX Swiss Exchange and are a component of the Swiss Leader Index (SLI) and the Swiss Market Index Mid (SMIM).

2.2 CONDITIONAL CAPITAL IN PARTICULAR

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 subscription rights. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are 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 shareholders for "important reasons".

"Important reasons" may include securing optimal conditions in the issuance 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 18. For the description of any changes of capital in 2007 kindly refer to Julius Baer Holding Ltd.'s Annual Report for the year 2007.

2.4 SHARES AND PARTICIPATION CERTIFICATES

Shares

	2009[1]	2008
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 (all entitled to dividends)	**206 630 756**	211 034 256

[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.

Registered shares not physically represented by a certificate and the rights arising there from can only be transferred by assignment. The assignment shall only be valid if notice is given to the Company. Where registered shares not physically represented by a certificate are administered by a bank on behalf of a shareholder, these shares can only be transferred with the participation of the bank.

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 5.5 as well as in Note 27.

3. BOARD OF DIRECTORS

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

3.1 MEMBERS OF THE BOARD OF DIRECTORS

Johannes A. de Gier (born 1944), Dutch citizen; Law Degree, University of Amsterdam, 1970. Swiss Bank Corporation, SBC Warburg and Warburg Dillon Read, various functions, 1980–1991; UBS Warburg, Chairman and Chief Executive Officer and member of the Group Executive Board of UBS AG, 1991–2001; UBS AG, Executive Vice Chairman of the Board of Directors, 2001–2003; GAM Holding AG, Chairman of the Board of Directors since 2002; SBC Wealth Management AG, Chairman of the Board of Directors, 2003 until November 2005; Banco di Lugano, Vice Chairman of the Board of Directors, 2003 until November 2006; Ehinger & Armand von Ernst, 2003 until March 2006, most recently Chairman of the Board of Directors; Ferrier Lullin & Cie SA, 2003 until February 2006, most recently Vice Chairman of the Board of Directors. Entry into the Julius Baer Group on 2 December 2005 as President of the Group Executive Board and Group Chief Executive Officer of Julius Baer Holding Ltd.; President of the Executive Board and Group Chief Executive Officer from November 2007 until August 2008; Chief Executive Officer of Bank Julius Baer & Co. Ltd. from December 2008 until April 2009; Chairman of the Board of Directors of GAM Group Ltd. from 2002 to 2009; Elected as Chairman of the Board of Directors of GAM Holding Ltd. for the period 2009–2011. Chief Executive Officer and President of the Executive Board of GAM Holding Ltd. since October 2009.

Hugh Scott-Barrett (born 1958), British citizen; Bachelor of Arts in Modern History, Oxford University, UK, 1980. Kleinwort Benson Limited, Corporate Finance 1980-1984; Swiss Bank Corporation, 1984–1996; Managing Director – Investment Banking, 1990–1994; Head of Corporate Finance and Deputy Chief Executive Officer Europe, 1994–1995; Managing Director, SBC Warburg and Member of Corporate Finance Executive Committee, 1995–1996. Entry into ABN AMRO in 1996 as Chief Executive, ABN AMRO Corporate Finance Ltd; Head of Strategy Review, 1999; Member of the Managing Board, Wholesale Clients, 2000–2003; Member of the Managing Board & Chief Operating Officer, 2003–2005; Head of SOXA404 Implementation Team 2006; Member of Managing Board & Chief Financial Officer, 2006–July 2007. Chief Executive, Capital & Regional plc since April 2008. Elected as Member of the Board of Directors of GAM Holding Ltd. for the period 2009–2011.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking in Switzerland and abroad, 1985–1997; Swiss Re, Head of Corporate Financial Management and Investor Relations, 1997–2000; Swiss Re, Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006. In December 2006, entry as member of the Group Executive Board and as Group Chief Financial Officer of Julius Baer Holding Ltd., until November 2007; member of the Executive Board and Group Chief Financial Officer of Julius Baer Holding Ltd. from November 2007 until September 2009; administrative and organisational manager of the Executive Board and Group Chief Financial Officer of Julius Baer Holding Ltd. from September 2008 to September 2009. Chief Financial Officer and member of Executive Board of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd. since October 2009. Elected as Member of the Board of Directors of GAM Holding Ltd. for the period 2009–2011.

Changes in the Board of Directors

Béatrice Speiser left the Board of Directors at the Annual General Meeting on 8 April 2009.

Leonhard H. Fischer joined the Board of Directors at the Annual General Meeting on 8 April 2009.

Raymond J. Baer, Dr. Rolf P. Jetzer, Peter Kuepfer, Gareth Penny, Monika Ribar Baumann, Daniel J. Sauter, Leonhard H. Fischer and Charles G.T. Stonehill resigned as members of the Board of Directors with effect from 1 October 2009.

At the Extraordinary General Meeting on 30 June 2009 Johannes A. de Gier, Hugh Scott-Barrett and Dieter A. Enkelmann were elected for a two-year term of office as members of the Board of Directors. They took up the positions with effect from 1 October 2009.

3.2 OTHER ACTIVITIES AND FUNCTIONS

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 of the GAM 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

Hugh Scott-Barrett
Trustee of Winston's Wish (leading child bereavement charity – UK)

Dieter A. Enkelmann
Member of the Board of Directors of iNNutriGel (Switzerland)
Member of the Board of Directors and Head of Audit Committee of Cosmo Pharmaceuticals SpA (Italy)

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 Board of Directors shall constitute itself. 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 year of initial election and the remaining term of office of each member are disclosed in section 3.1.

3.4 INTERNAL ORGANISATIONAL STRUCTURE

The Board of Directors consists of three or more members. It 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 shall have the casting vote. The members of the Executive Board of GAM Holding Ltd. participate in the meetings of the full Board of Directors. These meetings generally take approximately half a day.

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 committees are brought to the attention of the full Board of Directors.

The Board of Directors typically meets for one strategy seminar each year. The purpose of these meetings 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 Company-specific circumstances.

During the year under review the full Board of Directors held eleven meetings and a two-day strategy seminar.

Attendance of the members of the Board of Directors at the meetings of the Board of Directors:

January to September 2009

	JAN	FEB	APR	MAY [1]	JUN	AUG [1]	AUG	STRATEGY SEMINAR	SEP [1]	SEP [1]
Raymond J. Baer[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Rolf P. Jetzer[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peter Kuepfer[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gareth Penny[2]	E	E	✓	✓	✓	✓	✓	✓	E	✓
Monika Ribar Baumann[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel J. Sauter[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Béatrice Speiser[3]	✓	✓	–	–	–	–	–	–	–	–
Leonard H. Fischer[2,4]	–	–	✓	✓	✓	E	✓	✓	✓	✓
Charles G.T. Stonehill[2]	✓	✓	✓	E	✓	✓	✓	✓	✓	✓

E = Excused
1 Meeting by teleconference
2 Resigned as member of the Board of Directors of Julius Baer Holding Ltd. with effect from 1 October 2009
3 Left the Board of Directors at the Annual General Meeting in April 2009
4 Joined the Board of Directors at the Annual General Meeting in April 2009

October to December 2009

	OCT	DEC
Johannes A. de Gier[1]	✓	✓
Dieter A. Enkelmann[1]	✓	✓
Hugh Scott-Barrett[1]	✓	✓

1 Elected at the Extraordinary General Meeting on 30 June 2009 as member of the Board of Directors with effect from 1 October 2009

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 chairmen of the committees are responsible for seeking advice from external specialists as well as members of the Executive Board as required.

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

a) to supervise the Company and issue the 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 the necessary notifications in the event of insolvency.

The Board of Directors may assign the preparation and carrying out of its resolutions or the supervision of business transactions to committees or individual members.

The responsibilities and members of the current committees of the Board of Directors:

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 practice recommendations for good corporate governance. It is responsible for 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 as well as its consistency with the risk profile of the Group. The Audit Committee directs and monitors the activities of the Group internal audit function. It reviews and approves the budget and the staffing of the Group internal audit function. The Audit Committee also evaluates the performance of and ultimately determines the compensation paid to the Head of Group Internal Audit. The Chairman of the Audit Committee meets with the Head of Group Internal Audit on a regular basis throughout the year. The Audit Committee ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the Group internal audit function. It reviews their reports including the management letter and provides a recommendation to the full Board of Directors regarding election of the external auditors at the Ordinary Annual General Meeting. Moreover, it is responsible for the integrity of controls for financial reporting and for the review of certain financial statements, the annual financial statement, and interim statements, before they are presented to the entire Board of Directors for approval. It familiarises itself with the major aspects of Group financial accounting and assesses major issues connected with applicable accounting standards. It ensures compliance with the principles of fair and transparent public communication of financial information. The Audit Committee further oversees operational risk within the Group and reviews any applicable operational risk policies. It examines on a regular basis the appropriateness and effectiveness of the internal control systems by taking into account the risk profile of the Group. It monitors compliance of the business operations with laws and regulations as well as internal policies and the Articles of Incorporation and compliance with rules governing concentration risk by GAM Holding Ltd. and Group companies. It also ensures the receipt of regular information as to compliance by the Company’s subsidiaries with such obligations.

The Audit Committee consists of at least three members. The majority of the members of the Audit Committee are independent. It convenes at least four times a year 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 in every meeting. During the year under review the Audit Committee held eight meetings. The Audit Committee can seek independent advice as deemed necessary. The members of the Audit Committee are expected to have knowledge in the fields of finance and accounting. The Audit Committee reports back to the 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); Dieter A. Enkelmann; Johannes A. de Gier

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.

The Compensation Committee drafts, reviews and implements the compensation and benefits policies of GAM Holding Ltd., including retirement benefits, compensation plans and compensation governance for the Board of Directors and members of the Executive Board, including the Chief Executive Officer. It also reviews and approves 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. The Compensation Committee determines 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. It also prepares and provides to the full Board of Directors compensation proposals relating to independent members of the Board of Directors. 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 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 oversees the compensation reporting to shareholders in accordance with the provisions of the relevant corporate governance standards. The Compensation Committee evaluates 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 at least two members. The Chairman of the Compensation Committee as well as the majority of its members are independent directors. The Compensation Committee convenes as often as necessary for about two hours on average. During the year under review the Compensation Committee held four 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 important issues. The Compensation Committee reviews its performance and goals every year.

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

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

The Nomination Committee is responsible for long-term succession planning at the level of the Board of Directors. It is entrusted with the assessment and preliminary selection of new members of the Board of Directors as well as preparing election recommendations of the Board of Directors for the Ordinary Annual General Meeting. It is additionally responsible for assessing candidates and for deciding on appointments and dismissals of the Chairman and members of the Board of Directors of direct subsidiaries. It additionally supports the Board of Directors with regard to succession planning on the level of the Executive Board.

The Nomination Committee consists of at least three members. The Nomination Committee convenes as often as necessary. During the year under review the Nomination Committee held one meeting. The Nomination Committee can seek independent advice as deemed necessary. The Nomination Committee reports back to the Board of Directors on its current activities and on important issues. The Nomination Committee reviews its performance and goals every year.

Members: Johannes A. de Gier (Chairman); Dieter A. Enkelmann; Hugh Scott-Barrett

3.5 DEFINITION OF AREAS OF RESPONSIBILITY

Board of Directors
The Board of Directors is responsible for the ultimate strategic direction, supervision and control of the Company, which it fulfils within the scope of the duties stipulated in Article 716a of the Swiss Code of Obligations and through its various committees. In particular, the full Board of Directors is responsible for preparing all topics which fall within the competence of the Annual General Meeting and receives support and advice from the Audit Committee in matters of financial reporting, dividend proposals and other capital management questions. Based on the proposal of the Audit Committee, the full Board of Directors decides which external auditors ought to be recommended for appointment at the Annual General Meeting. Based on proposals from the Executive Board it makes decisions regarding formation, change in the capital or ownership, structure, change of legal form or the potential liquidation of direct subsidiaries. In addition, the full Board of Directors appoints the members of the Executive Board, including the Chief Executive Officer, and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Group Head of Internal Audit. It is responsible for succession planning relating to the Chief Executive Officer of GAM Holding Ltd. The full Board of Directors is responsible for determining the overall risk policy of the organisation as well as for accounting, financial controlling and strategic financial planning.

Executive Board

The Executive Board is responsible for the development and implementation of the strategy for the Group and the operating companies' units according to the principles set by the Board of Directors. The Executive Board is ultimately responsible for the management of the Group and its business. It is accountable for all operational and organisational matters as well as for the operating results. All matters that have not been delegated to other governing bodies, individuals or business units by the Board of Directors or that do not belong to the non-transferable and irrevocable duties of the Board of Directors fall within the responsibility of the Executive Board. The Executive Board is presided over by its President, the Chief Executive Officer of GAM Holding Ltd., 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. The Executive Board has the right to issue binding policies and require reporting or consultation from individuals or any GAM Group companies. In addition, the Executive Board may form committees for specific tasks although the composition of such committees must be approved in advance by the Board of Directors. The ultimate responsibility for the activities of the risk, legal and compliance, finance and accounting, communications and investor relations functions within the Group rests with the appropriately designated member of the Executive Board. The Executive Board prepares proposals for approval by the Board of Directors and generally supports the Board of Directors in its decision making process. Moreover, the Executive Board is responsible for corporate administration including maintenance of the share register. The Executive Board coordinates press contacts, conferences and releases and is responsible for corporate identity (including corporate design) of the Company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity management.

As of 31 December 2009 the Executive Board comprised of Johannes A. de Gier as Chief Executive Officer, 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

Whereas the Board of Directors has the ultimate responsibility for the strategic development and the supervision and monitoring of the business, the Executive Board is responsible for the day-to-day management and oversight of such issues. 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 regularly participate at meetings of the full Board of Directors and its committees. The Group Chief Financial Officer regularly reports to the Audit Committee on financial developments and risk management.

The individual responsibilities and powers of the governing bodies arise from the Articles of Incorporation and the Organisational Rules of the Company.

The decisions of the governing bodies are implemented by the GAM Group companies in compliance with applicable legal and regulatory obligations.

In addition, the Board of Directors has an independent internal audit function at its disposal. The obligations and rights of the internal audit function are set out in the Charter of Group Internal Audit. Group Internal Audit has an unlimited right to information and access to documents with respect to all companies and activities of the Group where such access is required to fulfil its audit activities. Furthermore, in consultation with the Chairman of the Board of Directors, the Executive Board may ask Group Internal Audit to carry out special investigations outside of the planned auditing activities. The Group Head of Group Internal Audit is appointed by the Board of Directors.

4. SENIOR MANAGEMENT

4.1 MEMBERS OF THE EXECUTIVE BOARD

Johannes A. de Gier (born 1944), Dutch citizen; Law Degree, University of Amsterdam, 1970. Swiss Bank Corporation, SBC Warburg and Warburg Dillon Read, various functions, 1980–1991; UBS Warburg, Chairman and Chief Executive Officer and member of the Group Executive Board of UBS AG, 1991–2001; UBS AG, Executive Vice Chairman of the Board of Directors, 2001–2003; GAM Holding AG, Chairman of the Board of Directors since 2002; SBC Wealth Management AG, Chairman of the Board of Directors, 2003 until November 2005; Banco di Lugano, Vice Chairman of the Board of Directors, 2003 until November 2006; Ehinger & Armand von Ernst, 2003 until March 2006, most recently Chairman of the Board of Directors; Ferrier Lullin & Cie SA, 2003 until February 2006, most recently Vice Chairman of the Board of Directors. Entry into the Julius Baer Group on 2 December 2005 as President of the Group Executive Board and Group Chief Executive Officer of Julius Baer Holding Ltd.; President of the Executive Board and Group Chief Executive Officer from November 2007 until August 2008; Chief Executive Officer of Bank Julius Baer & Co. Ltd. from December 2008 until April 2009; Chairman of the Board of Directors of GAM Group Ltd. from 2002 to 2009; Elected as Chairman of the Board of Directors of GAM Holding Ltd. for the period 2009–2011. Chief Executive Officer and President of the Executive Board of GAM Holding Ltd. since October 2009.

Scott Sullivan (born 1968), British citizen; Bachelor of Law, University of Southampton, UK, 1989; admission to bar for England and Wales, 1991. Barrister in private practice, London, UK, 1991–2000; Deutsche Bank, London, UK, 2000–2005: member of Corporate Advisory Department, 2000–2003; UK Head of Legal for Asset Management, Private Wealth Management, Trust and Security Services and Offshore, 2004–2005; Group Head of Legal & Compliance, GAM Group Ltd., since June 2005; entry into the Julius Baer Group in December 2005 as General Counsel for the Asset Management division; member of the Corporate Centre management and Secretary to the Group Executive Board from April 2006 until November 2007; Group General Counsel, Julius Baer Holding Ltd. April 2006 – September 2009; member of the Executive Board of Julius Baer Holding Ltd., November 2007 – September 2009; Group General Counsel GAM Holding Ltd. since October 2009; member of the Executive Board of GAM Holding Ltd. since October 2009.

Andrew M. Wills (born 1962), British citizen; qualification as accountant, UK, 1987; Fellow of the Chartered Association of Certified Accountants, UK, 1992; GAM, London, UK, 1986-2000, various positions; GAM Group Financial Services Director and a member of the Group Executive Business Committee, 2000–2005; SBC Wealth Management including GAM and the Private Banks Ehinger & Armand von Ernst, Ferrier Lullin and Banca die Lugano, Chief Financial Officer, 2005 (purchased by Julius Baer in September 2005); GAM Chief Financial Officer, October 2005 – September 2009; Group Chief Financial Officer and Member of the Executive Board of GAM Holding Ltd. since October 2009.

Changes in Senior Management

As of 1 October 2009 Dieter A. Enkelmann and Bernhard Hodler resigned as members of the Executive Board of GAM Holding Ltd. and assumed positions as members of the Executive Board of Julius Baer Group Ltd.

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 of the GAM 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 Ltd. and companies (or individuals) outside of the GAM Group.

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

5.1 COMPENSATION PRINCIPLES

The Company'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 Company 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 Company's risk tolerances), market competitiveness and the Company's overall profitability. The benefits programme aims to be competitive with local market practices by targeting benefits at the median.

The Company 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 share price exceeds the exercise price. This effectively aligns the participant's interests with those of the Company and its shareholders.

5.2 COMPENSATION GOVERNANCE

The Company has taken a keen interest in the recent debate around compensation within the financial services sector and has carefully considered the guidance which has been issued over the course of the past year by regulatory bodies including the Swiss Financial Market Supervisory Authority (FINMA) and the UK Financial Services Authority (FSA). Whilst none of the published materials contain any mandatory rules for the Company or any of its operating entities, the content has been taken into account in a review of the Group's existing approach to compensation and in the development of a new Group Compensation Policy. Prior to approving the payment of discretionary compensation for 2009 the Compensation Committee convened a meeting to specifically discuss recent developments in this area and received a report from the Group Head of Human Resources which had been prepared with the assistance of external advisors.

The new Group Compensation Policy is a culmination of these efforts and discussions and the Company is confident that its current approach to compensation is consistent with the aims of the recent guidance, with market practice and the long term development of the Company.

