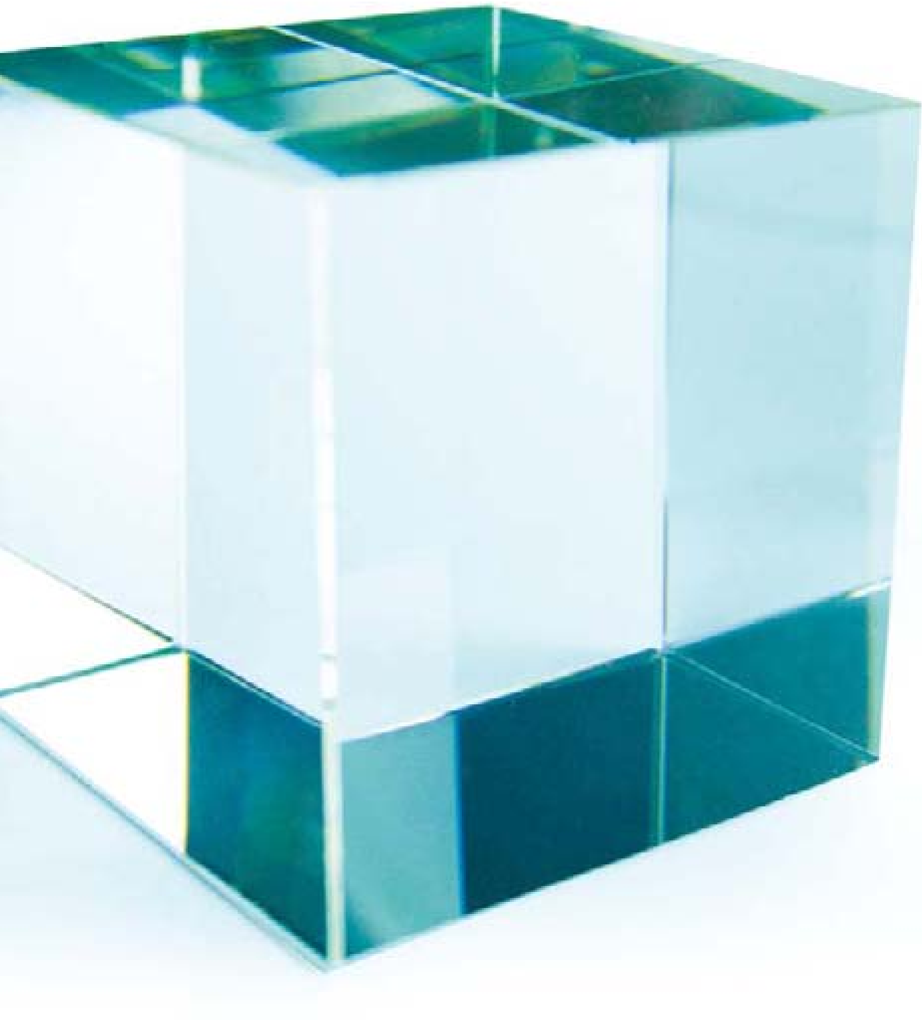
GAM | Holding AG

ANNUAL REPORT 2011



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KEY FIGURES

	2011	2010	CHANGE IN %
CLIENT ASSETS CHF BN			
Assets under management at the end of the year	107.0	117.8	-9
Average assets under management	112.9	118.3	-5
Net new money	-3.8	8.0	-148
INCOME STATEMENT CHF M			
Operating income	598.5	712.5	-16
Operating expenses	384.5	466.0	-17
Profit before taxes	**214.0**	**246.5**	**-13**
Income taxes	48.3	44.3	9
Underlying net profit[1]	**165.7**	**202.2**	**-18**
PROFIT BEFORE TAXES PER SEGMENT CHF M			
GAM	110.6	146.2	-24
Swiss & Global Asset Management	104.5	99.8	5
Group functions	-1.1	0.5	-320
Total	**214.0**	**246.5**	**-13**
KEY PERFORMANCE INDICATORS			
Gross margin (basis points)	53.0	60.2	-
Cost/income ratio	64.2%	65.4%	-
Pre-tax margin (basis points)	19.0	20.8	-
Return on tangible equity[2]	22.8%	19.0%	-
PERSONNEL			
Number of full-time employees at the end of the year	1,078	1,052	2
in Switzerland	324	313	4
abroad	754	739	2

[1] The result for 2011 has been adjusted to exclude the impairment of investments of CHF 249.1 million (2010: CHF 180.3 million) and the amortisation of customer relationships of CHF 11.6 million (2010: CHF 11.7 million). Including those non-cash items, the Group's net loss for 2011 amounted to CHF 95.0 million (2010: net profit of CHF 10.2 million), as shown in the Consolidated Financial Statements.

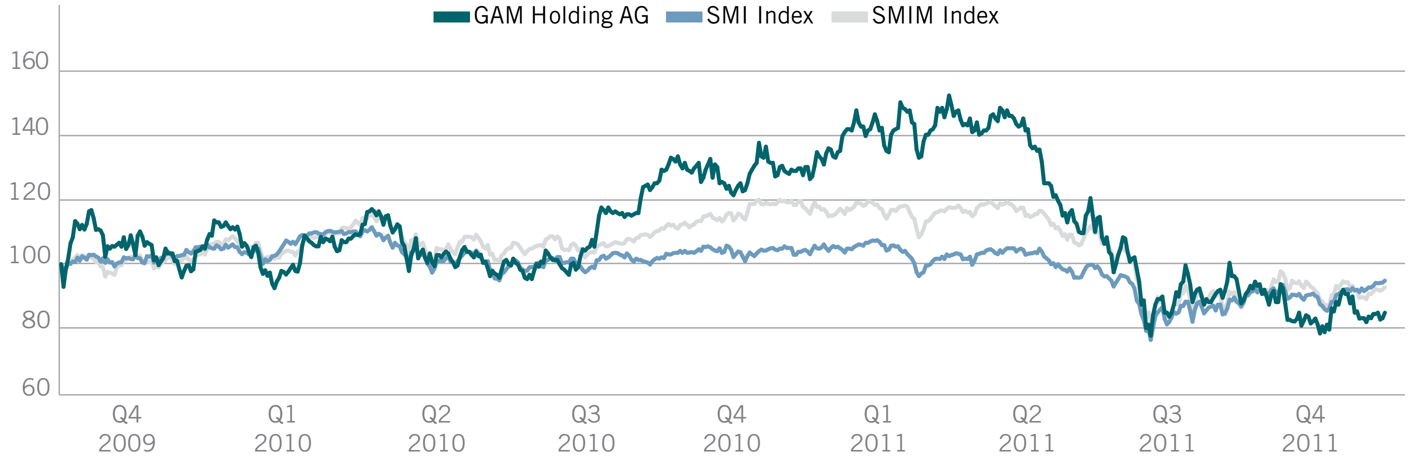
[2] Underlying net profit / tangible equity at the end of the year.

	31.12.2011	31.12.2010	CHANGE IN %

BALANCE SHEET CHF M

Total assets	2,425.7	2,883.0	-16
Total equity	2,099.5	2,451.7	-14
Tangible equity[1]	726.3	1,066.8	-32

SHARE PRICE PERFORMANCE (INDEXED)



TICKER SYMBOLS

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

	2011	2010	CHANGE IN %

SHARE INFORMATION CHF

EPS[2]	0.91	1.03	-12
Book value at the end of the year[3]	4.10	5.65	-27
Closing price	10.20	15.45	-34
High price	18.25	16.50	-
Low price	9.35	11.11	-
Market capitalisation at the end of the year (CHF m)	2,002	3,192	-37
Weighted average number of shares outstanding	183,105,923	196,279,481	-7

1 Total equity excluding goodwill, customer relationships and brand.
2 Underlying net profit / weighted average number of shares outstanding, excluding treasury shares.
3 Tangible equity / number of shares outstanding at the end of the year, excluding treasury shares.

GAM HOLDING AG AT A GLANCE

KEY FACTS

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

GAM HOLDING AG

BOARD OF DIRECTORS

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

EXECUTIVE BOARD

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

OPERATING BUSINESSES

GAM

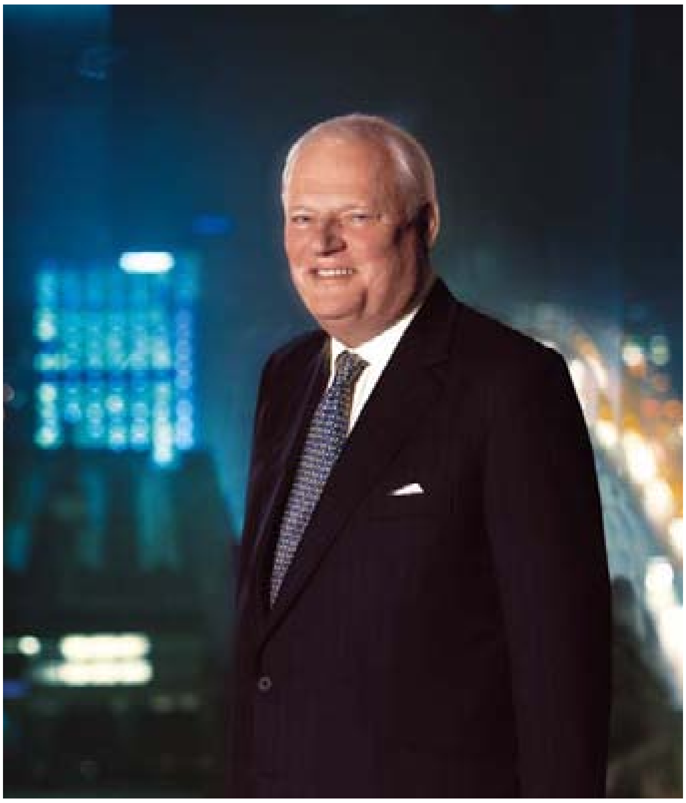
David M. Solo
– CEO, GAM

SWISS & GLOBAL ASSET MANAGEMENT

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

LETTER FROM THE CHAIRMAN AND CEO

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



DEAR READER

As we clearly saw in 2011, endurance is the most important characteristic for asset managers seeking to be successful over the long term.

Faced with extremely challenging conditions, our Group's results are not as strong as we would have wished. That said, we have retained our profitability and have made steady progress in implementing our strategy.

For 2011, we report an underlying net profit of CHF 165.7 million. While this result does not match our performance of the previous year, our relentless vigilance with respect to costs has assisted in counteracting the negative effects of disadvantageous currency movements and difficult markets. As I explained in my letter of August 2011, while our Group reports in Swiss francs, both of our operating businesses have a substantial part of their assets under management, as well as their revenues, denominated in other currencies. Over the last two years we have seen a significant depreciation in the US dollar, euro and British pound against the Swiss franc, which has negatively impacted our asset-based revenues. In addition, for much of 2011 financial markets were dominated by political uncertainty regarding how best to resolve the ongoing European fiscal crisis. This in itself has created an extremely challenging environment for active, value-driven asset managers, given the levels of correlation and volatility which have been experienced. Inevitably, short-term returns in many of our funds softened, negatively impacting the levels of performance fees generated. Faced with these challenges, discipline and prudence in managing our businesses have been essential. We have reduced discretionary spending where possible, without sacrificing our high standards of quality and client service. We have also reduced variable compensation throughout the Group in line with our results.

Despite an 18% decline in underlying net profit, our control over expenses and lower levels of provisions helped us improve our Group's cost/income ratio from 65.4% to 64.2% in 2011.

Given the turbulent markets, investors were understandably wary of what they perceived to be 'riskier' assets. The resulting slowdown in gross inflows we experienced in the second half of the year, combined with widespread de-risking by investors, led to net new money outflows for the Group in 2011 of CHF 3.8 billion. While Swiss & Global Asset Management – whose physical precious metals funds benefited from the flight to 'safe havens' – reported net inflows, the contribution from GAM, our second operating business, was negative. Flows from private investors proved to be particularly sensitive to market sentiment, while investments from institutions held up well. In particular, GAM's institutional business saw robust net new money inflows into alternative single and multi-manager strategies, demonstrating the progress we have made in penetrating this important market segment.

We continued to manage our balance sheet carefully, as maintaining the Group's financial strength is imperative through the current unsettled market conditions. Artio Global Investors Inc. (Artio), the US-listed asset manager in which we hold a minority stake as a financial investor, saw a marked decline in earnings. This in turn affected our results, as our income from associates declined in line with Artio's financial performance. As required under IFRS, we also made a further reduction in the carrying value of our participation in Artio, down to CHF 76.5 million. The related non-cash charges (totalling CHF 235 million in 2011) more than offset the underlying net profit generated by our own operating businesses, leading to an IFRS net loss for the Group of CHF 95 million. This loss, however, was fully absorbed by our capital base, and further reduces our future exposure to Artio. Despite these charges, we ended the year with a strong tangible equity position of CHF 726.3 million, retaining a comfortable buffer for our business operations.

I am pleased to report that our continuing capital strength enables us to once again return approximately half of our underlying net profit to our shareholders by way of a dividend. At the upcoming Annual General Meeting on 18 April, the Board of Directors will therefore propose a dividend of CHF 0.50 per share for the 2011 financial year, unchanged from last year's dividend, despite the reduction in underlying net profit. Combined with our share buy-backs in 2011, this represents a total distribution to our shareholders of CHF 263.7 million, the vast majority of which is paid from our capital contribution reserves and is therefore tax-advantageous for both institutional and private shareholders.

I firmly believe that consistency towards our clients, shareholders and employees is the most important attribute in ensuring sustainable success across market cycles. We have always carefully managed staffing levels and are therefore able to avoid making disruptive cuts today when clients need our guidance and assistance most. In addition, we are not being forced to put important growth initiatives on hold. Product and business development efforts in both our operating companies continue, making them more competitive than ever, and our ambition to actively participate in the consolidation of our industry remains unchanged. As announced on 28 February 2012, our operating business GAM has entered into agreements for the purchase of Arkos Capital SA (Arkos), a small independent investment boutique located in Lugano, Switzerland, with assets under management of approximately CHF 660 million. The transaction is expected to close in the first half of 2012, subject to regulatory approval, and is structured with a focus on the long-term growth of the business.

Looking ahead, we have reason to be cautiously optimistic. Steady moves towards a resolution of the European fiscal crisis should benefit market sentiment and ultimately our business results. Despite encouraging signs at the beginning of 2012, we cannot take such an improvement for granted. We have therefore taken precautionary measures to mitigate the impact of a potential escalation of the euro crisis on our clients' investments, and remain vigilant in all aspects of managing our businesses in order to limit the inevitable negative impact that a further deterioration in business conditions could have on our asset levels and earnings. While we have no control over the markets, we continue to do our best to ensure we are prepared to face times of high uncertainty.

We feel well-equipped to master the immediate challenges ahead, and are ready to capture opportunities as they arise. Achieving the best results for our clients, using our best judgement day after day, remains the number one priority for all our staff. Knowing the level of their engagement and commitment, I am confident that we will be able to secure the best possible results for our shareholders in 2012.

Johannes A. de Gier

Chairman and CEO, GAM Holding AG
Zurich, March 2012

ACQUISITION OF ARKOS CAPITAL SA

On 28 February 2012 GAM Group AG (GAM), a wholly owned subsidiary of GAM Holding AG, announced that it has entered into agreements for the purchase of 100% of the issued share capital in Arkos Capital SA (Arkos), a Swiss investment manager with assets under management of CHF 664 million as at 31 December 2011. Under the terms of the agreements, GAM will acquire 74.95% of the issued share capital in Arkos immediately, following receipt of certain regulatory approvals. The remaining stake of 25.05%, currently held by the management of Arkos, will be acquired through deferred cash payments linked to the future development of the business. Key personnel will be retained and will continue to operate out of its Lugano base in Switzerland, with sales and other support functions supplemented from GAM's Zurich and London offices.

An investment boutique supervised by the Swiss Financial Market Supervisory Authority (FINMA), Arkos manages a range of low-volatility, liquid and transparent absolute return funds, both offshore and onshore. Its offering includes long/short equity strategies covering Europe, emerging markets and a specialist offering focusing on financial securities as well as an active convertible bond strategy. Its team of eight experienced investment professionals has a strong track record of alpha generation, based on a solid and consistent investment process established in 2002.

BUSINESS REVIEW

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STRATEGY AND PERFORMANCE

STRATEGY

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

POSITIONED FOR SUSTAINABLE PROFITABILITY

- Highly competitive in areas of emerging client demand and high-margin businesses
- Diversified group that continues to innovate its offering, providing investors with relevant solutions across market cycles
- Strongly positioned to take advantage of growth opportunities in key markets, in particular in the institutional sector
- Well-equipped to address – and potentially benefit from – growing industry complexity

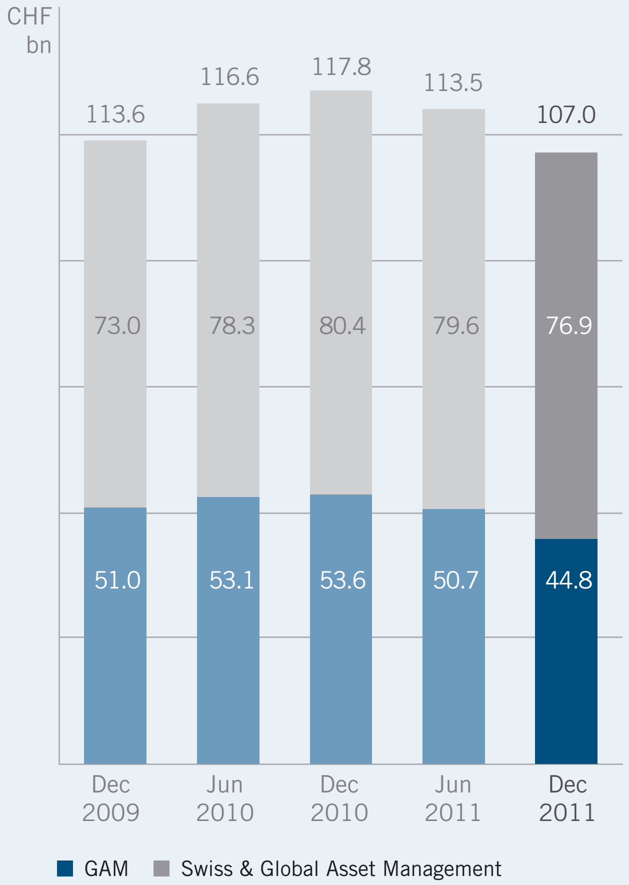
AUM AND NET NEW MONEY 2011

- Group assets under management of CHF 107.0 billion as at 31 December 2011, down 9% year-on-year
- Net new money inflows severely affected by investor risk aversion
- Net outflows of CHF 3.8 billion – despite positive contribution from Swiss & Global Asset Management
- Negative impact of CHF 6.0 billion on assets under management from financial market declines
- Adverse currency impact of CHF 1.0 billion as the euro/Swiss franc rate fell 3%

GROUP PERFORMANCE 2011

- Underlying net profit of CHF 165.7 million, down 18% from 2010
- Earnings per share of CHF 0.91 and return on tangible equity of 22.8% (on the basis of underlying net profit)
- Cost/income ratio improved from 65.4% to 64.2%, reflecting effective cost control and lower levels of provisions
- Strong capital base with tangible equity of CHF 726.3 million, despite Artio impairment of CHF 235.0 million
- Proposed dividend of CHF 0.50 per share, unchanged from last year and consistent with commitment to distribute approximately half of underlying net profit to shareholders

GROUP AUM CHF 107.0 BN[1] :
AS OF 31 DECEMBER 2011



[1] Group assets under management exclude double-count of funds managed by GAM and distributed by Swiss & Global Asset Management (CHF 14.7 billion as at 31 December 2011) which are reported in both businesses.

GAM :
AT A GLANCE

- Absolute return, directional equity and fixed income strategies
- Distinct hedge funds portfolio construction capability
- Discretionary and advisory portfolios across multiple asset classes

SWISS & GLOBAL ASSET MANAGEMENT :
AT A GLANCE

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

PERFORMANCE REVIEW

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

GROUP AUM AND NET NEW MONEY

Group assets under management amounted to CHF 107.0 billion[1] as at 31 December 2011 compared to CHF 117.8 billion a year earlier. This decrease resulted primarily from negative market performance of CHF 6.0 billion and net outflows of CHF 3.8 billion[1], reflecting financial market declines and an increased hesitancy among investors to engage with any type of market risk.

While we report our results in Swiss francs, the majority of our assets under management as well as our revenues are denominated in other currencies – mainly US dollars, euros and, to a lesser extent, British pounds. The average rate of all these currencies fell significantly against the Swiss franc through 2011 compared to 2010, affecting asset-based revenues and part of our operating costs. Following the Swiss National Bank's intervention in the third quarter, the US dollar and the British pound rates recovered and therefore did not affect year-end asset levels. The euro spot rate, however, was still around 3% weaker on 31 December 2011 than a year earlier, resulting in a negative impact of CHF 1.0 billion on Group assets under management.

Continued market uncertainty, fuelled by the European fiscal crisis, dampened investment activity, and this severely affected the Group's **net new money** inflows. For 2011, we report net outflows of CHF 3.8 billion compared to the strong inflows of CHF 8.0 billion achieved in 2010. Inflows from wholesale intermediary channels in particular slowed markedly in both operating businesses. Combined with a substantial de-risking of client portfolios and the lacklustre performance recorded by certain strategies, especially during the turbulent third quarter of the year, this reduced net inflows at Swiss & Global Asset Management to CHF 0.4 billion and led to net outflows at GAM of CHF 4.9 billion.

GROUP FINANCIAL RESULTS

The Group's **operating income** for 2011 totalled CHF 598.5 million, a decline of 16% on 2010's result. Net fee and commission income fell 6% to CHF 534.1 million due to reduced average assets under management, which were down from CHF 118.3 billion in 2010 to CHF 112.9 billion in 2011. Performance fees for the year amounted to CHF 19.6 million, significantly weaker than the CHF 89.5 million recorded in 2010 when our fixed income range saw outstanding growth combined with strong investment performance. As a result, the Group's gross margin decreased from 60.2 to 53.0 basis points.

Excluding performance fees, the gross margin was down by 1.4 basis points. This reflected a market-wide move out of assets perceived to carry greater risk, changing the mix of our Group's asset base, and a fall in our income from investment in associates. The latter relates to our 29% stake in Artio Global Investors Inc. (Artio), held as a financial investment, which decreased by 38% to CHF 17.1 million. This income is derived from Artio's publicly available earnings statements, which showed a marked decline in profitability through 2011.

[1] Group assets under management and net new money totals exclude the funds managed by GAM and distributed by Swiss & Global Asset Management, which are reported in both businesses. Including these assets, Group assets under management would have been CHF 121.7 billion as at 31 December 2011 and net new money outflows CHF 4.5 billion in 2011.

CONSOLIDATED INCOME STATEMENT

	2011 CHF M	2010 CHF M	CHANGE IN %
Net fee and commission income	534.1	570.4	-6
Performance fees	19.6	89.5	-78
Income from investment in associates	17.1	27.5	-38
Other operating income	27.7	25.1	10
Operating income	**598.5**	**712.5**	**-16**
Personnel expenses	277.2	334.5	-17
General expenses	100.5	124.5	-19
Depreciation and amortisation	6.8	7.0	-3
Operating expenses	**384.5**	**466.0**	**-17**
Profit before taxes	**214.0**	**246.5**	**-13**
Income taxes	48.3	44.3	9
Underlying net profit[1]	**165.7**	**202.2**	**-18**

[1] The result for 2011 has been adjusted to exclude the impairment of investments of CHF 249.1 million (2010: CHF 180.3 million) and the amortisation of customer relationships of CHF 11.6 million (2010: CHF 11.7 million). Including those non-cash items, the Group's net loss for 2011 amounted to CHF 95.0 million (2010: net profit of CHF 10.2 million), as shown in the Consolidated Financial Statements.

Other operating income – which includes foreign exchange gains from hedging activities undertaken with respect to our currency exposure as well as realised gains from the sale of financial investments – rose by CHF 2.6 million year-on-year to reach CHF 27.7 million.

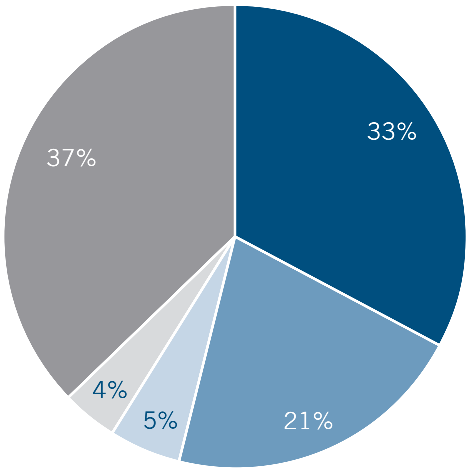
Operating expenses were reduced by CHF 81.5 million (17%) in 2011 to CHF 384.5 million, reflecting lower expenses for variable and share-based compensation and continued cost discipline. This was somewhat supported by the strengthening of our Swiss franc reporting currency against other currencies in which our costs are incurred.

General expenses declined by 19%, driven by lower levels of provisions and by cost savings, mainly in IT and marketing. Personnel expenses were reduced by 17%, mainly due to a decrease in discretionary bonuses and reduced contractual-based compensation to our investment professionals on the back of lower levels of net fee and commission income and performance fees.

The non-cash IFRS 2 charges relating to options awarded to all Group employees under the 2009 long-term incentive plan were lower than in 2010. These non-cash charges are amortised over the relevant vesting periods of the grants and amounted to CHF 16.3 million in 2011 compared to CHF 33.1 million a year earlier. In addition, personnel expenses include a mark-to-market loss on a total return swap over our own shares, held to reduce the impact of social security costs related to the option programme. These costs rise in line with GAM Holding AG's share price. In the second half of 2011, however, the share price fell below the exercise price of the options and no social security costs were incurred, leading to a negative impact from the valuation of the swap.

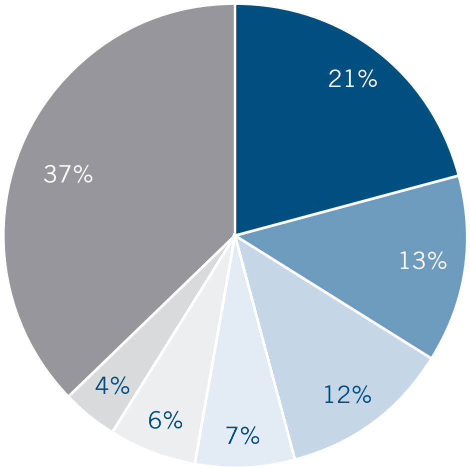
The **cost/income ratio** benefited from the overall reduction in operating expenses, outpacing the decline in revenues, and improved from 65.4% to 64.2% in 2011.

GROUP AUM CHF 107.0 BN, BY CLIENTS[1] : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Wholesale fund distribution	33%	34%
Institutional clients	21%	20%
Private clients	5%	6%
Discretionary & advisory portfolios	4%	6%
Private label funds	37%	34%

GROUP AUM CHF 107.0 BN, BY PRODUCTS[1] : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Fixed income	21%	20%
Equity	13%	15%
Absolute return single manager	12%	12%
Commodities	7%	5%
Multi-manager	6%	8%
Discretionary & advisory portfolios	4%	6%
Private label funds	37%	34%

[1] Group assets under management exclude CHF 14.7 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.

For 2011 the Group incurred a **tax expense** of CHF 48.3 million, reflecting a tax rate of 22.6%, compared to the previous year's rate of 18.0%. The tax rate was negatively influenced by lower tax deductions for cumulative share-based expenses related to our 2009 long-term incentive plan and for the loss resulting from the valuation of the total return swap. Excluding these effects – which were both driven by a decrease in GAM Holding AG's share price through 2011 – the Group's tax rate for 2011 would have been roughly in line with the 18.0% of 2010.

The Group recorded an **underlying net profit** of CHF 165.7 million, a decline of 18% year-on-year. This result excludes a reduction in the carrying value of our participation in Artio[2] which led to a non-cash charge of CHF 235.0 million, impairments on certain seed capital investments of CHF 14.1 million and the amortisation of customer relationships of CHF 11.6 million. Including these non-cash items, the Group's result for 2011 reported in accordance with IFRS was a net loss of CHF 95.0 million (compared to a net profit of CHF 10.2 million in 2010).

Our ongoing share buy-back programme and the reduction in the carrying value of the Artio stake led to an increase in the Group's **return on tangible equity**, up from 19.0% in 2010 to 22.8%, despite a decline in underlying profitability. **Earnings per share** were also supported by our share buy-back programmes, but fell from CHF 1.03 to CHF 0.91 due to the decline in underlying net profit.

GROUP BALANCE SHEET

Total assets for the Group as at 31 December 2011 were CHF 2,425.7 million. Our **cash position** at the end of December 2011 amounted to CHF 600.1 million, after the dividend payment of CHF 94.1 million for the 2010 financial year, the repayment of outstanding debt and the repurchase of our own shares (as part of our buy-back programme and for the purpose of hedging our potential exposure from the options granted under our 2009 long-term incentive plan).