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 as embodied in a number of core principles. These are designed to reflect recent guidance from regulatory agencies, market practice, the core values of the Group 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 with any important regulatory developments 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 currently composed of two independent members of the Board of Directors. Members as of 31 December 2009 were Dieter A. Enkelmann who chairs the Committee and Hugh Scott-Barrett. The Compensation Committee is supported by independent advice from the Group Head of Human Resources, who regularly participates at the Committee meetings. External consultants are regularly engaged to further support the Committee's efforts.

The Compensation Committee reviews the Group Compensation Policy together with any other or local compensation and benefits policies, including retirement benefits, and compensation governance for the Board of Directors and members of the Executive Board, including the Chief Executive Officer. 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 Ltd.

The Compensation Committee ensures the operational implementation of applicable compensation policies and rules including the Group Compensation Policy. Group Human Resources regularly reports 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. 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 overall amount paid by the Group by way of variable compensation. It determines the total compensation of the Chairman of the Board of Directors as well as of the members of the Executive Board of GAM Holding Ltd. including the Chief Executive Officer. It also prepares and provides to the Board of Directors all compensation proposals relating to independent members of the Board of Directors. The Board of Directors approves the compensation of individual members of the Board of Directors.

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 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 Compensation Policy.

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

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 employees' function and experience. Where appropriate, external benchmarking is used to ensure that base salaries are in line with the market.

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 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 annual appraisal process is used to evaluate and measure an employee's performance against defined objectives. 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.

An overriding principle of the Company'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 Company adopts the most conservative stance of only paying discretionary or formula bonus amounts based on income earned by the Company 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 USD100 in each of the three sequential annual bonus rounds, and then only if the employee remained with the company for the three years. In the rare business areas where market practice would dictate that annual bonus payments factor in the up-front accounting income created over multiple years, the Company would then structure the bonus 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 are payable only to the degree that the originally calculated profit is actually crystallised in the accounts of the Company 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 individuals involved in the direct management of funds receive a variable annual payment based on an agreed formula reflecting the level of assets managed and any performance fees earned for the management of such assets. Formula-based remuneration for fund managers and their teams is standard practice within certain markets 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.

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 the Company 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 is only paid once the respective performance fee has been crystallised and actually received from the client without any contractual right for full or partial refund. To the degree performance fees are received within fund mandates where the Company has the obligation to repay some or all of such fee (for example based on poor future performance), then to the degree any performance fee amounts remain at risk to refund, no associated bonus is payable to the manager of the fund.

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. The objective achieved via these plans, most recently the 2009 Long Term Incentive Plan, is that a meaningful percentage of an employee's expected total compensation is both tied entirely the overall success of the Company, as represented by changes in the public share price, and focused over a three year time period. The fraction of an employee's expected total compensation that is delivered in the form of such equity plans increases with the seniority of the employee given our 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 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 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.

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.

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. 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 of the Equity Participation Plans. The Plans described in detail below reflect the situation as of 31 December 2009. 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 Ltd. required to settle 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 27.

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 27. There is no intention to offer this plan 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 that 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.

5.5.3 2009 Long Term Incentive Plan (GAM Holding Ltd.)

In a special one-time decision to mark the independent listing of GAM Holding Ltd., the Board of Directors approved a long term incentive plan which granted options over the Company's shares to every officer and employee of the Group. The options were granted on 28 October 2009 with a strike price of CHF 12.28, the closing price on that day. The total number of shares over which options were granted was 30.27 million. Consistent with the Company's general approach that such plans align the interests of employees with those of the Company's shareholders and its ongoing development, the options will 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. CHANGES 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 Ltd. 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 with the Company.

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. In accordance with the applicable governance regulations, Mr Markus Schunk has served as the Lead Auditor since 1 October 2009.

8.2 AUDITING FEES

The GAM Group paid KPMG AG auditing fees totalling CHF 4.3 million in the 2009 financial year. In the previous financial year, the auditing fees totalled CHF 6.4 million.

8.3 ADDITIONAL FEES

For additional services such as tax advisory work, the Group paid KPMG AG fees totalling CHF 2.1 million during the 2009 financial year. In the previous financial year, the additional fees totalled CHF 2.2 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 Ltd. 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 Ltd. provides regular information to its shareholders and the public each year by means of the Annual Report as well as a half-year results presentation. 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.

CORPORATE CALENDAR

13 April 2010	Ordinary Annual General Meeting, Zurich-Kloten
13 April 2010	Interim Management Statement
24 August 2010	Release of half-year results, Zurich
15 November 2010	Interim Management Statement

CONTACTS

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Group Financial Report

CONSOLIDATED INCOME STATEMENT

	NOTE	2009 CHF 1000	2008[1] CHF 1000 represented	CHANGE CHF 1000
Continuing operations				
Fee and commission income		**937 259**	1 417 364	-480 105
Commission expense		**428 630**	587 640	-159 010
Net fee and commission income	1	**508 629**	829 724	-321 095
Net interest income	2	**6 196**	17 835	-11 639
Income from investments in associates		**11 319**	-	11 319
Other ordinary results	3	**66 324**	93 895	-27 571
Operating income		**592 468**	941 454	-348 986
Personnel expenses	4	**239 496**	300 995	-61 499
General expenses	5	**119 223**	226 824	-107 601
Depreciation of property and equipment	12	**7 035**	8 776	-1 741
Amortisation and impairment of customer relationships	12	**649 906**	100 700	549 206
Amortisation and impairment of goodwill and other intangible assets	12	**765 211**	5 270	759 941
Operating expenses		**1 780 871**	642 565	1 138 306
Gain on non-cash dividend paid, net	18	**3 942 882**	-	3 942 882
Profit before taxes from continuing operations		**2 754 479**	298 889	2 455 590
Income taxes	6	**38 208**	68 301	-30 093
Net profit from continuing operations		**2 716 271**	230 588	2 485 683
Discontinued operations				
Net profit after tax from discontinued operations	25	**920 937**	430 950	489 987
Net profit		**3 637 208**	661 538	2 975 670
Net profit attributable to the shareholders of the Parent Company:				
- from continuing operations		**2 716 271**	230 588	2 485 683
- from discontinued operations		**920 650**	430 658	489 992
		3 636 921	661 246	2 975 675
Net profit attributable to non-controlling interest:				
- from continuing operations		**-**	-	-
- from discontinued operations		**287**	292	-5
		287	292	-5

[1] The 2008 figures have been represented to reflect income and expense of the discontinued operations in one single separate line item. For further information see Note 25.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 *CHF 1000*	2008 *CHF 1000*
Net profit recognised in the income statement	**3 637 208**	661 538
Other comprehensive income (net of taxes)		
Net unrealised gains/(losses) on financial investments available-for-sale	**70 654**	-170 424
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	**102 483**	30 207
Net unrealised gains/(losses) on hedging reserve for cash flow hedges	**1 890**	-
Net realised (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges	**2 298**	-4 572
Translation differences	**2 907**	-87 410
Net realised (gains)/losses on translation differences reclassified to the income statement	**43 470**	-
Other comprehensive income for the year recognised directly in equity	**223 702**	-232 199
Total comprehensive income for the year recognised in the income statement and in equity	**3 860 910**	429 339
Comprehensive income attributable to the Parent Company	**3 860 623**	429 047
Comprehensive income attributable to non-controlling interests	**287**	292
	3 860 910	429 339

EARNINGS PER SHARE

	NOTE	**2009** *CHF*	2008[1] *CHF*	CHANGE *CHF*
Basic net profit per registered share	8	**17.61**	3.19	14.42
Diluted net profit per registered share	8	**17.60**	3.15	14.45
Basic net profit per registered share from continuing operations	8	**13.15**	1.11	12.04
Diluted net profit per registered share from continuing operations	8	**13.15**	1.11	12.04

[1] The 2008 figures have been represented to reflect income and expense of the discontinued operations in one single separate line item. For further information see Note 25.

CONSOLIDATED BALANCE SHEET

Assets	NOTE	31.12.2009 CHF 1000	31.12.2008 CHF 1000	CHANGE CHF 1000
Cash and due from banks	9A	**974 201**	10 850 251	-9 876 050
Financial investments available-for-sale	10A	**86 935**	12 528 497	-12 441 562
Other financial investments	11A	**3 795**	7 598 107	-7 594 312
Accrued income and prepaid expenses	9E	**117 877**	384 932	-267 055
Investments in associates	19	**463 373**	-	463 373
Property and equipment	12	**19 239**	363 581	-344 342
Goodwill and other intangible assets	12	**1 397 908**	4 579 798	-3 181 890
Deferred tax assets	16A	**9 765**	106 337	-96 572
Due from customers and loans	9B	**12 210**	9 702 767	-9 690 557
Other assets		**76 054**	125 727	-49 673
Total assets		**3 161 357**	46 239 997	-43 078 640

Liabilities and equity	NOTE	31.12.2009 CHF 1000	31.12.2008 CHF 1000	CHANGE CHF 1000
Due to banks		**95 721**	3 517 270	-3 421 549
Debt issued	15	**149 926**	380 653	-230 727
Other financial liabilities	11C	**-**	8 961 314	-8 961 314
Accrued expenses and deferred income	9F	**245 563**	993 362	-747 799
Current tax liabilities		**35 889**	50 136	-14 247
Deferred tax liabilities	16B	**1 940**	87 667	-85 727
Provisions	17	**688**	37 059	-36 371
Due to customers and other liabilities		**12 385**	25 639 444	-25 627 059
Total liabilities		**542 112**	39 666 905	-39 124 793
Share capital	18	**10 332**	10 552	-220
Capital reserves		**83 672**	4 930 905	-4 847 233
Retained earnings		**2 646 655**	2 238 715	407 940
Other components of equity		**-55 268**	-278 970	223 702
Treasury shares		**-66 146**	-329 525	263 379
Equity attributable to Shareholders of the Parent Company		**2 619 245**	6 571 677	-3 952 432
Non-controlling interests		**-**	1 415	-1 415
Total equity		**2 619 245**	6 573 092	-3 953 847
Total liabilities and equity		**3 161 357**	46 239 997	-43 078 640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL[1] CHF 1000	CAPITAL RESERVES[1] CHF 1000	RETAINED EARNINGS CHF 1000
At 1 January 2008		11 163	4 930 905	2 799 860
Comprehensive income				
Profit or loss		-	-	661 246
Other comprehensive income				
Net unrealised gains/(losses) on financial investments available-for-sale		-	-	-
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale		-	-	-
Hedging reserve for cash flow hedges		-	-	-
Translation differences		-	-	-
Total comprehensive income for the period		-	-	661 246
Capital reduction		-611	-	-1 095 448
Julius Baer Holding Ltd. dividend		-	-	-105 517
Treasury shares and own equity derivative activity		-	-	-21 426
Purchase/disposal of non-controlling interests		-	-	-
Changes in derivatives on own shares		-	-	-
Acquisitions of own shares		-	-	-
Disposals of own shares		-	-	-
At 31 December 2008		10 552	4 930 905	2 238 715

	NOTE	SHARE CAPITAL[1] CHF 1000	CAPITAL RESERVES[1] CHF 1000	RETAINED EARNINGS CHF 1000
At 1 January 2009		**10 552**	**4 930 905**	**2 238 715**
Comprehensive income				
Profit or loss		**-**	**-**	**3 636 921**
Other comprehensive income				
Net unrealised gains/(losses) on financial investments available-for-sale		-	-	-
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale		-	-	-
Net unrealised gains/(losses) on hedging reserve for cash flow hedges		-	-	-
Net realised (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges		-	-	-
Translation differences		-	-	-
Net realised (gains)/losses on translation differences reclassified to the income statement		-	-	-
Total comprehensive income for the period		**-**	**-**	**3 636 921**
Capital reduction		**-220**	-	**-298 424**
Cash dividends		**-**	**-**	**-105 540**
Distribution of non-cash dividend to owners	18	**-**	**-**	**-8 290 026**
Share-based payment transactions		**-**	**-**	**30 900**
Put option reclassified from liability to equity		**-**	**-**	**587 215**
Purchase/disposal of non-controlling interests		**-**	**-**	**-**
Transfer from capital reserves to retained earnings	18	**-**	**-4 847 233**	**4 847 233**
Acquisitions and disposals of own shares and derivatives on own shares		**-**	**-**	**-339**
At 31 December 2009		**10 332**	**83 672**	**2 646 655**

[1] See Note 18

OTHER COMPONENTS OF EQUITY						
FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE, NET OF TAXES *CHF 1000*	HEDGING RESERVE FOR CASH FLOW HEDGES, NET OF TAXES *CHF 1000*	FOREIGN CURRENCY TRANSLATION RESERVE *CHF 1000*	TREASURY SHARES *CHF 1000*	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY *CHF 1000*	NON-CONTROLLING INTERESTS *CHF 1000*	TOTAL EQUITY *CHF 1000*
-32 361	384	-14 794	-1 276 582	6 418 575	145	6 418 720
-	-	-	-	661 246	292	661 538
-170 424	-	-	-	-170 424	-	-170 424
30 207	-	-	-	30 207	-	30 207
-	-4 572	-	-	-4 572	-	-4 572
-	-	-87 410	-	-87 410	-	-87 410
-140 217	-4 572	-87 410	-	429 047	292	429 339
-	-	-	1 096 059	-	-	-
-	-	-	-	-105 517	-	-105 517
-	-	-	-	-21 426	-	-21 426
-	-	-	-	-	978	978
-	-	-	-50 496	-50 496	-	-50 496
-	-	-	-1 020 640	-1 020 640	-	-1 020 640
-	-	-	922 134	922 134	-	922 134
-172 578	-4 188	-102 204	-329 525	6 571 677	1 415	6 573 092
-172 578	**-4 188**	**-102 204**	**-329 525**	**6 571 677**	**1 415**	**6 573 092**
-	-	-	-	**3 636 921**	**287**	**3 637 208**
70 654	-	-	-	**70 654**	-	**70 654**
102 483	-	-	-	**102 483**	-	**102 483**
-	**1 890**	-	-	**1 890**	-	**1 890**
-	**2 298**	-	-	**2 298**	-	**2 298**
-	-	**2 907**	-	**2 907**	-	**2 907**
-	-	**43 470**	-	**43 470**	-	**43 470**
173 137	**4 188**	**46 377**	-	**3 860 623**	**287**	**3 860 910**
-	-	-	**298 644**	-	-	-
-	-	-	-	**-105 540**	-	**-105 540**
-	-	-	-	**-8 290 026**	-	**-8 290 026**
-	-	-	-	**30 900**	-	**30 900**
-	-	-	-	**587 215**	-	**587 215**
-	-	-	-	-	**-1 702**	**-1 702**
-	-	-	-	-	-	-
-	-	-	**-35 265**	**-35 604**	-	**-35 604**
559	-	**-55 827**	**-66 146**	**2 619 245**	-	**2 619 245**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	**2009** [1] CHF 1000	2008 CHF 1000 represented
Net profit (including non-controlling interests)		**3 637 208**	661 538
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:			
Non-cash items included in net profit and other adjustments:			
- Gain on non-cash dividend paid	18	**-3 942 882**	-
- Depreciation of property and equipment	12	**7 035**	8 776
- Amortisation and impairment of goodwill and other intangible assets	12	**1 415 117**	105 970
- Depreciation of property and equipment from discontinued operations	12	**18 837**	27 281
- Amortisation and impairment of goodwill and other intangible assets from discontinued operations	12	**77 409**	91 219
- Allowance for credit losses		**7 388**	17 770
- Share-based payments		**308 836**	-
- Net loss/(gain) from investing activities		**410**	117 902
- Gain on sale and fair value uplift Artio Global Investors Inc.		**-1 072 277**	-
- Other non-cash income and expenses		**17 612**	55 596
Net increase/decrease in operating assets and liabilities:			
- Due from/to banks		**1 746 546**	2 187 507
- Other financial investments		**-386 790**	1 318 221
- Accrued income, prepaid expenses and other assets		**-920 437**	219 086
- Accrued expenses, deferred income, other financial liabilities, provisions and other liabilities		**-877 787**	-313 609
- Due from customers and loans		**2 143 755**	3 301 783
- Deferred tax expense/(benefit)		**99 161**	283
Adjustment for income tax expenses		**124 324**	224 170
Income taxes paid		**-135 519**	-344 468
Cash flow from operating activities		**2 267 946**	7 679 025
Proceeds from sale of Artio Global Investors Inc., net of cash		**444 779**	-
Addition/disposal and dividend of associates		**-**	1 726
Purchase of property and equipment and intangible assets		**-74 488**	-121 738
Disposal of property and equipment and intangible assets		**-**	63
Net (investment in)/divestment of financial investments available-for-sale		**-1 779 402**	-200 331
Cash flow from investing activities		**-1 409 111**	-320 280
Net money market instruments issued/(repaid)		**-916**	-30 067
Net movements in treasury shares and own equity derivative activity		**-35 265**	-226 748
Ordinary dividend payments		**-105 540**	-105 517
Issuance of debt issued		**-**	441
Repayment of debt issued		**-**	-1 965 171
Increase in non-controlling interests		**-**	978
Cash flow from financing activities		**-141 721**	-2 326 084
Total		**717 114**	5 032 661

[1] For cash flows from discontinued operations see Note 25.

	2009 *CHF 1000*	2008 *CHF 1000*
Cash and cash equivalents at beginning of the year	**17 947 712**	12 719 069
Cash flow from operating activities	**2 267 946**	7 679 025
Cash flow from investing activities	**-1 409 111**	-320 280
Cash flow from financing activities	**-141 721**	-2 326 084
Changes in cash and cash equivalents due to separation	**-17 637 781**	-
Effects of exchange rate changes	**-52 844**	195 982
Cash and cash equivalents at the end of the year	**974 201**	17 947 712

Cash and cash equivalents are structured as follows:

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Cash	**18**	1 987 643
Money market instruments	**-**	8 137 989
Due from banks (original maturity of less than three months)	**974 183**	7 822 080
Total	**974 201**	17 947 712

Additional information	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Interest received	**16 732**	1 067 995
Interest paid	**-3 097**	-676 406
Dividends on equities (including associates) received	**198 660**	36 195
Total	**212 295**	427 784

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GAM Holding Ltd., formerly Julius Baer Holding Ltd., is a Swiss corporation. The consolidated financial statements as of 31 December 2009 comprise those of GAM Holding Ltd. and all its subsidiaries. The Board of Directors approved these financial statements on 26 February 2010. In addition, they must be approved by the Ordinary Annual General Meeting on 13 April 2010.

Amounts in the annual financial statements are stated in Swiss francs. The consolidated financial statements are prepared in accordance with the 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, as well as certain financial liabilities, which are measured at fair value.

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, provisions and valuation allowances, pension assets and liabilities, deferred taxes assets, share-based payments, goodwill and other intangible assets.

ACCOUNTING POLICIES

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

Subsidiaries and associates

Subsidiaries in which GAM Holding Ltd. directly or indirectly owns a majority of the voting shares or in which it exercises control in some other way are fully consolidated. A complete list of these companies is provided in Note 24. 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 that control ceases.

The effects of all intercompany transactions and balances are eliminated on consolidation.