The level of **financial investments** decreased by CHF 0.9 million to CHF 118.6 million, as seed investments into new funds were offset by the sale of certain positions and by unrealised losses on existing seed capital investments following the financial market corrections experienced during 2011. The carrying value of our participation in Artio, reported as **investment in associates**, was reduced to CHF 76.5 million as at 31 December 2011, based on the outcome of an impairment test performed according to IFRS[2]. The related non-cash charge of CHF 235.0 million is reflected in the Group's Consolidated Income Statement (CHF 92.2 million incurred in the first half of the year and CHF 142.8 million in the second). Also in line with IFRS, the unrealised impact of the US dollar depreciation on the value of our participation in Artio as at 31 December 2011, amounting to CHF 8.3 million, was recorded through equity. The **GAM goodwill, customer relationships and brand** totalled CHF 1,373.2 million, CHF 11.6 million less than on 31 December 2010, reflecting the annual amortisation of customer relationships according to IFRS.

In the fourth quarter of 2011 we fully repaid the outstanding bank loan, reducing the Group's **debt** from CHF 63.2 million to zero at year-end.

[2] Please refer to Note 14 of GAM Holding AG's Consolidated Financial Statements for details on the adjustment of the carrying value in the investment in associates (Artio Global Investors Inc.).

CONSOLIDATED BALANCE SHEET

	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Cash and cash equivalents	600.1	819.1	-27
Financial investments	118.6	119.5	-1
Investment in associates	76.5	306.3	-75
Other assets	257.3	253.2	2
Goodwill, customer relationships and brand	1,373.2	1,384.9	-1
Total assets	**2,425.7**	**2,883.0**	**-16**
Debt	-	63.2	-100
Other liabilities	326.2	368.1	-11
Total liabilities	**326.2**	**431.3**	**-24**
Share capital	9.8	10.3	-5
Treasury shares	-264.7	-248.2	-7
Other equity components	2,354.4	2,689.6	-12
Total equity	**2,099.5**	**2,451.7**	**-14**
Total liabilities and equity	**2,425.7**	**2,883.0**	**-16**
Tangible equity[1]	726.3	1,066.8	-32

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

DIVIDEND AND CAPITAL MANAGEMENT

Our capital management strategy is based on a firm commitment to deploying our capital in a disciplined manner so as to maximise shareholder value in the long term whilst retaining a strong balance sheet, thereby providing confidence and reassurance to our various stakeholders. Excess capital not required for the organic growth of our businesses or for acquisitions will continue to be returned to our shareholders, either through dividends or the repurchase of our publicly listed shares.

Total equity as at 31 December 2011 amounted to CHF 2,099.5 million. Excluding the GAM goodwill, customer relationships and brand, our **tangible equity** stood at CHF 726.3 million, compared to CHF 1,066.8 million a year earlier. This decrease was mainly due to the reduction in the carrying value of Artio, the increase in our treasury share position and the dividend payment for the 2010 financial year made in the first half of 2011.

The regulatory capital requirements of the Group, calculated by aggregating all of the regulatory requirements of the operating businesses, amounted to approximately CHF 75 million as at 31 December 2011.

DIVIDEND

At the upcoming Annual General Meeting (AGM) on 18 April 2012, the Board of Directors will propose a **dividend** payment of CHF 0.50 per share for the financial year 2011 – the same level as paid for the previous financial year. This will result in a distribution to shareholders of approximately CHF 88.5 million, the equivalent of slightly over half of our underlying net profit, consistent with our stated dividend policy. The Board of Directors intends to pay this dividend from our significant capital contribution reserves (CHF 1,998.4 million at year-end 2011), making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

TREASURY SHARES

IFRS requires a company that holds its own shares for trading or non-trading purposes to record those shares as treasury shares and deduct them from shareholders' equity.

At year-end 2011, we held 19.2 million shares in treasury (9.8% of shares in issue), compared to 17.9 million a year earlier. As at 31 December 2011, 6.3 million shares were held as an economic hedge in respect of our potential exposure to options granted under the 2009 long-term incentive plan. Unlike the shares repurchased under the buy-back programme, these shares are not due to be cancelled. In addition to these treasury shares, the hedge also consists of a total return swap over 2.7 million of GAM Holding AG's shares, and in total equates to 4.6% of shares in issue.

The remaining 12.9 million treasury shares (6.6% of shares in issue) are due to be cancelled at the 2012 AGM, subject to shareholder approval. They include 8.9 million shares repurchased under our ongoing share buy-back programme, as well as 4 million shares originally bought to hedge the potential exposure from the 2009 long-term incentive plan and now transferred into the buy-back programme.

CURRENT SHARE BUY-BACK PROGRAMME 2011 – 2014

At the April 2011 AGM, shareholders approved a new share buy-back programme for the purpose of capital reduction. The programme authorises the repurchase of up to a maximum of 41.3 million shares for subsequent cancellation and is scheduled to run for a maximum period of three years. While its introduction creates additional flexibility in the management of the Group's capital, the Board of Directors remains firmly committed to maintaining a strong balance sheet and to its ambitions to expand the Group through organic growth or targeted acquisitions should compelling opportunities arise.

We initiated share buy-backs under the new programme over a second trading line at the SIX Swiss Exchange starting on 9 May 2011 and, by the end of December 2011, had re-purchased approximately 8.9 million shares at an average price of CHF 13.48, representing a total value of CHF 120.6 million. Shareholders will be asked at the upcoming AGM on 18 April 2012 to approve the cancellation of these shares, along with 4 million shares transferred from the treasury holdings designated as a hedge for employee options. As stated in March 2011, buy-backs are mainly funded from capital contribution reserves, making the programme more attractive to both institutional and private shareholders than traditional repurchase schemes.

TREASURY SHARES

	31.12.2011	31.12.2010
Total shares issued	**196,300,000**	**206,630,756**
Treasury shares held as hedge for employee options[1]	-6,290,910	-7,563,832
Treasury shares bought back for cancellation (2010 programme)	-	-10,330,756
Treasury shares bought back for cancellation (2011–2014 programme)[2]	-12,945,000	-
Total shares outstanding	**177,064,090**	**188,736,168**

[1] In addition, the hedge also consists of a total return swap over 2.7 million of GAM Holding AG's shares, and in total equates to 4.6% of shares in issue.

[2] Includes 4,000,000 shares originally bought as a hedge for employee options and transferred as at 5 December 2011.

STRATEGY AND LONG-TERM INDUSTRY TRENDS

OUR STRATEGY AT A GLANCE

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

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

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

OUR STRATEGY

BUSINESS MODEL : PURE-PLAY, INDEPENDENT ASSET MANAGEMENT GROUP

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

We are organised as a financial holding company comprised of two largely autonomous operating businesses – GAM and Swiss & Global Asset Management – as well as a 29% stake in Artio Global Investors Inc. (Artio), a US-listed investment manager, which we hold as a financial investment.

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

GROWTH : ORGANIC AND THROUGH ACCRETIVE ACQUISITIONS

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

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

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

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

> WE AIM TO CREATE AN ENVIRONMENT WHERE TALENTED AND MOTIVATED PEOPLE CAN THRIVE. THIS MAKES A REAL DIFFERENCE TO THE WAY WE INTERACT WITH EACH OTHER AND FOSTERS THE STABILITY OUR CLIENTS SEEK.
>
> *STEVEN BRENNAN, GROUP HEAD OF HUMAN RESOURCES, GAM HOLDING AG*

CORE BUSINESS : ACTIVE ASSET MANAGEMENT

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

Each business distributes its products under well-established brands, with a clearly articulated value proposition. Each has its own investment management, distribution, sales and marketing, legal and compliance and support functions. At a Group level, this creates additional flexibility and diversification benefits, by maximising our reach to clients and increasing the breadth of our investment capabilities. Where it offers tangible benefits to the core business activities, certain operational functions may be leveraged across the two businesses – as, for instance, in their shared IT infrastructure.

PRODUCT, CLIENT SERVICE AND DISTRIBUTION STRATEGY

Each of our businesses has a highly diversified product offering designed to appeal to a wide range of client segments such as institutions, wholesale intermediaries and private investors, and to mitigate as far as possible the impact of cyclical fluctuations in financial markets and investor demand.

For an asset manager without a captive distribution arm, having a strong sales network is critical to success. Both GAM and Swiss & Global Asset Management have established a competitive presence in their target markets, some of which have been core to their businesses for many years. This gives them the capability to expand into new and developing markets, either by establishing a local presence or by choosing high-quality distribution partners, without the conflicts or tensions that come from being part of a broader financial institution. Every market entry opportunity is evaluated against the client servicing standards we set for ourselves – such as the ability to provide value-added support through our sales forces and rapid access to product experts and specialists.

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

EMPLOYEES

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

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

RESPONSIBLE BUSINESS PRACTICES

Responsible business behaviour is driven by long-term thinking. As a company, we need to meet our obligations towards our main stakeholders: our clients, employees and shareholders. If we take our fiduciary responsibility towards our clients seriously, protecting and enhancing the value of their investments, and if we treat them and our employees fairly, we will be able to safeguard our reputation and create sustainable value for our shareholders over the long term.

We are convinced that a commitment to strong business practices starts at the top and goes beyond boilerplate statements. Our management teams aim to foster a working environment where members of staff – at all levels – are encouraged to act with integrity, accountability and in the best interests of the Group. This, in turn, is reflected in our structures, processes and internal policies, whether they relate to the oversight of risk, conflicts of interest or our dealings with clients and business partners.

INDUSTRY TRENDS[1]

MARKET SIZE : GROWTH OF GLOBAL FINANCIAL ASSETS

We are convinced that the asset management industry offers attractive long-term prospects. Financial assets held by institutional investors, corporations, sovereign wealth funds and individual households worldwide will continue to grow over the next decade.

Growth will likely be strongest in emerging economies, but developed markets – the US, Canada, Western Europe, Japan, Australia, New Zealand and developed Asian economies – will continue to hold the bulk of the world's financial assets and provide the largest pools of institutional money. As a consequence, these mature markets with their ageing populations and need for improved retirement saving solutions – a need further exacerbated by the financial market and economic developments experienced since 2008 – will continue to present attractive opportunities. This will be reinforced by an increase in private sector savings and the trend towards funded, defined-contribution pension solutions.

Emerging economies, on the other hand, with their growth in private wealth and nascent financial markets, offer significant untapped potential for professional asset managers. However, barriers to entry for foreign providers are expected to remain high. We believe that changes in regulation and economic policy, which could drive the emergence of a substantial institutional investor class, and a shift in private investors' preference from local to foreign financial services providers, are unlikely to occur in the short term, making the attempt to build a meaningful share in these markets potentially quite costly.

CLIENT DEMAND : VOLATILITY OF PRIVATE INVESTOR FLOWS

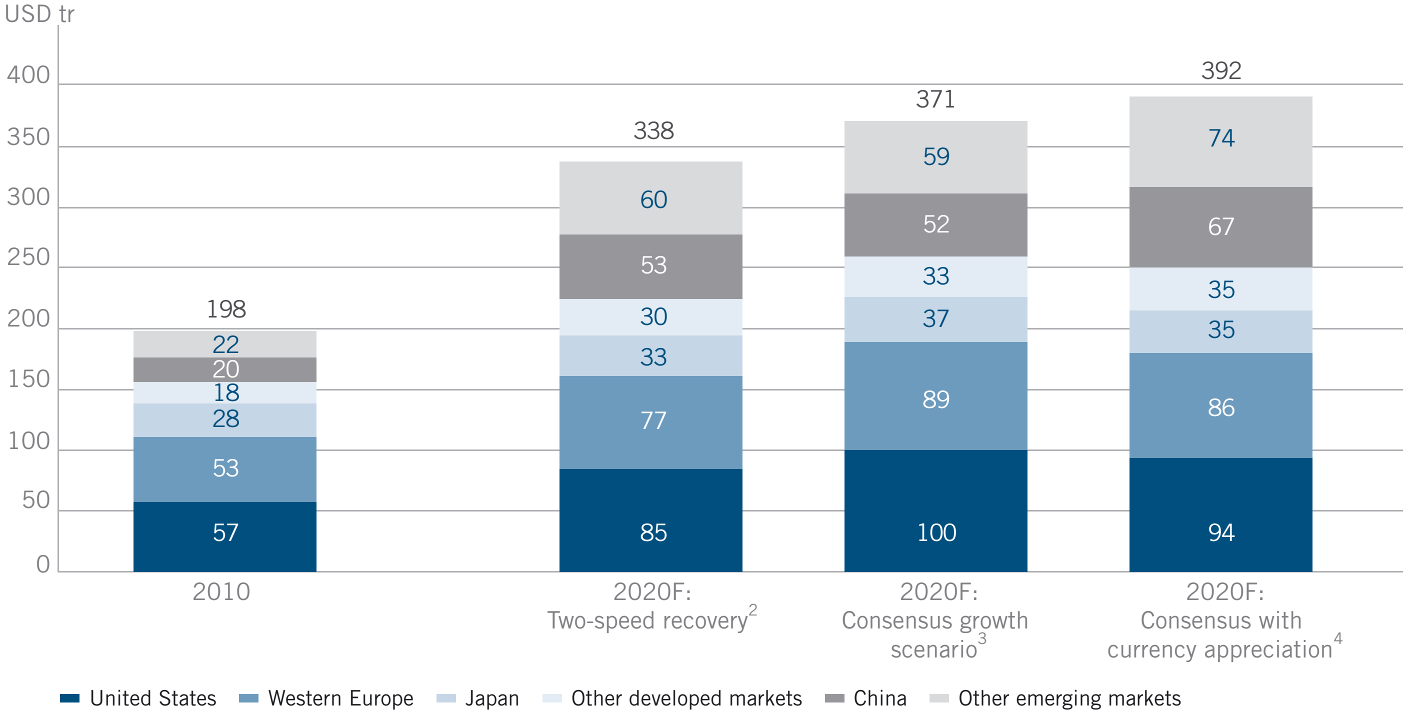
The investment activity of private individuals is driven primarily by the performance of their own investments and financial markets in general, as demonstrated in particular in 2011. Therefore, asset flows into mutual funds will continue to be subject to cyclical fluctuations as long as volatility persists. This behaviour causes accelerated outflows from perceived 'riskier' assets during extended market downturns, and highly concentrated inflows into a limited number of strongly performing funds. Maintaining a broad range of products across asset classes and investment styles is therefore an important prerequisite for an asset manager who wants to pursue consistent and sustainable growth through a successful rotation of products in wholesale distribution. According to research from Morgan Stanley[2], wholesale distributors will also look to further narrow their focus on third-party providers in order to simplify their offerings through a 'guided architecture' approach and to achieve more advantageous conditions for themselves. This will benefit global providers with broad product offerings, strong brands and the ability to support client servicing needs across different markets.

In addition, protracted competition from bank deposits at the expense of investments into mutual funds cannot be fully excluded, especially if funding pressures on the banking sector persist. This is the case particularly in Continental Europe, where distribution is dominated by retail banks.

In contrast, flows from institutional investors are less sensitive to market fluctuations. Institutional investors have also demonstrated more resilient demand for alternative investment strategies across market cycles, including funds of hedge funds. If a provider can satisfy this segment's stringent requirements, invested assets tend to be relatively stable even through market downturns and periods of

[1] For a detailed disclosure of the risks to which our Group is exposed, please refer to Note 4 of GAM Holding AG's Consolidated Financial Statements.
[2] Morgan Stanley, Global Asset Managers – How asset managers grow in a low return world, 10 November 2011.

FORECASTED GROWTH OF FINANCIAL ASSETS : 2010—2020[1]



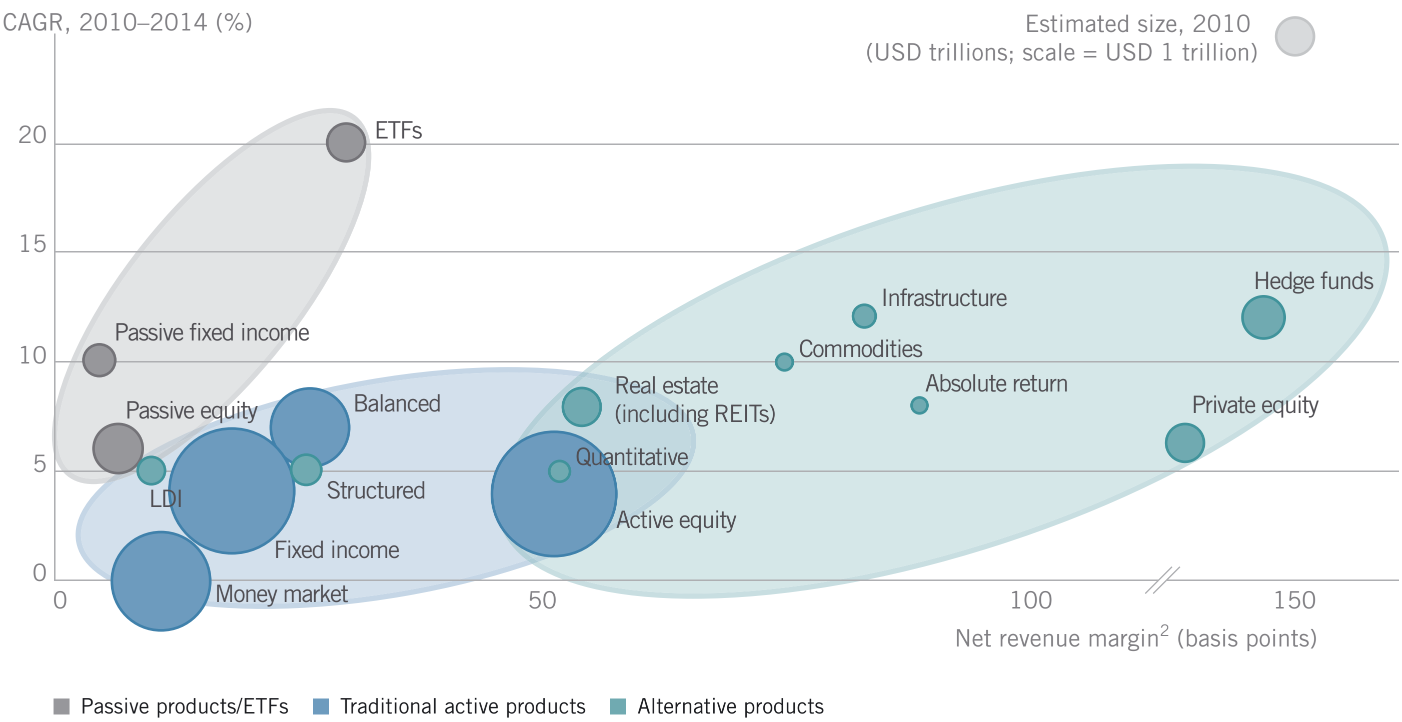
[1] Source: McKinsey Global Institute, December 2011. [2] Rapid growth in emerging markets but low growth through 2015 in mature economies.
[3] Measured in 2010 exchange rates. [4] Emerging markets' currencies appreciate vis-à-vis the US dollar.

underperformance. This, along with their dominant market share in the asset pools of developed economies, makes institutions a very attractive client group for active asset managers. It allows such managers to compete successfully based on longer-term performance track records, demonstrated risk management skills, the depth and tenure of their investment teams and their corporate reputation. We believe, however, that intermediation through investment consultants in the most significant pension fund markets will continue to increase, making selection processes even more demanding and creating longer lead times before mandates are awarded. Regulatory pressure and political scrutiny of institutions will also continue to make client relationships more demanding, favouring asset managers who can provide tight, compelling investment propositions and customised solutions accompanied by advanced risk management tools.

ASSET ALLOCATION : DISPLACEMENT OF TRADITIONAL MUTUAL FUNDS

Since the 2008 financial crisis, mutual fund sales in Europe have increasingly followed the pattern already seen in the US, whereby substantial investments in equities are made through low-cost passive index funds and exchange-traded funds (ETFs). These investments, however, are complemented by equally dynamic allocations to strongly performing active funds and alternative strategies. This reflects an approach, applied by institutions both in the US and in most European markets, aimed at the protection of capital across periods of market volatility without sacrificing asset growth, and employed especially among pension funds which are under pressure to meet future liabilities. We believe this dynamic will become even more pronounced across investor segments,

GROWTH BY PRODUCT TYPES : 2010—2014[1]



LDI = Liability-driven investment

[1] Source: The Boston Consulting Group, Global Asset Management Report, July 2011. [2] Management fees net of distribution costs.

leading to a polarisation of growth opportunities in the low-cost ETF sector on the one hand and in differentiated, highly active strategies on the other. This will increase pressure on the historically dominant traditional mutual funds with little active investment content. At the same time, demand in the alternative space, especially from institutions, will focus on top-tier hedge funds with controlled beta and volatility, as well as reassuringly robust infrastructures, making fee levels for these market participants fairly resilient for many years to come.

In addition, demographic developments in mature economies in Europe as well as the US will continue to fuel the demand for fixed income investments from both individuals and pension funds. However, as a reaction to concerns over sovereign debt, passive fixed income strategies may come under increasing pressure, further fuelling the growth of actively managed absolute return strategies.

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

According to a survey by The Boston Consulting Group[3], European institutional investors also indicated that emerging market equities and debt as well as corporate credit, especially in Asian

[3] The Boston Consulting Group, Global Asset Management Report, July 2011.

emerging markets, were their top choices in terms of asset allocation. To meet ambitious return targets, both individuals and institutions will need to look to areas where GDP growth is most rapid, which means focusing on the most promising countries and companies in developing economies. We believe these are long-term trends which will continue to make the emerging market theme a core element in the offerings of successful investment houses. The key to establishing credibility will be to identify sources of return commensurate with risk and to find attractively valued investment opportunities in both equities and fixed income markets. This makes emerging markets a compelling source of alpha opportunities and a natural field in which active managers can assert their strengths.

Finally, we do not believe that the growing ETF market is exclusively a domain for passive investment. Actively managed ETFs make it possible to combine the multiple advantages of an ETF structure – cost efficiency, transparency, liquidity and real-time pricing – with investment management expertise, and may offer an interesting growth opportunity for innovative market participants with good time-to-market. Although a nascent category, according to McKinsey[4] projections, actively managed ETFs could reach USD 600 billion in assets under management by 2015.

REGULATION : GROWING INDUSTRY COMPLEXITY

We believe that financial market regulation represents much more than just an additional compliance burden. With its effect on products, services and market structures, it can have a profound influence on strategy development in our industry. If approached strategically, regulation may create revenue opportunities that – over the medium term – have the potential to offset the immediate costs of compliance. Asset management groups with an established, scalable infrastructure and proven experience in dealing with multiple regulatory regimes are generally well-equipped to take advantage of growing industry complexity.

Some of the key regulatory initiatives affecting our businesses are described below.

AIFMD and CISA

The European Alternative Investment Fund Managers Directive (AIFMD) is to be implemented with effect from 2013, with local implementation rules still being developed. It is targeted at fund management companies and their products not subject to the UCITS directive, and will cover the distribution of alternative funds and the operations of fund management companies that manage and/or market them within the EU. The directive will include structural rules on the separation of risk management, front office and valuation activities, and calls for increased liability of depositaries. In terms of reporting, it will require additional disclosure and transparency for the offering.

Together with UCITS IV, the AIFMD has the potential to remove some of the remaining barriers to a single EU market for investment products, although it will require non-EU jurisdictions to support these regulatory efforts in order to make the harmonisation effort fully effective. In Switzerland, the government has developed a proposal to amend the Swiss Collective Investment Schemes Act (CISA) in order to bridge the gap to the AIFMD and bring local regulation in line with UCITS IV. Under the draft regulation which is expected to be finalised by mid-2012, all Swiss managers and distributors of foreign collective investment schemes (CIS) will be subject to supervision by the Swiss Financial Markets Supervisory Authority (FINMA). The definition of 'qualified investors' eligible for certain investments is also proposed to be changed to exclude individuals with financial investments of less than CHF 2 million who have entered into a discretionary management agreement with an asset manager. Other proposed amendments include the requirement for foreign CIS distributed in or from Switzerland to nominate a Swiss representative and additional requirements for custodian banks.

RDR and MiFID II – dealing with market structures and investor protection

The Retail Distribution Review (RDR) will be effective in the UK from 2013, targeting the following three objectives: a clearer description of services for consumers, increased transparency of industry charges and consistent professional standards amongst

[4] McKinsey & Company, Growth in a time of uncertainty – The asset management industry in 2015, November 2011.

Scott Sullivan : Group General Counsel, GAM Holding AG

independent financial advisers (IFAs). While this will increase the qualification requirements of IFAs, it will also ban commission fees for IFAs in favour of a negotiated fee for advice, changing the rules of fund distribution in the UK and creating a stronger focus on product quality and investment performance.

The European Markets in Financial Instruments Directive (MiFID) II, published in late 2011, also anticipates a ban on retrocession payments to distributors of certain asset management products. At the current stage of the process, however, it remains unclear to what extent these provisions will be included in the final version of the regulation. Other changes will focus mainly on disclosure requirements.

FATCA – disclosure and withholding regime for non-US financial institutions

The Foreign Account Tax Compliance Act (FATCA) is a US law aimed at foreign financial institutions (FFIs) and other financial intermediaries. It comes into effect in 2013 and is designed to prevent tax evasion by US citizens and residents through the use of offshore accounts. Under FATCA, an FFI may enter into an agreement with the US tax authorities requiring it, among other things, to report information on its US accounts. If an FFI does not enter into such an agreement, all relevant US-sourced payments, such as dividends and interest paid by US companies, will be subject to a 30% withholding tax. The same 30% withholding tax will also apply to gross sale proceeds from the sale of relevant US property.

Regulation affecting other parts of the financial services industry – impacting offerings and business models

In addition to regulation affecting our sector directly, we keep a close eye on upcoming rules impacting other parts of the financial services industry. Solvency II, for instance, affects our clients in the European insurance sector, altering the attractiveness of specific asset classes, such as equities, long-dated credit exposures and lower-rated debt. In order to be able to maximise risk-adjusted returns, insurers are likely to demand more sophisticated risk modelling and portfolio construction services from their asset management providers.

Regulation has led to higher capital requirements for financial services conglomerates. While asset management divisions are low consumers of capital and offer the potential to generate attractive returns on equity, more troubled banks and other financial conglomerates could still end up divesting in order to meet Solvency II and Basel III requirements. In the US, the Volcker rule introduces more stringent rules for proprietary trading and certain asset management activities, leading to structural changes. It is part of the Dodd-Frank Act, which is designed to reduce the systemic risks arising from the banking sector. While the implications of these changes are far from clear, they may create growth opportunities for pure-play asset management firms – through acquisitions, hiring of select teams or potential partnership agreements.

OUR HISTORY

2009 : GAM HOLDING AG

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

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

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

2009

SWISS & GLOBAL ASSET MANAGEMENT | GAM

2005

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

1999

GAM acquired by UBS

1996

Baer Holding Ltd. renamed Julius Baer Holding Ltd.

1983

GAM founded by Gilbert de Botton

1980

IPO of Baer Holding Ltd.