Foreign currency translation

The Group companies prepare their financial statements in the respective functional currency. The balance sheets 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 statements. 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. 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	
	31.12.2009	31.12.2008	**2009**	2008
USD/ CHF	**1.0337**	1.0644	**1.0825**	1.0780
EUR/CHF	**1.4832**	1.4796	**1.5070**	1.5780
GBP/CHF	**1.6694**	1.5303	**1.6945**	1.9760

Reporting of transactions

Money market transactions are recorded on the balance sheet on settlement date. Spot foreign exchange and securities transactions and securities underwriting transactions are recorded on the balance sheet on trade date. All financial instruments are assigned to one of the four categories (“loans and receivables”, “held-to-maturity investments”, “financial assets and financial liabilities at fair value through profit or loss”, and “available-for-sale financial assets”) and uniformly recognised within these categories on trade date or settlement date.

Income recognition

Income from 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. Income and income components that are based on performance are recognised at the time when all performance criteria are fulfilled.

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 the Group for introducing clients to funds managed by the Group.

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.

Cash

Cash includes notes and coins on hand, as well as balances held with central banks.

Due from banks and loans

Amounts due from banks and loans are initially recognised at fair value, which is the cash given to originate the receivable or loan, plus any attributable transaction costs. Subsequently, these receivables and loans are measured at their amortised cost using the effective interest method.

Loans are classified as past due when the counterparty has failed to make a payment when contractually due. The exposure is not impaired as the Group believes that on the basis of the collateral available it is still covered.

Loans and amounts due from banks for which it is probable that, based on current information and events, the Group will be unable to collect the whole amounts due according to the original contractual terms of the loan agreement, are valued on an individual basis, and specific valuation allowances are established for impaired amounts, if necessary. Related collaterals are also included in the evaluation.

Impairment is measured and an allowance for credit losses is established for the difference between the carrying amount of the loan and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral.

The recoverable amount equals the present value of estimated future cash flows discounted at the loan's original effective interest rate. The allowance for credit losses is recognised through the income statement.

A write-off is made against the established specific allowance for credit losses when all or part of a loan is deemed uncollectible or forgiven. Recoveries of amounts that were previously written off are credited directly to the income statement.

In addition to the specific allowances for credit losses, a collective allowance for credit losses is established to account for inherent credit risks collectively, i.e. on a portfolio basis. This collective allowance for credit losses is calculated on the basis of prudently estimated default rates for each portfolio, which are based on internal credit ratings that are used for classifying the loans.

In the balance sheet, the allowances for credit losses are offset against the corresponding loans and amounts due from banks.

Impaired loans are rated as fully recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

Securities lending and borrowing transactions

Securities borrowed as well as securities received by the Group as collateral under securities lending transactions are only recorded in the balance sheet if the Group obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Group as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Group relinquishes control of the contractual rights associated with these securities. Securities lent and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

If securities are transferred in a securities lending or borrowing transaction, cash collateral received is recognised as an obligation, and cash collateral provided is recognised as a receivable.

Fees received or paid in connection with securities lending and borrowing transactions are recognised as commission income or commission expenses on an accrual basis.

Repurchase and reverse repurchase transactions

Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash collateral provided or received.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Financial investments available-for-sale

Security positions, including money market instruments, which are not held for trading purposes are reported as debt and equity securities available-for-sale and are recognised 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 in other ordinary results.

Equity securities are impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the debt instrument, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

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

Other financial investments / Other financial liabilities

All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are recognised in other ordinary results. Interest and dividend income and interest expense from trading positions are included in net interest income.

Financial assets and liabilities may be initially designated as at fair value through profit or loss (fair value option) if one of the following conditions is met:

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

The Group measures its issued financial instruments, i.e. its structured products containing a debt instrument and an embedded derivative, at fair value, with changes in fair value recognised in other ordinary results, thus eliminating the requirement to account for the embedded derivative and its host contract separately.

In addition, the Group reports assets and liabilities related to investment contracts where the beneficiary bears all the related risks and rewards from the investments, as designated at fair value.

Derivative financial instruments held for trading, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and option pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in other ordinary results. Most of net trading income for 2008 is represented under discontinued operations.

The Group uses derivative financial instruments for hedging the cash flows (cash flow hedges) or fair values (fair value hedges) when transactions meet the specified criteria to obtain hedge accounting treatment. Derivatives categorised as serving such purposes on their settlement date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

a) existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;
b) effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period;
c) sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%; and
d) high probability of the underlying forecast transaction.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and reported as hedging reserve for cash flow hedges. If the probable forecast transaction results in the recognition of a non-financial asset or non-financial liability, any gain or loss on the hedging instrument that was previously recognised in other components of equity is removed from that position and is included in the initial cost of the acquired non-financial asset or liability. If a hedge of a probable forecast transaction results in the recognition of a financial asset or financial liability, any gain or loss on the hedging instrument that was previously recognised in other components of equity is reclassified into the income statement in the same period in which the financial asset or liability affects income. If the hedged forecast transaction results in direct recognition through the income statement, any related cumulative gain or loss previously recognised in other components of equity is recognised in the income statement in the same period in which the hedged forecast transaction affects income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. The changes in the fair value of the hedged item that are attributable to the risk hedged with the derivative are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Group. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as other financial investments. Changes in fair value are recognised directly in the income statement in the corresponding period.

Property and equipment

Property and equipment includes premises, IT, communication systems, leasehold improvements as well as other installations and 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.

Premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Installations are depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five 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.

On 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.

Leasing: Under operating leasing, 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.

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 using the straight-line method over its useful life, usually not exceeding three to five years.

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.

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 (timing 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, and an enforceable right to offset exists. 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 other components of equity.

Due to banks and customers

Amounts due to banks and customers are initially recognised at fair value less directly attributable transaction costs and subsequently reported at amortised cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective interest method.

Debt issued

Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortised cost using the effective interest method.

Own bonds that the Group holds as a result of market-making activities or for resale in the near term are treated as redemption and therefore are extinguished.

Post-employment benefits

The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. As pension plans in Switzerland do not fulfil all the criteria of a defined contribution pension plan according to IAS 19 the Swiss pension plans are treated as defined benefit pension plans.

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

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.

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

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

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. The recognition and release of provisions are recorded in the income statement through general expenses.

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 the restructuring, not costs associated with the ongoing business activities.

Share capital

The share capital comprises all issued, fully paid registered shares of GAM Holding Ltd. Please refer to the information on page 47 and Note 18 regarding the separation of the former Julius Baer group.

Capital reserves

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

Treasury shares

Shares of GAM Holding Ltd. 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 taxes, if any) is recognised in retained earnings.

Contracts on shares of GAM Holding Ltd. 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 on shares of GAM Holding Ltd. that must be net settled in cash or that offer a choice of settlement methods are treated as derivative instruments, with changes in fair value recognised in other ordinary results.

For physically settled written put option contracts the discounted strike price is deducted from equity and recorded as a liability at recognition. The liability is subsequently increased during the term of the contract up to the strike price using the effective interest method. Upon settlement of the contract the liability is derecognised.

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.

Earnings per share

Basic consolidated earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of GAM Holding Ltd. by the weighted average number of shares outstanding during the reporting period.

Diluted consolidated earnings per share is calculated using the same method as for basic consolidated 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.

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 product and services provided to its clients. In addition, Group Functions is responsible for the typical corporate functions, such as corporate governance, 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 connected with 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.

CHANGES IN ACCOUNTING POLICIES

The Group applied the following new and revised accounting standards for the first time in 2009:

IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations

This revised standard amends the definition of service conditions and performance conditions in share-based payment arrangements. In addition, it adds guidance regarding taking into account vesting and non-vesting conditions in determining the fair value of equity instruments granted. Finally, it also provides explicit guidance regarding the cancellation of share-based payment arrangements. Impact on the Group's financial statements was that Artio Global Investors Inc., which is now equity accounted, was re-measured at fair value at the date the group lost control.

IFRS 3 – Business Combinations; and IAS 27 – Consolidated and Separate Financial Statements

These revised standards, which have been early adopted by the Group, improve the relevance, reliability and comparability of the information provided in the Group's financial statements about business combinations and their effects, as well as the information that a parent provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The main changes to the previous standards include the greater use of fair value, the focusing on changes in control as a significant economic event, or greater emphasis on what is given to the vendor as consideration rather than what is spent to achieve the acquisition. The early application resulted in the case of losing control that any retained non-controlling equity investment in a former subsidiary is remeasured to its fair value at the date control is lost. The gain is recognised in the income statement.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

This amendment clarifies that the guidance provided in IFRS 5 regarding non-current assets held for sale also applies if non-current assets are held for distribution. The amendment had no impact on the Group's financial statements.

Improving Disclosures about Financial Instruments (IFRS 7)

The amendment requires improved disclosures about financial instruments, particularly regarding fair value measurements and the introduction of a three-level fair value hierarchy, as well as additional disclosures about liquidity risks. The amendment requires additional disclosures in the Group's financial statements.

IAS 32 – Financial Instruments: Presentation; and IAS 1 – Presentation of Financial Statements

The IAS 32 amendment clarifies under which circumstances puttable financial instruments and obligations arising on liquidations have to be treated as equity instruments. The amendment to IAS 1 requires additional information about puttable financial instruments and obligations arising on liquidations which have to be treated as equity instruments. The amendments will require that some financial instruments currently meeting the definition of a financial liability be classified as equity because they represent the residual interest in the net assets of the entity. These revised standards had no impact on the Group's financial statements.

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39

This amendment to IFRIC 9 requires the subsequent reassessment of an embedded derivative if a hybrid instrument is reclassified out of the fair value through profit or loss category. The amendment to IAS 39 prohibits the reclassification of a hybrid instrument from the fair value through profit or loss category if the embedded derivative cannot be measured separately. These amendments had no impact on the Group's financial statements.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation adds guidance regarding which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the Group the hedging instrument can be held; and what amount should be reclassified to the income statement when the foreign operation is disposed of. The new interpretation had no impact on the Group's financial statements.

IFRIC 17 – Distribution of Non-cash Assets to Owners

This new interpretation, which has been early adopted by the Group, provides guidance on how an entity should measure distributions of non-cash assets, such as property or shares in another entity, to its owners and when that dividend payable should be recognised. For more information on its impact on the Group's financial statements see Note 18.

Improvements to IFRSs

A number of amendments to several standards are included in the IASB's Annual Improvement Project. The amendments had no material impact on the Group's financial statements.

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

The new standard, which is the first part of 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 apply).

The new standard will be applicable as of 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 as of 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 as of 1 January 2011.

Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement)

The amendment provides clarification on two issues in relation to hedge accounting: a) inflation can only be designated as a hedged risk or portion if it is a contractually specified portion of the cash flows (for example, in an inflation-linked bond where the inflation feature is not a separable embedded derivative); and b) the time value of a purchased option used as a hedging instrument is not a risk or portion present in a hedged item and would cause ineffectiveness if the entire option is designated. The amendments will be applicable for annual periods beginning on or after 1 July 2009.

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.

Improvements to IFRSs

A number of amendments to several standards are included in the IASB's Annual Improvement Project. The amendments will be applicable as of 1 January 2010.

INFORMATION ON THE SEPARATION OF THE PRIVATE BANKING AND ASSET MANAGEMENT BUSINESSES AND THE IPO OF ARTIO GLOBAL INVESTORS INC.

At the Extraordinary General Meeting of Julius Baer Holding Ltd. on 30 June 2009, the 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 ("the Transaction"). GAM Holding Ltd. became the Parent Company of the asset management business and Julius Baer Group Ltd. became the parent of the private banking business. The separation was completed on 30 September 2009 and the first trading day for GAM Holding Ltd. and Julius Baer Group Ltd. as separately listed entities was on 1 October 2009. On the completion, each holder of one original Julius Baer Holding Ltd. share became the owner of one share in each of GAM Holding Ltd. (ticker: GAM) and Julius Baer Group Ltd. (ticker: BAER).

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 Ltd. and, following the Transaction, comprised the active asset managers GAM and Swiss & Global Asset Management (representing the previously Julius Baer branded asset management business). The Transaction was recognised and accounted for in accordance with "IFRIC 17 – Distribution of Non-cash Assets to Owners". This accounting treatment leads to a substantial gain on the distribution of the non-cash assets to its shareholders. This gain being primarily derived from the difference in the market value of the Julius Baer Group Ltd. shares distributed and the underlying of those net assets divested (see also Note 18).

The income statement of GAM Holding Ltd. includes (a) for the nine month period to 30 September 2009, the operating results of the former private banking business (presented as discontinued operations) and the asset management businesses of GAM and Swiss & Global Asset Management, and (b) for the period from 1 October 2009 to 31 December 2009, the independent operating results of GAM Holding Ltd. The balance sheet as at 31 December 2009 reflects the financial situation of the current business of GAM Holding Ltd.

On 24 September 2009, prior to the completion of the Transaction, the US asset management business Artio Global Investors Inc. was the subject of a successful initial public offering on the New York Stock Exchange. GAM Holding Ltd. retains a continuing stake of 27.9% in Artio Global Investors Inc. (see also Note 19 – investments in associates).

For more information regarding discontinued operations please refer to Note 25.

COMMENT ON RISK AND CAPITAL MANAGEMENT

As a result of the separation of the former Julius Baer group, with effect from 1 October 2009 the risk profile and exposure of the Group, which now comprises solely asset management businesses, changed significantly. Consequently, a comparison of the risks detailed in the following section between those that existed at the end of 2008 and those existing at the end of 2009 is of limited value.

The 2009 information in this section represents the current objectives, policies and processes for managing the risks. The figures and information for 2008 relate to the risk exposures, policies and procedures of the former Julius Baer group, including the private banking business.

1. RISK MANAGEMENT FRAMEWORK AND PROCESS

The Board of Directors has determined that the Group's risk management is most effectively undertaken within the operating businesses themselves, with the setting of overall risk strategy, monitoring and oversight being performed at the Group level. Risk management for the Group is the responsibility of the Group Chief Financial Officer. Within each of the businesses all risks are mapped to a risk landscape, this risk landscape assesses the probability of risk occurrence and the potential financial impact that could result from each risk identified. The potential risks are 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. The risk landscape is dynamic and continually evolves and adapts as the Group's business mix and the market environment changes. The risk landscape is also used for an annual strategic planning process by the business areas, the Executive Board, the Board of Directors and for the internal audit planning.

Effective risk management is fundamental to all stakeholders of the Group, including shareholders, clients and employees and is of interest to the wider financial services industry. Regulators continually assess our approach to risk and expect us to adopt high standards of risk management and control.

Effective risk management and control is therefore crucial to the operational, financial and reputational soundness of our Group.

Each function within our operating businesses, whether a front-end business unit, a control unit or a service unit is responsible for the management of risk, and every employee, whatever their role or rank, has some responsibility for risk control. This creates an extremely risk aware culture and a motivation to control and mitigate risks throughout the Group.

2. RISK TYPES

Risk is defined as a negative deviation from an expected outcome. Risk management is a business enabler and therefore a key focus of the management process of the Group. The Group is exposed to various risks across many of its activities, including:

- Strategic and business risk
- Operational risk
- Reputational risk
- Credit risk
- Market risk
- Liquidity and financing risk

Strategic and business risk

Following the principles of value- and risk-oriented management and controlling, an annual strategic analysis is carried out and the results 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 as an important input into the strategic planning process and also influence the development of the rolling three-year plan and, ultimately, the annual budgets.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. In addition, the Group's operational risk framework covers regulatory and supervisory risk. The Group continually develops and enhances its internal operational processes and procedures to support the development of the business and the wider environment in which it operates. These enhancements are developed in conjunction with a dynamic risk control framework that aims to mitigate and enable early identification of potential operational risks to support a proactive approach to the management of those risks.

The objectives of operational risk management are as follows:

- to prevent potential substantial losses for the Group
- to strengthen a high degree of risk awareness at all levels
- to enable the business areas to take and manage risk consciously and effectively
- to reinforce an efficient early warning system with a structured and consistent risk management approach
- to assess all operational risk issues before new services or products are offered
- to assure the smooth operation of business in the event of infrastructure breakdowns and catastrophes (business continuity management process)

Reputational risk

The Group's ability to conduct its business is critically dependent on the reputation it has established. Maintaining its good reputation is therefore vitally important for the Group and every employee, but in particular those involved in risk decisions, make the Group's reputation an overriding concern. Responsibility for the risk of damage to the Group's reputation cannot be delegated or syndicated.

Credit risk

Credit risk is the risk that the Group's counterparties will not be able or willing to pay interest, repay principle, or otherwise fulfil their contractual obligations under loan agreements, other credit facilities, or in respect of other financial assets.

The Group manages and controls credit and counterparty risk by entering into financial assets with a diversity of creditworthy counterparties, thereby mitigating any significant concentrations, and by monitoring exposures in relation to their aging. Therefore, the Group does not expect to incur any material credit or counterparty losses on its financial assets.

As at balance sheet date, there are no financial assets impaired or past due and there is no indication for any negative impact on the credit quality of financial assets. The Group's maximum risk exposure is limited to the carrying amount of the financial assets as indicated in the balance sheet.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

The following tables show the credit risk by domicile and by type of counterparty. The collateral is not taken into account in these tables.

Credit risk by counterparty domicile

	SWITZERLAND *CHF M*	EUROPE *CHF M*	AMERICAS *CHF M*	ASIA/PACIFIC *CHF M*	OTHER *CHF M*	**31.12.2009** **TOTAL** *CHF M*
Due from banks	712	234	12	16	-	**974**
Due from customers and loans	1	10	1	-	-	**12**
Financial investments available-for-sale	-	11	8	-	-	**19**
Other financial investments	1	3	-	-	-	**4**
Total	714	258	21	16	-	**1 009**

	SWITZERLAND *CHF M*	EUROPE *CHF M*	AMERICAS *CHF M*	ASIA/PACIFIC *CHF M*	OTHER *CHF M*	31.12.2008 TOTAL *CHF M*
Due from banks	1 680	5 933	599	650	1	8 863
Due from customers and loans	3 071	2 205	3 020	1 213	194	9 703
Financial investments available-for-sale	131	10 252	1 307	488	12	12 190
Other financial investments	1 346	3 679	675	242	9	5 951
Total	6 228	22 069	5 601	2 593	216	36 707

Credit risk by counterparty sector

	GOVERNMENT AND AGENCIES *CHF M*	FINANCIAL INSTITUTIONS *CHF M*	PRIVATE CLIENTS *CHF M*	OTHER *CHF M*	**31.12.2009** **TOTAL** *CHF M*
Due from banks	-	974	-	-	**974**
Due from customers and loans	-	1	-	11	**12**
Financial investments available-for-sale	-	19	-	-	**19**
Other financial investments	-	1	-	3	**4**
Total	-	995	-	14	**1 009**

	GOVERNMENT AND AGENCIES *CHF M*	FINANCIAL INSTITUTIONS *CHF M*	PRIVATE CLIENTS *CHF M*	OTHER *CHF M*	31.12.2008 TOTAL *CHF M*
Due from banks	46	8 817	-	-	8 863
Due from customers and loans	-	2	9 701	-	9 703
Financial investments available-for-sale	899	9 573	-	1 718	12 190
Other financial investments	-	5 020	931	-	5 951
Total	945	23 412	10 632	1 718	36 707

The following table provides an analysis of the Group's exposure to credit risk by credit quality.