1890

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

OPERATING BUSINESSES : GAM

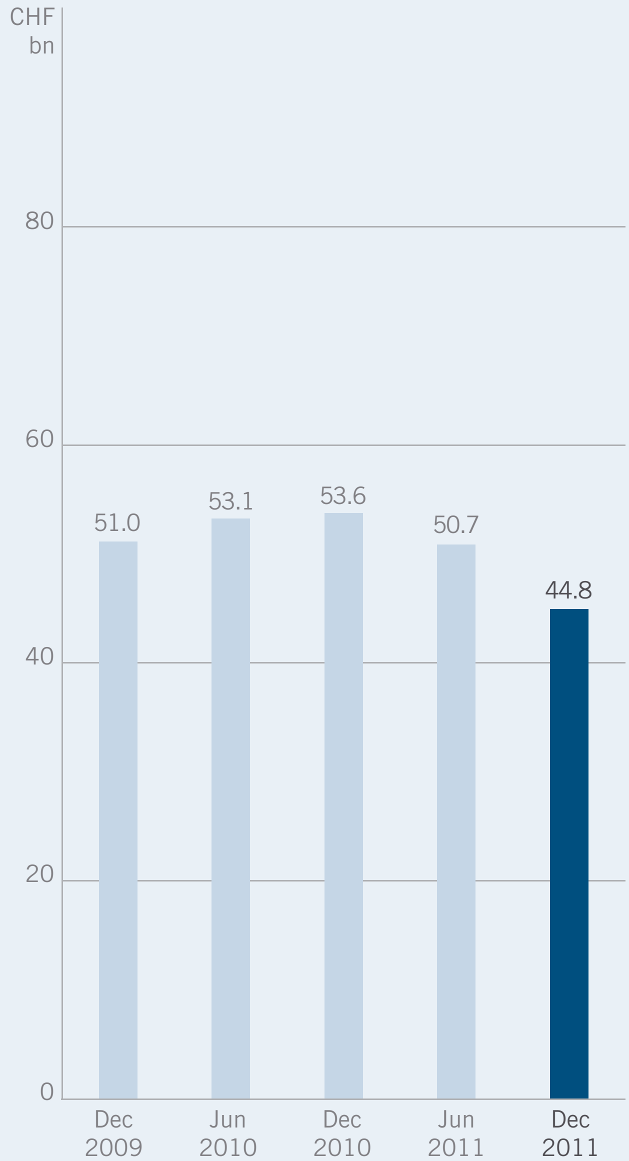
SNAPSHOT 2011

- **Assets under management** (AuM) negatively impacted by net new money outflows, market declines and – to a lesser extent – adverse currency movements
- **Net new money** (NNM) outflows of CHF 4.9 billion: client investments restrained given politically dominated uncertainty
- Mid-term **NNM growth target** rate of 6–10% of AuM achievable, subject to normalisation of investor activity
- **Pre-tax profit** of CHF 110.6 million, down 24% from 2010 mainly due to lower management and performance fees, partly offset by reductions in expenses
- **Gross margin** of 72.1 basis points, below expected medium-term run rate of 73–80 basis points
- **Cost/income ratio** of 69.2%, above target range of 60–65%
- Long-term **performance track record** remains strong, with 76% of AuM in strategies outperforming their benchmark over a three-year period

STRATEGIC INITIATIVES

- Broadening of single manager fund range
- Expansion of successful fixed income franchise
- Leverage of hedge funds selection capability with focus on customised mandates for institutions
- Development of multi-asset class product range for independent financial advisers in the UK

GAM : TOTAL AUM : CHF 44.8 BN



AS OF 31 DECEMBER 2011

OPERATING BUSINESSES : SWISS & GLOBAL ASSET MANAGEMENT

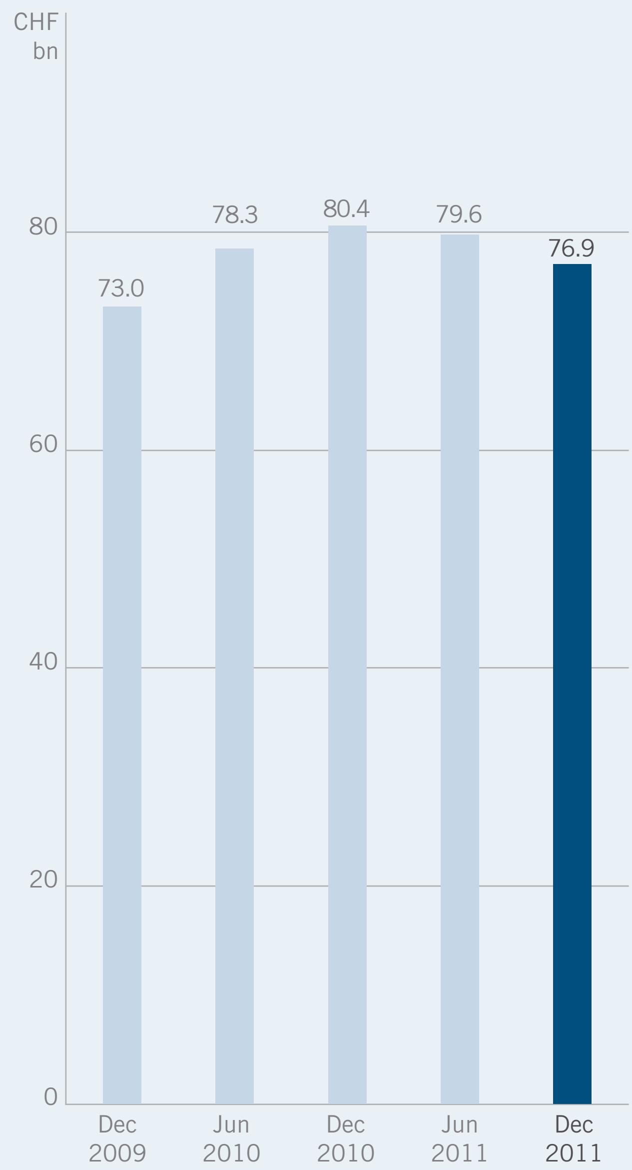
SNAPSHOT 2011

- **Assets under management** (AuM) negatively impacted by market declines and – to a lesser extent – adverse currency movements
- **Net new money** (NNM) inflows of CHF 0.4 billion with robust contribution from physical precious metal funds
- Mid-term **NNM growth target** rate of 8–12% of AuM achievable, subject to recovery of investor confidence
- **Pre-tax profit** of CHF 104.5 million, up 5% year-on-year
- **Gross margin** of 27.8 basis points, in line with expected medium-term run rate of 26–29 basis points
- **Cost/income ratio** of 52.5%; 2012 likely to be within target range of 53–58%
- Long-term **performance track record** improved, with 66% of AuM in products outperforming their benchmarks over a three-year period

STRATEGIC INITIATIVES

- Julius Baer-branded funds: ongoing product innovation
- Institutional business: focus on profitable growth
- Private label solutions: expansion into new markets, development of increasingly sophisticated mandates

SWISS & GLOBAL ASSET MANAGEMENT : TOTAL AUM : CHF 76.9 BN



AS OF 31 DECEMBER 2011

GAM

BUSINESS DESCRIPTION

BUSINESS FOCUS

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

Having targeted high-net-worth individuals in our early days, and then having benefited from direct access to the private banking distribution channels of our previous owners (UBS and Julius Baer), during the past few years we have established an effective global distribution network. In particular, we have made substantial progress in finding new sources of asset growth from institutional clients and from a wider spectrum of discretionary and advisory money managers and selectors globally. Our client base is now diversified across a range of investors that includes institutions and intermediaries – which together account for 78% of assets – as well as private clients and charities. As a result of our efforts to expand our wholesale business, today we have around 1,000 distribution agreements globally.

The breadth of GAM's investment capabilities is the result of our long-established expertise in identifying investment talent from across the asset management industry. Having pioneered the open architecture approach in the 1980s, we continue to use our manager selection skills to find and recruit the world's finest investment talent for our clients, working both with in-house and independent associated investment specialists. We are the exclusive distributor for some of the industry's leading managers, many of whom are attracted to GAM by its reputation for excellence, its performance-driven boutique culture, its global distribution network and its operational infrastructure.

GAM's investment philosophy is founded on an active approach to managing client assets and avoiding the pitfalls inherent in a short-term perspective. We foster a culture of independent thinking and innovation, where managers are free to invest according to their own individual philosophies and styles. They seek to generate alpha through conviction investing, which means their positions are often non-consensus. They can be indifferent to short-term index comparisons and take carefully controlled risks in order to deliver differentiated performance. Rigorous risk management and portfolio monitoring are a critical part of this process, and we therefore invest heavily in our risk analysis and modelling systems as well as in due diligence.

An environment that is conducive to outperformance plays an important role in supporting our results. Our operational infrastructure and ensuring our investment managers receive the highest levels of support and are able to focus solely on performance are key elements of our business strategy.

GAM employs over 750 staff based in eight locations globally, including London, Zurich, Dublin, New York and Hong Kong. Our small Dubai office was closed in 2011, as the business activities targeting important Middle Eastern clients, particularly sovereign wealth funds and family offices, have been relocated to the London head office.

PRODUCTS AND SERVICES

We offer clients access to directional equity, single manager absolute return, directional fixed income, portfolios of hedge funds and multi-asset class strategies. We have approximately 15 in-house investment teams, complemented by a similar number of funds managed by specialist third-party managers.

Our **equity** offering includes active, regional and thematic funds, our **fixed income** range incorporates developed and emerging markets as well as specialist mandates like insurance-linked securities, whilst our **absolute return** mandates comprise macro/managed futures and fixed income strategies.

> INSTITUTIONS, WITH THEIR REQUIREMENT TO INVEST ONLY IN THE WORLD'S BEST HEDGE FUNDS, ARE AN EXTREMELY IMPORTANT GROWTH DRIVER FOR US. WE UNDERSTAND — AND CATER DIRECTLY TO — THEIR NEED FOR CUSTOMISED PORTFOLIOS.
>
> *DAVID SMITH, CHIEF INVESTMENT DIRECTOR, GAM MULTI-MANAGER*

GAM : PRODUCT RANGE

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

Our **multi-manager** investment team, which invests in approximately 150 carefully screened external hedge funds, seeks to deliver absolute returns uncorrelated to traditional assets across a range of multi-strategy, single-strategy and specialist portfolios of hedge funds, including bespoke portfolios for institutional clients.

Our multi-asset class investment team, with its expertise in asset allocation and strategy selection, provides solutions for private clients, their advisors and charities, via both **discretionary management and advisory portfolios**. The range includes absolute return, relative return, specialised and thematic strategies, invested across both GAM and third-party products.

We seek to cater to a broad spectrum of jurisdictional and regulatory requirements by offering our strategies in a range of structures – primarily regulated products such as UCITS and open-ended investment companies (OEICs) together with offshore funds and segregated mandates.

STRATEGIC INITIATIVES

DIVERSIFICATION AND BROADENING OF FUND RANGE

Private and institutional demand has shifted considerably towards direct access to high-quality absolute return funds, thereby avoiding traditional intermediation via funds of funds. The quality and breadth of our fund offering is therefore critical to our ability to gain market share in both institutional and wholesale channels.

In the more traditional equity arena, in 2012 we will continue to develop our range of single manager strategies with a particular focus on the expansion of products managed by in-house teams. In late 2011, for instance, we hired an emerging market specialist team which is expected to launch a new actively managed equity fund in the first quarter of 2012.

> THE MARKETPLACE FOR PRIVATE INVESTING IS CHANGING, CREATING NEW OPPORTUNITIES FOR US TO USE OUR ASSET ALLOCATION EXPERIENCE AND INVESTMENT IDEAS.
>
> *GRAHAM WAINER, GLOBAL HEAD OF PRIVATE CLIENTS & PORTFOLIO MANAGEMENT, GAM*

Private clients and certain institutions are increasingly considering UCITS funds as a means of accessing alternative strategies. In 2011, the value of our alternative UCITS range grew from approximately USD 1.8 billion to around USD 2.1 billon, making us one of the leaders in this field. The regulated onshore market thus remains a core growth area for our absolute return as well as our enhanced long-only strategies, especially as the requirements of UCITS play to GAM's core strengths. Our due diligence expertise, commitment to liquidity and transparency, strong operational infrastructure and reporting capabilities make us ideally suited to onshore investing. In 2011, we extended our range of UCITS funds, with one of the most notable additions being a fund investing in insurance-linked securities. The fund is managed by an external manager with an outstanding track record and offers returns independent of capital markets. We also added an equity fund focused on 'quality' companies well-positioned for a low-growth environment and two funds investing in equities of growing emerging market economies.

To drive the extension of our alternative single manager offering we are also using our long-standing expertise in assessing hedge fund strategies. Our experience in making dynamic allocations across asset classes, together with the proprietary systems we have developed to aggregate and analyse the drivers of risk and return in hedge fund portfolios, have allowed us to develop new products. In particular, these aim to satisfy the needs of clients who seek the dual benefits of multiple asset class exposures offered by actively managed multi-strategy investments on the one hand, and the daily liquidity and high transparency of regulated onshore funds on the other. The latest product of this type received regulatory approval in early 2012 and will be offered in collaboration with Barclays Capital, the investment banking division of Barclays Bank PLC. The fund will seek to deliver consistent Libor-plus returns with low volatility and low equity correlation through active, discretionary allocation to approximately 20–30 of Barclays investable indices.

Bolt-on acquisitions of third-party investment teams or companies – such as the acquisition of Arkos expected to be completed in the first half of 2012 – will continue to be considered where they might complement and enhance our existing capabilities, for example through the addition of specialised talent or new investment areas.

Cooperation with external managers – one of our traditional strengths stemming from our experience in manager research and selection – will remain a core part of our product strategy. In addition, this approach enables us to offer our clients strategies run by managers who prefer to remain independent, increasing our flexibility to adapt to rapidly evolving market dynamics and cyclical periods of investor demand and product performance. These arrangements allow us to leverage our operational, sales and marketing infrastructure and to capitalise on the attractiveness of the GAM brand.

CONTINUED EXPANSION OF SUCCESSFUL FIXED INCOME FRANCHISE

GAM's fixed income capability – which was added in 2009 with the acquisition of the former Augustus Asset Managers Ltd. – has proven to be highly attractive during the recent market turmoil, when clients were shunning traditional assets perceived to carry greater risk. Building on the success of our large absolute return, emerging market and global rates hedge products, in 2011 we expanded our range to include a dynamic global bond strategy, following the launch of an onshore version of our convertible bond fund offering. We added a US-based corporate credit investment team, while also exploring other areas for development.

In 2011, we made meaningful progress in penetrating the US and UK institutional marketplace with our fixed income offering. In particular, our absolute return multi-strategy fixed income product continues to gain institutional recognition. As more clients recognise the need for and the value of an actively managed portfolio of instruments across the fixed income spectrum, this remains a key area of focus for us in 2012.

LEVERAGE OF HEDGE FUNDS SELECTION CAPABILITY

GAM has always employed a very broad and detailed investment process to select and screen external hedge funds. This has enabled us to avoid becoming entangled in fraud cases and industry scandals and to maintain our liquidity commitments at all times. This high-quality approach has kept us on the map with institutional clients, and to a certain extent has offset the simultaneous decline in demand for offshore funds of funds structures from private clients – a trend we expect to continue. As a consequence, we are streamlining our offering of commingled funds, focusing on strategies with the biggest appeal for investors such as trading/macro and event-driven strategies, and concentrating on developing our institutional offering. Over the last four years, we have made good headway in raising our profile with US and European pension fund advisors and consultants, the key gatekeepers in this market. Today, institutions such as pension funds, public bodies and endowments represent the majority of the assets in our multi-manager portfolios, and their need for customised solutions and segregated accounts remains an important growth driver. Typically, these clients require bespoke strategies aligned with their specific risk requirements, seek low correlation to traditional asset classes, and make sizeable investments with a longer-term view than private clients.

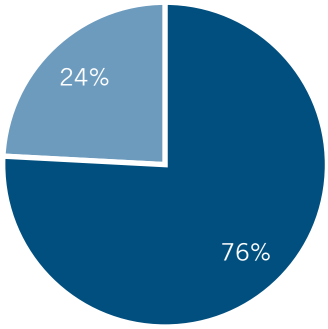
We continue to invest heavily in the portfolio construction and advisory capabilities of our multi-manager team in order to better support our institutional sales efforts worldwide, in particular in the US. At the same time, we have continued to develop our internal technology platform which provides an intuitive fund selection tool with a comprehensive view across all the world's hedge funds, driven by a substantial proprietary research database. This database has been developed during our 20 years of experience in the funds of hedge funds business, without reliance on third-party providers. The platform also incorporates and facilitates GAM's real-time portfolio construction approach and its risk-monitoring process. For 2012, we plan to significantly improve the reporting functionality for institutional clients and their segregated mandates.

EVOLUTION OF MULTI-ASSET CLASS PRODUCT RANGE

We continue to support our relationships with our historic private banking partners, whilst pursuing the build-out of our direct distribution capabilities to high-net-worth individuals through further expansion of our multi-asset class investment ideas. This initiative leverages our strategy selection skills, asset allocation skills and strength in tailored client servicing in order to capture emerging growth opportunities in the broader marketplace for private investment. In 2011, we launched a discretionary fund management (DFM) service targeting the requirements of independent financial advisers (IFAs) in the UK. This market is expected to evolve significantly as a consequence of regulatory changes such as the Retail Distribution Review (RDR). This development provides impetus for IFAs to offer their clients discretionary portfolio management services which are outsourced to high-quality providers such as GAM, rather than continue to select and construct their own portfolios.

As part of this service, we work closely with IFAs to understand their clients' financial objectives, risk preferences and investment time horizons. We offer them either customised portfolios run by dedicated GAM portfolio managers or access to a range of specifically designed model portfolios covering different risk profiles, giving the IFAs and their clients cost-effective access to selected in-house and external fund managers. In early 2012, we have added relevant resources and skills to the business to develop this opportunity. Later this year, we will be looking to potentially leverage these newer ideas and strategies into client channels outside of the UK.

GAM : PERFORMANCE OF STRATEGIES AGAINST BENCHMARKS OVER 3 YEARS



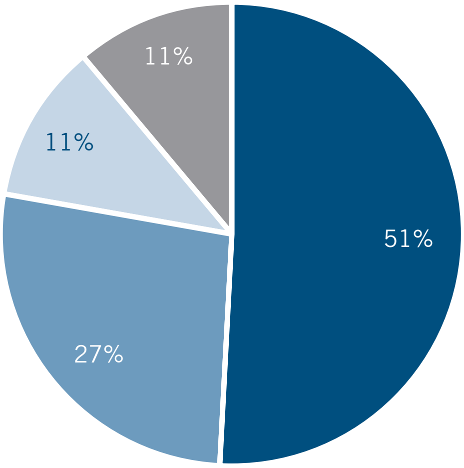
- Strategies outperforming their benchmarks (% of AuM[1])
- Strategies underperforming their benchmarks (% of AuM[1])

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

AS OF 31 DECEMBER 2011

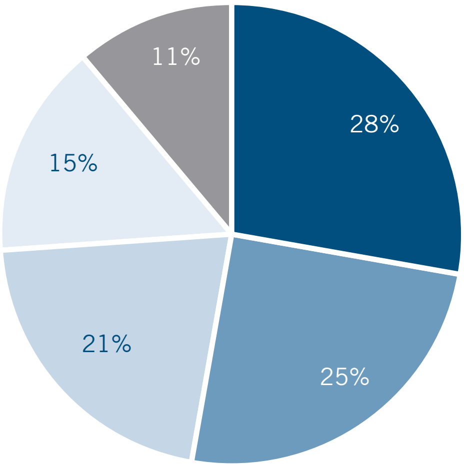
> WE'VE EXPANDED OUR SINGLE MANAGER FUND RANGE, REFLECTING THE INCREASING DESIRE OF INVESTORS TO ACCESS HIGH-QUALITY ABSOLUTE RETURN STRATEGIES.
>
> *CRAIG WALLIS, GLOBAL HEAD OF INSTITUTIONAL & FUND DISTRIBUTION, GAM*

GAM AUM CHF 44.8 BN, BY CLIENTS : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Wholesale fund distribution	51%	52%
Institutional clients	27%	22%
Private clients	11%	13%
Discretionary & advisory portfolios	11%	13%

GAM AUM CHF 44.8 BN, BY PRODUCTS : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Absolute return single manager	28%	26%
Fixed income	25%	22%
Equity	21%	22%
Multi-manager	15%	17%
Discretionary & advisory portfolios	11%	13%

> OUR CLIENTS, ESPECIALLY INSTITUTIONS, HAVE EXTREMELY EXACTING STANDARDS REGARDLESS OF THE MARKET ENVIRONMENT. SO DO WE. THAT'S WHY WE DO NOT COMPROMISE ON THE QUALITY OF OUR SYSTEMS.
>
> *ANDREW HANGES, GLOBAL HEAD OF OPERATIONS, GAM*

2011 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

GAM's **assets under management** were CHF 44.8 billion as at 31 December 2011, down from CHF 53.6 billion a year earlier. The negative effect of market performance contributed CHF 3.2 billion to this decline, and currency movements had an adverse impact of CHF 0.7 billion.

For 2011, GAM recorded **net new money** outflows of CHF 4.9 billion, compared to net inflows of CHF 5.9 billion achieved in 2010, as client investments were restrained and not sufficient to counteract redemptions in various asset classes.

After positive net new money results in the first half of the year, we experienced a marked slowdown in gross inflows after the beginning of the third quarter – in particular from wholesale intermediaries – reflecting widespread risk aversion and investors' reaction to subdued performance. In addition, the uncertain macro environment led to a sell-off of liquid assets globally, which affected our funds as well. While the withdrawals we experienced were not concentrated in particular strategies and, on an individual level, were not significant, the overall impact was negative. Nevertheless, we saw encouraging and robust inflows in alternative products, particularly in our macro/managed futures and our fixed income emerging markets strategies. Net new money inflows from institutions also held up well, as divestments of certain long-only mandates were more than offset by inflows in alternative single and multi-manager strategies.

The reduced reliance on our historic private banking partners, demonstrated by the fact that almost all gross inflows in 2011 were generated with other distributors or institutional clients, highlights our progress in building a solid, diversified business. A return to healthy net new money inflows, in line with our mid-term target growth rate of 6–10% of assets under management, will depend on a normalisation of investor engagement and client activity.

FINANCIAL RESULTS

GAM's **operating income** in 2011 was CHF 359.3 million, 24% lower than in 2010. Net fee and commission income fell by 12%, reflecting a reduction in average assets under management from CHF 53.9 billion in 2010 to CHF 49.8 billion in 2011 and the negative impact from average foreign exchange movements in 2011. Performance fees were also markedly down, from CHF 83.7 million to CHF 18.1 million, as the performance of our fixed income products softened in 2011.

GAM's **gross margin** decreased by 15.2 basis points to 72.1 basis points as a result of lower performance fees, and was slightly below our anticipated medium-term run rate of 73–80 basis points. Excluding performance fees, the gross margin for 2011 was 68.5 basis points, 3.2 basis points lower year-on-year. This development reflects the evolving composition of our asset base, with a relative increase in the average assets invested in funds managed by GAM and distributed by Swiss & Global Asset Management. As management fees for these funds are shared between the two businesses, this reduces the gross margin of GAM but increases that of Swiss & Global Asset Management.

Operating expenses fell by CHF 75.4 million (23%) to CHF 248.7 million. Personnel expenses declined by 22% in 2011, reflecting lower levels of variable compensation. Discretionary bonuses were reduced in line with business results, and contractual-based compensation to our investment professionals fell due to the weakening of management and performance fees. In addition, the accounting impact of the options awarded under the long-term incentive plan introduced for all Group employees in late 2009 declined year-on-year, in line with the vesting schedule of the awards. Personnel levels rose slightly, from 757 employees at year-end 2010 to 766 on 31 December 2011. General expenses were 29% lower, driven by lower levels of provisions and helped by declines across most cost categories. Since GAM incurs some of its operating expenses in British pounds, it also benefited from the pound's weakening against the Swiss franc over the course of the year.

GAM's **pre-tax profit** fell 24% year-on-year to CHF 110.6 million. The **cost/income ratio** for 2011 was 69.2%, compared to 68.9% in 2010. Over the medium term and with a return to a sustainable pattern of asset growth, we believe that the operating leverage from GAM's scalable infrastructure should allow us to reduce the cost/income ratio to levels more in line with our target range of 60–65%.

GAM : KEY FIGURES[1]

	2011 CHF M	2010 CHF M	CHANGE IN %
Net fee and commission income	324.6	367.2	-12
Performance fees	18.1	83.7	-78
Other operating income	16.6	19.4	-14
Operating income	**359.3**	**470.3**	**-24**
Personnel expenses	195.8	250.6	-22
General expenses	47.4	67.2	-29
Depreciation and amortisation	5.5	6.3	-13
Operating expenses	**248.7**	**324.1**	**-23**
Profit before taxes	**110.6**	**146.2**	**-24**
Assets under management at the end of the period (CHF bn)[2]	**44.8**	**53.6**	**-16**
Change through net new money	*-4.9*	*5.9*	*-183*
Change through market appreciation and currency movements	*-3.9*	*-3.3*	*-18*
Average assets under management (CHF bn)	49.8	53.9	-8
Gross margin (basis points)	72.1	87.3	-
Cost/income ratio	69.2%	68.9%	-
Pre-tax margin (basis points)	22.2	27.1	-
Number of full-time employees at the end of the period	**766**	**757**	**1**

[1] Excludes the amortisation of customer relationships of CHF 11.6 million for 2011. Please refer to Note 10 of GAM Holding AG's Consolidated Financial Statements for a breakdown of segmental reporting.
[2] Included in GAM's assets under management, on a single-count basis, are assets sourced from **UBS** of **CHF 3.7 billion** (31.12.2010: CHF 5.5 billion) and from **Julius Baer** of **CHF 1.4 billion** (31.12.2010: CHF 2.2 billion).

INVESTING FOR THE FUTURE

AN INTERVIEW WITH DAVID M. SOLO

Q WHAT ARE THE BIGGEST CHALLENGES IN TODAY'S MARKET ENVIRONMENT?

A 2011 was dominated by ever-present market uncertainty originating largely from the politically dominated process of working towards a resolution of the European fiscal crisis. In such an environment, with market sentiment changing abruptly and repeatedly, investors were understandably unwilling to engage with most types of market risk on any sustained or meaningful basis. Investment flows thus mirrored the wild swings in sentiment, with top-down index or ETF products being used to execute these trades with a short-term horizon. Such an environment is anathema to research-driven, bottom-up investors, and to successful investing generally. Hence, we faced a dual challenge. First, we had to manage our range of investment mandates to capitalise on the significant value opportunities created by the indiscriminate index-dominated flows while, at the same time, controlling short-term performance, which naturally suffers in such a chaotic period. Second, we had to run the business in a lean and effective manner given the general withdrawal of clients from most asset classes with a greater risk exposure.

Astute reading of government action and the public's reaction to it may create some short-term trading opportunities, but this environment does not differentiate between the long-term winners and losers. This is certainly frustrating for active, high-conviction asset managers and their clients, since it often leads to temporary underperformance of their strategies. The real danger, however, is that it tempts investors to adopt a short-term approach that I expect is quite likely to produce poor future results. In the end, fundamental value is what will drive long-term returns, and investors who take a short-term view risk missing out on the quite real opportunities available today to create a portfolio with excellent long-term return expectations.

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

Q WHAT ARE THE IMPLICATIONS FOR YOUR CLIENTS?

A The current environment is truly a challenging one for clients. With the indiscriminate macro-dominated markets creating a huge number of opportunities for smart bottom-up investors, but at the same time creating poor short-term results, clients are naturally uncertain as to how to proceed in structuring their portfolios. And mediocre short-term performance is certainly not the best evidence that a fund manager is actually building a strong portfolio that will result in future success. Nevertheless, my advice is that the most interesting buying opportunities usually occur when most investors are hesitant, and the best results usually come from stable, experienced investment teams with proven, long-term performance records. It is fairly clear that the popularity of very low-yielding bond investments cannot provide meaningful positive real returns for the future, so it is probably best to get one's portfolio invested in a more balanced manner before the rest of the market comes to the same conclusion.

HOW DOES THIS AFFECT BUSINESS PRIORITIES?

Given the challenges and uncertainties of the near-term investment environment, maintaining and enhancing our broad range of high-quality products is critical to ensuring that we have the right products to meet client demand for a wide array of market developments. Cutting back on quality, risk management or client service is not an option during a time of high uncertainty, when clients need these attributes most. Controlling discretionary spending and managing compensation and staffing levels carefully is therefore crucial. Maintaining our discipline will allow us to retain a competitive offering and a reliable infrastructure across the current challenging period, avoiding drastic and disruptive cuts that may compromise our ability to grow in the future. In essence, when making business decisions we have to take a long-term view – just like our investment managers.

LOOKING AT THE INDIVIDUAL BUSINESSES, WHAT DOES THIS MEAN FOR GAM?

GAM will continue to focus on the broadening and diversification of its product offering with a particular emphasis on expanding our stable of strategies managed by in-house specialists. Private and institutional demand has shifted considerably towards direct access to high-quality absolute return strategies. The quality and breadth of our single manager fund range is therefore critical to our ability to gain market share in both institutional and wholesale channels. This was also the rationale for our acquisition of Arkos, which will add attractive new capabilities, managed by a team which fits perfectly into GAM's culture. In addition, we are looking to use our traditional strengths in constructing hedge fund portfolios and our asset allocation skills to renew parts of our offering, in order to target the requirements of institutions and independent financial advisers.

AND FOR SWISS & GLOBAL ASSET MANAGEMENT?

At Swiss & Global Asset Management we have successfully strengthened our profile as an active investment manager and continuously upgraded the value proposition of our offering. We will continue to pursue this strategy, focusing on niche products backed by interesting and promising asset allocation ideas and expanding our range of alternative absolute return strategies managed in-house. In addition, we are looking to expand our popular range of ETFs invested in physical commodities, an asset class that will continue to offer interesting returns for investors and therefore is likely to generate strong demand.

SWISS & GLOBAL ASSET MANAGEMENT

BUSINESS DESCRIPTION

BUSINESS FOCUS

Swiss & Global Asset Management has over 40 years of experience in asset management. Having launched our first investment fund in 1970, when we were part of Julius Baer, today we are an independent asset manager offering a comprehensive range of investment funds covering all major asset classes, tailored solutions for institutional clients and customised private labelling services. Client orientation, a high degree of efficiency and a tailored service ensure we can foster long-term relationships with the most discerning clients worldwide.

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

Substantial synergies between the activities of Swiss & Global Asset Management's in-house investment management team, the institutional business and the development of private labelling solutions make our operational platform highly scalable. This offers significant potential for the creation of operating leverage.

Based on an arm's-length agreement between GAM Holding AG and Julius Baer Group Ltd. (Julius Baer Group) entered into at the date of their separation, we have been granted an exclusive, worldwide licence to use the Julius Baer name to brand certain funds operated by Swiss & Global Asset Management in exchange for an ongoing revenue-based licence fee. Whilst this licence is intended to be perpetual, in order to properly plan for future, unforeseen events, in particular from October 2013 Julius Baer Group can request us to re-brand the relevant funds, discontinue the use of the Julius Baer brand over a one-year transitional period and simultaneously end the obligation to pay the brand licence to Julius Baer Group. Should GAM Holding AG decide that it is not in its interests to implement the fund re-branding exercise, Julius Baer Group's sole remedy is the right to purchase the Swiss & Global Asset Management business based upon a pre-agreed valuation mechanic that is intended to value the business at no less than its then current market value. Separately, GAM Holding AG continuously maintains the right to terminate the brand licence with twelve months' notice to Julius Baer Group over which time all named Julius Baer funds would need to be re-branded and after which the licence fee payments would terminate.