Exposure to credit risk by credit quality

	31.12.2009 COLLATERALISED *CHF M*	31.12.2008 COLLATERALISED *CHF M*	**31.12.2009** UNSECURED *CHF M*	31.12.2008 UNSECURED *CHF M*
Neither past due nor impaired	**-**	12 182.1	**1 008.1**	20 306.2
Past due but not impaired	**-**	1.3	**0.9**	-
Impaired	**-**	65.6	**-**	3.5
Balance sheet carrying amount	**-**	12 249.0	**1 009.0**	20 309.7
Neither past due nor impaired				
R1 to R3	-	9 091.8	**-**	19 920.1
R4 to R6 (including temporarily unrated)	-	3 090.3	**-**	386.1
Total	-	12 182.1	**-**	20 306.2
Past due but not impaired				
R7	-	1.3	**-**	-
Total	-	1.3	**-**	-
Collateral held or credit enhancement available	-	*1.3*	**-**	-
Impaired				
R8	-	55.5	**-**	-
R9 to R10	-	10.1	**-**	3.5
Total	-	65.6	**-**	3.5
Collateral held or credit enhancement available	-	*30.3*	**-**	-
Allowances				
Specific valuation allowances	-	37.3	**-**	3.5
Collective valuation allowances	-	17.1	**-**	2.7
Total	-	54.4	**-**	6.2

As of 31 December 2009, the internal credit ratings R1-R10 are no longer in use as the Group is no longer carrying, or has any intention of carrying, those assets that require rating in such way. In 2008 the internal credit ratings R1–R10 formed the basis for calculating allowances for credit losses. Loans, receivables and other exposures were allocated to one of the ten rating classes. In the case of balances in rating classes R1–R6, the balances were being serviced, the advance rate of collateral was appropriate, and the repayment of the balance was not doubtful. For these exposures, no specific allowances for credit losses were established. Balances in rating class R7 were past due, but the exposure was still covered by collateral and allowances were only established for past due interests. For balances in rating class R8, specific allowances for credit losses were established provided that it is more likely than not that a loss could arise. The credit risks of rating classes R9 and R10 were very high, and specific allowances for credit losses were established for balances in these rating classes.

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

	31.12.2009 GROSS MAXIMUM EXPOSURE *CHF M*	31.12.2008 GROSS MAXIMUM EXPOSURE *CHF M*
Cash and due from banks (excluding cash on hand)	**974**	10 815
Due from customers and loans	**12**	9 703
Financial investments available-for-sale	**19**	12 190
Other financial investments	**4**	6 228
Other assets	**-**	375
Total maximum exposure to credit risk	**1 009**	39 310

Market risk

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

Currency risk is the risk that the value 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 assets contained within each entity's balance sheet. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and ensures that, with the exception of positions with other entities of the Group, there is no net exposure on foreign currency positions in relation to its functional currency. In 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. Loans taken, if any, which are denominated in foreign currencies, are not treated as hedging transactions in respect of specific net investments. As a result, there is no material exposure on foreign currency positions compared to the functional currency.

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 securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. The majority of such investments consist of investments in funds. The Group's Executive Board approves and continually monitors all equity investment decisions.

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 Group's risk exposure is minimal.

The following tables represent the management's current objectives, polices and processes for managing interest risk.

Interest rate profile

	31.12.2009 *CHF M*
Variable rates instruments	
Financial assets	**987.7**
Financial liabilities	**-97.2**
	890.5

Fixed rate instruments	
Financial assets	**19.1**
Financial liabilities	**-149.9**
	-130.8

The financial assets include mainly due from banks for which no significant exposure to interest rate risk is expected. The impact of a reasonably possible increase or decrease in interest rates on financial liabilities is presented in the following table.

Cash flow sensitivity analysis for variable rate instuments

	PROFIT OR LOSS		EQUITY	
31 December 2009	100 BP INCREASE *CHF M*	50 BP DECREASE *CHF M*	100 BP INCREASE *CHF M*	50 BP DECREASE *CHF M*
Variable rate instruments	**1.0**	**-0.5**	**-**	-
Cash flow sensitivity (net)	**1.0**	**-0.5**	**-**	-

One measure of interest rate risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table below, broken down according to time intervals and currencies, shows the results of such a scenario as of 31 December 2008.

Interest rate sensitivity positions 2008

Interest sensitivity by time bands and 100 bp parallel increase	WITHIN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL 2008 *CHF 1000*
CHF	-521	1 494	24 571	-32 469	3	-6 922
USD	-534	-1 178	12 350	-891	-208	9 539
EUR	674	-3 264	9 208	-5 303	-640	675
Other	-55	-1 245	4 261	1 561	-3	4 519

VaR method and regulatory capital

In 2008 the Group used VaR calculations for managing market risk. For 2009 VaR calculations are no longer used to manage trading portfolios as none existed within the business. Certain derivatives are however used to hedge the currency risk of operating revenue and expenses. These derivatives are monitored on a continued basis in order to assess their effectiveness.

For its VaR calculation, the Group used historical simulation with complete revaluation of all trading positions in each instance. The historical simulation was based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the recent 300-trading-day period. As a result, correlation was taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix.

The following table is a summary of the VaR positions as per 31 December 2008 of the Group's trading portfolios:

Market risk – VaR positions by risk type

	AT 31 DECEMBER 2008 *CHF 1000*	AVERAGE *CHF 1000*	MAXIMUM *CHF 1000*	MINIMUM *CHF 1000*
Equities	-625	-1 767	-3 229	-482
Interest rates	-785	-607	-1 072	-358
Foreign exchange/precious metals	-250	-831	-2 229	-131
Effects of correlation	784	-	-	-
Total 2008	-876	-1 931	-2 987	-668

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its payment obligations when they become due. The liquidity position of the Group companies is monitored and managed daily and exceeds the regulatory minimum. 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 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 and liabilities

	ON DEMAND *CHF M*	DUE WITHIN 3 MONTHS *CHF M*	DUE WITHIN 3-12 MONTHS *CHF M*	DUE WITHIN 1-5 YEARS *CHF M*	DUE AFTER 5 YEARS *CHF M*	TOTAL *CHF M*
Financial assets[1]						
Cash and due from banks	788.3	185.8	0.1	-	-	**974.2**
Due from customers and loans	1.3	10.9	-	-	-	**12.2**
Financial investments available-for-sale	61.6	8.1	15.8	1.2	0.2	**86.9**
Other financial investments	-	3.1	0.7	-	-	**3.8**
Total 31.12.2009	**851.2**	**207.9**	**16.6**	**1.2**	**0.2**	**1 077.1**
Cash and due from banks	1 987.6	8 705.9	142.4	14.3	-	10 850.2
Due from customers and loans	-	7 255.3	1 411.1	1 017.0	19.4	9 702.8
Financial investments available-for-sale	338.0	6 768.4	4 049.0	1 359.2	13.9	12 528.5
Other financial investments	7 598.1	-	-	-	-	7 598.1
Total 31.12.2008	9 923.7	22 729.6	5 602.5	2 390.5	33.3	40 679.6
Financial liabilities						
Due to banks	0.2	0.4	33.4	64.1	-	**98.1**
Debt issued	-	150.7	-	-	-	**150.7**
Due to customers and other financial liabilities	1.2	4.1	-	-	-	**5.3**
Total 31.12.2009	**1.4**	**155.2**	**33.4**	**64.1**	**-**	**254.1**
Due to banks	2 968.8	347.8	200.5	0.9	-	3 518.0
Debt issued	-	6.4	8.3	190.0	241.6	446.3
Due to customers and other financial liabilities	27 144.2	5 553.3	1 142.7	326.4	178.0	34 344.6
Total 31.12.2008	30 113.0	5 907.5	1 351.5	517.3	419.6	38 308.9

[1] The 2008 financial assets figures represent remaining expected maturities.

Capital risk management

In managing its capital, the Group considers a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities according to the Group's own internal assessment and also to meet local regulatory capital requirements.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders.

The following tables are provided for information only. Following the divestment of its private banking activities the Company is no longer obliged to follow the requirements of the capital framework of the Basel Committee on Banking Supervision (known as Basel II) of the Bank for International Settlements (BIS). Individual operating entities within the Group are, however, required to maintain regulatory capital in line with local legal requirements. The Group is required to maintain adequate regulatory capital for its operations as part of its consolidated supervision by the Swiss Financial Markets Supervisory Authority (FINMA).

Capital adequacy

Risk-weighted positions	31.12.2008 BASEL II *CHF M*
Credit risk	9 473.1
Non-counterparty-related risk	497.5
Market risk[1]	781.3
Operational risk[1]	4 791.3
Total	15 543.2
Eligible capital	
Imputed Tier 1 regulatory capital	2 121.4
of which hybrid Tier 1 capital	*225.0*
Imputed Tier 1 and Tier 2 regulatory capital	2 197.7
BIS Tier 1 ratio	13.6%
BIS Tier 1 and 2 ratio	14.1%

[1] Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement according to the applied approach.

Capital components

	31.12.2008 BASEL II *CHF M*
Gross Tier 1 capital after deduction of treasury shares	6 690.5
of which non-controlling interests	*1.4*
of which innovative capital instruments	*225.0*
Goodwill and other intangible assets	-4 445.5
Other deductions	-123.6
Eligible Tier 1 capital	2 121.4
Tier 2 capital	76.3
Eligible capital	2 197.7

Minimum capital requirement

	31.12.2008 BASEL II *CHF M*
Credit risks (standardised approach in 2008 according to Basel II)	757.9
of which for equity securities in the banking book	*19.9*
Non-counterparty-related risk	39.8
Market risk (model approach)	62.5
Operational risk (standardised approach)	383.3
Total	1 243.5

Credit risk by legal risk weights

	0% *CHF M*	20% *CHF M*	35% *CHF M*	50% *CHF M*	75% *CHF M*	100% *CHF M*	150% *CHF M*	**31.12.2008** TOTAL *CHF M*
Due from banks and loans[1]	11 546.7	3 198.3	1 430.5	450.1	124.8	1 791.2	43.6	18 585.2
Financial investments available-for-sale[2]	1 796.3	5 104.3	-	5 122.0	-	158.5	134.9	12 316.0
Other financial investments[3]	1 026.2	500.2	-	839.8	4.9	278.4	-	2 649.5
Total	14 369.2	8 802.8	1 430.5	6 411.9	129.7	2 228.1	178.5	33 550.7

1 Collective allowance for credit losses of CHF 19.8 million are added to Tier 2 capital.
2 Net long positions in securities and money market instruments in the banking book.
3 Positive current replacement values plus the security supplement (add-ons) taking into account existing netting agreements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1 NET FEE AND COMMISSION INCOME

	2009 CHF 1000	2008 CHF 1000 represented	CHANGE %
Investment fund fees	**935 987**	1 404 483	-33.4
Total fee and commission income from asset management	**935 987**	1 404 483	-33.4
(Expense)/income from brokerage and securities underwriting	**-6 722**	7 844	-
Commission income on other services	**7 994**	5 037	58.7
Total fee and commission income	**937 259**	1 417 364	-33.9
Commission expense	**428 630**	587 640	-27.1
Total	**508 629**	829 724	-38.7

2 NET INTEREST INCOME

	2009 CHF 1000	2008 CHF 1000 represented	CHANGE %
Interest income from customers and banks	**16 047**	50 246	-68.1
Interest income on financial investments available-for-sale	**563**	735	-23.4
Dividend income on financial investments available-for-sale	**111**	10	-
Total interest income	**16 721**	50 991	-67.2
Total interest expense	**10 525**	33 156	-68.3
Total	**6 196**	17 835	-65.3

3 OTHER ORDINARY RESULTS

	2009 *CHF 1000*	2008 *CHF 1000* *represented*	CHANGE *%*
Foreign exchange	**19 234**	11 360	69.3
Net gains/(losses) from financial investments available-for-sale	**-4 631**	785	-
Real estate income	**1 385**	1 578	-12.2
Other ordinary results	**50 336**	80 172	-37.2
Total	**66 324**	93 895	-29.4

4 PERSONNEL EXPENSES

	2009 *CHF 1000*	2008 *CHF 1000* *represented*	CHANGE *%*
Salaries and bonuses	**182 677**	221 847	-17.7
Contributions to staff pension plans (defined benefits)	**9 711**	9 360	3.8
Contributions to staff pension plans (defined contributions)	**5 614**	5 577	0.7
Share based payments	**14 633**	18 388	-20.4
Other social benefits	**18 539**	19 875	-6.7
Other personnel expenses	**8 322**	25 948	-67.9
Total	**239 496**	300 995	-20.4

5 GENERAL EXPENSES

	2009 *CHF 1000*	2008 *CHF 1000* *represented*	CHANGE *%*
Occupancy expense	**28 164**	54 206	-48.0
Expense for IT and other equipment	**14 188**	12 514	13.4
Information, communication and advertising expense	**27 094**	35 863	-24.5
Service expense, fees and taxes	**47 437**	122 859	-61.4
Other general expenses	**2 340**	1 382	69.3
Total	**119 223**	226 824	-47.4

6 INCOME TAXES

	2009 *CHF 1000*	2008 *CHF 1000* *represented*	CHANGE %
Income tax on profit before taxes from continuing operations (expected tax expense)	**605 985**	66 305	-
Tax rate difference on income components subject to foreign taxation	**-12 890**	-14 973	13.9
Tax rate difference from local differences in domestic tax rates	**-16 105**	-3 529	-
Impact from gain on non-cash dividend (non-taxable)	**-867 434**	-	-
Lower taxed income	**-22**	-135	83.7
Effect of utilisation of prior-year losses	**-1 004**	-222	-
Effect from not capitalised losses	**1 459**	-183	-
Adjustments related to prior years	**-289**	-1 946	85.1
Non-deductible expenses	**313 035**	23 281	-
Other influences	**15 473**	-297	-
Actual income tax expense from continuing operations	**38 208**	68 301	-44.1

A tax rate of 22% (2008: 22%) was applied in the calculation for income tax in Switzerland. Not recognised accumulated operating loss carry-forwards in the amount of CHF 44.4 million (2008: CHF 41.9 million) exist in the Group that do not expire, except for CHF 1.5 million of this amount which expires within five years.

	2009 *CHF 1000*	2008 *CHF 1000* *represented*	CHANGE %
Domestic income taxes	**14 595**	53 455	-72.7
Foreign income taxes	**23 613**	14 845	59.1
Total	**38 208**	68 301	-44.1

Current income taxes	**37 532**	56 899	-34.0
Deferred income taxes	**676**	11 402	-94.1
Total	**38 208**	68 301	-44.1

Tax effects relating to components of other comprehensive income

	BEFORE-TAX AMOUNT *CHF 1000*	TAX (EXPENSE)/ BENEFIT *CHF 1000*	**2009** NET OF TAX AMOUNT *CHF 1000*
Net unrealised gains/(losses) on financial investments available-for-sale	78 991	-8 337	70 654
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	112 459	-9 976	102 483
Net unrealised gains/(losses) on hedging reserve for cash flow hedges	2 423	-533	1 890
Net realised (gains)/losses reclassified to the income statement on hedging reserve for cash flow hedges	2 946	-648	2 298
Translation differences	2 907	-	2 907
Net realised (gains)/losses on translation differences reclassified to the income statement	43 470	-	43 470
Other comprehensive income for the year recognised directly in equity	**243 196**	**-19 494**	**223 702**

	BEFORE-TAX AMOUNT *CHF 1000*	TAX (EXPENSE)/ BENEFIT *CHF 1000*	2008 NET OF TAX AMOUNT *CHF 1000*
Net unrealised gains/(losses) on financial investments available-for-sale	-179 958	9 534	-170 424
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	31 409	-1 202	30 207
Hedging reserve for cash flow hedges	-5 862	1 290	-4 572
Translation differences	-87 410	-	-87 410
Other comprehensive income for the year recognised directly in equity	-241 821	9 622	-232 199

7 REPORTING BY SEGMENT

	GAM		SWISS & GLOBAL		GROUP FUNCTIONS		TOTAL CONSOLIDATED BEFORE DISCONTINUED OPERATIONS		DISCONTINUED OPERATIONS		TOTAL GROUP	
	2009 *CHF M*	2008[1] *CHF M represented*	**2009** *CHF M*	2008[1] *CHF M represented*	**2009** *CHF M*	2008[1] *CHF M represented*	**2009** *CHF M*	2008[1] *CHF M represented*	**2009** *CHF M*	2008[1] *CHF M represented*	**2009** *CHF M*	2008 *CHF M*
Operating income	**395.3**	632.6	**166.4**	228.4	**30.7**	80.5	**592.4**	941.5	**1 456.4**	1 997.1	**2 048.8**	2 938.6
Personnel expenses	**195.9**	213.2	**61.2**	63.3	**-17.6**	24.5	**239.5**	301.0	**1 038.1**	991.1	**1 277.6**	1 292.1
General expenses	**66.2**	89.3	**47.3**	63.3	**5.7**	74.2	**119.2**	226.8	**303.6**	300.4	**422.8**	527.2
Depreciation of property and equipment	**6.3**	8.0	**0.7**	0.8	**-**	-	**7.0**	8.8	**18.8**	27.3	**25.8**	36.1
Amortisation and Impairment of customer relationships	**649.9**	100.7	**-**	-	**-**	-	**649.9**	100.7	**57.0**	75.7	**706.9**	176.4
Amortisation and Impairment of goodwill and other intangible assets	**765.2**	1.0	**4.0**	4.2	**-4.0**	0.1	**765.2**	5.3	**20.4**	15.5	**785.6**	20.8
Operating expenses	**1 683.5**	412.2	**113.2**	131.6	**-15.9**	98.8	**1 780.8**	642.6	**1 437.9**	1 410.0	**3 218.7**	2 052.6
Operating profit / (loss)	**-1 288.2**	220.4	**53.2**	96.8	**46.6**	-18.3	**-1 188.4**	298.9	**18.5**	587.1	**-1 169.9**	886.0
Gain on non-cash dividend paid, net	**-**	-	**-**	-	**3 942.9**	-	**3 942.9**	-	**-**	-	**3 942.9**	-
Income taxes	**-**	-	**-**	-	**-38.2**	-68.3	**-38.2**	-68.3	**-182.1**	-156.2	**-220.3**	-224.5
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)	**-1 288.2**	220.4	**53.2**	96.8	**3 951.3**	-86.6	**2 716.3**	230.6	**920.9**	430.9	**3 637.2**	661.5

Assets under management	**51 037**	41 731	**73 017**	57 094	**-10 407**[2]	-	**113 647**	98 825
Assets	**1 771**	3 173	**288**	104	**1 102**	171	**3 161**	3 448
Liabilities	**249**	144	**123**	74	**170**	509	**542**	727
Investments in associates	**-**	-	**-**	-	**463**	-	**463**	-

1 Prior year figures have been represented to reflect the segments after the divestment of Julius Baer Group Ltd. and Artio Global Investors Inc.
2 Represents the double count of Julius Baer branded funds distributed by Swiss & Global Asset Management and sub-advised by Augustus Asset Managers, now owned by GAM.

Further details to income and expenses of discontinued operations are set out in Note 25.