Swiss & Global Asset Management is headquartered in Switzerland, where it is one of the top five fund providers in terms of market share (according to the Lipper Swiss FundFlows Insight Report). We are one of the leading fund managers in Europe, reflecting our long-standing presence in our core markets of Switzerland, Germany and Italy. At the end of 2011, we employed 297 staff in eight locations (Switzerland, Germany, Italy, Luxembourg, Spain, UK, Hong Kong and the Cayman Islands). The business maintains a network of around 1,000 distribution contracts in over 30 countries, underlining its global distribution strength.

PRODUCTS AND SERVICES

Based on the global licence agreement with Julius Baer Group described above, Swiss & Global Asset Management is the exclusive manager of the **Julius Baer-branded investment funds.** The product range includes over 100 funds, distributed through independent third-party wholesale intermediaries. Over the past few years, it has significantly evolved from its historic focus on traditional, modestly active equity and bond funds to cover a wider spectrum of asset classes and niche or theme-based strategies with a stronger active investment component as well as absolute return products. Our ability to deliver alpha and beta, combined with the agility to react to evolving trends in investor demand, enable us to offer relevant products in different market environments. A broad product range and continued innovation of products and services are key to our business model.

SWISS & GLOBAL ASSET MANAGEMENT : FUND RANGE

	Core building blocks	Absolute return/ total return	Emerging markets	Commodities	Themes
Fixed income	• Global • Regional	• Global • Emerging markets	• Hard currency • Local currency • Inflation-linked • Absolute return		• High yield • Convertibles • Inflation-linked • ABS
Equities	• Global • Regional	• Europe	• Global • Regional	• Agriculture • Natural resources	• Energy • Luxury • Life science
Balanced	• Relative	• Asymmetric			
Alternatives				• Commodities • Precious metals	• Real estate
Money market	• Regional				

We provide **tailored investment solutions for institutional clients**. This offering includes a broad range of institutional funds, designed to act as standardised components in a customised portfolio. In addition, we provide investment advice across asset classes, set up customised institutional mandates and offer our clients tailored reporting for their mandates. We aim to focus on those client segments seeking higher-performing active managers as opposed to relatively passive and minimum-fee solutions.

Private label funds are the third business area of Swiss & Global Asset Management. These funds are tailored products set up for banks, insurers, independent asset managers and institutional investors, where we provide parts of the value chain, such as the structuring, legal set-up and administration of the funds. Having designed and launched over 200 private label funds domiciled in Luxembourg, Switzerland and the Cayman Islands, our experience makes us one of the market leaders in this field.

GLOBAL DISTRIBUTION

Over the last two years we have taken decisive steps to expand our onshore presence in Europe. Our offices in Madrid and London, which were opened in late 2010, complement our long-standing strength in Switzerland, Germany and Italy. In 2011 we extended our reach to new growth markets with the official registration of the majority of our Julius Baer-branded funds in Sweden and the Baltics.

> WE ARE ALWAYS ON THE LOOK-OUT FOR DISTINCTIVE INVESTMENT IDEAS AND WE AVOID MARKET FADS. WE WANT OUR CLIENTS TO TAKE ADVANTAGE OF SOUND BUYING OPPORTUNITIES.
>
> *STEFAN ANGELE, HEAD OF INVESTMENT MANAGEMENT, SWISS & GLOBAL ASSET MANAGEMENT*

Outside Europe, we made progress in penetrating the Asian market during 2011 with the registration of additional investment funds in Taiwan. The Chinese authorities have also for the first time given their approval to a Chinese asset manager to invest in overseas ETFs backed by gold, and we were able to successfully place our gold fund in this context. This could be a promising entry for the Julius Baer-branded funds in the Chinese market.

We also continuously evaluate potential acquisitions that might complement the organic expansion of our distribution capabilities.

STRATEGIC INITIATIVES

ONGOING PRODUCT INNOVATION

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

Over the last few years, we have launched a number of funds targeted at capturing the investment opportunities offered by these trends. Our latest product, which invests in inflation-linked government bonds in emerging markets, has seen considerable investor demand in 2011, and we plan to build on our broad emerging markets expertise in 2012. We also intend to extend our offering in physical commodities, adding to our highly successful range of ETFs invested in physical precious metals. The range was launched in 2008 and now covers gold, silver, platinum and palladium.

Compelling investment performance is a prerequisite if our funds are to have the scale required to compete effectively in the marketplace. High-quality active management will therefore remain at the heart of our investment management approach, as demonstrated by the evolution of our in-house fixed income range. We will continue our strategy of increasing the active investment component in order to achieve a clear differentiation from index-oriented products. In equities, we maintain a very broad range of core and thematic funds that typically have solid performance and long track records. In 2011, we complemented our equities offering with a new specialty market-neutral absolute return approach, which has delivered impressive results, generating strong positive returns with considerably lower volatility than equity markets. Product development initiatives will seek to grow our range of alternative absolute return strategies in different asset classes and focus on distinctive investment ideas.

FOCUS ON PROFITABLE GROWTH IN THE INSITITUTIONAL BUSINESS

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

From an investment management point of view, dynamic and asymmetric strategies are gaining importance for institutional clients, especially for pension funds. As the assets and coverage ratio of many institutions continue to decline in the current volatile market environment, an active risk-based as opposed to a passive return-based approach is starting to find its place in institutional portfolios. We continue to strategically position ourselves as a trusted provider with long-term experience in this field.

> LISTENING CLOSELY TO CLIENTS IS A GIVEN IN THE CURRENT ENVIRONMENT. A CONTINUOUS DIALOGUE IS A MUST.
>
> *MICHELE PORRO, HEAD OF SALES & DISTRIBUTION, SWISS & GLOBAL ASSET MANAGEMENT*

Another area of expertise we continue to leverage for our institutional clients is currency management. The number of individual mandates designed to provide active currency overlay management and passive share class hedging has increased significantly in 2011.

CAPTURING DEMAND FOR PRIVATE LABEL SOLUTIONS

The private label funds business has reached a substantial size, making up 51% of Swiss & Global Asset Management's asset base. Given our competitively priced service offering and the considerable joint effort involved in setting up tailored solutions, client assets in this business are typically extremely stable once acquired. Despite the comparatively low margins of this business line, it offers high operating leverage and remains an important contributor to our overall profitability.

As the regulatory environment is getting more complex, with increased requirements for asset managers and other institutions, such as pension funds, who intend to launch investment funds, the market for private label solutions offers attractive long-term growth opportunities. As a specialised provider with the necessary know-how and scale we enable investment managers to outsource most fund management company functions as well as administrative tasks to us. With our proven skills and experience in setting up complex investment products across asset classes and investment instruments, we are strongly positioned to take advantage of opportunities arising in this field. Our expertise also enables us to focus increasingly on more complex mandates that offer higher fee levels and better differentiate our capabilities in the marketplace.

While the Swiss market remains the most important region for this business, we expect further growth as a result of continued market development efforts in Italy, Austria and Brazil.

2011 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

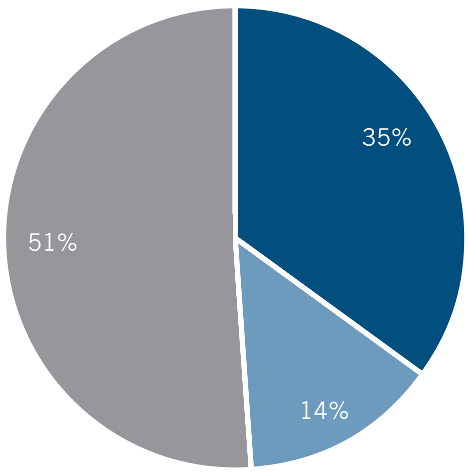
At Swiss & Global Asset Management, **assets under management** at the end of 2011 were CHF 76.9 billion, CHF 3.5 billion or 4% lower than a year earlier. This decrease was due to the negative effect of CHF 3.4 billion from market performance, and an adverse currency impact of CHF 0.5 billion from the strengthening of our Swiss franc reporting currency against the euro.

Net new money inflows totalled CHF 0.4 billion in 2011 (CHF 9.7 billion in 2010). Relative to the asset base at the beginning of 2011, this corresponds to a growth rate of 0.5% – clearly below our mid-term target of 8–12% and below our normal business expectations, but in the context of extremely challenging market conditions still a positive achievement.

Investors' flight to 'safe havens' benefited our physical precious metal ETFs, which continued to see strong levels of inflows. Fixed income funds, particularly the alternative products managed by GAM, were negatively affected by the turmoil in global markets. Having been in high demand until mid-2011, they experienced redemptions in the second half of the year, leading to overall net outflows for this asset class. Notable exceptions were strategies investing in emerging market bonds. Net flows into equities were roughly flat, although some funds recorded solid inflows on the back of strong performance track records (such as our Japan and our market-neutral absolute return strategies) and compelling investment themes (energy transition).

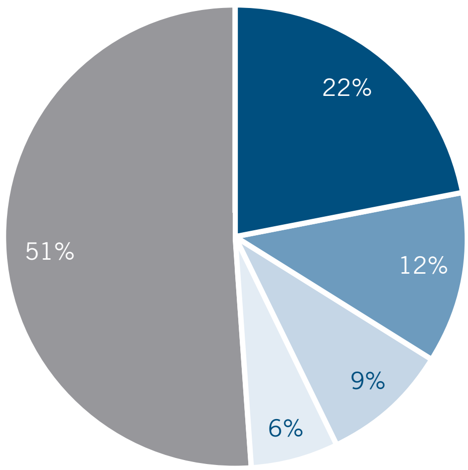
In the institutional business, our focus on clients with a real interest in active management has resulted in new business wins in Switzerland and Germany, counteracting a decrease in less profitable mandates. The net new money contribution from the private label funds business was solid. Although smaller than in 2010, it was driven by inflows from established client relationships as well as from new partnerships.

SWISS & GLOBAL AUM CHF 76.9 BN, BY CLIENTS : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Wholesale fund distribution	35%	35%
Institutional clients	14%	14%
Private label funds	51%	51%

SWISS & GLOBAL AUM CHF 76.9 BN, BY PRODUCTS : AS OF 31 DECEMBER 2011



	31.12.2011	31.12.2010
Fixed income	22%	22%
Absolute return single manager	12%	13%
Commodities	9%	7%
Equity	6%	7%
Private label funds	51%	51%

SWISS & GLOBAL ASSET MANAGEMENT : KEY FIGURES[1]

	2011 CHF M	2010 CHF M	CHANGE IN %
Net fee and commission income	209.5	203.2	3
Performance fees	1.5	5.8	-74
Other operating income	9.1	8.1	12
Operating income	**220.1**	**217.1**	**1**
Personnel expenses	68.0	66.3	3
General expenses	46.3	50.4	-8
Depreciation and amortisation	1.3	0.6	117
Operating expenses	**115.6**	**117.3**	**-1**
Profit before taxes	**104.5**	**99.8**	**5**
Assets under management at the end of the period (CHF bn)	**76.9**	**80.4**	**-4**
of which traditional business	*37.7*	*39.6*	*-5*
of which private label funds	*39.2*	*40.8*	*-4*
Change through net new money	*0.4*	*9.7*	*-96*
Change through market appreciation and currency movements	*-3.9*	*-1.9*	*-105*
Change through deconsolidation and rebranding	*-*	*-0.4*	*100*
Average assets under management (CHF bn)	79.3	79.0	0
Gross margin (basis points)	27.8	27.5	-
Cost/income ratio	52.5%	54.0%	-
Pre-tax margin (basis points)	13.2	12.6	-
Number of full-time employees at the end of the period	**297**	**279**	**6**

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

> DESPITE A DEMANDING 2011, WE HAVE NOT CUT BACK ON OPERATIONAL EXCELLENCE AND VIGILANCE. WE NEVER WILL.
>
> *MARTIN JUFER, HEAD OF PRODUCTS & SERVICES, SWISS & GLOBAL ASSET MANAGEMENT*

FINANCIAL RESULTS

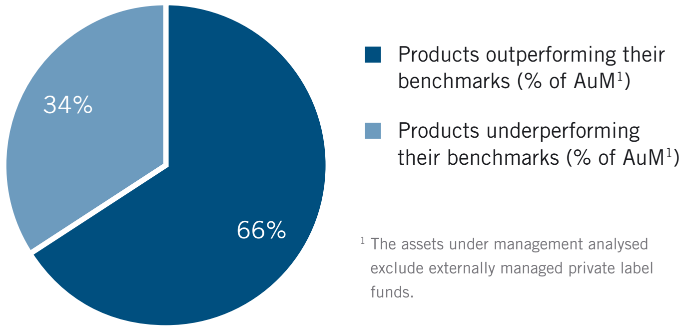
Operating income in 2011 rose 1% to CHF 220.1 million. Net fees and commissions rose 3%, driven by modest growth in Swiss & Global Asset Management's average asset base, with a larger average share of assets managed by GAM, where the fees are shared and have a positive impact on Swiss & Global Asset Management's margin. Performance fees, which are mostly generated from institutional segregated accounts, declined to CHF 1.5 million (compared to CHF 5.8 million in 2010).

Swiss & Global Asset Management's **gross margin** was 27.8 basis points, almost unchanged from 2010 (27.5 basis points) and in line with our expected medium-term run-rate of 26–29 basis points.

Operating expenses decreased by 1% year-on-year to CHF 115.6 million. Personnel expenses rose 3%, reflecting an increase in headcount from 279 employees to 297 employees, with select hires to support growth initiatives. This was partly offset by a decline in the accounting impact of the options awarded under the long-term incentive plan introduced for all Group employees in late 2009, in line with the vesting schedule of the awards. General expenses fell 8%, as costs continued to be tightly managed. Savings were mainly realised in IT. For 2012, we expect a slight increase in general expenses following the move to our new headquarters in Zurich in 2011.

Swiss & Global Asset Management's **pre-tax profit** rose by 5% to CHF 104.5 million (CHF 99.8 million in 2010). The **cost/income ratio** fell to 52.5% (compared to 54.0% in 2010), improving for the second year in a row. Over the medium term, we continue to target a cost/income ratio ranging between 53% and 58%.

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



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

AS OF 31 DECEMBER 2011

CORPORATE GOVERNANCE

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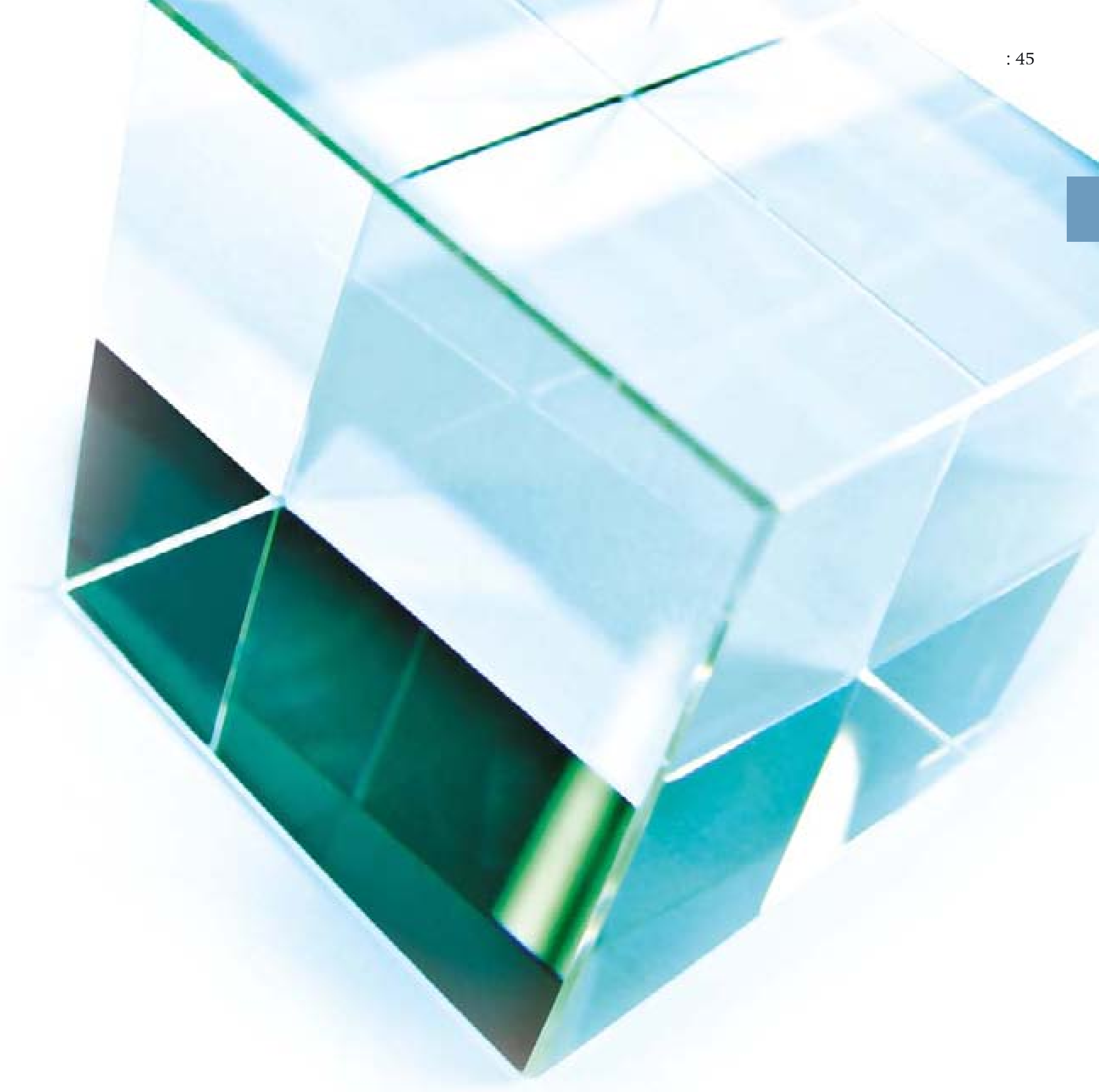

BACKGROUND

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

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

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

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

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

The following information corresponds to the situation as at 31 December 2011 unless indicated otherwise.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 OPERATIONAL GROUP STRUCTURE OF GAM HOLDING AG

The consolidated companies are disclosed in Note 24 of the Consolidated Financial Statements.

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

GAM Holding AG continues to hold a stake in Artio Global Investors Inc. (29% as at 31 December 2011) following the IPO of that company on the New York Stock Exchange in September 2009.

GAM HOLDING AG

BOARD OF DIRECTORS

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

EXECUTIVE BOARD

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

OPERATING BUSINESSES

GAM

David M. Solo
– CEO, GAM

SWISS & GLOBAL ASSET MANAGEMENT

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

1.2 SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2011.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
GAM Holding AG[3]	9.80%[11]	1.38%[12]	**11.18%**
Silchester International Investors LLP[4]	5.16%	-	**5.16%**
BlackRock Inc.[5]	4.95%	-	**4.95%**
Credit Suisse Asset Management Funds AG[6]	3.25%	-	**3.25%**
Wellington Management Company LLP[7]	3.18%	-	**3.18%**
UBS Fund Management (Switzerland) AG[8]	3.13%	-	**3.13%**
Farallon Capital Management LLC[9]	3.08%	-	**3.08%**
FIL Limited[10]	3.01%	-	**3.01%**

1 The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
2 Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
3 GAM Holding AG, Zurich, Switzerland (as at 31 December 2011).
4 Silchester International Investors LLP, London, UK (reported on 4 November 2011).
5 BlackRock Inc., New York, USA (reported on 5 December 2011).
6 Credit Suisse Asset Management Funds AG, Zurich, Switzerland (reported on 13 January 2010).
7 Wellington Management Company LLP, Boston, USA (reported on 6 September 2011).
8 UBS Fund Management (Switzerland) AG, Zurich, Switzerland (reported on 7 July 2011).
9 Farallon Capital Management LLC, San Francisco, USA (reported on 26 July 2011).
10 FIL Limited, Hamilton, Bermuda (reported on 12 October 2010).
11 As at 31 December 2011, GAM Holding AG also had a sale position of GAM Holding AG shares of 15.14% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 22 of GAM Holding AG's Consolidated Financial Statements.
12 As at 31 December 2011, GAM Holding AG held 19,235,910 or 9.80% treasury shares. Additionally, GAM Holding AG held a cash-settled total return swap investment over 2.7 million of its own shares, equating to 1.38% of shares in issue. For further details, please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, which were disclosed during 2011 can be found under the following link by inserting 'GAM Holding AG' as the company name:
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Based on notifications received by GAM Holding AG each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2010.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
GAM Holding AG[3]	8.66%[8]	1.31%[9]	**9.97%**
Davis Selected Advisers LP[4]	4.95%	-	**4.95%**
BlackRock Inc.[5]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[6]	3.25%	-	**3.25%**
FIL Limited[7]	3.01%	-	**3.01%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[3] GAM Holding AG, Zurich, Switzerland (as at 31 December 2010).
[4] Davis Selected Advisers L.P., Tucson, USA (reported on 30 November 2010).
[5] BlackRock Inc., New York, USA (reported on 6 January 2010).
[6] Credit Suisse Asset Management Funds AG, Zurich, Switzerland (reported on 13 January 2010).
[7] FIL Limited, Hamilton, Bermuda (reported on 12 October 2010).
[8] As at 31 December 2010, GAM Holding AG also had a sale position of GAM Holding AG shares of 14.74% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 22 of GAM Holding AG's Consolidated Financial Statements.
[9] As at 31 December 2010, GAM Holding AG held 17,894,588 or 8.66% treasury shares. Additionally, GAM Holding AG held a cash-settled total return swap investment over 2.7 million of its own shares, equating to 1.31% of shares in issue. For further details, please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

1.3 CROSS-SHAREHOLDINGS

There are no cross-shareholdings between GAM Holding AG or its subsidiaries and any other company that exceed 5% of capital or voting rights.

2. CAPITAL STRUCTURE

2.1 CAPITAL

As at 31 December 2011, ordinary share capital existed in the amount of CHF 9,815,000.00. There is no authorised capital.

The share capital, which is fully paid, consists of 196,300,000 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 10265962; ISIN CH0102659627) are listed on the SIX Swiss Exchange and are a component of the Swiss Market Index Mid (SMIM).

2.2 CONDITIONAL CAPITAL

The Company's share capital may be increased by the issue of up to 10,000,000 registered shares, to be fully paid and each with a par value of CHF 0.05, in a maximum total amount of CHF 500,000.00, through the exercise of conversion or warrant rights in connection with bonds issued by the Company or its subsidiaries. Subscription rights of existing shareholders are excluded. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares is subject to the entry limitations as set forth in Article 4.3 et seq. of the Articles of Incorporation which can be found at www.gamholding.com/aoi2011 (for further details see also section 2.6 below).

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

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

a) Conversion rights may be exercised only during a maximum 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 three years is disclosed in Note 20 of the Consolidated Financial Statements.

2.4 SHARES AND PARTICIPATION CERTIFICATES

	2011 [1]	2010
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 (all entitled to dividends)	196,300,000	206,630,756

[1] By resolution of the Ordinary Annual General Meeting on 19 April 2011, 10,330,756 GAM Holding AG registered shares held by the Company itself were cancelled in connection with a corresponding decrease of the share capital.

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

There are no participation certificates.

2.5 BONUS CERTIFICATES

There are no bonus certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

The Company 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 a shareholder. Nimbus AG, Ziegelbrueckstrasse 82, 8866 Ziegelbruecke, Switzerland, administrates the Company's share register.

The registered shares of the Company are issued as uncertificated securities and registered as intermediated securities. They are included in the SIS clearing system for transferred shares (SIS registered share system) for booking purposes. The Company may withdraw shares registered as intermediated securities from the custodian system. Each shareholder may at any time request from the Company a certification about the shares owned by him/her. The shareholders, however, have no right to request the printing and delivery of certificates for their registered shares. At any time, the Company may print and deliver share certificates (individual certificates, certificates or global certificates) or convert uncertificated securities and share certificates into any other form, and may cancel issued share certificates once they have been returned to the Company. The transfer of intermediated securities, including the granting of security interests, is subject to the Swiss Intermediated Securities Act. In order to be valid vis-à-vis the Company, a transfer of uncertificated shares by assignment requires a notification of such transfer to the Company.

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

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. Furthermore, the Board of Directors may enter fiduciaries/nominees with voting rights in excess of 2%, if such fiduciaries/nominees disclose the name, address, nationality, respectively registered office, and shareholding of all persons for whose account they hold at least 0.5% of the share capital. Fiduciaries/nominees which are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which have a common management, or are otherwise affiliated, shall be deemed one fiduciary/nominee as regards the application of these entry limitations. As at 31 December 2011, there were no entries in the share register of fiduciaries/nominees with voting rights.

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

2.7 CONVERTIBLE BONDS AND OPTIONS

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

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

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

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

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

Johannes A. de Gier has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2013) and was appointed Chairman and CEO following the independent listing of the Company. He also chairs the Governance and Nomination Committee. Prior to the separation of the Company from the Julius Baer group, Johannes A. de Gier was President of the Group Executive Board and Group CEO of Julius Baer Holding Ltd. from 2005 to 2008, and CEO of Bank Julius Baer & Co. Ltd. from 2008 to 2009. He led the integration of SBC Wealth Management (GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) as Chairman of the Board of Directors from 2002 until the sale to Julius Baer in 2005. Johannes A. de Gier was Executive Vice Chairman of the Board of Directors of UBS Ltd. until 2003. Before his election to the Board of Directors in 2001, Johannes A. de Gier held several senior management roles at UBS and its predecessor, Swiss Bank Corporation. He joined Swiss Bank Corporation in 1980 and became Chairman and CEO of Warburg Dillon Read, its investment banking business, and a member of the Group Executive Board of Swiss Bank Corporation in 1991. Johannes A. de Gier holds a degree in law from the University of Amsterdam. He was born in 1944 and is a Dutch citizen.

DANIEL DAENIKER, MEMBER OF THE BOARD OF DIRECTORS

Daniel Daeniker has been a member of the Board of Directors of GAM Holding AG since 2010 (current term of office until 2012), where he also serves as a member of the Compensation Committee and of the Governance and Nomination Committee. Daniel Daeniker has spent the majority of his professional career with Homburger AG, one of Switzerland's leading law firms based in Zurich, which he joined in 1991 and where he was appointed as a partner in 2000. His practice focuses on mergers & acquisitions, equity capital markets, financial services regulation and corporate governance. Daniel Daeniker is also a lecturer in law at the University of Zurich from where he earned a PhD in 1992, having been admitted to the bar in 1990. He earned an LL.M at The Law School of the University of Chicago. He was born in 1963 and is a Swiss citizen.

DIEGO DU MONCEAU, MEMBER OF THE BOARD OF DIRECTORS

Diego du Monceau has been a member of the Board of Directors of GAM Holding AG since 2010 (current term of office until 2012), where he also serves as a member of the Audit Committee and of the Governance and Nomination Committee. Diego du Monceau is currently Chairman of the Board of Directors of the 3 Suisses International Group in France. He is also an independent board member of a number of retailing companies and of different financial institutions in Belgium and Luxembourg. He started his career in investment banking and corporate finance at White Weld, Merrill Lynch and Swiss Bank Corporation in New York and London. Between 1985 and 2002, Diego du Monceau held different roles at the leadership of GIB Group (Belgium's top retailer at the time), where he was Managing Director, Chief Executive Officer and Vice Chairman of the Board of Directors. He was one of the founders, a member of the Board of Directors and the Chairman of the Investment Committee of a small regional development fund in Belgium. Diego du Monceau holds a degree in commercial engineering from the Solvay Business School of Brussels University and an MBA from Harvard Business School. He was born in 1949 and is a Belgian citizen.

DIETER A. ENKELMANN, CHAIRMAN OF THE COMPENSATION COMMITTEE

Dieter A. Enkelmann has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2013), where he also serves as Chairman of the Compensation Committee and as a member of the Audit Committee. Dieter A. Enkelmann is currently Chief Financial Officer and a member of the Executive Board of Julius Baer Group Ltd. and of Bank Julius Baer & Co. Ltd., a role he also held with Julius Baer Holding Ltd. prior to the separation of its asset management and private banking businesses. Before joining Julius Baer in this position in 2006, he was Chief Financial Officer of Barry Callebaut, the world's leading supplier of cocoa and chocolate products, and until 2003, Head of Corporate Financial Management and Investor Relations at Swiss Re. Dieter A. Enkelmann started his career at Credit Suisse in investment banking and corporate finance and holds a law degree from the University of Zurich. He was born in 1959 and is a Swiss citizen.

HUGH SCOTT-BARRETT, CHAIRMAN OF THE AUDIT COMMITTEE

Hugh Scott-Barrett has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2013), where he also serves as Chairman of the Audit Committee and as a member of the Compensation Committee. Since 2008 he has been Chief Executive Officer of Capital & Regional plc, a specialist property company based in London. Hugh Scott-Barrett started his career in banking in 1980, in corporate finance at Kleinwort Benson. In 1984, he joined Swiss Bank Corporation where he held several senior roles in investment banking and became a member of the Corporate Finance Executive Committee of SBC Warburg in 1995. In 1996, he joined ABN AMRO where he held several senior positions, joining the Managing Board in 2000 and acting as Chief Operating Officer and finally as Chief Financial Officer until 2007. Hugh Scott-Barrett was educated in Paris and Oxford where he graduated in Modern History. He was born in 1958 and is a British citizen.

CHANGES IN THE BOARD OF DIRECTORS

At the Ordinary Annual General Meeting on 19 April 2011, Johannes A. de Gier, Dieter A. Enkelmann and Hugh Scott-Barrett were re-elected for a further two-year term of office as members of the Board of Directors.

3.2 OTHER ACTIVITIES AND FUNCTIONS OF BOARD MEMBERS

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

JOHANNES A. DE GIER

None

DANIEL DAENIKER

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

DIEGO DU MONCEAU

Member of the Board of Directors and Chairman of the Audit Committee of ING Belgium SA/NV, Belgium
Vice Chairman of the Board of Directors of Continental Bakeries B.V., The Netherlands
Member of the Board of Directors of WE International B.V., Belgium
Member of the Board of Directors of KBL European Private Bankers S.A., Luxembourg
Member of the Board of Directors and Chairman of the Audit Committee of Euro Shoe Group, Belgium
Member of the Board of Directors of Foyer Finance S.A., Luxembourg
Chairman of the Board of Directors of 3 Suisses International Group, France

DIETER A. ENKELMANN

Member of the Board of Directors of iNNutriGel AG, Switzerland
Member of the Board of Directors, Chairman of the Audit Committee and member of the Nomination Committee of Cosmo Pharmaceuticals SpA, Italy

HUGH SCOTT-BARRETT

Member of the Board of Directors of Goodwood Estate Company Limited, United Kingdom

3.3 ELECTIONS AND TERMS OF OFFICE

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

3.4 THE OPERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

THE BOARD OF DIRECTORS

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

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

a) to supervise the Company and issue any necessary instructions;
b) to determine the organisation of the Company;
c) to arrange the accounting, financial control and financial planning as necessary for the management of the Company;
d) to appoint and remove the persons entrusted with the Company's management;
e) to control those persons entrusted with the management of the Company, including in relation to compliance with applicable laws and regulations;
f) to draw up the Annual Report and to prepare the Ordinary Annual General Meeting and implementation of its resolutions;
g) to make any necessary notifications in the event of insolvency.

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

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

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

The Board of Directors consists of five members, all of whom, apart from the Chairman, are non-executive members. From among its members, the Board of Directors elects a Chairman, as well as the Chairmen and the members of the Committees of the Board of Directors. The Board of Directors meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of decisions confirming and amending resolutions relating to capital increases where no such quorum is required. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by telephone or electronic means. Resolutions of the Board of Directors may also be passed by way of written consent (letter, telefax) or by way of an electronic data transfer provided that no member requests oral deliberation. In such cases, the text of written resolutions must be sent to all members and requires the consent of all members of the Board of Directors to be valid. In the case of a tied vote at meetings, the Chairman has the casting vote. The Board of Directors may assign the preparation and implementation of its resolutions or the supervision of business transactions to Committees or individual members. It must make sure its members are suitably informed.

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

In order to gauge the effectiveness of its activities, the Board of Directors as a whole, as well as its Committees, carry out an annual self-assessment exercise. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the self-assessments carried out by the Board of Directors' Committees are brought to the attention of the full Board of Directors.

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

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

JANUARY TO DECEMBER 2011

	FEB	FEB	APR	MAY	AUG	SEPT	OCT	NOV
Johannes A. de Gier	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Daeniker	✓	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓
Dieter A. Enkelmann	✓	✓	✓	✓	✓	✓	E	✓
Hugh Scott-Barrett	✓	✓	✓	✓	✓	✓	✓	✓

E = Excused

THE COMMITTEES OF THE BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

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

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

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

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

COMPENSATION COMMITTEE

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

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

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

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

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

GOVERNANCE AND NOMINATION COMMITTEE

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

The Governance and Nomination Committee's principal responsibilities comprise:

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

The Governance and Nomination Committee consists of three members, the majority of whom are non-executive. The Governance and Nomination Committee convenes as often as necessary, at least once in each half-year. During the year under review the Governance and Nomination Committee held three meetings, which lasted on average about one hour. All the members of the Governance and Nomination Committee participated at all the meetings. The Governance and Nomination Committee can seek independent advice as deemed necessary. The Governance and Nomination Committee reports back to the full Board of Directors on its current activities and on any significant issues of which it becomes aware. The Governance and Nomination Committee reviews its performance and objectives every year.

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

3.5 EXECUTIVE BOARD

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

Consistent with the Company's financial holding company structure, day-to-day management of the operating businesses is largely vested in the businesses themselves, with the Executive Board exercising an oversight responsibility for the activities of certain functions within the Group, including Legal and Compliance, Finance and Accounting, Communications and Investor Relations. In that role the Executive Board monitors and evaluates financial and other risks, as well as compliance with rules governing equity capital, risk distribution and liquidity management.

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

As at 31 December 2011, the Executive Board comprised Johannes A. de Gier as Chief Executive Officer of GAM Holding AG, Andrew M. Wills as Group Chief Financial Officer and Scott Sullivan as Group General Counsel.

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

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

The Board of Directors is responsible for the appointment and dismissal of, and its Compensation Committee for the performance evaluation/review and remuneration of, all members of the Executive Board.

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

4. SENIOR MANAGEMENT

4.1 MEMBERS OF THE EXECUTIVE BOARD

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

Johannes A. de Gier has been a member of the Board of Directors of GAM Holding AG since 2009 (current term of office until 2013) and was appointed Chairman and CEO following the independent listing of the Company. He also chairs the Governance and Nomination Committee. Prior to the separation of the Company from the Julius Baer group, Johannes A. de Gier was President of the Group Executive Board and Group CEO of Julius Baer Holding Ltd. from 2005 to 2008, and CEO of Bank Julius Baer & Co. Ltd. from 2008 to 2009. He led the integration of SBC Wealth Management (GAM and the private banks Ehinger & Armand von Ernst, Ferrier Lullin and Banco di Lugano) as Chairman of the Board of Directors from 2002 until the sale to Julius Baer in 2005. Johannes A. de Gier was Executive Vice Chairman of the Board of Directors of UBS Ltd. until 2003. Before his election to the Board of Directors in 2001, Johannes A. de Gier held several senior management roles at UBS and its predecessor, Swiss Bank Corporation. He joined Swiss Bank Corporation in 1980 and became Chairman and CEO of Warburg Dillon Read, its investment banking business and a member of the Group Executive Board of Swiss Bank Corporation in 1991. Johannes A. de Gier holds a degree in law from the University of Amsterdam. He was born in 1944 and is a Dutch citizen.

SCOTT SULLIVAN, GROUP GENERAL COUNSEL

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

ANDREW M. WILLS, GROUP CHIEF FINANCIAL OFFICER

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

CHANGES IN SENIOR MANAGEMENT

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

4.2 OTHER ACTIVITIES AND FUNCTIONS

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

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

4.3 MANAGEMENT CONTRACTS

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

5. THE METHOD OF DETERMINING COMPENSATION AND EQUITY PARTICIPATION PROGRAMMES

5.1 COMPENSATION PRINCIPLES

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

The Group aims to provide competitive total compensation in order to attract and retain experienced and talented individuals who will promote its values, better service the needs of its clients and contribute to the overall development and profitability of the Group.

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

Since October 2009, the Group has made variable compensation payments in the form of stock options. These options have been deferred for at least three years from the date of grant and expose participants to the long-term performance of the Group, as options will only become valuable to the extent that the Company's share price exceeds the exercise price. This effectively aligns the participants' interests with those of the Company and its shareholders. Further details, including on the implementation of these principles, are set out below.

5.2 COMPENSATION GOVERNANCE

5.2.1 BOARD OF DIRECTORS

The Board of Directors has established and implemented a Group Compensation Policy, which reflects the Group's overall approach to compensation including reflecting local regulatory requirements. This policy is designed to reflect guidance from regulatory agencies and market practice, as well as support the strategic development and profitability of the Group. The Group Compensation Policy contains rules for the determination of compensation for all employees of the Group including the Executive Board. With the support of Group Human Resources, the Board of Directors intends to regularly review this Group Compensation Policy to meet any important regulatory developments 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, establishing compensation plans, approving compensation levels and evaluating executive performance.

The Compensation Committee is composed of three non-executive members of the Board of Directors. Members as at 31 December 2011 were Dieter A. Enkelmann who chairs the Committee, Daniel Daeniker and Hugh Scott-Barrett. The Compensation Committee is supported by advice from the Group Head of Human Resources, who regularly participates at the Committee's meetings.

The Compensation Committee reviews and recommends any necessary amendments to the Group Compensation Policy. It also reviews and recommends (to the Board of Directors) any necessary amendments to any compensation plan offered to the Group as a whole and any compensation plan within the Group that is linked to shares or options over shares in GAM Holding AG.

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

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

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

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

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

5.3 COMPENSATION COMPONENTS

FIXED COMPONENTS

5.3.1 BASE SALARY

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

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

VARIABLE COMPONENTS

5.3.2. DISCRETIONARY BONUS

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

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

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

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

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

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

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

5.3.3 FORMULA BONUS

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

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

5.3.4 EQUITY PARTICIPATION PROGRAMMES

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 (equity participation programmes). These plans typically involve a multi-year horizon so as to defer compensation and operate as a retention mechanism, including by the forfeiture of awards upon the termination of employment. Under the only currently existing plan – the Group's 2009 Long-Term Incentive Plan (details of which are included in section 5.5 below) – the fraction of an employee's expected total compensation that is delivered via the plan increases with the seniority of the employee given the expectation that more senior managers must accept broader responsibility for overall Group 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 plan would range between approximately 10% and 40%, with increasing management seniority.

5.3.5 BENEFITS

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

5.4 COMPENSATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

5.4.1 CHAIRMAN

The compensation of the Chairman of the Board of Directors consists of a fixed annual payment (plus reasonable expenses) together with a fixed amount for each Committee of the Board of Directors of which he is a member. The level of payment was fixed by the Compensation Committee following a benchmarking exercise, which included consideration of the payments received by (a) board members of Swiss banks (including UBS, Credit Suisse, Vontobel and Julius Baer) and other Swiss-based financial institutions for which such data was published; (b) remuneration reports produced by Income Data Services (an independent research body) and PricewaterhouseCoopers (in association with Monks Partnership); and (c) data received from recruitment agencies. The level of this payment for 2011 was not increased from the previous year.

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

5.4.2 BOARD OF DIRECTORS

The compensation of the members of the Board of Directors consists of a fixed annual payment (plus reasonable expenses), together with a fixed amount for each Committee of the Board of Directors of which they are a member. The level of payment was fixed by the Board of Directors following a benchmarking exercise, which included consideration of the payments received by (a) board members of Swiss banks (including UBS, Credit Suisse, Vontobel and Julius Baer) and other Swiss-based financial institutions for which such data was published;

(b) remuneration reports produced by Income Data Services (an independent research body) and PricewaterhouseCoopers (in association with Monks Partnership); and (c) data received from recruitment agencies. Other than to the members of the Audit Committee, the level of this payment for 2011 was not increased from the previous year.

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

5.4.3 EXECUTIVE BOARD

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

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

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

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

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

5.5 CURRENT EQUITY PARTICIPATION PROGRAMMES

The Compensation Committee supports the Board of Directors by drafting and reviewing any compensation plan offered to the Group as a whole and any compensation plan within the Group that is linked to shares or options over shares in GAM Holding AG (equity participation programmes).

The equity participation programme described below reflects the situation as at 31 December 2011. The registered shares of GAM Holding AG which the Company requires to settle obligations under this programme are procured in the market.

2009 LONG-TERM INCENTIVE PLAN

Consistent with the Company's general approach to align the interests of employees and officers of the Group with those of the Company's shareholders and its ongoing development, in 2009, the Company introduced a long-term incentive plan under which employees and officers may be granted options over shares in the Company. All employees and officers within the Group as at the date of the plan's creation in October 2009 received an award of such options. In 2010 and 2011, certain additional options were granted under this plan, principally to new employees of the Group. The level of individual awards was based upon a recipient's role, and the same performance and contribution criteria were applied as are used to calculate the level of discretionary bonus payments (see section 5.3.2 above). Whenever granted, options under the 2009 Long-Term Incentive Plan vest over three years and, save in certain limited circumstances (not including change of control events), will only be exercisable after 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%. More information on this equity participation programme is disclosed in Note 22 of the Consolidated Financial Statements.

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 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 and/or by Article 8.14 of the Articles of Incorporation (which can be found at www.gamholding.com/aoi2011), all resolutions of the Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

6.3 CONVOCATION OF THE ANNUAL GENERAL MEETING

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

6.4 AGENDA

Shareholders who represent shares of a nominal value of CHF 100,000.00 may demand that matters be put on the agenda. Such requests must be submitted to the Company at least six weeks before the date of the 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 Annual General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register in order to be eligible to participate and vote at the meeting.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1 DUTY TO MAKE AN OFFER

According to the Swiss Stock Exchanges and Securities Trading Act an investor who acquires more than 33 1/3 % of all voting rights, either directly, indirectly or in concert with a third party, and whether the rights are exercisable or not, has to submit a take-over offer for all shares outstanding. GAM Holding AG has not applied to opt out of, or to increase, the percentage threshold applicable to this obligation.

7.2 CLAUSES ON CHANGE OF CONTROL

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

8. AUDITORS

8.1 DURATION OF MANDATE AND TERM OF OFFICE OF LEAD 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 statutory external auditor of the Company since the Ordinary Annual General Meeting on 12 April 2006. Mr Markus Schunk served as the Lead Auditor from 1 October 2009 to 3 February 2011. Effective 3 February 2011, Mr Philipp Rickert assumed the role of Lead Auditor. The Lead Auditor may hold this engagement for a maximum of seven consecutive years, but may resume the engagement after a break of three years.

8.2 EXTERNAL AUDITING FEES

The Group paid KPMG AG auditing fees totalling CHF 1.5 million in the 2011 financial year. In the previous financial year, audit fees totalled CHF 2.4 million.

8.3 ADDITIONAL FEES

For additional services such as tax advisory work, the Group paid KPMG AG fees totalling CHF 0.3 million in the 2011 financial year. In the previous financial year, the additional fees totalled CHF 0.2 million.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE EXTERNAL AUDITOR

The Audit Committee of the Board of Directors 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 confers regularly with the Lead Auditor of KPMG AG about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the Audit Committee at all times and participate at every regular quarterly meeting of the Audit Committee.

8.5 INTERNAL AUDIT

The 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 Internal Audit plan and assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Internal Audit plan, which consists of a work schedule as well as budget and resource requirements for the next audit cycle (1 January to 31 December of each calendar year), is at least annually submitted by the Head of Internal Audit to the Executive Board (for its review) and to the Audit Committee (for its approval), and is developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior executives within the Group, the Executive Board, the Board of Directors and the external auditors. In addition to the approved Internal Audit plan, the Chairman of the Board of Directors or the Chairman of the Audit Committee may instruct Internal Audit to carry out special assignments. Further, members of the Executive Board may ask Internal Audit for assistance in carrying out special assignments after consultation with the Chairman of the Board of Directors or the Chairman of the Audit Committee.

The Head of Internal Audit reports to the Chairman of the Board of Directors of the Company. In addition, the Head of Internal Audit is expected to provide regular reporting on the activities of the Internal Audit function to the Audit Committee and is a participant at all regular quarterly meetings of the Audit Committee. The Audit Committee regularly reviews the independence, activities and results of Internal Audit. The Audit Committee also evaluates the performance of, and ultimately determines the compensation paid to, the Head of Internal Audit.

9. INFORMATION POLICY

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

9.1 CORPORATE CALENDAR

18 April 2012	Ordinary Annual General Meeting, Zurich
18 April 2012	Interim Management Statement
14 August 2012	Release of half-year results
23 October 2012	Interim Management Statement

9.2 CONTACTS

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FURTHER INFORMATION

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

www.gamholding.com

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

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

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CONSOLIDATED INCOME STATEMENT

	NOTE	2011 CHF M	2010 CHF M	CHANGE IN %
Fee and commission income		1,029.4	1,117.1	-8
Distribution, fee and commission expenses		-475.7	-457.2	4
Net fee and commission income	*5*	**553.7**	**659.9**	**-16**
Income from investment in associates	*14*	17.1	27.5	-38
Other operating income	*6*	27.7	25.1	10
Operating income		**598.5**	**712.5**	**-16**
Personnel expenses	*7*	277.2	334.5	-17
General expenses	*8*	100.5	124.5	-19
Depreciation of property and equipment and amortisation of intangible assets	*17*	18.4	18.7	-2
Impairment of investments	*14*	249.1	180.3	38
Operating expenses		**645.2**	**658.0**	**-2**
Profit/(loss) before taxes		**-46.7**	**54.5**	**-186**
Income taxes	*9*	48.3	44.3	9
Net profit/(loss) attributable to the shareholders of the Company		**-95.0**	**10.2**	**-**
Earnings per share				
Basic earnings per share	*11*	-0.52	0.05	-
Diluted earnings per share	*11*	-0.52	0.05	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2011 CHF M	2010 CHF M	CHANGE IN %
Net profit/(loss) recognised in the income statement		**-95.0**	**10.2**	**-**
Other comprehensive income, net of taxes				
Net gains/(losses) on financial assets available-for-sale		-3.8	-9.6	60
Net (gains)/losses reclassified to the income statement on financial assets available-for-sale		5.8	4.6	26
Translation differences		-9.6	-28.8	67
Total other comprehensive income recognised directly in equity	*9*	**-7.6**	**-33.8**	**78**
Total comprehensive income recognised in the income statement and in equity attributable to the shareholders of the Company		**-102.6**	**-23.6**	**-335**

CONSOLIDATED BALANCE SHEET

	NOTE	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Current assets				
Cash and cash equivalents		600.1	819.1	-27
Trade and other receivables		107.8	55.0	96
Accrued income and prepaid expenses	*12*	105.8	118.4	-11
Financial investments	*13.1*	118.1	110.0	7
Total current assets		**931.8**	**1,102.5**	**-15**
Non-current assets				
Financial investments	*13.1*	0.5	9.5	-95
Other financial assets		0.3	34.1	-99
Investment in associates	*14*	76.5	306.3	-75
Pension assets	*15*	5.6	4.0	40
Deferred tax assets	*16.1*	9.1	20.5	-56
Property and equipment	*17*	26.4	18.5	43
Goodwill and other intangible assets	*17*	1,375.5	1,387.6	-1
Total non-current assets		**1,493.9**	**1,780.5**	**-16**
Total assets		**2,425.7**	**2,883.0**	**-16**

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	NOTE	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Current liabilities				
Trade and other payables		16.9	42.8	-61
Other financial liabilities	*13.2*	13.5	32.2	-58
Accrued expenses and deferred income	*18*	235.1	268.8	-13
Tax liabilities		44.9	33.3	35
Provisions	*19*	0.2	12.4	-98
Total current liabilities		**310.6**	**389.5**	**-20**
Non-current liabilities				
Financial liabilities	*13.2*	4.0	31.0	-87
Provisions	*19*	1.7	1.7	0
Pension liabilities	*15*	8.6	7.9	9
Deferred tax liabilities	*16.2*	1.3	1.2	8
Total non-current liabilities		**15.6**	**41.8**	**-63**
Total liabilities		**326.2**	**431.3**	**-24**
Equity				
Share capital		9.8	10.3	-5
Capital reserves		1,998.4	83.7	-
Retained earnings		452.6	2,694.9	-83
Other components of equity		-96.6	-89.0	-9
Treasury shares		-264.7	-248.2	-7
Total equity attributable to the shareholders of the Company	*20*	**2,099.5**	**2,451.7**	**-14**
Total liabilities and equity		**2,425.7**	**2,883.0**	**-16**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL CHF M	CAPITAL RESERVES CHF M	RETAINED EARNINGS CHF M
Balance at 1 January 2010		10.3	83.7	2,646.6
Comprehensive income				
Net profit/(loss)		-	-	10.2
Other comprehensive income				
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses reclassified to the income statement on financial assets available-for-sale		-	-	-
Translation differences		-	-	-
Total other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**10.2**
Share-based payment transactions	*9/22*	-	-	37.7
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	0.4
Balance at 31 December 2010		**10.3**	**83.7**	**2,694.9**
Comprehensive income				
Net profit/(loss)		-	-	-95.0
Other comprehensive income				
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses reclassified to the income statement on financial assets available-for-sale		-	-	-
Translation differences		-	-	-
Total other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**-95.0**
Reclassification from retained earnings to capital reserves	*20*	-	2,008.8	-2,008.8
Capital reduction	*20*	-0.5	-	-150.5
Dividends paid to the shareholders of the Company	*20*	-	-94.1	-
Share-based payment transactions	*9/22*	-	-	12.4
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	-0.4
Balance at 31 December 2011		**9.8**	**1,998.4**	**452.6**

OTHER COMPONENTS OF EQUITY			
FINANCIAL ASSETS AVAILABLE-FOR-SALE, NET OF TAXES CHF M	FOREIGN CURRENCY TRANSLATION RESERVE CHF M	TREASURY SHARES CHF M	**TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY** CHF M
0.6	-55.8	-66.1	2,619.3
-	-	-	10.2
-9.6	-	-	-9.6
4.6	-	-	4.6
-	-28.8	-	-28.8
-5.0	**-28.8**	**-**	**-33.8**
-5.0	**-28.8**	**-**	**-23.6**
-	-	-	37.7
-	-	-215.5	-215.5
-	-	33.4	33.8
-4.4	**-84.6**	**-248.2**	**2,451.7**
-	-	-	-95.0
-3.8	-	-	-3.8
5.8	-	-	5.8
-	-9.6	-	-9.6
2.0	**-9.6**	**-**	**-7.6**
2.0	**-9.6**	**-**	**-102.6**
-	-	-	-
-	-	150.9	-0.1
-	-	-	-94.1
-	-	-	12.4
-	-	-167.8	-167.8
-	-	0.4	-
-2.4	**-94.2**	**-264.7**	**2,099.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2011 CHF M	2010 CHF M
Net profit/(loss)		**-95.0**	**10.2**
Adjustments to reconcile net profit/(loss) to cash flow from operating activities			
Non-cash items included in net profit/(loss) and other adjustments:			
- Income from investment in associates		-17.1	-27.5
- Impairment of investments	*14*	249.1	180.3
- Depreciation of property and equipment and amortisation of intangible assets	*17*	18.4	18.7
- Share-based payment expenses		16.3	33.1
- Other non-cash items		-21.5	14.2
Net increase/decrease in operating assets and liabilities:			
- Financial investments and other financial assets		30.9	-73.8
- Operating financial liabilities		13.8	-0.5
- Trade and other receivables (excl. tax receivable)		-53.3	28.5
- Accrued income and prepaid expenses (excl. accrued interest)		13.6	-15.0
- Trade and other payables		-25.4	41.4
- Accrued expenses and deferred income (excl. accrued interest)		-33.3	54.7
Dividends received from investment in associates		3.6	4.2
Adjustment for interest income and expenses		-1.5	0.6
Interest received		2.8	2.6
Interest paid		-1.7	-3.1
Adjustment for income tax expenses		48.3	44.3
Income taxes paid		-29.4	-51.6
Cash flow from operating activities		**118.6**	**261.3**
Purchase of property, equipment and intangible assets	*17*	-14.4	-10.1
Disposal of property, equipment and intangible assets	*17*	0.1	1.0
Cash flow from investing activities		**-14.3**	**-9.1**
Purchase of treasury shares and own equity derivatives	*20*	-167.8	-215.5
Disposal of treasury shares and own equity derivatives	*20*	-	33.8
Dividends paid to the shareholders of the Company	*20*	-94.1	-
Repayment of debt		-63.0	-182.0
Cash flow from financing activities		**-324.9**	**-363.7**
Effects of exchange rate changes on cash and cash equivalents		1.6	-43.6
Net decrease in cash and cash equivalents		**-219.0**	**-155.1**
Cash and cash equivalents at the beginning of the year		819.1	974.2
Cash and cash equivalents at the end of the year		**600.1**	**819.1**

	2011 CHF M	2010 CHF M
Cash and cash equivalents at the beginning of the year	819.1	974.2
Cash flow from operating activities	118.6	261.3
Cash flow from investing activities	-14.3	-9.1
Cash flow from financing activities	-324.9	-363.7
Effects of exchange rate changes on cash and cash equivalents	1.6	-43.6
Cash and cash equivalents at the end of the year	**600.1**	**819.1**

Cash and cash equivalents are structured as follows:

	31.12.2011 CHF M	31.12.2010 CHF M
Cash at bank	451.8	528.0
Short-term deposits	148.3	291.1
Total	**600.1**	**819.1**

Additional information:

	2011 CHF M	2010 CHF M
Dividends received (incl. from investment in associates)	3.9	5.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

GAM Holding AG (the 'Company') is a Swiss corporation domiciled in Zurich and listed on the SIX Swiss Exchange. The consolidated financial statements as of 31 December 2011 comprise those of GAM Holding AG and all its subsidiaries (together referred to as the 'Group') and the Group's investments in associates.

2. BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. USE OF ESTIMATES IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

3.2. ACCOUNTING POLICIES

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

3.2.1. SUBSIDIARIES AND ASSOCIATES

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

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

The financial statements of an associate used in the preparation of these consolidated financial statements are prepared as of the same reporting date using uniform accounting policies for like transactions and other events in similar circumstances.

After application of the equity method the requirements for impairment of financial assets (refer to 3.2.6) are applied to determine whether it is necessary to recognise any impairment loss with respect to the net investment in the associate.

3.2.2. FOREIGN CURRENCY TRANSLATION

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

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

The following exchange rates were used for the major currencies:

	YEAR-END RATES		AVERAGE EXCHANGE RATES FOR THE YEAR	
	31.12.2011	31.12.2010	**2011**	2010
USD/CHF	0.9351	0.9321	0.8805	1.0444
EUR/CHF	1.2139	1.2505	1.2310	1.3610
GBP/CHF	1.4532	1.4593	1.4166	1.6038

3.2.3. INCOME RECOGNITION

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

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

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

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

3.2.4. EARNINGS PER SHARE

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

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

3.2.5. CASH AND CASH EQUIVALENTS

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

3.2.6. FINANCIAL INSTRUMENTS

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

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

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

FINANCIAL ASSETS AVAILABLE-FOR-SALE

Security positions which are not held for trading purposes and are not initially designated at fair value through profit or loss are reported as financial assets available-for-sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement.

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

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

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

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

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

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

LOANS AND RECEIVABLES

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

OTHER FINANCIAL LIABILITIES

Other financial liabilities are financial liabilities not classified at fair value through profit or loss. After initial measurement, such financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement through the amortisation process and when other financial liabilities are derecognised.

IMPAIRMENT

At the end of each reporting period the Group assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) impacted on the estimated future cash flows of the financial asset. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

When a decline in the fair value of a financial asset available-for-sale has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to the income statement.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement.

HEDGE ACCOUNTING

The Group uses derivative financial instruments for hedging fair values (fair value hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. Changes in the fair value of the hedged item that are attributable to the hedged risk are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement. Fair value changes attributable to the hedged risk of a financial asset available-for-sale are recognised in the income statement (and not in other comprehensive income).

3.2.7. PROPERTY AND EQUIPMENT

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

IT hardware and communication systems are depreciated over a period not exceeding five years, furniture and other office equipment over a period not exceeding eight years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life which does not exceed ten years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a provision for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that additional future economic benefits associated with the item will flow to the Group. Current maintenance and servicing costs are expensed through the income statement.

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

3.2.8. LEASING

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

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

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

3.2.9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are classified into the following categories:

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

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

Brand: The Group considers the capitalised brand to have an indefinite useful life. It is therefore not amortised, but tested for impairment and confirmation of its indefinite status on an annual basis.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised over its estimated useful life not exceeding five years using the straight-line method.

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

3.2.10. PROVISIONS

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

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

3.2.11. SHARE CAPITAL

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

3.2.12. TREASURY SHARES AND DERIVATIVES ON OWN SHARES

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

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

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

3.2.13. INCOME TAXES

Income tax expense comprises current and deferred taxes. Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the balance sheet liability method for the expected future tax consequences of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from tax loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or tax loss carry-forwards can be offset.

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

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

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

3.2.14. POST-EMPLOYMENT BENEFITS

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

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

DEFINED BENEFIT PLANS

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

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

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

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

DEFINED CONTRIBUTION PLANS

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

3.2.15. SHARE-BASED PAYMENTS

The Group maintains a number of share-based payment plans in the form of share option plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period.

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

3.2.16. SEGMENT REPORTING

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

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

3.3. CHANGES IN ACCOUNTING POLICIES

The Group applied the following new and revised accounting standards for the first time in 2011:

- IAS 24 – *Related Party Disclosure*
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*
- *Classification of Rights Issues* (amendment to IAS 32)
- *Prepayments of a Minimum Funding Requirement* (amendments to IFRIC 14)
- *Improvements to IFRSs* (May 2010) – various standards

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

3.4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial periods. The Group chooses not to adopt these in advance. These changes are not expected to have any significant impact on the Group's consolidated financial statements, except for the IFRS 9 standard and the amended IAS 19 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 the replacement of IAS 39, includes the following changes to the 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. In addition, a fair value option is available.

Otherwise, debt instruments are measured at fair value with gains and losses recognised in profit or loss.