REPORTING BY GEOGRAPHICAL SEGMENT

	31.12.2009 NON CURRENT ASSETS *CHF 1000*	31.12.2008 NON CURRENT ASSETS *CHF 1000*	**2009 OPERATING INCOME** *CHF 1000*	2008 OPERATING INCOME *CHF 1000* *represented*
Switzerland	**1 954 228**	5 026 376	**124 282**	274 922
Europe (excluding Switzerland)	**6 666**	17 903	**316 103**	568 670
Americas	**6 700**	16 393	**143 393**	73 907
Other countries	**152**	11 142	**8 690**	23 955
Discontinued operations	**-**	-	**1 456 381**	1 997 115
Less consolidation items	**-87 226**	-128 435	**-**	-
Total	**1 880 520**	4 943 379	**2 048 849**	2 938 569

The geographical segment reporting for non-current assets is based on the domicile of the counterparty.

Management accounting policies

Due to the separation of the private banking and the asset management businesses the composition of the operating segments changed.

This reporting now 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 allocation of goodwill, customer relationships and brand were reviewed and determined to be related to the GAM segment.

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.

8 EARNINGS PER REGISTERED SHARE AND REGISTERED SHARES OUTSTANDING

	31.12.2009	31.12.2008
Basic net profit per registered share		
Net profit from continuing operations (CHF 1000)	**2 716 271**	230 588
Net profit from discontinued operations (CHF 1000)	**920 650**	430 658
Weighted average number of registered shares outstanding	**206 504 874**	206 993 552
Basic net profit per registered share (CHF):		
- from continuing operations	**13.15**	1.11
- from discontinued operations	**4.46**	2.08

Diluted net profit per registered share		
Net profit from continuing operations (CHF 1000)	**2 716 271**	230 588
Less (profit)/loss on derivative contracts on own shares (CHF 1000)	**-**	-
Net profit from continuing operations for diluted EPS (CHF 1000)	**2 716 271**	230 588
Net profit from discontinued operations (CHF 1000)	**920 650**	430 658
Less (profit)/loss on derivative contracts on own shares (CHF 1000)	**497**	-7 901
Net profit from discontinued operations for diluted EPS (CHF 1000)	**921 147**	422 757
Weighted average number of registered shares outstanding	**206 504 874**	206 993 552
Dilution effect from continuing operations	**-**	-
Weighted average number of registered shares outstanding	**206 504 874**	206 993 552
Weighted average number of registered shares outstanding	**206 504 874**	206 993 552
Dilution effect from discontinued operations	**270 610**	343 592
Weighted average number of registered shares outstanding for diluted EPS from discontinued operations	**206 775 484**	207 337 144
Diluted net profit per registered share (CHF):		
- from continuing operations	**13.15**	1.11
- from discontinued operations	**4.45**	2.04

	31.12.2009	31.12.2008
Registered shares outstanding		
Total registered shares issued	**211 034 256**	223 256 478
Cancellation	**4 403 500**	12 222 222
Share buyback programme	**-**	4 403 500
Treasury shares	**5 498 412**	17 935
Total	**201 132 344**	206 612 821

NOTES TO THE CONSOLIDATED BALANCE SHEET

9A CASH AND DUE FROM BANKS

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Cash	**18**	1 987 643	-1 987 625
Due from banks	**974 183**	8 869 028	-7 894 845
Allowance for credit losses	**-**	-6 420	6 420
Total cash and due from banks	**974 201**	10 850 251	-9 876 050

Thereof due from banks by type of collateral:			
Securities collateral	**-**	3 632 729	-3 632 729
Without collateral	**974 183**	5 229 879	-4 255 696
Total due from banks	**974 183**	8 862 608	-7 888 425

9B DUE FROM CUSTOMERS AND LOANS

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Due from customers and loans	**12 210**	7 924 111	-7 911 901
Mortgages	**-**	1 832 767	-1 832 767
Subtotal	**12 210**	9 756 878	-9 744 668
Allowance for credit losses	**-**	-54 111	54 111
Total due from customers and loans	**12 210**	9 702 767	-9 690 557

Due from customers and loans by type of collateral:			
Securities collateral	**-**	4 831 577	-4 831 577
Mortgage collateral	**-**	1 820 665	-1 820 665
Other collateral	**-**	2 744 730	-2 744 730
Without collateral	**12 210**	305 795	-293 585
Total due from customers and loans	**12 210**	9 702 767	-9 690 557

9C ALLOWANCE FOR CREDIT LOSSES

	2009 SPECIFIC *CHF 1000*	2009 COLLECTIVE *CHF 1000*	2008 SPECIFIC *CHF 1000*	2008 COLLECTIVE *CHF 1000*
Balance at the beginning of the year	**40 753**	**19 778**	24 306	15 706
Increase in allowance for credit losses	**3 243**	**-**	18 156	4 072
Decrease in allowance for credit losses	**-174**	**-**	-175	-
Translation differences and other adjustments	**-1 389**	**-**	-1 534	-
Disposal of subsidiaries	**-42 433**	**-19 778**	-	-
Balance at the end of the year	**-**	**-**	40 753	19 778

All allowances for credit losses relate to discontinued operations. Therefore the balance at year end 2009 is nil. In 2008 the amounts shown above related to loans of CHF 54.1 million and due from banks of CHF 6.4 million.

9D NON-PERFORMING LOANS

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Gross loans	**-**	70 561	-70 561
Specific valuation allowances	**-**	-40 753	40 753
Net loans	**-**	29 808	-29 808

The non-value-adjusted portion of these loans was substantially covered by collateral.

9E ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Prepayments	**9 553**	16 010	-6 457
Accrued fees and commission income	**104 919**	119 900	-14 981
Accrued other income	**3 405**	249 022	-245 617
Total	**117 877**	384 932	-267 055

9F ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Accrued fees and commission expenses	**105 228**	116 401	-11 173
Accrued operating expenses	**140 335**	876 961	-736 626
Total	**245 563**	993 362	-747 799

10A FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Money market instruments	**-**	8 137 989	-8 137 989
Government and agencies bonds	**-**	282 123	-282 123
Financial institutions bonds	**19 237**	2 138 156	-2 118 919
Corporate bonds	**-**	1 631 715	-1 631 715
Debt instruments	**19 237**	4 051 994	-4 032 757
of which listed	***19 237***	*3 568 815*	*-3 549 578*
of which unlisted	***-***	*483 179*	*-483 179*
Equity instruments	**67 698**	338 514	-270 816
of which listed	***38 693***	*16 905*	*21 788*
of which unlisted	***29 005***	*321 609*	*-292 604*
Total financial investments available-for-sale	**86 935**	12 528 497	-12 441 562

10B CREDIT RATINGS

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
1–2	AAA – AA-	Aaa – Aa3	**16 548**	2 634 091	-2 617 543
3	A+ – A-	A1 – A3	**2 689**	1 270 465	-1 267 776
4	BBB+ – BBB-	Baa1 – Baa3	**-**	96 229	-96 229
5–7	BB+ – CCC-	Ba1 – Caa3	**-**	3 537	-3 537
Unrated			**-**	47 672	-47 672
Total			**19 237**	4 051 994	-4 032 757

11 OTHER FINANCIAL INVESTMENTS AND LIABILITIES

11A OTHER FINANCIAL INVESTMENTS

Trading assets	*NOTE*	**31.12.2009** *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Debt instruments		**-**	276 851	-276 851
of which listed		**-**	*220 950*	*-220 950*
of which unlisted		**-**	*55 901*	*-55 901*
Equity instruments		**-**	991 767	-991 767
of which listed		**-**	*577 428*	*-577 428*
of which unlisted		**-**	*414 339*	*-414 339*
Other		**-**	526	-526
Total trading assets		**-**	1 269 144	-1 269 144
Derivative financial instruments	22	**1 342**	5 950 564	-5 949 222
Financial assets designated at fair value through profit and loss		**2 453**	378 399	*-375 946*
Total other financial assets		**3 795**	7 598 107	-7 594 312

11B RECLASSIFICATIONS IN 2008

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain trading assets to financial investments available-for-sale, as those assets are no longer held for the purpose of selling them in the near term. As provided by the amendment, the reclassifications were made with effect from 1 July 2008 at fair value as of that date. There were no reclassifications during 2009.

Financial assets reclassified	**31.12.2009** CARRYING AMOUNT *CHF M*	31.12.2008 CARRYING AMOUNT *CHF M*
Trading assets reclassified to financial investments available-for-sale	**-**	58.0

The fair values equal the carrying amounts as of the respective date.

If the reclassification had not been made as per 1 July 2008, the Group's income statement would have included unrealised fair value losses on the reclassified trading assets of CHF 5.0 million for 2008. Due to the reclassification, this amount has been recognised in other comprehensive income for the period.

Before the reclassification, interest income of CHF 1.1 million and a net change in fair value of CHF 0.1 million were recognised for these reclassified financial assets in 2008. After the reclassification, interest income (including amortisation) of CHF 0.7 million was recognised in the income statement.

At 1 July 2008 the effective interest rates on the reclassified financial assets ranged from 3% to 11%.

11C OTHER FINANCIAL LIABILITIES

Trading liabilities	*NOTE*	**31.12.2009** *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Short positions – debt		-	158 851	-158 851
of which listed		-	*8 992*	*-8 992*
of which unlisted		-	*149 859*	*-149 859*
Short positions – equity		-	177 929	-177 929
of which listed		-	*107 841*	*-107 841*
of which unlisted		-	*70 088*	*-70 088*
Total trading liabilities		-	336 780	-336 780

Derivative financial instruments	22	-	6 114 496	-6 114 496
Financial liabilities designated at fair value		-	2 510 038	-2 510 038
Total other financial liabilities		-	8 961 314	-8 961 314

11D FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2010 *CHF M*	2011 *CHF M*	2012 *CHF M*	2013 *CHF M*	2014 *CHF M*	2015-2019 *CHF M*	**31.12.2009** *CHF M*	31.12.2008 *CHF M*
Senior debt								
Fixed rate	-	-	-	-	-	-	-	971.0
Floating rate	-	-	-	-	-	-	-	1 160.6
Total	-	-	-	-	-	-	-	2 131.6

In 2008 an additional financial liability designated at fair value of CHF 378.4 million relates to Julius Baer Life (Bahamas) Ltd. and is compensated by respective financial assets designated at fair value in the same amount.

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. as at 31 December 2008 with fixed interest rate coupons ranging from 0% up to 32.4%. As part of the separation of the former Julius Baer group, these debts were transferred to Julius Baer Group Ltd. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate on such debt issues generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

12 PROPERTY AND EQUIPMENT, GOODWILL AND OTHER INTANGIBLE ASSETS

	GOODWILL CHF M	CUSTOMER RELATION-SHIPS CHF M	BRAND CHF M	SOFTWARE CHF M	**TOTAL INTANGIBLE ASSETS** CHF M	PREMISES CHF M	OTHER PROPERTY AND EQUIPMENT CHF M	**TOTAL PROPERTY AND EQUIPMENT** CHF M
Historical cost								
Balance on 01.01.2008	2 954.7	1 752.7	273.0	171.6	5 152.0	326.6	133.0	459.5
Translation differences	-	-	-	-2.2	-2.2	-	-7.5	-7.5
Additions	-	5.2	-	68.2	73.4	4.5	43.8	48.3
Disposals/transfers[1]	-	-	-	0.2	0.2	-	10.8	10.8
Balance on 31.12.2008	2 954.7	1 757.9	273.0	237.4	5 223.0	331.0	158.5	489.5
Translation differences	-	-	-	0.4	0.4	-	0.8	0.8
Additions	-	3.6	-	49.0	52.6	7.5	14.4	21.9
Disposals/transfers[1]	-	3.6	-	-	3.6	-	-	-
Disposal of subsidiaries	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**	**13.6**	**3 123.5**	**-**	**45.4**	**45.4**
Depreciation and amortisation								
Balance on 01.01.2008	-	365.1	-	82.6	447.7	36.6	67.3	103.9
Translation differences	-	-	-	-1.4	-1.4	-	-3.3	-3.3
Additions continued operations	-	100.7	-	5.3	106.0	-	8.8	8.8
Additions from discontinued operations	-	75.7	-	15.6	91.2	4.4	22.9	27.3
Disposals/transfers[1]	-	-	-	0.2	0.2	-	10.8	10.8
Balance on 31.12.2008	-	541.4	-	101.8	643.2	41.0	85.0	126.0
Translation differences	-	-	-	0.3	0.3	-	0.3	0.3
Additions continued 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
Disposals/transfers[1]	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	299.3	-	111.1	410.4	44.6	81.3	125.9
Balance on 31.12.2009	**764.4**	**949.0**	**-**	**12.2**	**1 725.6**	**-**	**26.2**	**26.2**
Book value								
Balance on 31.12.2008	2 954.7	1 216.5	273.0	135.6	4 579.8	290.1	73.5	363.6
Balance on 31.12.2009	**1 076.9**	**46.6**	**273.0**	**1.4**	**1 397.9**	**-**	**19.2**	**19.2**

[1] Includes derecognition of fully depreciated and amortised assets

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

Goodwill	BALANCE ON 01.01.2009 CHF M	ADDITIONS/ DISPOSALS CHF M	DISPOSAL OF SUBSIDIARIES CHF M	AMORTISATION CHF M	IMPAIRMENT CHF M	**BALANCE ON 31.12.2009 CHF M**
Bank Julius Baer	1 113.4	-	1 113.4	-	-	**-**
GAM	1 841.3	-	-	-	764.4	**1 076.9**
Total	**2 954.7**	**-**	**1 113.4**	**-**	**764.4**	**1 076.9**

Customer relationships						
Bank Julius Baer	520.0	-	463.0	57.0	-	**-**
GAM	696.5	-	-	100.7	549.2	**46.6**
Total	**1 216.5**	**-**	**463.0**	**157.7**	**549.2**	**46.6**

Brand						
GAM	273.0	-	-	-	-	**273.0**
Total	**273.0**	**-**	**-**	**-**	**-**	**273.0**

In line with GAM Holding Ltd.'s newly independent status as a standalone listed asset manager, the new Board of Directors, together with the Executive Board, has undertaken a critical 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 Ltd. has also been used as a cross reference to ensure that the discounted cash flow method provides reasonable assessment of the recoverable amount.

In reviewing the carrying value of the intangible assets the Board of Directors has considered the current environment in which asset managers operate, in addition to the new stand alone status of GAM Holding Ltd.

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. These intangible assets have historically been disclosed within the Asset Management segment.

Goodwill impairment testing

Whenever there are indications that goodwill might be impaired 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) within these segments and is subsequently compared to the carrying amount of these units.

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 four-year financial planning, taking into account the following key parameters and their single components:

– assets under management
– RoA on the average assets under management
– operating income and expenses, and
– tax rate applicable

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. While the underlying expectations for 2010 are cautious, we expect the financial markets to return to a more normal situation, which is reflected in the respective growth of the key parameters. We also take the relative strengths of the Group vis-à-vis its peers into consideration when assessing growth potential. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.0% in 2008 for Bank Julius Baer and 16.3% (2008: 8.8%) for GAM. The increase in the discount rate for GAM from 2008 to 2009 results primarily from the higher beta associated with GAM Holding Ltd.'s new role as a pure asset manager. 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 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 and Swiss & Global Asset Management vis-à-vis their respective competitors and in their industry.

For assets under management used to calculate the recoverable amount of the goodwill relating to the GAM segment, the Group applies 1.5% (2008: 2.0%) as a terminal growth rate which is in line with the Group's expected growth rate of the relevant long-term gross domestic products. The discount rates used in the above calculation represent the Group's specific risk-weighted rates.

Based on the assumptions above, an impairment loss resulted of CHF 764.4 million (2008: none).

Customer relationship 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 the customer relationship is impaired, the Group uses a discounted cash flow model based on future cash flows attributable to the identified customer relationships to determine the recoverable amount.

The pre-tax discount rate used to calculate the recoverable amount is 16.3%.

Based on the assumptions above, an impairment loss resulted of CHF 549.2 million (2008: none).

Brand impairment testing

Whenever there are indications that the brand name GAM is impaired, the Group uses a model based on the discounted cash flow method to determine the recoverable amount. These recoverable amounts are based on the projected "royalty savings" (i.e. an internal licence fee for use of the brand), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 13.4% (2008: 8.3%), and the rate used for the "royalty savings" is 3.9% (2008: 3.9%). No impairment was recognised.

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.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a four-year forecast period. Sensitivity analyses showed that an increase in the discount rate of 0.25% would cause the goodwill to exceed its recoverable amount by CHF 37 million. However, there are significant uncertainties involved in the determination of these assumptions in the current market environment.

13 FUTURE ANNUAL COMMITMENTS UNDER OPERATING LEASES

	31.12.2009 *CHF 1000*
Maturity of up to 1 year	**15 534**
Maturity of up to 5 years	**57 591**
Maturity of up to 10 years	**50 769**
Maturity of up to 15 years	**13 902**
Maturity of over 15 years	**17 718**
Total	**155 514**

Operating leases in the gross amount of CHF 17.8 million as of 31 December 2009 (2008: CHF 15.4 million) are included in operating expenses.

14 ASSETS PLEDGED OR CEDED TO SECURE OWN COMMITMENTS AND ASSETS SUBJECT TO RETENTION OF TITLE

		31.12.2009		31.12.2008
	BOOK VALUE *CHF 1000*	EFFECTIVE COMMITMENT *CHF 1000*	BOOK VALUE *CHF 1000*	EFFECTIVE COMMITMENT *CHF 1000*
Securities	-	-	814 501	814 501
Other	-	-	9 606	9 600
Total	-	-	824 107	824 101

In 2008 the assets are pledged for lombard limits at central banks and for stock exchange security deposits.

15 DEBT ISSUED

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Money market instruments	**-**	6 167
Bonds	**149 926**	149 486
Preferred securities	**-**	225 000
Total	**149 926**	380 653

Bonds and preferred securities

YEAR OF ISSUE	INTEREST RATE %		MATURITY	NOTIONAL AMOUNT *CHF 1000*	**31.12.2009** TOTAL *CHF 1000*	31.12.2008 TOTAL *CHF 1000* *represented*
Julius Baer Holding Ltd.						
2004[1]	2.50	CHF bond	2010	150 000	**149 926**	149 486
Julius Baer Capital (Guernsey) Ltd.						
2005	3.63	Preferred securities		225 000	**-**	225 000
Total					**149 926**	374 486

[1] The effective interest rate amounts to 3.26%.