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

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

The new standard will be applicable for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Group is currently in the process of evaluating the potential effect on the Group's financial statements of the newly published IFRS 9.

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

This amendment introduces new disclosure requirements in relation to transfer transactions of financial assets (e.g. transfers of contractual rights to receive the cash flows of a financial asset), including disclosures for financial assets that are not derecognised in their entirety and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement, as well as disclosures for possible effects of any risks that may remain with the entity that transferred the assets.

The amendment will be applicable for annual periods beginning on or after 1 July 2011.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (AMENDMENTS TO IAS 32 AND IFRS 7)

The amendments to IAS 32 clarify the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or are subject to master netting arrangements or similar agreements.

The amendment to IFRS 7 will be applicable for annual periods beginning on or after 1 January 2013 and the amendments to IAS 32 will be applicable for annual periods beginning on or after 1 January 2014. The required disclosures of IFRS 7 should be provided retrospectively. The potential impact of the new amendments on the Group’s financial statements is currently being evaluated.

IAS 1 — PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to IAS 1 retain the ‘one or two statement’ approach at the option of the entity and only revise the way other comprehensive income is presented, by requiring separate subtotals for those elements which may be ‘recycled’ (e.g. gains or losses on financial assets available-for-sale, cash-flow hedging, foreign currency translation), and those elements that will not.

The amendments will be applicable for annual periods beginning on or after 1 July 2012.

IAS 19 — EMPLOYEE BENEFITS

These amendments introduce the following key changes:

Removal of the ‘corridor mechanism’ used for accounting of pension obligations to defer actuarial gains and losses, i.e. there will no longer be unrecognised actuarial gains and losses that arise in respect of its plan assets or when the company changes its estimate of a defined benefit obligation. These movements in pension assets and liabilities will be recognised directly through other comprehensive income.

The expected return on the plan assets will equal the discount rate of the defined benefit obligation, with a direct impact on expenses and profit or loss. Associated tax and administrative costs are also to be included as part of the expenses and will impact on profit or loss.

The amendment will be applicable for annual periods beginning on or after 1 January 2013 and will be applied retrospectively and comparative amounts will be required to be restated.

The Group is currently in the process of evaluating the potential effect on the Group’s financial statements of these amendments to IAS 19. Given the unrecognised actuarial losses and unrecognised past service cost as at 31 December 2011, the removal of the ‘corridor mechanism’ will lead to a reduction of current pension assets or an increase in current pension liabilities with a corresponding reduction in equity, as unrecognised actuarial losses and unrecognised past service cost will be recognised in other comprehensive income in the future. In addition, the amendment introduces new presentation and disclosure requirements.

IFRS 10, 11 AND 12 AS WELL AS IAS 27 AND 28 — CONSOLIDATION STANDARDS

IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entitie*s. The most significant changes under IFRS 10 are:

- Introduction of a single control model to assess whether to consolidate an investee.
- Substantive potential voting rights held by the investor and other parties taken into account when assessing control.
- Explicitly included are 'de facto control' in a new control model as well as an 'agent vs principal concept'.

The most significant changes under IFRS 11 *Joint Arrangements*, which supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, are:

- Classification of a joint arrangement depends on whether the jointly controlling parties have rights to and obligations for underlying assets and liabilities (joint operation) or whether they have rights to the net assets of the arrangement (joint venture).
- Joint ventures are equity accounted (proportionate consolidation will no longer be allowed).

The new standards IFRS 10 and IFRS 11 will be applicable for annual periods beginning on or after 1 January 2013. The standards will be applied retrospectively and comparative amounts will be required to be restated.

IFRS 12 *Disclosure of Interests in Other Entities* – which accompanies IFRS 10, IFRS 11 and IAS 28 – is a new comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities (off balance sheet vehicles). The objective of IFRS 12 is to require disclosure that helps users of financial statements to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

Expanded and new disclosures are required under the new IFRS.

The new standard IFRS 12 will be applicable for annual periods beginning on or after 1 January 2013. The standard will be applied prospectively and comparative amounts will not be required to be restated.

The Group is currently in the process of evaluating the potential effect on the Group's financial statements of the newly published IFRS 10 to 12 and the amendments to IAS 27 and 28. Additional disclosures will be required.

IFRS 13 — FAIR VALUE MEASUREMENT

This amendment aligns the fair value definitions contained within various standards in order to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements. The most significant changes under the newly published standard are:

- Defining fair value (e.g. exit price, price is not adjusted for transaction costs).
- Providing a clear framework for measuring fair value.
- More detailed disclosures about fair value measurements and for 'level 3' financial instruments, providing a measurement uncertainty analysis disclosure about fair value measurements categorised within level 3 of the fair value hierarchy. That disclosure would require an entity to take into account the correlation between unobservable inputs when performing the measurement uncertainty analysis, if such correlation is relevant in the analysis.

The new standard will be applicable for annual periods beginning on or after 1 January 2013. The standard will be applied prospectively and comparative amounts will not be required to be restated. The potential impact of the new standard on the Group's financial statements is currently being evaluated.

4. COMMENT ON RISK AND CAPITAL MANAGEMENT

Effective risk and capital management is fundamental to all stakeholders of the Group, including shareholders, clients and employees, and is of interest to the wider financial services sector. Regulators continually assess our capital positions as well as our approach to risk and expect us to adhere not only to the minimum regulatory requirements but equally to best industry practice. The Group regards the effective management of its risk and capital as being central to the successful achievement of its business objectives. It therefore has in place frameworks which are designed to embed the management of risk and capital at different levels within the organisation.

4.1. RISK MANAGEMENT FRAMEWORK AND PROCESS

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

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

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

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

The Executive Board is assisted in its overall risk control and monitoring activity by the Head of Internal Audit & Group Risk Control. In addition to managing the Internal Audit function, this individual is also responsible for coordinating and overseeing the Risk functions in the operating businesses (including their risk reporting to the Executive Board and the Audit Committee of the Board of Directors), and for independent assessing and reporting of the risks of the Company.

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

Day-to-day independent and objective assessment and monitoring of risk is provided by various control functions in the operating businesses. These control functions include Risk, Finance, Legal and Compliance. While these control functions are embedded in, and under the line responsibility of, the management of the operating businesses, their activity is also coordinated and overseen by the respective Group functions, namely the Group Chief Financial Officer, the Group General Counsel and the Head of Internal Audit & Group Risk Control.

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

4.2. RISK TYPES

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

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

4.2.1. STRATEGIC AND BUSINESS RISK

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

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

Strategic and business risks for the Group include:

DECLINE IN SECURITIES MARKETS

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

CHANGE IN INVESTOR APPETITE

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

LOSS OF INVESTMENT PROFESSIONALS

The departure of investment professionals from the operating businesses could result in a loss of knowledge or expertise and lead to a fall in assets under management and therefore a fall in our revenues and profitability. We manage this risk by providing our investment professionals with a platform and an environment within which they can prosper and succeed. Furthermore, our incentive packages are designed to be competitive and to recognise and reward good performance. Our scale and product diversification also serve as a risk mitigant in relation to the potential loss of investment professionals.

POOR INVESTMENT PERFORMANCE

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

PRODUCT PROFITABILITY

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

CLIENT AND INVESTOR CONCENTRATION

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

EURO CRISIS: CONTINGENCY PLANNING

The Greek debt situation and the euro crisis, which heavily impacted financial markets and severely dented investor confidence globally in 2011, are anything but resolved. At the outset of 2012, they continue to threaten the health of Europe in unprecedented ways, and potentially create a very difficult environment for the asset management industry. While the Group has no direct credit or investment exposure to the peripheral eurozone economies, the euro crisis directly affects the activities and investment strategies of our operating businesses and as such represents an important short-term challenge.

In such a fragile and uncertain environment, proper risk management requires us to consider and prepare for all possible scenarios. These include scenarios which have a very low probability of occurring but would have a potentially high impact. Among such potential high-impact scenarios we are following and, to the extent possible, preparing for are:

- one or more peripheral eurozone countries leaving the euro
- one or more strong eurozone countries leaving the euro
- a general break-up of the euro and the emergence of new regional currency unions
- the redenomination of select euro-denominated assets and/or liabilities into new currencies
- outright sovereign debt defaults and/or mutually agreed debt restructurings
- the introduction of temporary foreign exchange, capital and border controls
- the temporary closure or high illiquidity of markets
- the re-emergence of a banking crisis, not only of national banks in the directly affected economies but on a regional or global scale

The unfolding of any or a combination of these high-impact scenarios would undoubtedly result in generally difficult conditions across many markets, characterised by a flight to quality, generally declining asset values, lack of liquidity and increased volatilities. Some of these scenarios would also result in operational challenges for the asset management industry, for example, if currencies were to be redenominated, or if accurate and timely pricing and valuation of securities became difficult or impossible due to partially closed or illiquid markets. In extreme circumstances, some market participants may be forced to suspend the calculation of the

FOREIGN EXCHANGE RISK

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

REGULATORY CHANGES

Regulatory authorities are actively considering changes to the regulation of the global financial sector in the aftermath of the financial crisis in 2008. Regulatory changes may affect the investment management sector either directly or indirectly. We operate in a highly regulated environment and therefore constantly monitor our products and sales practices to ensure that they are compliant with regulations. Our dedicated legal and compliance teams provide an infrastructure and source of competitive advantage that enable our products to be robust and provide us with speed to market for new product launches. The diversity of our product offering and geographical spread of our investor base also mitigates the effect of some regulatory changes.

net asset values (NAVs) of certain funds, to suspend redemptions, impose gates or side-pocket certain assets.

We take these potential threats very seriously and are continuously monitoring the situation. As part of our efforts to manage and mitigate the potential risks to our clients' investments, we have already taken the following measures:

- We have increased the monitoring of our funds' investment exposure to the eurozone countries, particularly in the peripheral countries. While it is not our policy to eliminate all exposures to peripheral economies, we do seek to avoid undue concentration of risk.
- We are actively managing, and where warranted reducing, our funds' exposures to bank and broker counterparties. In these uncertain times, we view outright exposure limitation, counterparty risk diversification and the disciplined imposition and management of collateral as a highly effective way to mitigate risk. Our efforts encompass all types of bank counterparty risk, including over-the-counter (OTC) transactions, securities lending activities, outright credit risks resulting from cash invested in bank deposits as well as counterparty exposure resulting from prime brokerage relationships.
- We have assessed our internal operational capabilities and capacities to handle extreme scenarios as described above, and where necessary we have contacted our service providers about their ability to handle potentially unprecedented events. Our goal is to ensure that we are and remain operationally vigilant.
- Each operating business has instituted a crisis management committee. These committees include the most senior managers of the respective operating business as well as members of the Company and can be invoked at short notice. The committees are empowered and designed to facilitate a swift, coordinated and well-informed response to potentially extraordinary events.

As it is impossible to predict with any degree of certainty whether or exactly how a sovereign debt or eurozone crisis might unfold, we are monitoring the developments as the situation evolves. We are continuously reassessing the risks and our state of readiness, and, if required, will initiate further mitigation actions as appropriate.

4.2.2. OPERATIONAL RISK

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

The Group's various businesses exhibit varying degrees of vertical integration. Depending on the level of such vertical integration, we also procure services provided to us or our funds by external service providers (including but not limited to fund accounting, transfer agency, portfolio management and/or other services). In such instances, we impose high-quality requirements in the selection of such external service providers, we ensure that the service level is sufficiently documented in appropriate delegation agreements and we equally ensure that the service providers and the quality of their services are subject to ongoing monitoring.

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

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

The system of internal control is subject to regular review by the Group's Internal Audit function, based on an audit plan approved annually by the Audit Committee of the Board of Directors. The plan covers the business areas and processes which management believes are the most significant in terms of the Group's risk profile and where there are key controls on which the Group relies. An insurance programme provided by a syndicate of third-party insurers is tailored to the Group's risk profile and designed to increase the breadth of cover and certainty of response in respect of certain potential material liabilities arising.

4.2.3. REPUTATIONAL RISK

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

4.2.4. FINANCIAL RISK

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

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

CREDIT RISK

Credit risk is the risk that the Group's counterparties will not be able or willing to pay interest, re-pay principal, or otherwise fulfil their contractual obligations when they fall due. The Group is exposed to credit risk arising from (i) placing its cash and cash equivalents in the form of bank deposits, (ii) its receivables and accrued income, (iii) engaging in OTC transactions to hedge foreign exchange risks and a portion of the Group's 2009 Long-Term Incentive Plan (see section 'Treasury Shares' in Note 20), and (iv) other financial assets.

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

The Group's credit risk exposure arising from derivative financial instruments is included in the balance sheet position financial investments (see Note 13.1 and 13.3) and represents the positive replacement value of the underlying contracts.

The Group manages and controls its credit risk by entering into relationships with a range of creditworthy counterparties to limit any significant concentrations, and also by monitoring exposures in relation to their ageing. The Group's bank deposits counterparty policy establishes high internal credit and rating standards for acceptable bank counterparties as well as hard exposure limits per counterparty. Our receivables and accrued income exposures, by the very nature of our business, exhibit a very high credit quality and they are well-diversified. As a result of the high quality of our counterparties and by avoiding undue concentrations, the Group does not expect to incur any material credit losses on its financial assets.

The following table shows the Group's maximum exposure to credit risk as at 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

	31.12.2011 MAXIMUM EXPOSURE CHF M	31.12.2010 MAXIMUM EXPOSURE CHF M
Cash and cash equivalents	600.1	819.1
Trade and other receivables[1]	107.4	53.2
Accrued income	93.5	111.2
Financial investments and other financial assets[1]	4.4	51.6
Total	**805.4**	**1,035.1**

[1] For information on the reclassification of the receivable amounting to CHF 33.9 million (31 December 2010: CHF 33.9 million) in respect of a cash-settled total return swap over own shares see section 'Treasury Shares' in Note 20.

As at the balance sheet date, there are no financial assets which are impaired (31 December 2010: CHF 0.6 million) and there is no indication of any material negative impact on the credit quality of any financial asset. No significant impairments were recorded on financial assets exposed to credit risk in the financial year 2011.

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

AGEING OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

	31.12.2011		31.12.2010	
	GROSS AMOUNT CHF M	IMPAIRMENT CHF M	GROSS AMOUNT CHF M	IMPAIRMENT CHF M
Not past due	804.8	-	1,030.9	-
Past due less than 3 months	0.2	-	1.7	-
Past due 3–12 months	0.2	-	3.0	0.6
Past due more than 12 months	0.2	-	0.1	-
Total	**805.4**	**-**	**1,035.7**	**0.6**

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

DEBT FINANCIAL INSTRUMENTS BY CREDIT RATING CLASSES

		31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Fitch, S&P	**Moody's**			
AAA – AA-	Aaa – Aa3	1.2	1.2	0
A+ – A-	A1 – A3	0.1	0.1	0
BBB+ – BBB-	Baa1 – Baa3	-	-	-
BB+ – CCC-	Ba1 – Caa3	-	-	-
Unrated	Unrated	-	-	-
Total		**1.3**	**1.3**	**0**

MARKET RISK

Market risk is the risk of loss due to fluctuations in market variables such as foreign exchange rates, equity prices and interest rates. The Group classifies exposures to market risk into currency risk, equity price risk and interest rate risk. The Group has no significant concentration of market risk, beyond that relating to its financial investments, which predominantly relate to investments in mutual funds. The Group's interest in Artio Global Investors Inc. is accounted for using the equity method in accordance with IAS 28 (Investments in Associates) and therefore not included in this market risk section, which deals only with market risk related to financial instruments; for further information on the Group's interest in Artio Global Investors Inc. see Note 14.

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As a result of its worldwide operations, the Group is exposed to movements in foreign exchange rates in relation to its operating results as well as to assets and liabilities contained within each entity's balance sheet which can lead to foreign currency gains or losses. The Group's revenues are predominantly generated in euros and US dollars. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and actively seeks to minimise its net exposure on foreign currency positions in relation to its functional currency. Net exposures result from net positions of assets and liabilities or revenues and expenses in the same foreign currency. In the case of such net exposure on foreign currency positions, hedging strategies may be used to ensure that there is no material adverse effect on the cash flow generated by future transactions and as a consequence on future profits resulting from future movements in currency rates.

Equity price risk is the risk that the fair value of an equity investment will fluctuate as a result of changes in equity prices, whether caused by factors specific to an individual investment, its issuer or other factors affecting instruments traded in the market. The Group is exposed to equity price risk resulting from investments held by the Group and classified on the balance sheet as equity financial assets available-for-sale (for exposure see Note 13.1). The majority of such investments consist of investments in mutual funds, which have to be approved by the Group Chief Financial Officer and are periodically reviewed by the Executive Board and the Audit Committee of the Board of Directors in order to ensure that their individual and aggregated size and risk profile are within the exposure limits as defined by the Group's risk policy.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's income and operating cash flows are substantially independent of changes in interest rates, which is why the related Group risk exposure is minimal.

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

INTEREST RATE PROFILE

	31.12.2011 CHF M	31.12.2010 CHF M
Variable rate instruments		
Financial assets	608.7	819.1
Financial liabilities	-	-63.2
Total	**608.7**	**755.9**
Fixed rate instruments		
Financial assets	1.3	1.3
Financial liabilities	-	-
Total	**1.3**	**1.3**

The interest-bearing financial assets include mainly cash and cash equivalents on which no significant exposure to interest rate risk is expected. Furthermore, the Group has no exposure to interest rate risk on financial liabilities.

LIQUIDITY AND FINANCING RISK

Liquidity risk is the risk of the Group being unable to meet its payment obligations when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table shows an analysis of the Group's financial assets and liabilities by remaining contractual maturities as at the balance sheet date. Contrary to the balance sheet presentation, these amounts include the total of contractual future undiscounted interest payments related to these financial assets and liabilities.

REMAINING CONTRACTUAL MATURITIES OF FINANCIAL ASSETS

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Cash and cash equivalents	451.8	148.3	-	-	-	**600.1**
Trade and other receivables	0.5	68.9	38.0	-	-	**107.4**
Accrued income	-	89.2	4.3	-	-	**93.5**
Financial investments	-	1.9	2.1	-	0.1	**4.1**
Other financial assets	-	-	-	0.2	0.1	**0.3**
Total at 31 December 2011	**452.3**	**308.3**	**44.4**	**0.2**	**0.2**	**805.4**
Derivatives – inflows	-	76.8	21.5	2.4	-	**100.7**
Derivatives – outflows	-	-76.1	-21.4	-2.4	-	**-99.9**
Non-derivatives	452.3	307.6	44.3	0.2	0.2	**804.6**
Total at 31 December 2011	**452.3**	**308.3**	**44.4**	**0.2**	**0.2**	**805.4**
Cash and cash equivalents	528.0	291.1	-	-	-	**819.1**
Trade and other receivables	4.2	39.2	9.8	-	-	**53.2**
Accrued income	-	109.6	1.6	-	-	**111.2**
Financial investments	-	8.4	-	9.0	0.1	**17.5**
Other financial assets	-	-	-	34.0	0.1	**34.1**
Total at 31 December 2010	**532.2**	**448.3**	**11.4**	**43.0**	**0.2**	**1,035.1**
Derivatives – inflows	-	108.4	-	7.8	-	**116.2**
Derivatives – outflows	-	-100.0	-	-	-	**-100.0**
Non-derivatives	532.2	439.9	11.4	35.2	0.2	**1,018.9**
Total at 31 December 2010	**532.2**	**448.3**	**11.4**	**43.0**	**0.2**	**1,035.1**

REMAINING CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Trade and other payables	2.0	13.7	1.2	-	-	**16.9**
Accrued expenses	0.7	228.4	6.0	-	-	**235.1**
Other and non-current financial liabilities	-	0.9	12.6	3.1	0.9	**17.5**
Total at 31 December 2011	**2.7**	**243.0**	**19.8**	**3.1**	**0.9**	**269.5**
Derivatives – inflows	-	-23.8	-71.4	-11.7	-	**-106.9**
Derivatives – outflows	-	24.7	84.0	12.2	-	**120.9**
Non-derivatives	2.7	242.1	7.2	2.6	0.9	**255.5**
Total at 31 December 2011	**2.7**	**243.0**	**19.8**	**3.1**	**0.9**	**269.5**
Trade and other payables	1.4	33.1	8.3	-	-	**42.8**
Accrued expenses	-	254.4	14.4	-	-	**268.8**
Other and non-current financial liabilities	0.2	-	32.6	31.4	-	**64.2**
Total at 31 December 2010	**1.6**	**287.5**	**55.3**	**31.4**	**-**	**375.8**
Derivatives – inflows	-	-	-	-	-	**-**
Derivatives – outflows	-	-	-	-	-	**-**
Non-derivatives	1.6	287.5	55.3	31.4	-	**375.8**
Total at 31 December 2010	**1.6**	**287.5**	**55.3**	**31.4**	**-**	**375.8**

NET REMAINING CONTRACTUAL MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Financial assets	452.3	308.3	44.4	0.2	0.2	**805.4**
Financial liabilities	-2.7	-243.0	-19.8	-3.1	-0.9	**-269.5**
Total at 31 December 2011	**449.6**	**65.3**	**24.6**	**-2.9**	**-0.7**	**535.9**
Financial assets	532.2	448.3	11.4	43.0	0.2	**1,035.1**
Financial liabilities	-1.6	-287.5	-55.3	-31.4	-	**-375.8**
Total at 31 December 2010	**530.6**	**160.8**	**-43.9**	**11.6**	**0.2**	**659.3**

4.3. CAPITAL MANAGEMENT

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

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

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

Regulatory capital requirements may be based on an entity's level of assets under management, its fixed expenditures and/or the size and quality of its financial assets and liabilities. All Group entities currently maintain an appropriate level of capital resources relative to their respective applicable capital requirements. The aggregation of the current regulatory capital requirement across the Group amounts to approximately CHF 75 million (31 December 2010: CHF 71 million). This amount is, however, impacted by exchange rate fluctuations between the relevant Group entities' respective functional currency and the Swiss franc, the ongoing development of the business and changes in regulatory requirements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. NET FEE AND COMMISSION INCOME

	2011 CHF M	2010 CHF M	CHANGE IN %
Investment management fees	996.6	1,011.7	-1
Investment performance fees	19.6	89.5	-78
Other fund-related fees and commissions	13.2	15.9	-17
Total fee and commission income	**1,029.4**	**1,117.1**	**-8**
Distribution, fees and commission expenses	475.7	457.2	4
Total net fee and commission income	**553.7**	**659.9**	**-16**

6. OTHER OPERATING INCOME

	2011 CHF M	2010 CHF M	CHANGE IN %
Foreign exchange gains/(losses)	2.8	13.6	-79
Interest income	2.8	2.4	17
Interest expenses	-1.3	-3.0	57
Net gains/(losses) on financial assets available-for-sale	10.1	-4.7	315
Other income	13.3	16.8	-21
Total	**27.7**	**25.1**	**10**

7. PERSONNEL EXPENSES

	2011 CHF M	2010 CHF M	CHANGE IN %
Salaries and bonuses	208.1	247.8	-16
Share-based payment expenses	16.3	33.1	-51
Social security expenses	24.9	22.8	9
Defined benefit pension plans expenses	12.0	15.0	-20
Defined contribution pension plans expenses	7.1	6.7	6
Other personnel expenses	8.8	9.1	-3
Total	**277.2**	**334.5**	**-17**

As described in Note 20 GAM Holding AG has entered into a cash-settled total return swap over own shares that forms part of an economic hedge in respect of its potential exposure to options granted under the Group's 2009 Long-Term Incentive Plan. In certain jurisdictions the increase in the share price of GAM Holding AG leads to increased social security expenses. The total return swap seeks to mitigate such increases through the increase in its fair value, which is recognised in social security expenses. However, where the share price of GAM Holding AG falls below the total return swap's reference price of CHF 12.55 the income statement will be negatively affected on a net basis. In 2011, due to the decrease in GAM Holding AG's share price, the total return swap led to an increase in social security expenses of CHF 13.0 million (2010: decrease of CHF 7.8 million). After the release of the corresponding social security accruals a net increase in social security expenses of CHF 5.7 million was recorded in 2011 (2010: net increase of CHF 0.4 million).

8. GENERAL EXPENSES

	2011 CHF M	2010 CHF M	CHANGE IN %
Occupancy expenses	27.9	27.4	2
IT expenses	22.8	26.5	-14
Communication and marketing expenses	26.5	26.7	-1
Service and other fees and charges	16.4	16.9	-3
Other general expenses	6.9	27.0	-74
Total	**100.5**	**124.5**	**-19**

9. INCOME TAXES

	2011 CHF M	2010 CHF M	CHANGE IN %
Expected income tax expense/(income) on profit/(loss) before taxes	-9.9	11.4	-187
Applicable tax rates differing from Swiss statutory rate	58.4	69.9	-16
Non-taxable and lower taxed income	-15.7	-43.7	64
Previously unrecorded tax losses now utilised	-3.4	-2.9	-17
Tax effects of losses not recognised	0.4	0.8	-50
Adjustments related to prior years	-1.0	-0.9	-11
Non-deductible expenses	12.2	1.1	-
Other effects	7.3	8.6	-15
Actual income taxes	**48.3**	**44.3**	**9**

A Swiss statutory tax rate of 21% (2010: 21%) was applied in the calculation of expected income tax expense/(income).

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 23.0 million (2010: CHF 33.8 million). CHF 6.7 million (2010: CHF 6.0 million) of this amount will expire within ten years and the remainder amounting to CHF 16.3 million (2010: CHF 27.8 million) has no expiry date.

	2011 CHF M	2010 CHF M	CHANGE IN %
Current income taxes	42.4	52.4	-19
Deferred income taxes	5.9	-8.1	173
Total	**48.3**	**44.3**	**9**

TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	BEFORE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2011 NET OF TAX AMOUNT CHF M
Net gains/(losses) on financial assets available-for-sale	-2.0	-1.8	**-3.8**
Net (gains)/losses reclassified to the income statement on financial assets available-for-sale	4.0	1.8	**5.8**
Translation differences	-9.6	-	**-9.6**
Other comprehensive income recognised directly in equity	**-7.6**	**-**	**-7.6**

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

TAX CHARGED OR CREDITED DIRECTLY TO EQUITY

Tax effects on share-based payments amounted to a tax credit of CHF 3.9 million (2010: tax charge of CHF 4.8 million) and have effectively decreased the impact of the share-based payment expenses included in the respective line item within equity (see consolidated statement of changes in equity).

10. REPORTING BY SEGMENT

	GAM		SWISS & GLOBAL ASSET MANAGEMENT		GROUP FUNCTIONS		TOTAL GROUP	
	2011 CHF M	2010 CHF M	2011 CHF M	2010 CHF M	2011 CHF M	2010 CHF M	2011 CHF M	2010 CHF M
Operating income	**359.3**	**470.3**	**220.1**	**217.1**	**19.1**	**25.1**	**598.5**	**712.5**
Personnel expenses	195.8	250.6	68.0	66.3	13.4	17.6	**277.2**	334.5
General expenses	47.4	67.2	46.3	50.4	6.8	6.9	**100.5**	124.5
Depreciation of property and equipment and amortisation of intangible assets	17.1	18.0	1.3	0.6	-	0.1	**18.4**	18.7
Impairment of investments	-	-	-	-	249.1	180.3	**249.1**	180.3
Operating expenses	**260.3**	**335.8**	**115.6**	**117.3**	**269.3**	**204.9**	**645.2**	**658.0**
Profit/(loss) before taxes	**99.0**	**134.5**	**104.5**	**99.8**	**-250.2**	**-179.8**	**-46.7**	**54.5**
Income taxes							48.3	44.3
Net profit/(loss)							**-95.0**	**10.2**
Assets under management	44,761	53,601	76,852	80,396	-14,653 [1]	-16,170 [1]	106,960	117,827
Assets	1,688	1,794	304	303	434	786	2,426	2,883
Liabilities	157	253	143	148	26	30	326	431
Investment in associates					77	306	77	306
Interest in profit or loss of associate					17.1	27.5	17.1	27.5

[1] Represents the double-count of funds managed by GAM and distributed by Swiss & Global Asset Management.