16A DEFERRED TAX ASSETS

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Balance at the beginning of the year	**106 337**	102 756
Income statement – credit	**1 385**	25 211
Income statement – charge	**-61**	-6 741
Recognised directly in equity	**-1 086**	-4 590
Translation differences and other adjustments	**3 322**	-10 299
Disposal of subsidiaries	**-100 132**	-
Balance at the end of the year	**9 765**	106 337

The components of deferred tax assets are as follows:

Employee compensation and benefits	**4 957**	97 479
Property and equipment	**2 103**	2 506
Financial investments available-for-sale	**-**	1 086
Operating loss carry-forwards	**2 575**	1 922
Other	**130**	3 344
Total deferred tax assets	**9 765**	106 337

16B DEFERRED TAX LIABILITIES

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Balance at the beginning of the year	**87 667**	79 049
Income statement – charge	**2 072**	18 900
Income statement – credit	**-72**	-147
Recognised directly in equity	**-20 580**	-8 466
Translation differences and other adjustments	**-128**	-1 669
Disposal of subsidiaries	**-67 019**	-
Balance at the end of the year	**1 940**	87 667

The components of deferred tax liabilities are as follows:

Employee compensation and benefits	**854**	4 988
Property and equipment	**1 086**	10 285
Financial investments available-for-sale	**-**	19 399
Provisions	**-**	52 059
Other	**-**	936
Total deferred tax liabilities	**1 940**	87 667

17 PROVISIONS

	RESTRUCTURING *CHF 1000*	LEGAL RISKS *CHF 1000*	OTHER *CHF 1000*	**2009** TOTAL *CHF 1000*	2008 TOTAL *CHF 1000*
Balance at the beginning of the year	**17 688**	**17 970**	**1 401**	**37 059**	64 989
Utilised during the year	**-15 133**	**-3 934**	**-255**	**-19 322**	-26 129
Provisions made during the year	**-**	**6 050**	**115**	**6 165**	1 634
Provisions reversed during the year	**-**	**-1 756**	**-18**	**-1 774**	-1 873
Other adjustments	**-6**	**-277**	**31**	**-252**	-1 562
Disposal of subsidiaries	**-2 346**	**-18 053**	**-789**	**-21 188**	-
Balance at the end of the year	**203**	**-**	**485**	**688**	37 059
Maturity of provisions					
Up to one year	**203**	**-**	**485**	**688**	12 830
Over one year	**-**	**-**	**-**	**-**	24 229

Details to restructuring provisions		
Balance at the beginning of the year	**17 688**	29 416
Other adjustments	**-6**	-13
Provisions used:		
– Personnel	**-15 133**	-11 571
Provisions reversed during the year	**-**	-144
Disposal of subsidiaries	**-2 346**	-
Balance at the end of the year	**203**	17 688

The Group may from time to time be involved in legal proceedings in the course of normal business operations. The Group establishes provisions for current and threatened pending legal proceedings if the management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reasonably estimated.

18 EQUITY

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	*CHF 1000*
Balance on 01.01.2008	223 256 478	**11 163**
Changes	-12 222 222	**-611**
Balance on 31.12.2008	211 034 256	**10 552**
Changes	-4 403 500	**-220**
Balance on 31.12.2009	206 630 756	**10 332**
of which treasury shares	*5 498 412*	

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	**500**

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 registered shares see Note 8.

Hedging reserve for cash flow hedges, net of taxes

The hedging reserve at 31 December 2008 (none as per 31 December 2009) 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

The reserves for GAM Holding Ltd.'s own shares comprise the cost of GAM Holding Ltd. shares held by the Group.

Distribution of dividend

In 2009 an ordinary dividend of CHF 103 315 378 has been paid (dividend per share: CHF 0.50). For 2009 no dividend has been proposed.

Distribution of a special dividend

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), which will not be paid to the shareholders, but will 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 Ltd. (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 the fair value as follows:

Distribution of non-cash dividend to Julius Baer Group	**31.12.2009** *CHF 1000*
Fair value of the dividend paid	**8 290 026**
Carrying amount of the net assets distributed	**-4 163 769**
Net realised losses on other comprehensive income reclassified to the income statement	**-130 275**
Transaction costs deducted from gain on non-cash divided paid, net of tax	**-53 100**
Gain on non-cash dividend paid, net	**3 942 882**

The transaction was recognised and measured in accordance with "IFRIC 17 – Distribution of Non-cash Assets to Owners". This treatment leads to a substantial gain on the distribution of the non-cash assets to its shareholders, which results 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 comprise 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 page 47.

ADDITIONAL NOTES

19 RELATED PARTY TRANSACTIONS

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**6 602**	12 938
Post-employment benefits	**299**	401
Share-based payments	**14 161**	7 435
Total	**21 062**	20 774
Receivables from		
Associated companies	**40 867**	1 480
Key management personnel[1]	**-**	34 376
Own pension funds	**-**	1 165
Total	**40 867**	37 021
Liabilities to		
Key management personnel[1]	**-**	20 612
Own pension funds	**84**	5 482
Total	**84**	26 094
Income from services provided to		
Key management personnel[1]	**-**	1 169
Own pension funds	**-**	34
Total	**-**	1 203

[1] Key management personnel consists of the Board of Directors and the Executive Board.
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.
2008 to September 2009: The Executive Board consisted of the Group Chief Executive Officer (until 30 August 2008), the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel of Julius Baer Holding Ltd.

For Information on compensation, loans and share and option holdings of the Board of Directors and Senior Management, see pages 114 – 119.

The loans granted to key management personnel consisted of lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

All loans were granted by Bank Julius Baer & Co. Ltd. to 1 October 2009. Since the separation of the former Julius Baer group on 1 October 2009 no such loans have been granted by GAM Holding Ltd. or any of its subsidiaries.

Other financial services are transacted at arm's length.

Investments in associates

At 31 December 2009, the Group had a 27.9% interest in Artio Global Investors Inc., a company that provides investment management services to institutional and mutual fund clients. In 2008 Artio Global Investors Inc. had been fully consolidated.

The fair value of the Group's interest in Artio Global Investors Inc., which is listed on the New York Stock Exchange since 24 September 2009, is CHF 441.5 million as at 31 December 2009.

The reporting date of Artio Global Investors Inc. is 31 December.

The following table illustrates summarised financial information of the Group's investment in Artio Global Investors Inc.:

	31.12.2009 *CHF 1000*
Carrying amount of the investment	**463 373**
Summary financial information of investments in associates	
Total assets	**204 716**
Total liabilities	**200 600**
Equity	**4 116**

	01.01.-31.12.2009 *CHF 1000*
Revenue	**332 752**
Profit or loss	**-394 257**

20 PENSION PLANS AND OTHER EMPLOYEE BENEFITS

Actuarial calculation of pension obligations with respect to employees[1]

1. Development of pension obligations and assets	**2009** *CHF 1000*	2008 *CHF 1000*
Present value of funded obligation at the beginning of the year	**-1 573 907**	-1 581 396
Service cost	**-64 154**	-83 193
Past service cost	**-**	-10
Interest cost	**-45 986**	-56 347
Settlements	**-1 389**	-1 595
Benefits paid	**68 263**	28 047
Actuarial gain/(loss)	**24 364**	37 468
Disposal of subsidiaries	**1 291 078**	-
Translation differences	**36 994**	83 119
Present value of funded obligation at the end of the year	**-264 737**	-1 573 907
Fair value of plan assets at the beginning of the year	**1 406 927**	1 644 267
Expected return on plan assets	**52 627**	78 713
Employer's contributions	**82 392**	67 570
Employees' contributions	**20 395**	25 506
Settlements	**-75**	-583
Benefits paid	**-68 263**	-28 047
Actuarial gain/(loss)	**46 395**	-298 322
Disposal of subsidiaries	**-1 270 644**	-
Translation differences	**-32 029**	-82 177
Fair value of plan assets at the end of the year	**237 725**	1 406 927

2. Balance sheet	**31.12.2009** *CHF 1000*	31.12.2008 *CHF 1000*
Fair value of plan assets	**237 725**	1 406 927
Present value of funded obligation	**-264 737**	-1 573 907
(Unfunded)/funded status	**-27 012**	-166 980
Unrecognised assets	**-2 803**	-
Unrecognised actuarial (gains)/losses	**21 154**	186 561
Translation differences	**5 267**	4 716
(Accrued)/prepaid pension cost	**-3 394**	24 297
Deferred taxes	**906**	-6 527
Amounts recognised in the balance sheet (included in other assets/other liabilities)	**-2 488**	17 770

[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 Ltd.

3. Income statement	**2009** *CHF 1000*	2008 *CHF 1000* *represented*
Service cost	**-64 154**	-83 193
Interest cost	**-45 986**	-56 347
Expected net return on plan assets	**52 627**	78 713
Amortisation of actuarial gain/(loss)	**-504**	2 268
Past service cost	**-**	-10
Recognised actuarial gains/(losses)	**1 295**	-60 340
Increase/(decrease) of unrecognised plan assets	**-2 803**	37 204
Settlements	**-2 708**	-2 644
Net periodic pension cost	**-62 233**	-84 349
Employees' contributions	**20 395**	25 506
Discontinued operations	**32 127**	49 483
Expense recognised in the income statement	**-9 711**	-9 360

4. Movement in the net asset/(liability)	**2009** *CHF 1000*	2008 *CHF 1000*
Prepaid pension cost at the beginning of the year	**24 297**	9 806
Disposal of subsidiaries	**-67 368**	-
Translation differences	**-877**	5 764
Expense recognised in the income statement	**-9 711**	-9 360
Discontinued operations	**-32 127**	-49 483
Employer's contributions	**82 392**	67 570
Prepaid pension cost	**40 554**	8 727
Amounts recognised in the balance sheet	**-3 394**	24 297
Prepaid pension cost	**734**	36 730
Accrued pension liability	**-4 128**	-12 433
(Accrued)/prepaid pension cost	**-3 394**	24 297
Actual return on plan assets	**99 022**	-219 608

5. Asset allocation	2009 %	2008 %
Cash	**5.84**	3.55
Debt instruments	**18.61**	37.36
Equity instruments	**61.48**	26.99
Real estate	**4.49**	13.19
Other	**9.58**	18.91
Total	**100.00**	100.00

6. Defined benefit pension plans	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	31.12.2007 *CHF 1000*	31.12.2006 *CHF 1000*
Fair value of plan assets	**237 725**	1 406 927	1 644 267	1 647 810
Present value of funded obligation	**-264 737**	-1 573 907	-1 581 396	-1 680 818
(Unfunded)/funded status	**-27 012**	-166 980	62 871	-33 008
Experience adjustment on plan liabilities	**66 942**	-9 730	-8 799	-20 946
Change in assumptions adjustment on plan liabilities	**-28 355**	47 198	115 263	5 167
Experience adjustment on plan assets	**46 395**	-298 322	-36 771	34 528
Total actuarial gain/(loss)	**84 982**	-260 854	69 693	18 749

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 5.6 million during the 2009 financial year (2008: CHF 5.6 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as of 31 December 2009. The actuarial assumptions are based on local economic conditions.

	UK		SWITZERLAND	
	2009	2008	**2009**	2008
Discount rate	**5.80%**	6.30%	**3.25%**	3.25%
Expected net return on plan assets	**6.00%**	5.60%	**4.50%**	4.50%
Average future salary increases	**0%-3.6%**	0%-2.8%	**1.50%**	1.50%
Future pension increases	**3.4%-4.2%**	3%-4.1%	**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 2010 financial year are estimated at CHF 13.5 million.

The Group had no outstanding liabilities to pension plans as of December 2009 (2008: CHF 5.5 million).

21 SECURITIES TRANSACTIONS

Securities lending and borrowing transactions / repurchase and reverse repurchase transactions	**31.12.2009** *CHF M*	31.12.2008 *CHF M*
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	-	3 461.4
Obligations to return cash collateral received in securities lending and repurchase transactions	-	257.4
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	-	726.2
of which securities the right to pledge or sell has been granted without restriction	-	*726.2*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	-	9 965.7
of which repledged or resold securities	-	*4 207.5*

22 DERIVATIVE FINANCIAL INSTRUMENTS

			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**	**-**

			2008
	CONTRACT/ NOTIONAL AMOUNT *CHF M*	POSITIVE REPLACEMENT VALUE *CHF M*	NEGATIVE REPLACEMENT VALUE *CHF M*
Foreign exchange derivatives	229 628.3	5 383.7	5 499.6
Interest rate derivatives	2 328.3	28.0	32.8
Precious metals derivatives	3 356.1	74.4	86.5
Equity/indices derivatives	20 152.3	445.0	483.3
Other derivatives	108.3	16.1	1.8
Total derivatives held for trading	255 573.3	5 947.2	6 104.0
Derivatives designated as cash flow hedges	351.5	0.2	10.5
Derivatives designated as fair value hedges	150.0	3.2	-
Total derivatives held for hedging	501.5	3.4	10.5
Total derivative financial instrument	256 074.8	5 950.6	6 114.5

23A FINANCIAL INSTRUMENTS BY CATEGORY

	31.12.2009		31.12.2008	
	BOOK VALUE *CHF M*	FAIR VALUE *CHF M*	BOOK VALUE *CHF M*	FAIR VALUE *CHF M*
Financial assets				
Cash, loans and receivables				
Cash and due from banks	**974.2**	**974.2**	10 850.2	10 855.0
Due from customers and loans	**12.2**	**12.2**	9 702.8	9 894.1
Total	**986.4**	**986.4**	20 553.0	20 749.1
Held for trading at fair value through profit and loss				
Trading assets	**-**	**-**	1 269.1	1 269.1
Derivative financial instruments	**0.6**	**0.6**	5 947.2	5 947.2
Total	**0.6**	**0.6**	7 216.3	7 216.3
Derivatives designated as hedging instruments				
Derivative financial instruments	**0.7**	**0.7**	3.4	3.4
Total	**0.7**	**0.7**	3.4	3.4
Designated at fair value through profit and loss				
Financial assets designated at fair value	**2.5**	**2.5**	378.4	378.4
Total	**2.5**	**2.5**	378.4	378.4
Available-for-sale				
Financial investments available-for-sale	**86.9**	**86.9**	12 528.5	12 528.5
Total	**86.9**	**86.9**	12 528.5	12 528.5
Total financial assets	**1 077.1**	**1 077.1**	40 679.5	40 875.6

Financial liabilities	31.12.2009 BOOK VALUE CHF M	31.12.2009 FAIR VALUE CHF M	31.12.2008 BOOK VALUE CHF M	31.12.2008 FAIR VALUE CHF M
Financial liabilities at amortised costs				
Due to banks	**95.7**	**95.7**	3 517.3	3 517.3
Due to customers and other liabilities	**5.3**	**5.3**	25 301.1	25 308.6
Debt issued	**149.9**	**149.9**	380.7	418.8
Total	**250.9**	**250.9**	29 199.1	29 244.7
Held for trading at fair value through profit and loss				
Trading liabilities	-	-	336.8	336.8
Derivative financial instruments	-	-	6 104.0	6 104.0
Total	-	-	6 440.8	6 440.8
Derivatives designated as hedging instruments				
Derivative financial instruments	-	-	10.5	10.5
Total	-	-	10.5	10.5
Designated at fair value				
Financial liabilities designated at fair value	-	-	2 510.0	2 510.0
Total	-	-	2 510.0	2 510.0
Total financial liabilities	**250.9**	**250.9**	38 160.4	38 206.0
Total difference between fair value and book value, excluding deferred taxes		-		150.4

23B FINANCIAL INSTRUMENTS – FAIR VALUE DETERMINATION

For listed financial investments available-for-sale as well as for exchange-traded derivatives and other financial instruments whose prices are quoted in an active market, the fair value is determined 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 on 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 models or generalisations 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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- 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 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 following valuation methods are used in determining the fair value of financial instruments carried at fair value:

Determination of fair values	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*
Trading assets	-	-	-	**-**
Derivative financial instruments	-	1.3	-	**1.3**
Financial assets designated at fair value	-	-	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**
Trading liabilities	-	-	-	**-**
Derivative financial instruments	-	-	-	**-**
Financial liabilities designated at fair value	-	-	-	**-**
Total liabilities at fair value	**-**	**-**	**-**	**-**

Determination of fair values	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*	31.12.2008 TOTAL *CHF M*
Trading assets	1 051.8	217.3	-	1 269.1
Derivative financial instruments	74.9	5 875.7	-	5 950.6
Financial assets designated at fair value	378.4	-	-	378.4
Financial investments available-for-sale	834.2	11 545.9	148.4	12 528.5
Total assets at fair value	2 339.3	17 638.9	148.4	20 126.6
Trading liabilities	179.2	157.6	-	336.8
Derivative financial instruments	128.7	5 985.8	-	6 114.5
Financial liabilities designated at fair value	1 662.2	847.8	-	2 510.0
Total liabilities at fair value	1 970.1	6 991.2	-	8 961.3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2009:

	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE			
	INVESTEMENTS IN GAM FUNDS *CHF 1000*	DIRECT INVESTMENTS *CHF 1000*	INVESTEMENTS IN GAM FUNDS *CHF 1000*	OTHER *CHF 1000*	TOTAL *CHF 1000*
Opening balance	-	-	-	149 011	**149 011**
Purchases	2 510	11 472	16 304	46	**30 332**
Disposals	-	-	-	-12	**-12**
Total gains or losses:					
- in profit or loss	-58	-	-	-	**-58**
- in other comprehensive income	-	90	-923	9	**-824**
Disposal of subsidiaries	-	-	-	-148 400	**-148 400**
Closing balance	**2 452**	**11 562**	**15 381**	**654**	**30 049**

All gains or losses for the period included in profit or loss relate to financial instruments held at the end of the reporting period. All gain and losses included in the income statement relate to financial investments held at the end of the reporting period and are reported as changes in other ordinary results.

Sensitivity of fair value measurements regarding GAM Funds

There are no significant changes to the fair value of the investments in GAM funds if changing one or more of the inputs to reasonably possible alternative assumptions used in making the measurements.

Sensitivity of fair value measurements regarding direct investments

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.