INFORMATION ABOUT GEOGRAPHICAL AREAS

	2011 OPERATING INCOME CHF M	2010 OPERATING INCOME CHF M	31.12.2011[1] NON-CURRENT ASSETS CHF M	31.12.2010[1] NON-CURRENT ASSETS CHF M
Europe	472.9	569.0	1,397.6	1,401.4
Americas	116.0	136.2	3.8	4.3
Middle East and Asia	9.6	7.3	0.5	0.4
Total	598.5	**712.5**	1,401.9	**1,406.1**

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

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

MANAGEMENT ACCOUNTING POLICIES

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

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

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

11. EARNINGS PER SHARE AND SHARES OUTSTANDING

11.1. EARNINGS PER SHARE

	2011	2010
Basic earnings per share		
Net profit/(loss) (CHF m)	-95.0	10.2
Weighted average number of shares outstanding	183,105,923	196,279,481
Basic earnings per share (CHF)	**-0.52**	**0.05**
Diluted earnings per share		
Net profit/(loss) for diluted EPS (CHF m)	-95.0	10.2
Weighted average number of shares outstanding	183,105,923	196,279,481
Dilution effect	-	1,207,505
Weighted average number of shares outstanding for diluted EPS	183,105,923	197,486,986
Diluted earnings per share (CHF)	**-0.52**	**0.05**

11.2. SHARES OUTSTANDING

	2011	2010
Total shares issued at the beginning of the year	206,630,756	206,630,756
Cancelled during the year	-10,330,756	-
Total shares issued at the end of the year	**196,300,000**	**206,630,756**
Treasury shares – share buy-back programme	-12,945,000	-10,330,756
Treasury shares – 2009 Long-Term Incentive Plan[1]	-6,290,910	-7,563,832
Total shares outstanding at the end of the year	**177,064,090**	**188,736,168**

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Accrued fee and commission income	93.4	111.1	-16
Prepayments	12.3	7.2	71
Accrued other income	0.1	0.1	0
Total	**105.8**	**118.4**	**-11**

13. FINANCIAL INSTRUMENTS

13.1. FINANCIAL INVESTMENTS

	NOTE	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Debt financial assets available-for-sale		1.3	1.3	0
Equity financial assets available-for-sale		114.5	101.2	13
Derivative financial instruments	*13.3*	0.8	16.2	-95
Financial assets designated at fair value through profit or loss		2.0	0.8	150
Total		**118.6**	**119.5**	**-1**
Current		118.1	110.0	7
Non-current		0.5	9.5	-95
Total		**118.6**	**119.5**	**-1**

13.2. OTHER AND NON-CURRENT FINANCIAL LIABILITIES

	NOTE	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Bank overdraft		-	0.2	-100
Loans		-	63.0	-100
Derivative financial instruments	*13.3*	14.0	-	-
Other		3.5	-	-
Total		**17.5**	**63.2**	**-72**
Current		13.5	32.2	-58
Non-current		4.0	31.0	-87
Total		**17.5**	**63.2**	**-72**

13.3. DERIVATIVE FINANCIAL INSTRUMENTS

			2011
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivative financial instruments	137.4	0.8	2.1
Equity derivative financial instruments[1]	33.9	-	6.4
Total derivative financial instruments held for trading	**171.3**	**0.8**	**8.5**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	77.0	-	5.5
Total derivative financial instruments designated as hedging instruments	**77.0**	**-**	**5.5**
Total derivative financial instruments	**248.3**	**0.8**	**14.0**

			2010
	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
Foreign exchange derivative financial instruments	100.0	8.4	-
Equity derivative financial instruments[1]	33.9	7.8	-
Total derivative financial instruments held for trading	**133.9**	**16.2**	**-**
Total derivative financial instruments	**133.9**	**16.2**	**-**

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

Losses of CHF 5.7 million on derivative financial instruments designated as hedging instruments and gains of CHF 5.3 million on the hedged items attributable to the hedged risk (foreign exchange exposure of equity financial assets available-for-sale) are recognised in the income statement (2010: none) in other operating income.

13.4. FINANCIAL INSTRUMENTS BY CATEGORY

	31.12.2011		31.12.2010	
	CARRYING AMOUNT CHF M	FAIR VALUE CHF M	CARRYING AMOUNT CHF M	FAIR VALUE CHF M
Financial assets measured at amortised cost				
Cash and cash equivalents	600.1	600.1	819.1	819.1
Trade and other receivables	107.4	107.4	53.2	53.2
Accrued income	93.5	93.5	111.2	111.2
Other financial assets	0.3	0.3	34.1	34.1
Total financial assets measured at amortised cost	**801.3**	**801.3**	**1,017.6**	**1,017.6**
Financial assets measured at fair value				
Financial assets available-for-sale	115.8	115.8	102.5	102.5
Derivative financial instruments held for trading	0.8	0.8	16.2	16.2
Financial assets designated at fair value through profit or loss	2.0	2.0	0.8	0.8
Total financial assets measured at fair value	**118.6**	**118.6**	**119.5**	**119.5**
Total financial assets	**919.9**	**919.9**	**1,137.1**	**1,137.1**
Financial liabilities measured at amortised cost				
Trade and other payables	16.9	16.9	42.8	42.8
Accrued expenses	235.1	235.1	268.8	268.8
Other financial liabilities	3.5	3.5	63.2	63.2
Total financial liabilities measured at amortised cost	**255.5**	**255.5**	**374.8**	**374.8**
Financial liabilities measured at fair value				
Derivative financial instruments held for trading	8.5	8.5	-	-
Derivative financial instruments designated as hedging instruments	5.5	5.5	-	-
Total financial liabilities measured at fair value	**14.0**	**14.0**	**-**	**-**
Total financial liabilities	**269.5**	**269.5**	**374.8**	**374.8**

13.5. FINANCIAL INSTRUMENTS — FAIR VALUE DETERMINATION

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

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing at the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations and option models. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of total return swaps over shares is based on the fair value of the underlying shares.
- The fair value of forward foreign exchange contracts is determined by discounting the difference between the contractual forward exchange rate and the current forward exchange rate at the balance sheet date for the residual maturity of the contract.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

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

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

	LEVEL 1 CHF M	LEVEL 2 CHF M	LEVEL 3 CHF M	**31.12.2011** **TOTAL** CHF M
Derivative financial instruments	-	0.8	-	**0.8**
Financial assets designated at fair value through profit or loss	2.0	-	-	**2.0**
Financial assets available-for-sale	101.0	-	14.8	**115.8**
Total financial assets measured at fair value	**103.0**	**0.8**	**14.8**	**118.6**
Derivative financial instruments	-	14.0	-	**14.0**
Total financial liabilities measured at fair value	**-**	**14.0**	**-**	**14.0**

	LEVEL 1 CHF M	LEVEL 2 CHF M	LEVEL 3 CHF M	31.12.2010 **TOTAL** CHF M
Derivative financial instruments	-	16.2	-	**16.2**
Financial assets designated at fair value through profit or loss	-	-	0.8	**0.8**
Financial assets available-for-sale	71.7	28.6	2.2	**102.5**
Total financial assets measured at fair value	**71.7**	**44.8**	**3.0**	**119.5**

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

	FAIR VALUE THROUGH PROFIT OR LOSS CHF M	AVAILABLE-FOR-SALE CHF M	**TOTAL** CHF M
Balance at 1 January 2010	2.5	27.6	**30.1**
Purchases	-	25.2	**25.2**
Disposals	-1.7	-36.9	**-38.6**
Total gains/(losses):			
- in profit or loss	0.2	-4.7	**-4.5**
- in other comprehensive income	-	-8.6	**-8.6**
Translation differences	-0.2	-0.4	**-0.6**
Balance at 31 December 2010	**0.8**	**2.2**	**3.0**
Purchases	-	29.3	**29.3**
Disposals	-0.8	-24.0	**-24.8**
Total gains/(losses):			
- in profit or loss	-	4.3	**4.3**
- in other comprehensive income	-	3.0	**3.0**
Translation differences	-	-	**-**
Balance at 31 December 2011	**-**	**14.8**	**14.8**

All realised gains and losses recognised in profit or loss are reported in other operating income and impairment losses of CHF 2.6 million are reported separately in impairment of investments. In 2011, net losses of CHF 2.6 million (2010: gains of CHF 0.1 million) for the period included in profit or loss relate to financial instruments held at the end of the reporting period.

SENSITIVITY OF FAIR VALUE MEASUREMENTS

As in the prior year, no reasonably possible change in the inputs used in determining the fair value would cause the fair value of level 3 financial instruments to significantly change.

14. INVESTMENT IN ASSOCIATES AND IMPAIRMENT OF INVESTMENTS

INVESTMENT IN ASSOCIATES

As at 31 December 2011, the Group had a 29% (31 December 2010: 28%) interest in Artio Global Investors Inc. ('Artio'), a company that provides investment management services to institutional and mutual fund clients.

The fair value of the Group's interest in Artio, which has been listed on the New York Stock Exchange since 24 September 2009, is CHF 76.5 million as at 31 December 2011 (31 December 2010: CHF 230.4 million).

The reporting date of Artio is 31 December.

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

	31.12.2011 CHF M	31.12.2010 CHF M
Carrying amount of the investment in associates	**76.5**	**306.3**
Summary financial information of investment in associates		
Total assets	406.2	357.6
Total liabilities	238.9	258.5
Equity	**167.3**	**99.1**

	2011 CHF M	2010 CHF M
Revenue	243.0	350.0
Profit or loss	50.9	108.3

IMPAIRMENT OF INVESTMENTS

	2011 CHF M	2010 CHF M
Impairment of investment in associates	235.0	180.3
Impairment of financial instruments available-for-sale	14.1	-
Total	**249.1**	**180.3**

IMPAIRMENT TESTING

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

As the fair value of the Group's investment in Artio – reflected by the share price as of 31 December 2011 – declined significantly below its carrying amount, there is objective evidence of an impairment and the Group's investment in Artio was therefore tested for impairment.

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

- free cash flows
- discount rate
- applicable tax rate

Reasonably expected growth assumptions are applied in order to calculate the projected free cash flows. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 18.1% (31 December 2010: 18.6%). The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers.

The Group's approach to determining the key assumptions and related growth expectations is based on management's reasonable expectations of future business, using external market information and other reasonable information. For that purpose, the Group uses historical information by taking into consideration the current and expected market situations. For free cash flows used to calculate the recoverable amount of the investment in Artio, the Group applies 1.5% (31 December 2010: 2.0%) as the terminal growth rate.

As the fair value less costs to sell is higher than the value in use, the estimated recoverable amount of the investment in Artio equals the fair value less costs to sell represented by the market value of the listed shares of Artio.

Based on the assumptions above an impairment loss of CHF 235.0 million (2010: CHF 180.3 million) resulted.

15. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

15.1. DEFINED BENEFIT PENSION PLANS[1]

The Group maintains various defined benefit pension plans, mainly in Switzerland and the UK. The Swiss and the UK pension plans provide benefits in the event of retirement, death or disability. The plans' benefits are primarily based on length of service and salary. The plans are funded by assets held within separate legal entities. These benefits are financed through contributions paid by the employer and by the employee.

	2011 CHF M	2010 CHF M
1. Movement in pension plan obligations and assets		
Present value of funded obligation at the beginning of the year	-291.1	-264.7
Service cost	-15.6	-15.2
Past service cost	-2.3	-
Interest cost	-12.6	-12.8
Settlements	4.4	-
Benefits paid/(received)	5.0	-1.0
Actuarial gains/(losses)	5.4	-22.4
Translation differences	0.7	25.0
Present value of funded obligation at the end of the year	**-306.1**	**-291.1**
Fair value of plan assets at the beginning of the year	253.4	237.7
Expected return on plan assets	14.0	13.0
Employer's contributions	12.9	13.5
Employees' contributions	3.1	2.9
Settlements	-4.4	-
Benefits (paid)/received	-5.0	1.0
Actuarial gains/(losses)	-26.3	6.7
Translation differences	-0.9	-21.4
Fair value of plan assets at the end of the year	**246.8**	**253.4**

	31.12.2011 CHF M	31.12.2010 CHF M
2. Balance sheet		
Fair value of plan assets	246.8	253.4
Present value of funded obligation	-306.1	-291.1
Funded/(unfunded) status	**-59.3**	**-37.7**
Unrecognised past service cost	2.1	-
Unrecognised actuarial (gains)/losses	54.2	33.8
Net asset/(liability)	**-3.0**	**-3.9**
Deferred taxes	1.0	1.3
Amount recognised in the balance sheet	**-2.0**	**-2.6**

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

	2011 CHF M	2010 CHF M
3. Income statement		
Service cost	-15.6	-15.2
Interest cost	-12.6	-12.8
Expected return on plan assets	14.0	13.0
Amortisation of actuarial gains/(losses)	-0.7	-0.4
Past service cost	-0.2	-
Recognised actuarial gains/(losses) under IAS 19.58	-	-5.3
Change in unrecognised plan assets	-	2.8
Net pension cost for the period	**-15.1**	**-17.9**
Employees' contributions	3.1	2.9
Expense recognised in the income statement	**-12.0**	**-15.0**

	2011 CHF M	2010 CHF M
4. Movement in the net asset/(liability)		
Net asset/(liability) at the beginning of the year	-3.9	-3.4
Translation differences	-	1.0
Expense recognised in the income statement	-12.0	-15.0
Employer's contributions	12.9	13.5
Net asset/(liability) at the end of the year	**-3.0**	**-3.9**
Pension asset	5.6	4.0
Pension liability	-8.6	-7.9
Net asset/(liability) at the end of the year	**-3.0**	**-3.9**
Actual return on plan assets	**-12.3**	**19.7**

	2011 %	2010 %
5. Asset allocation		
Cash	5.1	4.2
Bonds	22.7	21.1
Equity instruments	50.3	51.9
Real estate	5.4	5.1
Other	16.5	17.7
Total	**100.0**	**100.0**

The pension plan assets are invested in accordance with local laws and do not include shares of GAM Holding AG.

	31.12.2011 CHF M	31.12.2010 CHF M	31.12.2009 CHF M	31.12.2008 CHF M	31.12.2007 CHF M
6. Historical information					
Fair value of plan assets	246.8	253.4	237.7	1,406.9	1,644.3
Present value of funded obligation	-306.1	-291.1	-264.7	-1,573.9	-1,581.4
Funded/(unfunded) status	**-59.3**	**-37.7**	**-27.0**	**-167.0**	**62.9**
Experience adjustment on plan obligation	-3.6	-9.1	66.9	-9.7	-8.8
Change in assumptions adjustment on plan obligation	9.0	-13.3	-28.3	47.2	115.3
Experience adjustment on plan assets	-26.3	6.7	46.4	-298.3	-36.8
Total actuarial gains/(losses)	**-20.9**	**-15.7**	**85.0**	**-260.8**	**69.7**

ACTUARIAL CALCULATION OF PENSION ASSETS AND OBLIGATIONS

The latest actuarial calculation was carried out as of 31 December 2011. The actuarial assumptions are based on local economic conditions.

	UK		SWITZERLAND	
	2011	2010	**2011**	2010
Discount rate	5.00%	5.50%	2.45%	2.70%
Expected return on plan assets	6.70%	6.60%	3.75%	4.00%
Average future salary increases	0.00–1.00%	1.00–3.60%	1.50%	1.50%
Future pension increases	2.20–4.30%	2.30–4.30%	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 2012 financial year are estimated at CHF 13.3 million.

CURTAILMENT TO EXISTING DEFINED BENEFIT PENSION PLAN

The Company intends to alter the future accrual of benefits for active members of the defined benefit section of the scheme in the UK from April 2012 onwards, as well as provide affected members with the option to accrue future benefits in the defined contribution section.

15.2. 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 7.1 million during the 2011 financial year (2010: CHF 6.7 million).

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1. DEFERRED TAX ASSETS

	31.12.2011 CHF M	31.12.2010 CHF M
Balance at the beginning of the year	20.5	9.8
Income statement – credit	2.2	13.3
Income statement – charge	-8.0	-6.0
Recognised directly in equity	-4.0	4.8
Translation differences and other adjustments	-1.6	-1.4
Balance at the end of the year	**9.1**	**20.5**
Components of deferred tax assets		
Employee compensation and benefits	2.0	3.2
Share-based payments	0.1	11.6
Property and equipment	1.8	1.8
Tax loss carry-forwards	4.3	3.1
Other	0.9	0.8
Total deferred tax assets	**9.1**	**20.5**

16.2. DEFERRED TAX LIABILITIES

	31.12.2011 CHF M	31.12.2010 CHF M
Balance at the beginning of the year	1.2	1.9
Income statement – charge	0.4	-
Income statement – credit	-0.3	-0.8
Translation differences and other adjustments	-	0.1
Balance at the end of the year	**1.3**	**1.2**
Components of deferred tax liabilities		
Employee compensation and benefits	1.2	0.9
Property and equipment	0.1	0.3
Total deferred tax liabilities	**1.3**	**1.2**

17. PROPERTY AND EQUIPMENT, GOODWILL AND OTHER INTANGIBLE ASSETS

	PROPERTY AND EQUIPMENT CHF M	GOODWILL CHF M	CUSTOMER RELATION-SHIPS CHF M	BRAND CHF M	SOFTWARE CHF M	TOTAL INTANGIBLE ASSETS CHF M
Historical cost						
Balance at 1 January 2010	**67.3**	1,841.3	995.6	273.0	23.8	**3,133.7**
Additions	**7.4**	-	-	-	2.7	**2.7**
Disposals[1]	**-5.4**	-	-	-	-	**-**
Translation differences	**-5.8**	-	-	-	-1.1	**-1.1**
Balance at 31 December 2010	**63.5**	**1,841.3**	**995.6**	**273.0**	**25.4**	**3,135.3**
Additions	**13.6**	-	-	-	0.8	**0.8**
Disposals[1]	**-1.2**	-	-	-	-0.1	**-0.1**
Translation differences	**-1.0**	-	-	-	-0.1	**-0.1**
Balance at 31 December 2011	**74.9**	**1,841.3**	**995.6**	**273.0**	**26.0**	**3,135.9**
Accumulated depreciation and amortisation						
Balance at 1 January 2010	**48.1**	764.4	949.0	-	22.4	**1,735.8**
Additions	**5.8**	-	11.7	-	1.2	**12.9**
Disposals[1]	**-4.4**	-	-	-	-	**-**
Translation differences	**-4.5**	-	-	-	-1.0	**-1.0**
Balance at 31 December 2010	**45.0**	**764.4**	**960.7**	**-**	**22.6**	**1,747.7**
Additions	**5.6**	-	11.6	-	1.2	**12.8**
Disposals[1]	**-1.2**	-	-	-	-0.1	**-0.1**
Translation differences	**-0.9**	-	-	-	-	**-**
Balance at 31 December 2011	**48.5**	**764.4**	**972.3**	**-**	**23.7**	**1,760.4**
Carrying amounts						
Historical cost	**63.5**	1,841.3	995.6	273.0	25.4	**3,135.3**
Accumulated depreciation and amortisation	**45.0**	764.4	960.7	-	22.6	**1,747.7**
Balance at 31 December 2010	**18.5**	**1,076.9**	**34.9**	**273.0**	**2.8**	**1,387.6**
Historical cost	**74.9**	1,841.3	995.6	273.0	26.0	**3,135.9**
Accumulated depreciation and amortisation	**48.5**	764.4	972.3	-	23.7	**1,760.4**
Balance at 31 December 2011	**26.4**	**1,076.9**	**23.3**	**273.0**	**2.3**	**1,375.5**

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

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

The Board of Directors, together with the Executive Board, has undertaken an assessment of the carrying value of the intangible assets resulting from the 2005 purchase of GAM.

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

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

GOODWILL IMPAIRMENT TESTING

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

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

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

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

The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 10.4% (2010: 11.9%) for GAM. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers.

For assets under management used to calculate the recoverable amount of the goodwill relating to the GAM segment, the Group applies 2.0% (2010: 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 there was no impairment loss (2010: none).

CUSTOMER RELATIONSHIPS IMPAIRMENT TESTING

This position comprises long-term customer relationship intangibles from the 2005 purchase of GAM. Customer relationships are amortised over their estimated useful life not exceeding a period greater than ten years using the straight-line method.

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

For 2011 there is no indication that customer relationships may be impaired, therefore the recoverable amount has not been estimated and no impairment loss resulted (2010: none).

BRAND IMPAIRMENT TESTING

The Group tests the brand name GAM for impairment annually, or whenever there are indications that the brand name might be impaired, by comparing its carrying amount with its recoverable amount. The Group uses a model based on the discounted cash flow method to determine the recoverable amount. This recoverable amount is based on the projected 'royalty savings' (i.e. an internal licence fee for use of brands), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 10.4% (2010: 11.9%), and the rate used for the 'royalty savings' is 4.8% (2010: 4.8%). No impairment loss was recognised as a result of this review.

CHANGES IN KEY ASSUMPTIONS

Deviations of future actual results achieved versus forecasted/planned key assumptions, as well as future changes of any of the key assumptions based on a 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.

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

18. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Accrued commission expenses	103.1	122.4	-16
Accrued operating expenses	132.0	146.4	-10
Total	**235.1**	**268.8**	**-13**

19. PROVISIONS

				2011
	RESTRUCTURING CHF M	REINSTATEMENT OF LEASEHOLD IMPROVEMENTS CHF M	OTHER CHF M	**TOTAL** CHF M
Balance at 1 January 2011	0.2	1.6	12.3	**14.1**
Utilised during the year	-0.2	-	-7.2	**-7.4**
Provisions made during the year	-	0.2	0.2	**0.4**
Provisions reversed during the year	-	-0.1	-4.3	**-4.4**
Translation differences	-	-	-0.8	**-0.8**
Balance at 31 December 2011	**-**	**1.7**	**0.2**	**1.9**
Current	-	-	0.2	**0.2**
Non-current	-	1.7	-	**1.7**
Total	**-**	**1.7**	**0.2**	**1.9**

The Group rents a number of buildings and provides for the reinstatement costs of these in line with the rental agreements. This provision is not anticipated to be utilised during the next seven years.

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

20. EQUITY

SHARE CAPITAL

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

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
Balance at 1 January 2009	211,034,256	10.5
Changes	-4,403,500	-0.2
Balance at 31 December 2009	**206,630,756**	**10.3**
Changes	-	-
Balance at 31 December 2010	**206,630,756**	**10.3**
Changes	-10,330,756	-0.5
Balance at 31 December 2011	**196,300,000**	**9.8**
of which treasury shares	*-19,235,910*	

All registered shares are fully paid.

With entry into the commercial register of the Canton of Zurich on 20 July 2011, GAM Holding AG executed the capital reduction resolved by its shareholders at the Company's Ordinary Annual General Meeting on 19 April 2011 and cancelled 10.3 million shares repurchased under its 2010 share buy-back programme.

CONDITIONAL CAPITAL

	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24 June 1993	10,000,000	0.5

There is no authorised capital.

For shares outstanding see Note 11.

CAPITAL RESERVES

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

Capital reserves have been adjusted via a transfer from retained earnings in order to agree with the amount of capital contribution reserves as disclosed in the balance sheet and Note 5 of the financial statements for the parent company.

FINANCIAL ASSETS AVAILABLE-FOR-SALE RESERVE

The financial assets available-for-sale reserve represents the cumulative gains and losses arising from fair value changes of financial investments available-for-sale, net of taxes. When such financial investments are derecognised or impaired the related cumulative amount in the financial asset available-for-sale reserve is transferred to the income statement.

FOREIGN CURRENCY TRANSLATION RESERVE

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

TREASURY SHARES

Treasury shares comprise the cost of GAM Holding AG shares held by the Group. The Group acquires treasury shares as an economic hedge in respect of its 2009 Long-Term Incentive Plan and as part of its current share buy-back programme.

On 5 December 2011, GAM Holding AG transferred from its treasury shares, held in respect of its hedge in relation to the Group's 2009 Long-Term Incentive Plan, 4.0 million shares (2.04% of shares in issue) into its share buy-back programme.

TREASURY SHARES — 2009 LONG-TERM INCENTIVE PLAN

GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.38% of shares in issue (31 December 2010: 1.31%). This total return swap forms part of the Company's strategy to economically hedge its potential exposure to options granted to officers and employees under the Group's 2009 Long-Term Incentive Plan. Aggregating the number of shares over which the total return swap is contracted, together with treasury shares held in relation to this Long-Term Incentive Plan, amounts to 4.58% of shares in issue (31 December 2010: 4.97%). The receivable in respect of this total return swap, amounting to CHF 33.9 million, is now included in trade and other receivables as part of current assets in the balance sheet (31 December 2010: CHF 33.9 million included in non-current other financial assets). The total return swap is recognised as a derivative financial instrument held for trading at fair value through profit and loss. For further information on the accounting treatment within the income statement see Note 7.

The number of shares held by GAM Holding AG as part of the Group's 2009 Long-Term Incentive Plan as at 31 December 2011 amounted to 6.3 million.

TREASURY SHARES — SHARE BUY-BACK PROGRAMME

10.3 million treasury shares purchased by GAM Holding AG as part of its 2010 share buy-back programme announced on 24 August 2010 were cancelled in 2011 as described above under the section Share Capital.

At the Ordinary Annual General Meeting on 19 April 2011, the Company's shareholders also approved a replacement for the 2010 share buy-back programme. The new programme for the purpose of capital reduction, which commenced on 9 May 2011, is scheduled to run over a maximum period of three years and allows for the purchase of a maximum of 41.3 million shares.

The number of shares held by GAM Holding AG as part of its 2011–2014 share buy-back programme as at 31 December 2011 amounted to 12.9 million. A request to cancel these shares will be put to the Ordinary Annual General Meeting to be held on 18 April 2012.

DISTRIBUTION OF DIVIDENDS

In 2011, a dividend of CHF 94.1 million was paid for the financial year 2010 (dividend per share: CHF 0.50). In 2010, no dividend was distributed for the financial year 2009. For the financial year 2011 a dividend of CHF 0.50 per share has been proposed. For further information see the proposed appropriation of retained earnings in the financial statements for the parent company.

ADDITIONAL NOTES

21. RELATED PARTY TRANSACTIONS[1,2]

	2011 CHF M	2010 CHF M
Key management personnel compensation		
Salaries and other short-term employee benefits	6.6	6.8
Post-employment benefits	0.1	0.1
Share-based payments	2.9	6.5
Total	**9.6**	**13.4**
Liabilities at the end of the period to		
Associated companies	0.3	0.7
Total	**0.3**	**0.7**
Expense from services provided by		
Associated companies	1.9	2.9
Total	**1.9**	**2.9**

1 Key management personnel consists of the Board of Directors and the Executive Board of GAM Holding AG.

2 GAM Holding AG or its subsidiaries obtain from time to time legal advice from, amongst other law firms, Homburger AG, Attorneys-at-law, Zurich, Switzerland. Mr Daniel Daeniker, member of the Board of Directors of GAM Holding AG, is one of more than 30 partners at Homburger AG. These mandates are not considered material either to Homburger AG or to GAM Holding AG. Furthermore Mr Daeniker does not work on any such mandate for GAM Holding AG or its subsidiaries. Mr Daeniker's independence to fulfill his mandate as a member of the Board of Directors of GAM Holding AG is therefore ensured.

Services are transacted at arm's length. The expense from services provided by, and liabilities to, associated companies relate to investment advisory fees. For information on compensation, loans and share and option holdings of the Board of Directors and the Senior Management in accordance with the Swiss Code of Obligations, see Note 11 of the financial statements for the parent company.

22. SHARE-BASED PAYMENTS

The plan described in detail below reflects the situation as of 31 December 2011. The registered shares which the Company requires to settle obligations under the Group's 2009 Long-Term Incentive Plan are procured in the market.

2009 LONG-TERM INCENTIVE PLAN

On 28 October 2009, to mark the independent listing of GAM Holding AG, the Board of Directors approved the granting of options (each option corresponding to one share with physical settlement) over the Company's shares to every officer and employee of the Group. In 2010 and 2011, further options were granted under this plan, principally to new employees of the Group. It is the current intention of the Company to settle these options by delivering to officers and employees only that number of GAM Holding AG shares equivalent to the difference in value between the exercise price and the share price as at the date of exercise (net physical settlement).

The options which formed the original grant, and which form the vast majority of the plan, all carry an exercise price of CHF 12.28 and vest in four equal, yearly, tranches, with the first tranche having vested at grant. Save in limited circumstances (not including change of control events) options are only exercisable after the end of the three-year vesting period and expire at the end of a three-month exercise period on 26 January 2013, apart from those options modified (see separate section on modification).

In September 2011, given concerns that the severity and likely duration of the economic downturn would frustrate certain key objectives for the plan, the Board of Directors decided to offer employees, other than members of senior management, the opportunity to extend the duration of their options in exchange for a 15% reduction in the number of options originally granted.

Each instalment of options granted is accounted for as a separate 'share-based payment arrangement' with associated expenses allocated over the relevant vesting period. Options were valued using a binomial option pricing model.

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

	31.12.2011		31.12.2010	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF
Outstanding at the beginning of the year	30,464,423	12.31	30,116,211	12.28
Granted during the year	1,330,972	12.35	829,542	13.54
Exercised during the year	-186,166	12.28	-12,639	12.28
Cancelled due to modification	-1,102,129	12.28	-	-
Forfeited/cancelled during the year	-788,817	12.28	-468,691	12.28
Outstanding at the end of the year	**29,718,283**	**12.32**	**30,464,423**	**12.31**
of which exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for share options exercised in 2011 was CHF 15.07 (2010: CHF 14.61).

SHARE OPTIONS GRANTED IN 2011

	OPTIONS VESTED ON 20 JULY 2011	OPTIONS VESTING ON 20 JULY 2012	OPTIONS VESTING ON 20 JULY 2013	OPTIONS VESTING ON 20 JULY 2014
Fair value of share options and assumptions				
Fair value of options at grant date	1.80	1.90	1.95	1.97
Average remaining contractual life (in months)	34	34	34	34
Share price at grant date	12.35	12.35	12.35	12.35
Exercise price	12.35	12.35	12.35	12.35
Expected volatility	33.20%	33.20%	33.20%	33.20%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.40%	0.40%	0.40%	0.40%
Expense recognised for the period (CHF m)	0.6	0.3	0.1	0.1

SHARE OPTIONS GRANTED IN 2010

	OPTIONS VESTED 13 APRIL TO 16 AUGUST 2010	OPTIONS VESTED 13 APRIL TO 16 AUGUST 2011	OPTIONS VESTING 13 APRIL TO 16 AUGUST 2012	OPTIONS VESTING 13 APRIL TO 16 AUGUST 2013
Fair value of share options and assumptions				
Fair value of options at grant date	1.98–2.33	2.10–2.46	2.12–2.47	2.06–2.39
Average remaining contractual life (in months)	18–23	18–23	18–23	18–23
Share price at grant date	11.60–13.93	11.60–13.93	11.60–13.93	11.60–13.93
Exercise price	12.28–13.93	12.28–13.93	12.28–13.93	12.28–13.93
Expected volatility	34.5–38.5%	34.5–38.5%	34.5–38.5%	34.5–38.5%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.51–0.86%	0.51–0.86%	0.51–0.86%	0.51–0.86%
Expense recognised for the period (CHF m)	-	0.2	0.2	0.2

SHARE OPTIONS GRANTED IN 2009

	OPTIONS VESTED ON 28 OCTOBER 2009	OPTIONS VESTED ON 28 OCTOBER 2010	OPTIONS VESTED ON 28 OCTOBER 2011	OPTIONS VESTING ON 28 OCTOBER 2012
Fair value of share options and assumptions				
Fair value of options at grant date	2.48	2.62	2.63	2.55
Average remaining contractual life (in months)	13	13	13	13
Share price at grant date	12.28	12.28	12.28	12.28
Exercise price	12.28	12.28	12.28	12.28
Expected volatility	40.75%	40.75%	40.75%	40.75%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.98%	0.98%	0.98%	0.98%
Expense recognised for the period (CHF m)	-	-	7.3	5.7

MODIFICATION OF 2009 LONG-TERM INCENTIVE PLAN

In September 2011, 7.3 million options were modified by extending the duration of the options in exchange for a 15% reduction (1.1 million options) in the number of options originally granted to each employee. These options continue to vest on the existing schedule, at an unchanged exercise price, but can only be exercised over a twelve-month period commencing on 28 March 2014. A revaluation of these options has been performed at the date of modification. The resulting increase in fair value of CHF 2.1 million is charged to the income statement over the remaining vesting period (CHF 1.6 million in 2011 and CHF 0.5 million in 2012).

The incremental fair values of the modified options and the inputs into the option pricing model are as follows:

	OPTIONS VESTED ON 28 OCTOBER 2009	OPTIONS VESTED ON 28 OCTOBER 2010	OPTIONS VESTED ON 28 OCTOBER 2011	OPTIONS VESTING ON 28 OCTOBER 2012
Incremental fair value of share options and assumptions				
Incremental fair value per modified option	0.31	0.31	0.32	0.38
Average remaining contractual life (in months)	39	39	39	39
Share price at modified grant date	11.45	11.45	11.45	11.45
Exercise price	12.28	12.28	12.28	12.28
Expected volatility	39.19%	39.19%	39.19%	39.19%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.12%	0.12%	0.12%	0.12%
Incremental expense recognised for the period (CHF m)	0.5	0.5	0.5	0.1

23. FUTURE COMMITMENTS UNDER OPERATING LEASES

	31.12.2011 CHF M	31.12.2010 CHF M
Maturity of up to 1 year	19.5	19.2
Maturity within 1–5 years	69.1	65.8
Maturity within 5–10 years	33.7	38.6
Maturity within 10–15 years	10.6	11.4
Maturity of over 15 years	11.4	13.9
Total	**144.3**	**148.9**

For 2011, operating leases in the gross amount of CHF 19.7 million are included in operating expenses (2010: CHF 19.0 million).

Future sublease payments of CHF 0.4 million are expected to be received.

24. COMPANIES CONSOLIDATED AS OF 31 DECEMBER 2011

LISTED COMPANY WHICH IS CONSOLIDATED

	PLACE OF LISTING	CAPITALISATION AS OF 31.12.2011 CHF M	HEAD OFFICE	SHARE CAPITAL CHF M
GAM Holding AG	SIX Swiss Exchange	2,002	Zurich	9.815

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

UNLISTED COMPANIES WHICH ARE CONSOLIDATED

	DOMICILE	CURRENCY	SHARE CAPITAL	EQUITY INTEREST IN %
GAM Group AG	Zurich	CHF	225,000,000	100
GAM (Schweiz) AG	Zurich	CHF	1,000,000	100
GAM Anlagefonds AG	Zurich	CHF	1,000,000	100
GAM Ltd.	Hamilton/Bermuda	USD	2,020,000	100
GAM (Dubai) Ltd. (in liquidation)	Dubai	USD	200,000	100
GAM (UK) Ltd.	London	GBP	1,000,000	100
GAM Investment Managers Ltd.	London	GBP	200,000	100
GAM International Management Ltd.	London	GBP	750,000	100
GAM London Ltd.	London	GBP	2,025,000	100
GAM Sterling Management Ltd.	London	GBP	50,000	100
GAM Fund Management Ltd.	Dublin	EUR	126,974	100
GAM Singapore Pte Ltd.	Singapore	SGD	4,600,000	100
GAM Hong Kong Ltd.	Hong Kong	HKD	5,000,000	100
GAM Japan Ltd.	Tokyo	JPY	470,000,000	100
GAM USA Inc.	Wilmington/USA	USD	100	100
GAM Services Inc.	Wilmington/USA	USD	100	100
GAM Funding Inc.	Wilmington/USA	USD	1,000	100
Swiss & Global Asset Management Holding AG	Zurich	CHF	10,250,000	100
Swiss & Global Asset Management AG	Zurich	CHF	1,200,000	100
Swiss & Global Fund Administration (Cayman) Ltd.	George Town/Grand Cayman	USD	5	100
Directorate Inc.	Road Town/British Virgin Islands	USD	20,000	100
Swiss & Global Services (Italia) S.r.l.	Milan	EUR	50,000	100
Swiss & Global Asset Management (Italia) SGR S.p.A.	Milan	EUR	2,000,000	100
Swiss & Global Advisory S.A.	Luxembourg	EUR	75,000	100
Swiss & Global Asset Management (Luxembourg) S.A.	Luxembourg	EUR	4,125,000	100
(including branch offices in the United Kingdom and Spain)				
Swiss & Global Asset Management Kapital AG	Frankfurt	EUR	2,600,000	100

DISPOSALS OF COMPANIES CONSOLIDATED:

GAM (Isle of Man) Ltd., liquidated

25. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors approved these consolidated financial statements on 5 March 2012. In addition, they must be approved by the Ordinary Annual General Meeting on 18 April 2012.

As announced on 28 February 2012, our operating business GAM has entered into agreements for the purchase of 100% of the issued share capital of Arkos Capital SA, a small independent investment boutique located in Lugano, Switzerland. The transaction is expected to close in the first half of 2012, subject to regulatory approval.

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

GAM Holding AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of GAM Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 74 to 133) for the year ended 31 December 2011.

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 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Zurich, 5 March 2012

PARENT COMPANY FINANCIAL STATEMENTS

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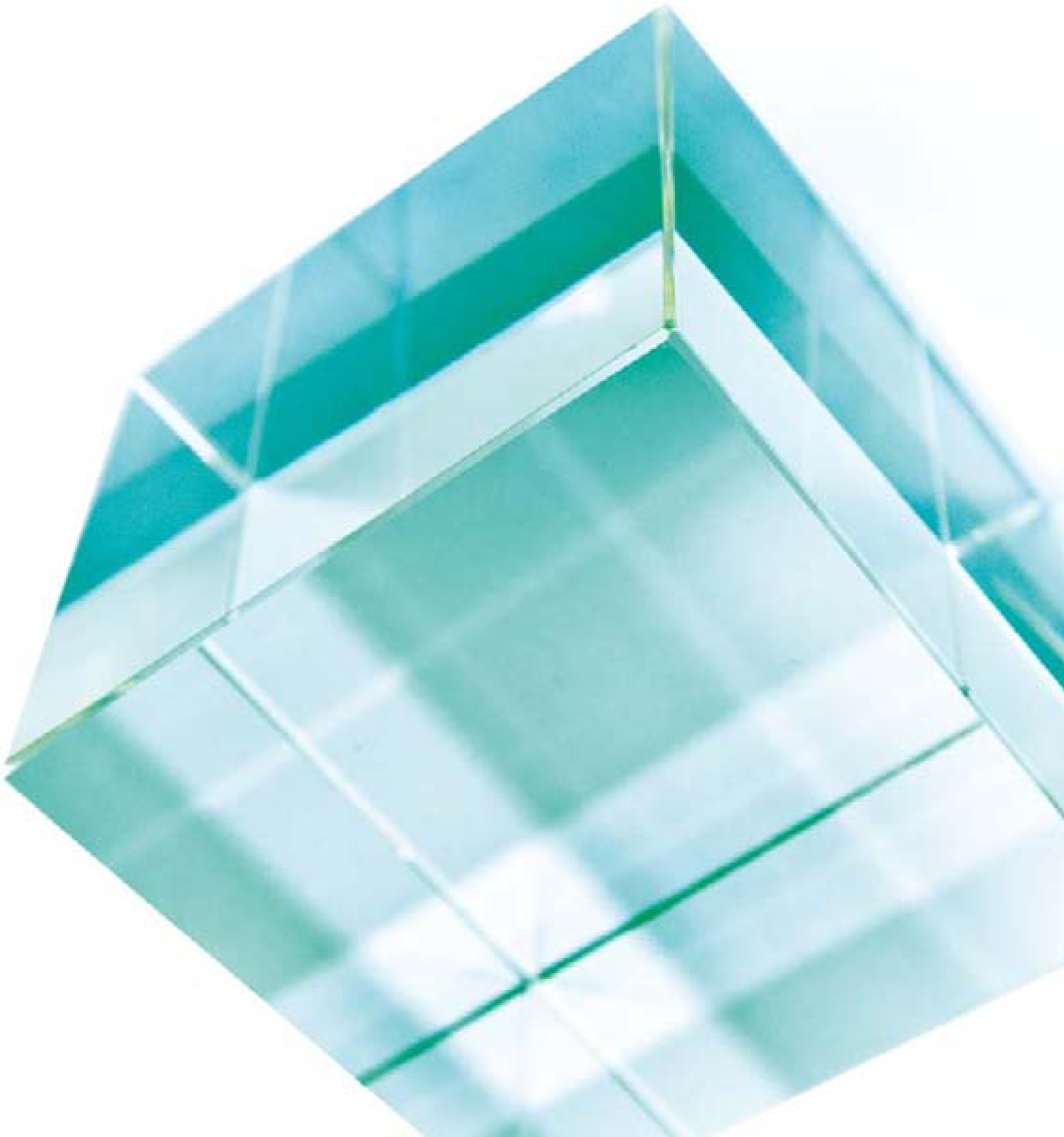

INCOME STATEMENT

	2011 CHF M	2010 CHF M	CHANGE IN %
Income from investments in subsidiaries and associates	119.4	187.1	-36
Financial income	4.9	1.4	250
Other operating results	74.0	0.7	-
Operating income	**198.3**	**189.2**	**5**
Personnel expenses	24.5	29.0	-16
General expenses	5.4	6.4	-16
Financial expenses	78.7	5.6	-
Operating expenses	**108.6**	**41.0**	**165**
Gross profit	**89.7**	**148.2**	**-39**
Taxes	1.5	1.8	-17
Net profit/(loss)	**88.2**	**146.4**	**-40**

BALANCE SHEET

	31.12.2011 CHF M	31.12.2010 CHF M	CHANGE IN %
Current assets			
Cash and cash equivalents	219.9	337.0	-35
Securities	102.9	107.2	-4
Trade and other receivables	0.7	1.5	-53
Accrued income and prepaid expenses	114.2	173.8	-34
Short-term loans	9.4	-	-
Other financial assets	33.7	-	-
Total current assets	**480.8**	**619.5**	**-22**
Non-current assets			
Investments in subsidiaries and associates	1,729.2	1,729.2	0
Treasury shares	197.9	248.2	-20
Other financial assets	-	33.6	-100
Total non-current assets	**1,927.1**	**2,011.0**	**-4**
Total assets	**2,407.9**	**2,630.5**	**-8**
Due from group companies	123.3	173.5	-29
Liabilities			
Accrued expenses and deferred income	12.6	30.3	-58
Other liabilities	13.6	58.0	-77
Total liabilities	**26.2**	**88.3**	**-70**
Equity			
Share capital	9.8	10.3	-5
General legal reserve			
General reserve	5.3	5.3	0
Capital contribution reserve			
Reserve for treasury shares	261.1	-	-
Other capital contribution reserve	1,737.3	-	-
Other reserve for treasury shares transferred from other reserve	33.4	281.6	-88
Other reserve	100.2	2,098.6	-95
Retained earnings			
Balance brought forward	146.4	-	-
Profit/(loss) for the year	88.2	146.4	-40
Total equity	**2,381.7**	**2,542.2**	**-6**
Total liabilities and equity	**2,407.9**	**2,630.5**	**-8**
Due to group companies	0.2	0.3	-33

NOTES

1. ACCOUNTING PRINCIPLES

GAM Holding AG presents its financial statements in accordance with Swiss law.

2. CONTINGENT LIABILITIES

	31.12.2011 CHF M	31.12.2010 CHF M
Guarantee obligations in favour of group companies	-	63.0

GAM Holding AG is part of a value-added tax group and therefore jointly liable to the Swiss Federal Tax Administration for the value-added tax liabilities of other members.

3. SECURITIES

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

4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

5. CAPITAL CONTRIBUTION RESERVE

At the Ordinary Annual General Meeting held on 19 April 2011, the shareholders approved the allocation of the aggregate capital contribution reserve in the amount of CHF 2,092,582,262 from the balance sheet item 'Other Reserve' to the new balance sheet item 'Capital Contribution Reserve' (as part of the 'General Legal Reserve'). Distribution of Capital Contribution Reserve is exempt from Swiss federal withholding tax of 35% and income tax-free for private investors resident in Switzerland.

	TOTAL VALUE CHF M
Balance as at 1 January 2011	**2,092.5**
Distribution to shareholders	-94.1
Balance as at 31 December 2011	**1,998.4**
Thereof reserve for treasury shares	261.1
Thereof other capital contribution reserve	1,737.3

6. TREASURY SHARES

	NUMBER OF SHARES	AVERAGE PRICE CHF	TOTAL VALUE CHF M
Balance as at 1 January 2010	**5,498,412**	**12.03**	**66.1**
Purchase of treasury shares to cover the Group's 2009 Long-Term Incentive Plan	4,766,818	12.79	61.0
Delivery of shares due to exercise of options	-1,398	12.39	0.0
Sale of treasury shares[1]	-2,700,000	12.37	-33.4
Share buy-back programme	10,330,756	14.96	154.5
Balance as at 31 December 2010	**17,894,588**	**13.87**	**248.2**
Purchase of treasury shares to cover the Group's 2009 Long-Term Incentive Plan	2,755,000	17.14	47.2
Delivery of shares due to exercise of options	-27,922	14.46	-0.4
Shares bought to cover the Group's 2009 Long-Term Incentive Plan transferred to the share buy-back programme[2]	-4,000,000	13.65	-54.6
Cancellation of shares approved at the Ordinary Annual General Meeting on 19 April 2011	-10,330,756	14.96	-154.5
Share buy-back programme[3]	12,945,000	13.54	175.2
Revaluation as per 31 December 2011[4]			-63.2
Balance as at 31 December 2011	**19,235,910**	**10.29**[4]	**197.9**

[1] GAM Holding AG has entered into a cash-settled total return swap over 2.7 million of its own shares, equating to 1.38% of shares in issue as at 31 December 2011. This total return swap forms part of the Company's strategy to economically hedge its potential exposure to options granted to officers and employees under the Group's 2009 Long-Term Incentive Plan. Aggregating the number of shares over which the total return swap is contracted, together with treasury shares held in relation to the Group's 2009 Long-Term Incentive Plan as at 31 December 2011, amounts to 4.58% of shares in issue. The reserve for treasury shares includes the underlying shares of that swap. For further details, please refer to Note 20 of GAM Holding AG's Consolidated Financial Statements.

[2] On 5 December 2011, GAM Holding AG transferred from its treasury shares held in respect of the Group's 2009 Long-Term Incentive Plan, 4 million shares (2.04% of shares in issue) into its share buy-back programme.

[3] This includes the 4 million shares bought to cover the Group's 2009 Long-Term Incentive Plan (please refer to the footnote 2 above).

[4] In accordance with the accounting principles, the shares have been revalued as at 31 December 2011 using the weighted average price traded on the SIX Swiss Exchange in December 2011.

The shares are valued at the lower of purchase cost or market price. Revaluations are recorded in financial expenses.

7. CONDITIONAL CAPITAL

	REGISTERED SHARES (CHF 0.05 PAR)	
	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the Ordinary Annual General Meeting on 24 June 1993	10,000,000	0.5

8. RISK MANAGEMENT

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

9. LONG-TERM INCENTIVE PLAN

The liability for expected cost in relation to the Group's 2009 Long-Term Incentive Plan has been revalued and fully released as at 31 December 2011 and recorded in other operating results.

10. SIGNIFICANT SHAREHOLDERS/PARTICIPANTS

Based on notifications received by GAM Holding AG each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2011.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
GAM Holding AG[3]	9.80% [11]	1.38% [12]	**11.18%**
Silchester International Investors LLP[4]	5.16%	-	**5.16%**
BlackRock Inc.[5]	4.95%	-	**4.95%**
Credit Suisse Asset Management Funds AG[6]	3.25%	-	**3.25%**
Wellington Management Company LLP[7]	3.18%	-	**3.18%**
UBS Fund Management (Switzerland) AG[8]	3.13%	-	**3.13%**
Farallon Capital Management LLC[9]	3.08%	-	**3.08%**
FIL Limited[10]	3.01%	-	**3.01%**

1 The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
2 Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
3 GAM Holding AG, Zurich, Switzerland (as at 31 December 2011).
4 Silchester International Investors LLP, London, UK (reported on 4 November 2011).
5 BlackRock Inc., New York, USA (reported on 5 December 2011).
6 Credit Suisse Asset Management Funds AG, Zurich, Switzerland (reported on 13 January 2010).
7 Wellington Management Company LLP, Boston, USA (reported on 6 September 2011).
8 UBS Fund Management (Switzerland) AG, Zurich, Switzerland (reported on 7 July 2011).
9 Farallon Capital Management LLC, San Francisco, USA (reported on 26 July 2011).
10 FIL Limited, Hamilton, Bermuda (reported on 12 October 2010).
11 As at 31 December 2011, GAM Holding AG also had a sale position of GAM Holding AG shares of 15.14% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 22 of GAM Holding AG's Consolidated Financial Statements.
12 As at 31 December 2011, GAM Holding AG held 19,235,910 or 9.80% treasury shares. Additionally, GAM Holding AG held a cash-settled total return swap investment over 2.7 million of its own shares, equating to 1.38% of shares in issue. For further details, please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

Based on notifications received by GAM Holding AG each of the following shareholders/participants held more than 3% of the voting rights in GAM Holding AG as at 31 December 2010.[1]

	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
Shareholder/participant[2]			
GAM Holding AG[3]	8.66%[8]	1.31%[9]	**9.97%**
Davis Selected Advisers LP[4]	4.95%	-	**4.95%**
BlackRock Inc.[5]	4.21%	0.06%	**4.27%**
Credit Suisse Asset Management Funds AG[6]	3.25%	-	**3.25%**
FIL Limited[7]	3.01%	-	**3.01%**

[1] The percentage holding of voting rights as well as the other terms used in this section bear the meaning ascribed to them and should be read in the context of the applicable stock exchange rules.
[2] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[3] GAM Holding AG, Zurich, Switzerland (as at 31 December 2010).
[4] Davis Selected Advisers L.P., Tucson, USA (reported on 30 November 2010).
[5] BlackRock Inc., New York, USA (reported on 6 January 2010).
[6] Credit Suisse Asset Management Funds AG, Zurich, Switzerland (reported on 13 January 2010).
[7] FIL Limited, Hamilton, Bermuda (reported on 12 October 2010).
[8] As at 31 December 2010, GAM Holding AG also had a sale position of GAM Holding AG shares of 14.74% of shares in issue related to the options granted under the Group's 2009 Long-Term Incentive Plan. For further details, please refer to Note 22 of GAM Holding AG's Consolidated Financial Statements.
[9] As at 31 December 2010, GAM Holding AG held 17,894,588 or 8.66% treasury shares. Additionally, GAM Holding AG held a cash-settled total return swap investment over 2.7 million of its own shares, equating to 1.31% of shares in issue. For further details, please see Note 20 of GAM Holding AG's Consolidated Financial Statements.

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

		BASE PAY[3] CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS[4] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of the Board of Directors						
Johannes A. de Gier, Chairman[1]	2011	258,500	-	-	-	**258,500**
	2010	258,500	-	-	-	**258,500**
Daniel Daeniker[2]	2011	117,000	-	-	-	**117,000**
	2010	83,500	-	756,125[5]	-	**839,625**
Diego du Monceau[2]	2011	125,050	-	-	-	**125,050**
	2010	83,500	-	756,125[5]	-	**839,625**
Dieter Enkelmann	2011	125,050	-	-	-	**125,050**
	2010	117,000	-	-	-	**117,000**
Hugh Scott-Barrett	2011	125,050	-	-	-	**125,050**
	2010	117,000	-	-	-	**117,000**
Total	**2011**	**750,650**	**-**	**-**	**-**	**750,650**
Total	**2010**	**659,500**	**-**	**1,512,250**	**-**	**2,171,750**

[1] This member received additional compensation for 2010 and for 2011 in his role as Chief Executive Officer of GAM Holding AG. Details of this compensation can be found on page 146.
[2] Elected to the Board of Directors at the Ordinary Annual General Meeting on 13 April 2010.
[3] The base pay for 2010 included CHF 8,500 per year per Committee of the Board of Directors of which the recipient is a member. The base pay for 2011 included CHF 8,500 per year per Committee of the Board of Directors other than the Audit Committee, and CHF 20,000 for the Audit Committee, of which the recipient is a member.
[4] The value of the share-based payments cannot be compared with Note 22 on share-based payments of GAM Holding AG's Consolidated Financial Statements as the latter discloses the compensation expense for the options that have been recognised during the reporting periods.
[5] Share-based payments to these members of the Board of Directors consist of options which were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan. The options will vest over three years and can be exercised once they have fully vested after three years as of 13 April 2013 during the following 90 days. The options were valued at fair value calculated for each of the vesting periods (CHF 2.33/2.46/2.47/2.39).

In 2011, no compensation was granted to members of the Board of Directors who left the Board in 2010 or earlier.
No compensation was granted to closely linked parties of members of the Board of Directors.
No termination fees were paid to any member of the Board of Directors who left the Board of Directors.
No additional payments were made to any member of the Board of Directors.

No loans to current members of the Board of Directors (or their closely linked parties) were granted and no loans to former members of the Board of Directors (or their closely linked parties) were granted in 2011 or were outstanding at year-end 2011.

		Number of shares	Number of vested options (all option holdings are call options)		
			Exercise prices CHF		Maturity
			12.28[2]	13.93[3]	
Share and option holdings of the members of Board of Directors[1]					
Johannes A. de Gier, Chairman[4]	2011	-	2,351,382	-	28.10.12
	2010	-	1,567,592	-	28.10.12
Daniel Daeniker[5]	2011	-	-	156,758	13.04.13
	2010	-	-	78,380	13.04.13
Diego du Monceau[5]	2011	-	-	156,758	13.04.13
	2010	-	-	78,380	13.04.13
Dieter Enkelmann	2011	38,000	235,137	-	28.10.12
	2010	68,600	156,760	-	28.10.12
Hugh Scott-Barrett	2011	5,000	235,137	-	28.10.12
	2010	5,000	156,760	-	28.10.12
Total	**2011**	**43,000**	**2,821,656**	**313,516**	
Total	**2010**	**73,600**	**1,881,112**	**156,760**	

1 Including share and option holdings of closely linked parties.
2 These vested options were granted on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan. The options will be exercisable only as of 28 October 2012 during the following 90 days.
3 These vested options were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan. The options will be exercisable only as of 13 April 2013 during the following 90 days.
4 The options held by this member also include vested options granted to him in his role as Chief Executive Officer of GAM Holding AG.
5 Elected to the Board of Directors at the Ordinary Annual General Meeting on 13 April 2010.

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of the Senior Management[1]						
Total	2011	2,981,523	1,951,411	-	245,068	**5,178,002**
Total	2010	3,003,169	2,310,869	-	255,582	**5,569,620**

[1] The disclosed compensation for the members of the Senior Management includes the compensation of the three members of the Senior Management of GAM Holding AG; the Chief Executive Officer, the Group Chief Financial Officer and the Group General Counsel. It does not include compensation paid to the Chief Executive Officer of GAM Holding AG for his role as Chairman of the Board of Directors of GAM Holding AG, which is separately detailed on page 144.

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Details of the compensation of the highest paid member of the Senior Management						
Johannes A. de Gier[1]	2011	2,347,330	-	-	48,319	**2,395,649**
Johannes A. de Gier[2]	2010	2,347,330	-	-	47,155	**2,394,485**

[1] The compensation disclosed includes payments for the year 2011 for the member's role as Chief Executive Officer of GAM Holding AG. It does not include additional compensation paid to this member of the Senior Management in his role as Chairman of the Board of Directors of GAM Holding AG, which is separately detailed on page 144. The aggregate total of all such compensation amounts to CHF 2,654,149.

[2] The compensation disclosed includes payments for the year 2010 for the member's role as Chief Executive Officer of GAM Holding AG. It does not include additional compensation paid to this member of the Senior Management in his role as Chairman of the Board of Directors of GAM Holding AG, which is separately detailed on page 144. The aggregate total of all such compensation amounts to CHF 2,652,985.

In 2011, no compensation was paid to former members of the Senior Management who left the Senior Management in 2010 or earlier.
No compensation was granted to closely linked parties of members of the Senior Management or former members of the Senior Management.
No termination fees were paid to members of the Senior Management who left the Senior Management.
No additional compensation payments were made to any member of the Senior Management.

No loans to current members of the Senior Management (or their closely linked parties) were granted and no loans to former members of the Senior Management (or their closely linked parties) were granted in 2011 or were outstanding at year-end 2011.

		Number of shares	Number of vested options (all option holdings are call options)	
			Exercise prices CHF	Maturity
			12.28[2]	
Share and option holdings of the members of the Senior Management[1]				
Johannes A. de Gier (Chief Executive Officer)	2011	-	2,351,382	28.10.12
	2010	-	1,567,592	28.10.12
Scott Sullivan (Group General Counsel)	2011	-	549,672	28.10.12
	2010	-	366,450	28.10.12
Andrew Wills (Group Chief Financial Officer)	2011	185,000	549,672	28.10.12
	2010	185,000	366,450	28.10.12
Total	**2011**	**185,000**	**3,450,726**	
Total	**2010**	**185,000**	**2,300,492**	

1 Including share and option holdings of closely linked parties.

2 The members of the Senior Management hold vested options which were granted to them 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 during the following 90 days. The options held by Johannes A. de Gier include options granted to him in his role as Chairman of the Board of Directors of GAM Holding AG.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND DISTRIBUTION PAYMENT

	2011 CHF M	2010 CHF M
Retained earnings		
Balance brought forward	146.4	-
Profit/(loss) for the year	88.2	146.4
Retained earnings available for appropriation	**234.6**	**146.4**
Allocation to other reserve	-234.6	-
Balance to be carried forward	**-**	**146.4**
Distribution to the shareholders out of capital contribution reserve[1]	**88.5**	**94.1**

[1] The distribution total of CHF 88.5 million corresponds to a distribution of CHF 0.5 per registered share (excluding 19,235,910 treasury shares held by the Company as at 31 December 2011).

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

- Distribution of CHF 0.50 per registered share (excluding treasury shares held by the Company) out of capital contribution reserve;
- Allocation of retained earnings of CHF 234.6 million to other reserve.

If the Board of Directors' proposal for the appropriation of retained earnings and distribution payment is approved, the distribution for the 2011 financial year will be paid on 25 April 2012, in accordance with payment instructions, and as this distribution is paid from capital previously contributed there will be no deduction of Swiss federal withholding tax of 35%.

The Board of Directors

Zurich, 5 March 2012

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

GAM Holding AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of GAM Holding AG, which comprise the balance sheet, income statement and notes (pages 138 to 148) for the year ended 31 December 2011.

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 2011 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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

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

Zurich, 5 March 2012

'FORWARD-LOOKING STATEMENTS'

This Annual Report contains statements that constitute 'forward-looking statements', including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company's future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. The Company has tried to identify those forward-looking statements by using words such as 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'predict' and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. These risks and uncertainties facing the Company, which could affect the future accuracy of these forward-looking statements include, but are not limited to, the effects of, and changes in, fiscal, monetary and tax policies; currency fluctuations; the effect of the current economic environment on the financial position or creditworthiness of the Company's clients and counterparties; the Company's ability to retain and attract the employees that are necessary to generate revenues and to manage its businesses effectively; possible political, legal and regulatory developments, including the effect of more stringent capital and liquidity requirements; changes in accounting standards or policies; limitations on the effectiveness of the Company's internal risk management processes, including the occurrence of operational failures; political and social developments, including war, civil unrest or terrorist activity; the adverse resolution of litigation and other contingencies; and changes in the size, capabilities and effectiveness of the Company's competitors. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company's expectations.

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FURTHER INFORMATION

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

www.gamholding.com

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

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