	31.12.2009 *CHF 1000*	*%*
Estimated fair value of direct investements	**11 562**	**-**
Weighted-average credit losses:		
Impact of 10% adverse change	**1 486**	12.85
Impact of 20% adverse change	**2 838**	24.55
Weighted-average discount rate (base 20.5%):		
Impact of 10% adverse change	**564**	4.88
Impact of 20% adverse change	**1 056**	9.13

24 COMPANIES CONSOLIDATED AS OF 31 DECEMBER 2009

Listed company which is consolidated	PLACE OF LISTING	CAPITALISATION AS OF 31.12.09 *M*	HEAD OFFICE	CURRENCY	SHARE CAPITAL *M*
GAM Holding Ltd.	SIX Swiss Exchange	2 601	Zurich	CHF	10.332

Security number: 10 265 962, Reuters: GAMH.VX, Bloomberg: GAM VX

Unlisted companies which are consolidated

	DOMICILE	CURRENCY	SHARE CAPITAL *M*	EQUITY INTEREST *%*
Swiss & Global Asset Management Kapital AG	Frankfurt	EUR	2.600	100
Swiss & Global Asset Management Holding AG	Zurich	CHF	10.250	100
Swiss & Global Asset Management AG	Zurich	CHF	1.200	100
Swiss & Global Asset Management (Cayman) Ltd.	Grand Cayman	USD	0.0305	100
Swiss & Global Funds Administration (Cayman) Ltd.	Grand Cayman	USD	0.0005	100
Directorate Inc.	BVI	USD	0.020	100
Swiss & Global Services (Italia) S.r.l.	Milan	EUR	0.050	100
Swiss & Global Multibond Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multicash Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multicooperation Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multifund Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multiinvest Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multiopportunities Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multipartner Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multiselect Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Multistock Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Asset Management (Italia) SGR S.p.A.	Milan	EUR	2.000	100
Swiss & Global SICAV II Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Strategy Fund Advisory Ltd.	Luxembourg	EUR	0.075	100
Swiss & Global Asset Management (Luxembourg) SA	Luxembourg	EUR	4.125	100

	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
Augustus Asset 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 Administration Ltd.	Isle of Man	GBP	0.100	100
GAM Fonds Marketing GmbH	Berlin	EUR	0.026	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	300.000	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

Changes in the companies consolidated:

Augustus Asset Managers Ltd., London, new
Swiss & Global Fund Administration (Cayman) Ltd., new
Bank Julius Baer & Co. Ltd., Zurich, distributed
Bank Julius Baer Nominees (Singapore) Pte. Ltd., Singapore, distributed
Arpese SA, Lugano, distributed
Julius Baer Wealth Management (Europe) SA, Luxembourg, distributed
Julius Baer Patrimoine Conseil Sàrl, Paris, distributed
Ferrier Lullin Trust Management SA, Geneva, distributed
Bank Julius Bär Europe AG, Frankfurt, name changed from Bank Julius Bär (Deutschland) AG, distributed
Julius Bär Capital GmbH, Frankfurt, distributed
Julius Baer Bank and Trust Company Ltd., Grand Cayman, distributed
Julius Baer Trust Company (Cayman) Ltd., Grand Cayman, distributed
C.I. Directors Ltd., Grand Cayman, distributed
Julius Baer Advisory S.A.E. Ltd., Cairo, distributed
Julius Baer Life (Bahamas) Ltd., Nassau, distributed
Artio Global Investors Inc., New York, sold
Artio Global Management LLC, New York, sold
BCT Services Ltd., Zug, distributed
Julius Baer Trust Company (New Zealand) Limited, Auckland, distributed
Bronte International SA, BVI, distributed
Cantrade Corporate Directors Ltd., BVI, distributed
Cantrade Trust Company (Cayman) Ltd., Grand Cayman, liquidated as of 17 June 2009

Infidar Investment Advisory Ltd., Zurich, distributed
Infidar (Liechtenstein) AG, Vaduz, distributed
JB Private Equity Holding AG, Zurich, distributed
JB Swiss Capital Market Research Ltd., Zurich, distributed
Julius Baer (Hong Kong) Limited, Hong Kong, distributed
Julius Baer (Middle East) Ltd., Dubai, distributed
Julius Baer (Monaco) S.A.M., Monaco, distributed
Julius Baer (Uruguay) S.A., Montevideo, distributed
Julius Baer Capital (Guernsey) I Limited, Guernsey, distributed
Julius Baer Consultores, Mexico City, distributed
Julius Baer Consultores S.A., Caracas, distributed
Julius Baer Fiduciaria S.r.l., Milan, distributed
Julius Baer Financial Consultancy S.A., Buenos Aires, distributed
Julius Baer Financial Markets LLC, New York, distributed
Julius Baer International Ltd., London, distributed
Julius Baer International (Panama) Inc., Panama City, distributed
Julius Baer Bank & Trust (Bahamas) Ltd., Bahamas, distributed
Julius Baer Trust Company (Bahamas) Ltd., Bahamas, distributed
Julius Baer Investment Advisory GesmbH, Vienna, distributed
Julius Baer Trust Company (Channel Islands) Ltd., Guernsey, distributed
PT. Julius Baer Advisors (Indonesia), Jakarta, distributed
SIM (Società di intermediazione mobiliare) S.p.A., Milan, distributed
Ursa Company Ltd., Grand Cayman, distributed
Aktiengesellschaft, formerly Waser Söhne & Cie., Werdmühle, Altstetten, Zurich, distributed
Loteco Foundation, Zurich, distributed
Baer Alternative Solutions Ltd., Guernsey, name changed from GAM Structured Investments Ltd., distributed
Julius Baer Group Ltd., Zurich, new, distributed
Julius Baer Investment Ltd., Zurich, new, distributed
Alpha SIM S.p.A., Milan, new, distributed
Julius Bär Lizenzverwertungsgesellschaft AG, Zug, new, distributed
Julius Baer Consultores (Peru) S.A.C., Lima, new, distributed
Julius Baer Family Office Ltd. and Cantrade Trustee AG merged into Julius Baer Family Office & Trust Ltd., Zurich, distributed

Name changes in the companies consolidated:

GAM Holding Ltd., name changed from Julius Baer Holding Ltd.

GAM Group AG, name changed from GAM Holding AG

Swiss & Global Asset Management Holding AG, name changed from Julius Baer Invest Ltd.

Swiss & Global Asset Management AG, name changed from Julius Baer Investment Funds Services Ltd.

Swiss & Global Asset Management (Luxembourg) SA, name changed from Julius Baer (Luxembourg) SA

Swiss & Global Services (Italia) S.r.l., name changed from Julius Baer Italia Investment Funds Services S.r.l.

Swiss & Global Multibond Advisory Ltd., name changed from Julius Baer Multibond Advisory Ltd.

Swiss & Global Multicash Advisory Ltd., name changed from Julius Baer Multicash Advisory Ltd.

Swiss & Global Multicooperation Advisory Ltd., name changed from Julius Baer Multicooperation Advisory Ltd.

Swiss & Global Multifund Advisory Ltd., name changed from Julius Baer Multifund Advisory Ltd.

Swiss & Global Multiinvest Advisory Ltd., name changed from Julius Baer Multiinvest Advisory Ltd.

Swiss & Global Multiopportunities Advisory Ltd., name changed from Julius Baer Multiopportunities Advisory Ltd.

Swiss & Global Multipartner Advisory Ltd., name changed from Julius Baer Multipartner Advisory Ltd.

Swiss & Global Multiselect Advisory Ltd., name changed from Julius Baer Multiselect Advisory Ltd.

Swiss & Global Multistock Advisory Ltd., name changed from Julius Baer Multistock Advisory Ltd.

Swiss & Global SICAV II Advisory Ltd., name changed from Julius Baer SICAV II Advisory Ltd.

Swiss & Global Asset Management (Italia) SGR S.p.A., name changed from Julius Baer SGR S.p.A.

Swiss & Global Strategy Fund Advisory Ltd., name changed from Julius Baer Strategy Fund Advisory Ltd.

Swiss & Global Asset Management (Cayman) Ltd., name changed from Baer Select Management Ltd.

Swiss & Global Asset Management Kapital AG, name changed from Julius Bär Kapital AG

25 DISCONTINUED OPERATIONS

	JULIUS BAER GROUP		ARTIO GLOBAL INVESTORS		TOTAL	
IN CHF 1000	**2009**[1]	2008	**2009**[1]	2008	**2009**[1]	2008
Operating income	**1 230 189**	1 662 321	**226 192**	334 794	**1 456 381**	1 997 115
Operating expenses	**898 734**	1 208 063	**539 136**	201 917	**1 437 870**	1 409 980
Profit / (loss) before tax from operating activities	**331 455**	454 258	**-312 944**	132 877	**18 511**	587 135
Income taxes	**48 047**	97 031	**133 999**	59 154	**182 046**	156 185
Profit / (loss) from operating activities, net of tax	**283 408**	357 227	**-446 943**	73 723	**-163 535**	430 950
Gain on sale of discontinued operations	**-**	-	**862 181**	-	**862 181**	-
Fair value re-measurement of investment in associates	**-**	-	**445 294**	-	**445 294**	-
Net profit – before eliminations	**283 408**	357 227	**860 532**	73 723	**1 143 940**	430 950
Less eliminations of dividends	**-**	-	**-223 003**	-	**-223 003**	-
Net profit from discontinued operations	**283 408**	357 227	**637 529**	73 723	**920 937**	430 950

Net cash flow from discontinued operations:						
net cash from / (used in) operating activities	**1 706 198**	7 337 616	**32 368**	107 918	**1 738 566**	7 445 534
net cash from / (used in) investing activities	**-2 018 840**	-277 548	**69 779**	-32 224	**-1 949 061**	-309 772
net cash from / (used in) financing activities	**1 441 633**	-1 993 521	**-15 422**	-126 126	**1 426 211**	-2 119 647
Total net cash from / (used in) discontinued operations	**1 128 991**	5 066 547	**86 725**	-50 432	**1 215 716**	5 016 115

[1] 1 January 2009 – 30 September 2009

At the Extraordinary General Meeting of Julius Baer Holding Ltd. on 30 June 2009 in Zurich, the shareholders approved the separation of Julius Baer's private banking and asset management businesses into two fully independent entities, both individually listed on the SIX Swiss Exchange. For details of the transaction see information on page 47.

After the listing of Artio Global Investors Inc. on the New York Stock Exchange on 24 September 2009, a participation of 27.9% is still held and accounted for as an investment in associates (see Note 19).

There were no income tax charges on the gain on sale of discontinued operations due to an offset with loss carry-forwards in the holding company.

26 ACQUISITIONS

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:

Assets	BOOK VALUE *CHF M*	STEP-UP TO FAIR VALUE *CHF M*	FAIR VALUE *CHF M*
Due from banks	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. reacquired 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 reacquisition, Augustus Asset Managers Ltd. has been re-consolidated.

27 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 2009. 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 Ltd. required to settle obligations under the Equity Participation Plans are either procured in the market or made available from additional share capital.

Staff Participation Plan

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. 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. There is no intention to offer this plan in 2010.

Equity Bonus Plan

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 GAM Holding Ltd. Group.

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 over a EUREX basket of shares in Julius Baer Group Ltd. and GAM Holding Ltd. As of 1 October 2009 participants therefore held an option over an equal number of shares of Julius Baer Group Ltd. and GAM Holding Ltd.

2009 Long-Term Incentive Plan (GAM Holding Ltd.)

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 Ltd., 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 exercise period, and therefore the options, expires 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.

Movements in shares granted under various participation plans are as follows:

Staff Participation Plan	**31.12.2009**	31.12.2008
Number of shares taken up	**91 480**	55 298
Preferential price per share (CHF)	**17.20**[1]	59.66[2]
Compensation expense (CHF 1000)	**524**	1 100

[1] The preferential price was 25% below the weighted average market value for the period from 2 March until 11 March 2009.
[2] The preferential price was 25% below the weighted average market value for the period from 25 February until 27 February 2008.

Equity Bonus Plan

Bonuses paid in the form of shares are recognised in the year in which the corresponding service is performed. Bonuses paid in the form of options which can be cash-settled are also recognised in the year in which the service is performed, and until realisation (sale or exercise) these options are recognised in the balance sheet as a liability at fair value. The net compensation expense recognised for the financial year again resulted in an income due to favourable changes in the fair value of the liabilities.

Shares Long-Term Incentive Plan	**31.12.2009**	31.12.2008
Unvested shares outstanding at the beginning of the year	**145 877**	1 022 823
Shares awarded during the year	**71 707**	39 837
Vested during the year	**-58 209**	-904 053
Forfeited during the year	**-5 489**	-12 730
Disposal of subsidiaries	**-149 744**	-
Unvested shares outstanding at the end of the year	**4 142**	145 877
Weighted average fair value per share awarded (CHF)	**12.63**	67.89
Fair value of outstanding shares at the end of the year (CHF 1000)	**52**	5 832

Movements in options granted under various participation plans are as follows:

Equity Bonus Plan	31.12.2009 NUMBER OF OPTIONS	31.12.2009 WEIGHTED AVERAGE EXERCISE PRICE *CHF*	31.12.2008 NUMBER OF OPTIONS	31.12.2008 WEIGHTED AVERAGE EXERCISE PRICE *CHF*
Outstanding at the beginning of the year	**424 090**	**43.93**	428 910	43.83
Exercised during the year	**-145 550**	**34.61**	-4 820	36.30
Disposal of subsidiaries	**-277 380**	**48.80**	-	-
Outstanding at the end of the year	**1 160**	**49.65**	424 090	43.93

Fair value/Option	OPTIONS OUTSTANDING NUMBER OF OPTIONS OUTSTANDING	OPTIONS OUTSTANDING EXERCISE PRICE *CHF*	OPTIONS OUTSTANDING REMAINING CONTRACTUAL LIFE *YEARS*	OPTIONS EXERCISABLE NUMBER OF OPTIONS EXERCISABLE	OPTIONS EXERCISABLE EXERCISE PRICE *CHF*
CHF 16.55	**310**	**34.99**	**0.3**	**310**	**34.99**
CHF 3.62	**850**	**55.00**	**1.3**	**850**	**55.00**

Options Long-Term Incentive Plan	31.12.2009 NUMBER OF OPTIONS	31.12.2009 WEIGHTED AVERAGE EXERCISE PRICE *CHF*	31.12.2008 NUMBER OF OPTIONS	31.12.2008 WEIGHTED AVERAGE EXERCISE PRICE *CHF*
Outstanding at the beginning of the year	**1 759 697**	**86.60**	1 801 058	84.04
Granted during the year	**-**	**-**	219 299	91.20
Exercised during the year	**-1 054 340**	**83.51**	-75 670	27.90
Forfeited during the year	**-33 746**	**91.20**	-184 990	91.20
Disposal of subsidiaries	**-479 196**	**91.20**	-	-
Outstanding at the end of the year	**192 415**	**91.20**	1 759 697	86.60
of which exercisable, at the end of the year	**-**	**-**	*129 653*	*28.72*

Fair value/Option	OPTIONS OUTSTANDING NUMBER OF OPTIONS OUTSTANDING	OPTIONS OUTSTANDING EXERCISE PRICE *CHF*	OPTIONS OUTSTANDING REMAINING CONTRACTUAL LIFE *YEARS*	OPTIONS EXERCISABLE NUMBER OF OPTIONS EXERCISABLE	OPTIONS EXERCISABLE EXERCISE PRICE *CHF*
CHF 0.03	**192 415**	**91.20**	**1.0**	**-**	**-**

GAM Holding Ltd. Share Option Scheme	31.12.2009 NUMBER OF OPTIONS	31.12.2009 WEIGHTED AVERAGE EXERCISE PRICE *CHF*
Outstanding at the beginning of the year	-	-
Granted during the year	**30 271 544**	**12.28**
Exercised during the year	**-**	**-**
Forfeited/cancelled during the year	**-155 333**	**12.28**
Outstanding at the end of the year	**30 116 211**	**12.28**
of which exercisable at the end of the year	-	-

GAM HOLDING LTD. – SHARE OPTIONS GRANTED **Fair value of share options and assumptions**	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 option at grant date	2.48	2.62	2.63	2.55
Average remaining contractual life (in months)	37	37	37	37
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	18 760 437	3 471 501	1 745 662	1 126 902

28 EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report that had an influence on the balance sheet or the income statement for the 2009 financial year.

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

GAM Holding Ltd., Zurich (formerly Julius Baer Holding Ltd., Zurich)

As statutory auditor, we have audited the accompanying consolidated financial statements of GAM Holding Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 29 to 103) for the year ended 31 December 2009.

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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

Report on Other Legal Requirements

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

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

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

KPMG AG

Markus Schunk
Licensed Audit Expert
Auditor in Charge

Swen Wyssbrod
Licensed Audit Expert

Zurich, 26 February 2010

GAM Holding Ltd

INCOME STATEMENT

	2009 CHF 1000	2008 CHF 1000	CHANGE %
Income			
Income from participations	**342 599**	1 006 960	-66.0
Profit from sales of participations	**628 170**	-	-
Other ordinary results	**54 520**	61 420	-11.2
Interest income	**14 221**	19 490	-27.0
Interest expense	**8 067**	18 847	-57.2
Net interest income	**6 154**	643	857.1
Commission income on services	**632**	2 649	-76.1
Commission expense	**120**	121	-0.8
Results from commission and service fee activities	**512**	2 528	-79.7
Operating income	**1 031 955**	1 071 551	-3.7
Expenses			
Personnel expenses	**11 804**	29 843	-60.4
General expenses	**49 536**	24 916	98.8
Operating expenses	**61 340**	54 759	12.0
Gross profit	**970 615**	1 016 792	-4.5
Depreciation	**1 576 962**	582	-
Taxes	**1 305**	3 228	-59.6
Net (loss)/profit	**-607 652**	1 012 982	-160.0

BALANCE SHEET

Assets	**31.12.2009** *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Current assets			
Cash and cash equivalents	**543 129**	112 868	430 261
Securities	**46 813**	1 649	45 164
Accrued income and prepaid expenses	**182 442**	435 926	-253 484
Other Assets	**4 964**	19 402	-14 438
Total Current Assets	**777 348**	569 845	207 503
Non-current assets			
Participations	**1 729 171**	6 064 011	-4 334 840
Other financial investments	**-**	315 525	-315 525
Treasury shares	**66 146**	298 644	-232 498
Intangible assets	**135**	34	101
Total non-current assets	**1 795 452**	6 678 214	-4 882 762
Total assets	**2 572 800**	7 248 059	-4 675 259
Due from Group companies	**138 375**	413 678	-275 303

Liabilities and equity			
Liabilities			
Due to banks	**492**	200 042	-199 550
Debt issued	**150 000**	375 000	-225 000
Accrued expenses and deferred income	**18 572**	22 155	-3 583
Other liabilities	**7 941**	19 658	-11 717
Total Liabilities	**177 005**	616 855	-439 850
Equity			
Share capital	**10 332**	10 552	-220
General legal reserve	**5 276**	4 852 508	-4 847 232
Reserve for treasury shares	**66 146**	298 644	-232 498
Other reserves	**2 913 558**	448 050	2 465 508
Retained earnings	**-599 517**	1 021 450	-1 620 967
of which balance brought forward	***8 135***	*8 468*	*-333*
of which (loss)/profit for the year	***-607 652***	*1 012 982*	*-1 620 634*
Total Equity	**2 395 795**	6 631 204	-4 235 409
Total liabilities and equity	**2 572 800**	7 248 059	-4 675 259
Due to Group companies	**339**	227 910	-227 571

CHANGES IN EQUITY

	SHARE CAPITAL	GENERAL LEGAL RESERVE	RESERVE FOR TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TOTAL
As at 1 January 2009	**10 552**	**4 852 508**	**298 644**	**448 050**	**1 021 450**	**6 631 204**
Ordinary General Meeting of 8 April 2009						
Dividend paid	-	-	-	-	-103 315	-103 315
Allocation to other reserves	-	-	-	910 000	-910 000	-
Share capital reduction	-220	-	-298 644	220	-	-298 644
Sub-total	**10 332**	**4 852 508**	**-**	**1 358 269**	**8 136**	**6 229 245**
Extraordinary General Meeting of 30 June 2009						
Re-classification of general legal reserves to other reserves[1]	-	-4 847 233	-	4 847 233	-	-
Dividend in kind[2]	-	-	-	-3 223 572	-	-3 223 572
Dividend paid[3]	-	-	-	-2 225	-	-2 225
Sub-total	**10 332**	**5 276**	**-**	**2 979 704**	**8 136**	**3 003 447**
Purchase of treasury shares[4]	-	-	66 146	-66 146	-	-
(Loss)/profit for the year	-	-	-	-	-607 652	-607 652
As at 31 December 2009	**10 332**	**5 276**	**66 146**	**2 913 558**	**-599 517**	**2 395 795**

[1] At an Extraordinary General Meeting held on 30 June 2009, a decision was taken that the legal reserves of GAM Holding Ltd. (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" be reduced by CHF 4 847 232 563 and the new account "further other reserves" be credited with the same amount of CHF 4 847 232 563.

[2] At an Extraordinary General Meeting held on 30 June 2009, the shareholders of Julius Baer Holding Ltd. voted in favour of a separation of the group's private banking and asset management businesses under two, independently listed entities. This separation was to be effected by way of a dividend in kind of the private banking businesses under a new parent company, Julius Baer Group Ltd. The shareholders determined that the total amount of free reserves available for distribution was approximately CHF 6 205 281 927, out of which would be distributed 206 630 756 registered shares in Julius Baer Group Ltd. each with a nominal value of CHF 0.02 and a calcluated value (based on a book value as at 31 December 2008) of approximately CHF 2 974 038 360. As documented in the Shareholders' Information Brochure published for the Extraordinary General Meeting and in the subsequent Listing Prospectus of Julius Baer Group Ltd., the allocation of assets and liabilities to achieve an appropriate separation of the private banking and asset management businesses was to be finalised at the date of separation. The separation occurred on 30 September 2009, at which date, the resulting book value of the private banking businesses amounted to CHF 3 223 572 007.

[3] At an Extraordinary General Meeting held on 30 June 2009, it was decided to distribute to the shareholders of Julius Baer Holding Ltd. 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), which will not be paid to the shareholders, but will be remitted to the Swiss tax authorities by Julius Baer Holding Ltd. in order to satisfy the liability for Swiss withholding tax.

[4] Please see Note "Treasury shares" on page 113.

NOTES

CONTINGENT LIABILITIES

	31.12.2009 *CHF 1000*	31.12.2008 *CHF 1000*	CHANGE *CHF 1000*
Surety and guarantee obligations and assets pledged in favour of third parties	-	226 244	-226 244

SECURITIES

Securities are valued at fair value. Unrealised gains and losses are recorded in other ordinary results.

PARTICIPATIONS

Please see consolidated financial statements, Note 24. Participation income from subsidiaries is recorded in the same period as the corresponding income was earned at the relevant subsidiary.

Subsequent to the result of the impairment test performed under IFRS, participations have been depreciated to reflect the decrease in value.

OUTSTANDING BONDS

Please see consolidated financial statements, Note 15.

FIRE INSURANCE VALUE OF REAL ESTATE AND OTHER FIXED ASSETS

GAM (Schweiz) AG acts as insurance holder for all entities in Switzerland of which GAM Holding Ltd. is the ultimate holding company and holds interest of more than 50%. At 31 December 2009, the following entities are covered under such policies:

GAM Holding Ltd., Zurich
GAM Group AG, Zurich
GAM (Schweiz) AG, Zurich
GAM Anlagefonds AG, Zurich
Swiss & Global Asset Management Holding AG, Zurich
Swiss & Global Asset Management AG, Zurich

Total insurance coverage amounts to CHF 26 003 569 and is not allocated to the individual entities covered by the insurance policy.

TREASURY SHARES

In the statutory financial statements of GAM Holding Ltd., a reserve for treasury shares, comprising all treasury shares existing at 31 December 2009, is recorded in equity in accordance with Article 663b, section 10 of the Swiss Code of Obligations.

To cover the Group's 2009 Long-Term Incentive Plan, GAM Holding Ltd. bought 5 498 412 shares during 2009. The figures also correspond to the closing balance.

CONDITIONAL CAPITAL

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	*CHF 1000*
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24.06.1993	10 000 000	**500**

RISK MANAGEMENT

Please see consolidated financial statements, page 48 et seq.

SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding Ltd. each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding Ltd. as of 31 December 2009[1].

Shareholder/participant	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS	RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF NOTIFICATION
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 1.3 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

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

Compensation of the members of the Board of Directors		BASE PAY *CHF*	PERFORMANCE PAYMENT *CHF*	SHARE-BASED PAYMENTS[6,7,8] *CHF*	PENSION FUND CONTRIBUTION AND VARIA *CHF*	**TOTAL** *CHF*
Johannes A. de Gier, Chairman (as of 1 October 2009)[1,9]	**2009**	**66 750**	**-**	**805 515**	**-**	**872 265**
	2008	n/a	n/a	n/a	n/a	-
Raymond J. Baer, Chairman (up to 30 September 2009)[4,5]	**2009**	**1 107 000**	**637 500**	**423 360**	**81 912**	**2 249 772**
	2008	1 476 000	850 000	867 780	111 858	3 305 638
Dieter A. Enkelmann[1]	**2009**	**31 375**	-	**805 515**	-	**836 890**
	2008	n/a	n/a	n/a	n/a	-
Leonhard H. Fischer[2,4]	**2009**	**127 500**	-	**305 760**	**7 226**	**440 486**
	2008	n/a	n/a	n/a	n/a	-
Dr. Rolf P. Jetzer[4]	**2009**	**112 500**	-	-	**5 905**	**118 405**
	2008	130 000	-	-	6 565	136 565
Peter Kuepfer, Independent Lead Director (up to 30 September 2009)[4]	**2009**	**127 500**	-	-	**6 439**	**133 939**
	2008	170 000	-	626 730	8 585	805 315
Gareth Penny[4]	**2009**	**90 000**	-	-	**4 769**	**94 769**
	2008	120 000	-	-	6 060	126 060
Monika Ribar Baumann[4]	**2009**	**90 000**	-	-	**4 769**	**94 769**
	2008	120 000	-	-	6 060	126 060
Daniel J. Sauter[4]	**2009**	**127 500**	-	-	**6 663**	**134 163**
	2008	170 000	-	-	8 585	178 585
Hugh Scott-Barrett[1]	**2009**	**31 375**	**-**	**805 515**	**-**	**836 890**
	2008	n/a	n/a	n/a	n/a	-
Béatrice Speiser[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	120 000	-	-	6 060	126 060
Charles G.T. Stonehill[4]	**2009**	**112 500**	-	-	**5 945**	**118 445**
	2008	150 000	-	626 730	7 575	784 305
Total	**2009**	**2 024 000**	**637 500**	**3 145 665**	**123 628**	**5 930 793**
Total	2008	2 456 000	850 000	2 121 240	161 348	5 588 588

1 These members constitute the Board of Directors of GAM Holding Ltd. 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 therefore only includes payments for the period 1 October to 31 December 2009. The Base pay includes CHF 8 500 per year per Committee of the Board of Directors of which the recipient is a member.

2 Elected to the Board of Directors at the Ordinary General Meeting on 8 April 2009.

3 This member of the Board of Directors did not stand for re-election at the Ordinary General Meeting on 8 April 2009.

4 These members 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.

5 This member of the Board of Directors had a full-time employment relationship with Julius Baer Holding Ltd. until the end of September 2009.

6 The value of the share-based payments cannot be compared with Note 27 on share-based payments of the Group Financial Report 2009 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.

7 Share-based payments to 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).

8 Share-based payments to members of the Board of Directors of GAM Holding Ltd. 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).

9 This member received additional compensation in 2009 in his role as Chief Executive Officer of GAM Holding Ltd. Details of this compensation can be found on page 117.

In 2009, no compensation has been granted to members of the Board of Directors who left the Board in 2008 or earlier.
No compensation has been granted to closely linked parties of members of the Board of Directors.
No termination fees have been paid to any member of the Board of Directors who left the Board of Directors.
No additional payments have been made to any member of the Board of Directors.

	31.12.2009		31.12.2008	
Loans to the members of the Board of Directors	LOANS *CHF*	LOANS TO CLOSELY LINKED PARTIES *CHF*	LOANS *CHF*	LOANS TO CLOSELY LINKED PARTIES *CHF*
Johannes A. de Gier, Chairman (as of 1 October 2009)[3]	**-**	**-**	n/a	n/a
Raymond J. Baer, Chairman (up to 30 September 2009)[4]	**n/a**	**n/a**	12 518 889	-
Dieter A. Enkelmann[3]	**-**	**-**	n/a	n/a
Leonhard H. Fischer[2,4]	**n/a**	**n/a**	n/a	n/a
Dr. Rolf P. Jetzer[4]	**n/a**	**n/a**	-	-
Peter Kuepfer, Independent Lead Director (up to 30 September 2009)[4]	**n/a**	**n/a**	-	-
Gareth Penny[4]	**n/a**	**n/a**	-	-
Monika Ribar Baumann[4]	**n/a**	**n/a**	2 212 838	-
Daniel J. Sauter[4]	**n/a**	**n/a**	351 742	12 518 292
Hugh Scott-Barrett[3]	**-**	**-**	n/a	n/a
Béatrice Speiser[1]	**n/a**	**n/a**	4 546 831	-
Charles G.T. Stonehill[4]	**n/a**	**n/a**		14 796
Total	**-**	**-**	19 630 300	12 533 088

1 This member of the Board of Directors did not stand for re-election at the Ordinary General Meeting on 8 April 2009.
2 Elected to the Board of Directors at the Ordinary General Meeting on 8 April 2009.
3 No loans have been granted to the members of the Board of Directors of GAM Holding Ltd. or to closely linked parties.
4 These members resigned with the separation of the former Julius Baer group as of 30 September 2009. The above chart is required to set out the outstanding loans in the books of GAM Holding Ltd. by 31 December 2009. The loans which have been provided to these members have been transferred to Julius Baer Group Ltd. and are not outstanding loans in the books of GAM Holding Ltd. as of 31 December 2009 and are therefore not shown in the chart.

The loans granted to members of the Board of Directors consisted of lombard loans on a secured basis (through pledging of securities) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans were in line with normal market rates at the time the loans were granted, though the members of the Board of Directors were granted a discount of 1% for variable mortgage loans, and fixed mortgage loans were granted at the refinancing rate plus 0.5%. All loans were granted by Bank Julius Baer & Co. Ltd. to 1 October 2009. Since the separation of the former Julius Baer group on 1 October 2009 no such loans have been granted by GAM Holding Ltd. or any of its subsidiaries.

Until the separation of the former Julius Baer group on 30 September 2009 members of the Board of Directors benefited from preferential staff conditions for transactions (e.g. in securities) executed in-house.

No loans to former members of the Board of Directors (and their closely linked parties) are outstanding at year-end 2009 or have been granted in 2009 at conditions that were not at market.

Share and option holdings of the members of the Board of Directors[1]		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS) EXERCISE PRICES CHF 12.28	20-30	30-40	91.20	MATURITY
Johannes A. de Gier, Chairman (as of 1 October 2009)[2, 5]	**2009**	**-**	**783 796**	**-**	**-**	**-**	**28.10.12**
	2008	n/a	n/a	n/a	n/a	n/a	-
Raymond J. Baer, Chairman (up to 30 September 2009)[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	1 421 910		14 560	45 860	-	31.08.09/ 31.03.09/ 31.03.10
Dieter A. Enkelmann[2,4]	**2009**	**68 600**	**78 380**	**-**	**-**	**27 412**	**28.10.12/ 15.12.10**
	2008	n/a	n/a	n/a	n/a	n/a	-
Leonhard H. Fischer[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	n/a	n/a	n/a	n/a	n/a	-
Dr. Rolf P. Jetzer[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	16 268	-	-	-	-	-
Peter Kuepfer, Independent Lead Director (up to 30 September 2009)[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	148 211	-	-	-	-	-
Gareth Penny[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	2 600	-	-	-	-	-
Monika Ribar Baumann[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	11 132	-	17 470	-	-	31.08.09
Daniel J. Sauter[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	26 320	-	-	-	-	-
Hugh Scott-Barrett[2]	**2009**	**5 000**	**78 380**	**-**	**-**	**-**	**28.10.12**
	2008	n/a	n/a	n/a	n/a	n/a	-
Béatrice Speiser[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	251 200	-	-	-	-	-
Charles G. T. Stonehill[3]	**2009**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**-**
	2008	5 200	-	-	-	-	-
Total	**2009**	**73 600**	**940 556**	**-**	**-**	**27 412**	**-**
Total	2008	1 882 841	-	32 030	45 860	-	-

1 Including share and option holdings of closely linked parties. The share and options holdings disclosed for 2008 refer to shares/options in Julius Baer Holding Ltd.

2 The members of the Board of Directors of GAM Holding Ltd. 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.

3 These members of the Board of Directors resigned as of 30 September 2009 with the separation of the former Julius Baer group. The above chart is required to set out the share and options holdings of the members of the Board of Directors of GAM Holding Ltd. on 31 December 2009. The share and options holding of these individuals as of 31 December 2009 are therefore not reflected in this chart.

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 Ltd. and Julius Baer Group Ltd. as of the exercise date. See Note 27.

5 The options held by this member include additional vested options granted to him in his role as Chief Executive Officer of GAM Holding Ltd.

Compensation of the members of the Senior Management		BASE PAY *CHF*	PERFORMANCE PAYMENT *CHF*	SHARE-BASED PAYMENTS[3, 4] *CHF*	PENSION FUND CONTRIBUTION AND VARIA *CHF*	**TOTAL** *CHF*
Total[1]	**2009**	**1 717 873**	**2 130 358**	**11 015 715**	**267 731**	**15 131 677**
Total[2]	2008	2 640 579	5 603 000	-	307 847	8 551 426

[1] 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 Ltd. from 1 October 2009 to 31 December 2009. It does not include compensation paid to the Chief Executive Officer of GAM Holding Ltd. for his role as Chairman of GAM Holding Ltd. which is separately detailed on page 114.

[2] The disclosed compensation for the members of Senior Management for 2008 includes the compensation of the members of Senior Management of Julius Baer Holding Ltd. The Senior Management of Julius Baer Holding Ltd. consisted of three individuals in 2008.

[3] The value of the share-based payments cannot be compared with Note 27 on share-based payments of the Group Financial Report 2009 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 Ltd. 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).

Details of the compensation of the highest paid member of the Senior Management		BASE PAY *CHF*	PERFORMANCE PAYMENT *CHF*	SHARE-BASED PAYMENTS[2] *CHF*	PENSION FUND CONTRIBUTION AND VARIA *CHF*	**TOTAL** *CHF*
Johannes A. de Gier[1]	**2009**	**583 250**	**-**	**7 249 659**	**7 710**	**7 840 619**
Johannes A. de Gier	2008	1 317 333	3 600 000	-	92 627	5 009 960

[1] 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 Ltd. which is separately detailed on page 114. The aggregate total of all such compensation amounts to CHF 8 712 884.

[2] 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 2009, no compensation has been paid to former members of Senior Management that left Senior Management in 2008 or earlier.

No compensation has been granted to closely linked parties of members of Senior Management or former members of Senior Management.

No termination fees have been paid to members who left Senior Management in 2009.

No additional compensation payments have been made to any of the members of Senior Management.

Loans to the members of the Senior Management[1]	31.12.2009 LOANS CHF	31.12.2009 LOANS TO CLOSELY LINKED PARTIES CHF	31.12.2008 LOANS CHF	31.12.2008 LOANS TO CLOSELY LINKED PARTIES CHF
Total	**-**	**-**	1 206 674	-
of which Bernhard Hodler[2]	**-**	**-**	*1 200 000*	-

[1] In 2009 no loans have been granted to the members of the Senior Management of GAM Holding Ltd.

[2] Bernhard Hodler was a member of the Senior Management of Julius Baer Holding Ltd. until the separation of its businesses on 30 September 2009. The outstanding loan from the year 2008 was granted by Bank Julius Baer & Co Ltd. and so has been transferred to Julius Baer Group Ltd. and does not form an outstanding loan from GAM Holding Ltd. as of 31 December 2009.

The loans granted to the Senior Management consisted of lombard loans on a secured basis (through pledging of securities) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans were in line with normal market rates at the time the loans were granted, though employees of the former Julius Baer group were granted a discount of 1% for variable mortgage loans, and fixed mortgage loans were granted at the refinancing rate plus 0.5%. All loans were granted by Bank Julius Baer & Co. Ltd. to 30 September 2009. Since the separation of the former Julius Baer group on 30 September 2009 no such loans have been granted by GAM Holding Ltd. or any of its subsidiaries.

No loans to former members of Senior Management (and their closely linked parties) are outstanding at year-end 2009 or have been granted in 2009 at conditions that were not at market.

Prior to 1 October 2009, members of the Senior Management benefitted from preferential staff conditions for transactions (e.g. in securities) executed in-house.

Share and option holdings of the members of the Senior Management[1,2]		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS) EXERCISE PRICES CHF 12.28[3]	91.20[4]	MATURITY
Johannes A. de Gier (Chief Executive Officer as of 1 October 2009)	**2009**	**-**	**783 796**	**-**	**28.10.12**
	2008	n/a	n/a	n/a	-
Dieter Enkelmann (Group Chief Financial Officer until the end of 30 September 2009)	**2009**	**n/a**	**n/a**	**n/a**	**-**
	2008	38 110	-	-	-
Bernhard Hodler (Group Chief Risk Officer until the end of 30 September 2009)	**2009**	**n/a**	**n/a**	**n/a**	**-**
	2008	29 968	-	-	-
Scott Sullivan (Group General Counsel)	**2009**	**-**	**183 225**	**8 845**	**28.10.12/ 15.12.10**
	2008	8 073	-	-	-
Andrew Wills (Chief Financial Officer as of 1 October 2009)	**2009**	**-**	**183 225**	**-**	**-**
	2008	n/a	n/a	n/a	-
Total	**2009**	**-**	**1 150 246**	**8 845**	**-**
Total	2008	76 151	-	-	-

1 The chart includes the members of Senior Management of Julius Baer Holding Ltd. from 1 January 2009 to 30 September 2009 as well as the members of the Senior Management of GAM Holding Ltd. from 1 October 2009 to 31 December 2009.

2 Including share and option holdings of closely linked parties. The share and options holdings disclosed for 2008 refer to shares/options in or over registered shares of Julius Baer Holding Ltd.

3 The members of the Senior Management of GAM Holding Ltd. 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 Ltd. in addition to those granted to him in his role as Chief Executive Officer of GAM Holding Ltd.

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 Ltd. and Julius Baer Group Ltd. as of the exercise date. See Note 27.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

	2009 *CHF 1000*
Retained earnings	
Balance brought forward	**8 135**
(Loss)/profit for the year	**-607 652**
Total retained earnings	**-599 517**
Transfer of other reserves to retained earnings	**599 517**
Balance to be carried forward	**-**

The Board of Directors proposes to the Ordinary Annual General Meeting that the negative retained earnings of CHF -599 516 799 is offset by other reserves.

The Board of Directors

Zurich, 26 February 2010

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

GAM Holding Ltd., Zurich (formerly Julius Baer Holding Ltd., Zurich)

As statutory auditor, we have audited the accompanying financial statements of GAM Holding Ltd., which comprise the balance sheet, income statement and notes (pages 109 to 120) for the year ended 31 December 2009.

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 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

We further confirm that the proposed appropriation of 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

Markus Schunk
Licensed Audit Expert
Auditor in Charge

Swen Wyssbrod
Licensed Audit Expert

Zurich, 26 February 2010

"Forward-looking statements"

This Annual Report may contain statements that constitute "forward-looking statements", including, but not limited to, statements about the outlook for the Company's financial performance, its future plans and objectives and their anticipated effect on the Company's business and future development. 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 and expectations which, although the Company believes them to be reasonable at the time, may prove to be erroneous as forward-looking statements necessarily involve risks and uncertainties which could cause actual developments and results to differ materially from expectations. These 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. The Company is not under, and expressly disclaims any obligation, to update or amend its forward-looking statements for any reason.

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

GAM Holding Ltd

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